

Wenham Overview

The Wenham Finance Committee is pleased to share the following highlights of our Fiscal 2011 budget proposal along with charts and schedules depicting relevant historical financial comparisons.

In summary, the total FY 11 operating budget, excluding the water department for which separate bills are issued, will increase by 2.4%, consisting of a 1.79% increase in the tax rate, a reduction of 1.3% in other revenue sources, a 3.95% increase in contribution to the School District and an increase of 0.84% in all other expenses. This year we again managed to avoid requesting an Operating Override for our Town departments, however we will be recommending a debt exclusion capital override of \$145,000.

This year was another very challenging budget process. The budgets for the town departments have been severely reduced in recent years, and these low levels continue in this recommended budget. Revenues, which fell from FY 2009 to FY 2010, are expected to further decline in FY 2011, with an estimated reduction of \$20,045 in State Cherry Sheet income and estimated reduction of "Local Receipts" of \$62,464. In addition, our Levy Limit expense growth was further constrained by the decline in our New Growth amount which was reduced from \$46,828 this year to an estimated \$40,000 next year.

The bottom line effect of all of the above recommended expenditure requests revenue projections is an increase of about 28 cents or 1.79% in the tax rate. We hope that you will take the time to read and understand the financial information contained herein as well as the financial information that we will share with you in our Wenham 2011 Town Warrant book. We also hope that you will attend and participate in our upcoming Warrant Hearing on Monday, April 26th and of course, our annual Town Meeting on Saturday, May 1st.

FY11 BUDGET

Proposed Budget

	FY'10	FY'11
TOWN SALARIES & WAGES	\$ 2,834,851	\$ 2,859,186
TOWN EXPENSES & WTR CAPITAL	3,255,941	3,153,024
TOWN DEBT	672,987	657,950
TOWN WARRANT ARTICLES	64,500	0
MISC EXPENDITURES	968,432	741,985
(TOWN REVENUE: STATE/LOCAL)	(3,479,211)	(3,151,532)
NET TOWN EXPENDITURES	\$ 4,317,500	\$ 4,260,595
WENHAM SHARE SCHOOL NET EXPENSE	\$ 7,260,009	\$ 7,546,469
WENHAM SHARE SCHOOL DEBT SERVICE	372,283	342,917
NORTH SHORE VOC/TECH SCHOOL	35,313	50,223
TOTAL TAX TO BE RAISED	\$11,985,105	\$12,200,222

Comparison of Levy to Median Assessed Value & Tax Bill

Fiscal Year	Tax Levy	Median Assessed Value	Median Tax Bill
2011*	12,200,222	503,750	7,979
2010	11,995,547	503,750	7,838
2009	11,712,231	551,850	7,567
2008	10,781,613	544,200	7,031
2007	9,686,667	546,700	6,380
2006	9,161,807	543,900	6,092
2005	8,874,077	502,700	5,987

*Proposed Tax Levy using FY10 Assessed Value

THE PROCESS

How the Budget is Produced

- Board of Selectmen and Finance and Advisory Committee release a joint budget message and set timeline

- Departments/Boards submit budget requests

- Board of Selectmen reviews budget requests, meets with departments/boards, and makes recommendations to the Finance and Advisory Committee

- The Finance and Advisory Committee meet together with representatives of the large departments/boards to hear presentations of their budget requests. The Finance and Advisory Committee reviews budgets and Board of Selectmen's recommendations. The Committee meets jointly with the Hamilton Finance Committee to review the budget requests of the Regional School District and the town's joint programs.

- Finance and Advisory Committee analyzes revenue forecasts, capital plans and other relevant information.

- Finance and Advisory committee makes cuts and other adjustments in order to balance the budget within the levy limit

- The Committee makes recommendations to Town Meeting for the annual operating budget (Article 2) and override articles.

FY10 Budget Challenges

- Enrollment Shift in the HWRSD
(0.44% increased enrollment to Wenham = \$104,435.46 in FY 2011)

- Local Receipts Decreasing
(Loss in Motor Vehicle Excise, Investment Income & Permit Income)

- Reduced State Aid

- Unfunded Mandates
(Quinn Bill or Educational Stipend for Police and EPA Storm Water Regulations)

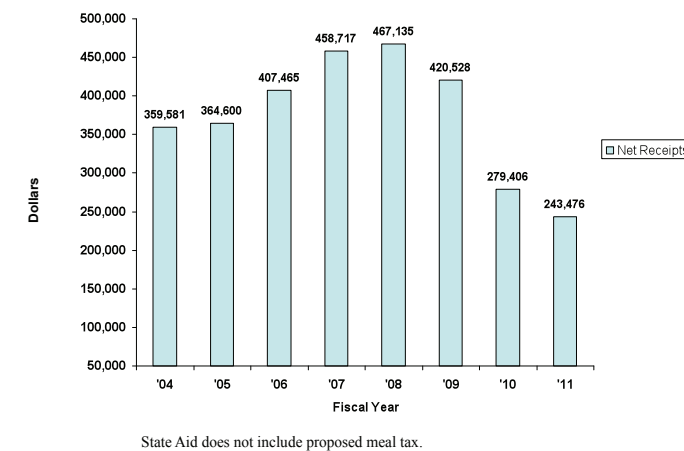
- Limited New Growth – Increases in value from new building.
(new growth = increase in tax levy)

KEY NUMBERS

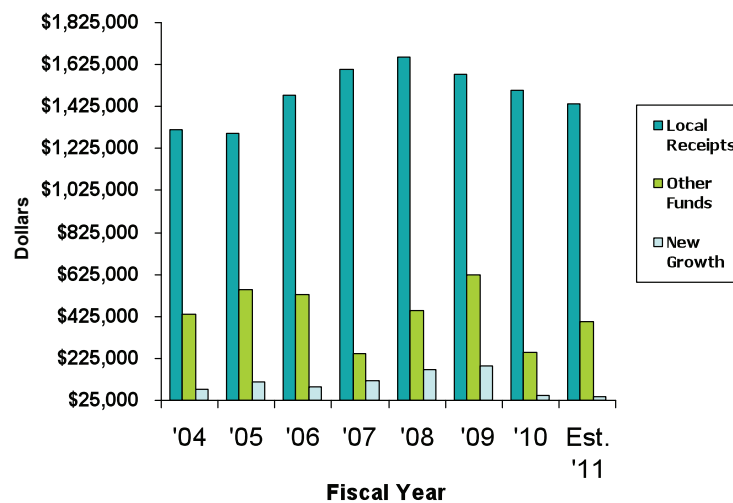
Regional Services Apportionment Adjustments for FY2011

Regional School District		All others (Joint Recreation, ECO, and Joint Library)	
FY2011	Wenham: 32.68% Hamilton: 67.32%	FY2011	Wenham: 36.40% Hamilton: 63.60%
FY2010	Wenham: 32.24% Hamilton: 67.76%	FY2010	Wenham: 36.29% Hamilton: 63.71%
Increase of .44% (Effect on Wenham) - Apportionment based upon enrollment		Increase of .11% (Effect on Wenham) - Apportionment based on property valuation of preceding 3 years	
COA Van			
FY2011	Wenham: 55.92% Hamilton: 44.08% - based on rider ship from calendar year 2007, 2008 & 2009	FY2010	Wenham: 55.34% Hamilton: 44.66% - based on rider ship from calendar year 2006, 2007 & 2008

Wenham State Aid (Cherry Sheet)



Wenham's Other Revenue Sources

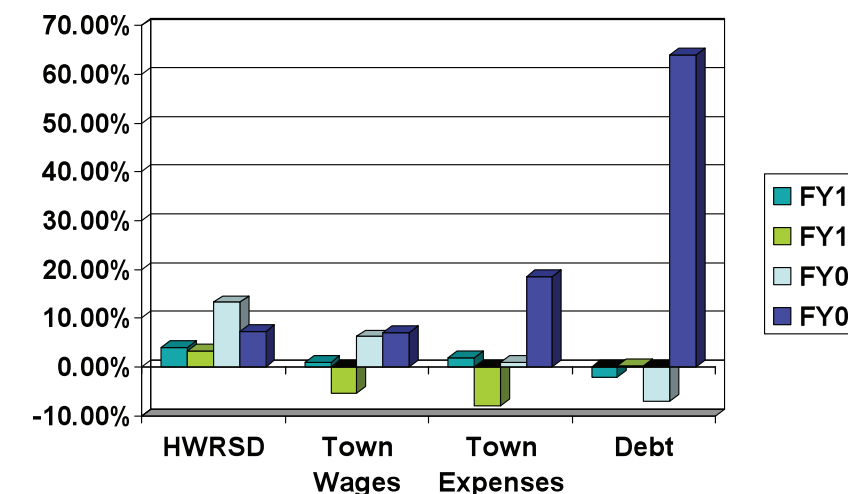


Capital Expenditures in FY10

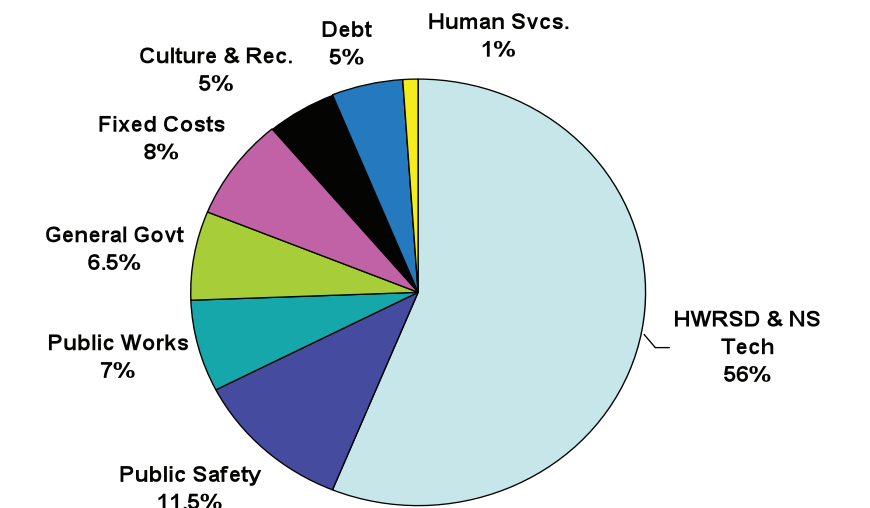
Department	Capital Item	Value
Police	New Cruiser & Radio	\$33,000
Fire	Breathing Apparatus	\$10,500
Fire	Garage Door Opener to ECO	\$ 5,400
Water	Hydrant & Meter	\$11,000
Replacements (all Water Dept. Items cover by water rates)		
Highway	DPW 1 ton Truck, Sander, & Plow	\$145,000*

* Debt Exclusion Override article

BUDGET CHANGES Year over Year



Distribution of Wenham FY2011 Expenses (Excluding Water Dept.)



Annual Warrant Highlights

Financial Actions	HWRSD Regional Agreement Changes
Town and School budgets \$14,170,711	HWRSD Stabilization Fund
Water Department budget \$439,058	HWRSD Operational Audit (Citizen Petition)
Chapter 90 Approval \$117,977	ESCo Bonding
CPA Appropriations	OPEB Stabilization Fund
Debt Exclusion Capital Override \$145,000	Liquor License Amendment
Cemetery Perpetual Care Transfers	Zoning & By-Law Amendments

**Come to Town Meeting
Saturday, May 1, 2010
at 1:00 p.m.
Buker Elementary School**

**Come out and vote
Thursday, May 20, 2010
7:00 a.m. - 8:00 p.m.
Buker Elementary School**

School District Overview

The School Committee approved a budget for FY 11 totaling \$27,455,383 which includes \$18,309,436 in salaries and \$9,145,947 in expenses and represents a 0.7% increase over FY 10. As part of this operating budget, the School Committee has dedicated \$147,000 to finance long-needed priority projects at each of the district schools and Center School Building. With the failure of the capital debt exclusion last year, money needed to be budgeted within the operational budget for a number of critical repairs that need immediate action. The identified projects are in response to (1) needs of our students and staff, and (2) the NEASC (New England Association of Secondary Schools and Colleges) evaluations of the high school.

It is important to keep in perspective that the budget is more than numbers; it is a shared vision of the programs and services we believe are necessary to provide a quality education to our 2,028 students. The FY 11 budget is a level services budget. This low percentage increase does not add programs, allow us to tackle many of our strategic initiatives, and it does not include wage settlements. We pledge to do our best to fulfill our mission while working to balance the needs of our students, the needs of our communities, and the local mandate for continuous improvement with the fiscal reality of our towns during the most difficult financial environment in recent history.

THE PROCESS

Vision and Mission-Driven District

"The future depends on what we do in the present." Mahatma Gandhi

HWRSD Vision

An uncommon bond of respect, collaboration, and collective purpose characterizes the Hamilton-Wenham Regional School District. Student success in the District is grounded in shared responsibility of the family, the school district, and the communities. The District is committed to the children and communities it serves through its focus on academic achievement and education of the whole child through best practices.

HWRSD Mission

The citizens of Hamilton and Wenham established the Hamilton-Wenham Regional School District to educate their children. The communities' expectations for this district are broadly defined by the following statement of its educational mission:

Educate our children to become knowledgeable, healthy, responsible, and productive adults.

From the HWRSD School Committee...

- The School Committee's goal is to maintain a comprehensive PK-12 program. This is the context in which we make decisions; services need to be delivered equitably at every grade level.
- We are responsible for school programs as well as school buildings.
- The sources of revenue are still not final. We are required by our regional agreement to vote the budget by March 31.
- These are extraordinary times that require us to develop a sustainable program beyond the current year. We need the community to come together to support the District.
- Our top 4 challenges are:
 - Providing effective education for all students
 - Meeting local, state, and federal revenue challenges
 - Meeting collective bargaining & fixed costs obligations
 - Funding required special education services

FY 11 Budget Challenges

- State Aid: Chapter 70 Funding**
 - Over the past several years, Chapter 70 funding has declined significantly from 19.3% in FY 01 to 11% in FY 11.
- State Aid: Regional Transportation**
 - Underfunded mandate: the law requires 100% funding for regional school districts while the actual annual appropriation has been between 40% and 60%.
- Maintaining level services**
 - Our inability to maintain level services impacts the district's ability to provide a 21st century education for all students
 - Annual staff reductions result in high staff turnover and phasing out or elimination of key instructional programs. There have been 111.5 FTE reductions since 2002.
 - Inability to support five-year curriculum renewal plan to ensure compliance with MA Curriculum Frameworks, MCAS, and instructional technology
- Special Education**
 - Funding required special education services

KEY NUMBERS

FY 11 Projected Non-Town Revenue

Non-Town Revenue Summary	FY 10 Revenue	FY 11 Estimated Revenue	Dollar Increase (Decrease)	Percentage Increase (Decrease)
State Aid: Chapter 70	\$3,436,056	\$3,298,036	(\$137,418)	(-4.00%)
State Aid: Reg. Transportation	\$344,835	\$274,860	(\$69,975)	(-20.3%)
State Aid: School Choice	\$609,229	\$589,000	(\$20,229)	(-3.3%)
Special Needs Tuition	\$54,600	\$30,200	(\$24,400)	(-44.7%)
Circuit Breaker	\$132,000	\$0	\$0	0.0%
Medicaid	\$40,000	\$36,000	(\$4,000)	(-10.0%)
Interest Income	\$30,000	\$40,000	\$10,000	33.3%
Parking Fees	\$25,000	\$25,000	\$0	0.0%
Rental Income	\$4,000	\$4,000	\$0	0.0%
Other Income	\$0	\$10,000	\$10,000	100.0%
Total Revenue	\$4,675,720	\$4,307,096	(\$236,022)	(-5.2%)

03.31.10 - Updated revenue assumptions - FY 11 State Aid: Chapter 70 with a 4% decrease
 02.03.10 - Updated revenue assumptions
 01.27.10 - FY 10 State Aid: Regional Transportation - Governors' House 1 Estimate with 10% decrease
 11.05.09 - School Committee approved FY 11 Revenue Assumptions

As of March 31, 2010

FY 11 Town Appropriations under the levy limit

Revenue Source	FY 10 Appropriation	FY 11 Appropriation	\$ Change	% Change
Hamilton	\$15,323,686	\$15,601,818	\$278,132	1.82 %
Wenham	\$ 7,260,009	\$7,546,469	\$286,460	3.95 %
Total	\$22,583,695	\$23,148,287	\$564,592	2.50%

As conveyed by the Towns' on April 8, 2010

FY11 BUDGET

FY 11 School Committee Approved Budget

Salaries	\$18,309,436
- Instructional - Regular Education & Special Education	
- Administrative	
- Clerical	
- Custodial & Maintenance	
- Athletics & Extracurricular	
Expenses	\$ 9,145,947
- Health Services	
- Maintenance	
- Legal	
- Technology	
- Pensions & Taxes	
- Contracted Services (SPED)	
- Transportation (Regular & Special Education)	
- Instructional Supplies	
- Utilities	
- Central Office	
- Insurance	
- Professional development	
- SPED Out-of-District Tuition	
Total Request	\$27,455,383
\$ Increase	\$195,968
% Increase	0.7%

April 8, 2010

FY 11 HW School Committee Approved Budget ^{1/2}

Category	FY 10 Budget	FY11 Budget	\$ Change	% Change
Admin. Salaries/Expenses	\$1,172,070	\$1,141,466	-\$30,604	-2.6%
Clerical Salaries	\$749,151	\$775,966	\$26,815	3.6%
Instructional Salaries	\$10,018,520	\$10,211,901	\$193,381	1.9%
Intramural & Extra-Curric Salaries	\$144,864	\$154,360	\$9,496	6.6%
Custodial & Maintenance Salaries	\$663,800	\$659,027	-\$4,773	-0.7%
Health Services	\$253,701	\$248,065	-\$5,636	-2.2%
Instructional Expenses	\$584,718	\$719,212	\$134,494	23.0%
Maintenance Expenses	\$578,210	\$644,515	\$66,305	11.5%
SPED Instructional Salaries	\$4,666,747	\$4,793,790	\$127,043	2.7%
SPED Contracted Services	\$455,833	\$329,125	-\$126,708	-27.8%
SPED Transportation	\$388,822	\$282,796	-\$106,026	-27.3%
SPED Tuition Out-of-District	\$1,135,954	\$1,231,583	\$95,629	8.4%

April 8, 2010

FY 11 HW School Committee Approved Budget ^{2/2}

Category	FY 10 Budget	FY11 Budget	\$ Change	% Change
Utility Expenses	\$947,586	\$626,411	-\$321,175	-33.9%
Legal Expenses	\$133,000	\$116,500	-\$16,500	-12.4%
School Committee Expenses	\$37,015	\$40,029	\$3,014	8.1%
Central Office Expenses	\$214,121	\$205,604	-\$8,517	-4.0%
Technology Expenses	\$317,090	\$350,096	\$33,006	10.4%
Staff Professional Development	\$240,065	\$246,619	\$6,554	2.7%
Insurance Expenses	\$2,956,191	\$3,042,989	\$86,798	2.9%
Pension & Taxes	\$848,170	\$881,605	\$33,435	3.9%
Transportation-Regular Ed	\$645,764	\$636,000	-\$9,764	-1.5%
Salaries Other	\$108,023	\$117,725	\$9,702	9.0%
Total Gross Budget	\$27,259,415	\$27,455,383	\$195,968	0.7%

April 8, 2010

FY 11 Priority Maintenance Projects - \$147,000

▪ Buker	\$47,500
▪ Cutler	\$22,300
▪ Winthrop	\$ 4,000
▪ Miles River	\$15,900
▪ High School	\$19,800
▪ District	\$37,500

April 8, 2010

Warrant Article: HWRSD Stabilization Fund

- What is a stabilization fund and how can it be used?
 - MGL Chapter 71, Section 16G 1/2 allows a regional school district to establish a stabilization fund for any purpose for which a regional school district may borrow money. MGL Chapter 71, Section 16(d) provides the definition for the types of appropriations permitted from the stabilization fund which include: acquiring land, school construction and reconstruction, extraordinary repairs to school building(s), construction of sewerage systems, sewerage treatment and disposal systems, purchasing equipment, construction, reconstruction and improvements to outdoor playground, athletic or recreational facilities, constructing, reconstructing, or resurfacing roadways and parking lots.
 - The fund CAN NOT be used for operating expenses.
- Why establish a stabilization fund for HWRSD?
 - To create a protected reserve account for funding future capital expenditures.
 - To allow the district to build up the reserve at year end with budget savings from already appropriated funds.
 - To create a vehicle by which the district can pay for some capital and maintenance items without incurring and requesting a debt exclusion.

For more information regarding the establishment of a stabilization fund, please log on to www.hwschools.net. Click on the link entitled "School Committee" and then click on the link entitled "Stabilization Fund" or refer to the Appendices of your town warrant.

Warrant Article: Amendment to the HW Regional Agreement

The HW Regional School Committee has voted and recommends approval of the changes to the Regional Agreement. Several of the changes are recommended to update the Agreement to:

- Comport with MA General Laws (transportation, debt approval from 2/3's to majority approval)
- Update the section on committee organization to reflect the current structure relative to the treasurer and secretary positions. (Treasurer and secretary positions need not be a member of the school committee)
- Update language to reflect current status of the district (i.e., Pre-kindergarten - Grade 12; name of building from "Center Junior High School" to "Center School Building", Department of Elementary and Secondary Education, etc.)

For the full text of the changes, please log on to www.hwschools.net and click on "School Committee", then click on the link entitled "Recommended Changes: Regional Agreement" or refer to the Appendices of your town warrant.

Hamilton Overview

As Hamilton welcomes its new Town Manager and prepares to seat two additional members on the Board of Selectmen, the Town is wrestling with economic conditions which require continued austerity to achieve a balanced FY'11 Budget utilizing less than the allowable Levy Limit. The gross budget shows an increase of less than 1.6%, including stand-alone Warrant articles.

The revenue side of the equation will be constrained again this year by anticipated reductions in State aid and local receipts. New real estate construction, which adds to the tax base and levy capacity, is expected to generate only \$90,000 in FY'11. There will not be enough Free Cash, the difference between prior year budgeted revenue and expenses, to apply as a revenue source to lower the tax rate.

The total of the Town's wage, salary and operating expenses are budgeted to be only \$30,353 (0.5%) more than last year. Much of the incremental expense is directly related to the transition to a new form of Town government. This will be the second consecutive year of zero cost-of-living increases (COLA) for Town employees, and their cooperation is greatly appreciated.

The Town is working on ways to raise revenues and reduce costs. Examples include: examining the potential savings of a new medical insurance plan and converting to bi-weekly payroll for our Town employees; finding a commercial use for the former Hamilton landfill; using Community Preservation funds to pay for expenses which would otherwise be charged to the Town's operating budget; exploring additional Payments in Lieu of Taxes (PILOT) from tax-exempt landowners in Hamilton; lobbying the State Legislature to arrive at fairer distributions of aid for schools and municipalities; refinancing debt at lower interest rates; asking citizens to adopt the local option Meals Tax; and securing grants to help to defray operating expenses.

Especially important this year, we need your help in reading and understanding the financial information in this edition of The Connection and in the 2010 Annual Town Meeting Warrant book, which will be mailed to homes and posted on the Town website (www.hamiltonma.gov), and your attendance and participation at the Annual Town Meeting on Saturday, May 8, 2010 and by voting in the election on Thursday, May 20, 2010.

THE PROCESS

How the Budget is Produced

- Selectmen and Fin Com release a joint budget message and set timelines. For FY11, reductions in state aid and local receipts were the critical starting points
- Fin Com determines levy limit for coming fiscal year
- Departments/Boards submit budget requests and warrant article proposals
- Fin Com reviews budgets, meets with departments & boards and develops recommended budget proposal
- H-W Fin Coms meet jointly on the joint program budgets; Library, Emergency Center, Recreation, Elder Van & HWRSD
- FinCom analyzes revenue forecasts & allowable tax levy, determines if a budget gap exists (maximum allowable levy minus net expenditures)
- If a gap exists, FinCom works with Departments & Selectmen to make cuts and/or recommend an override to balance the budget
- Budget is submitted to Town Meeting and ballot votes

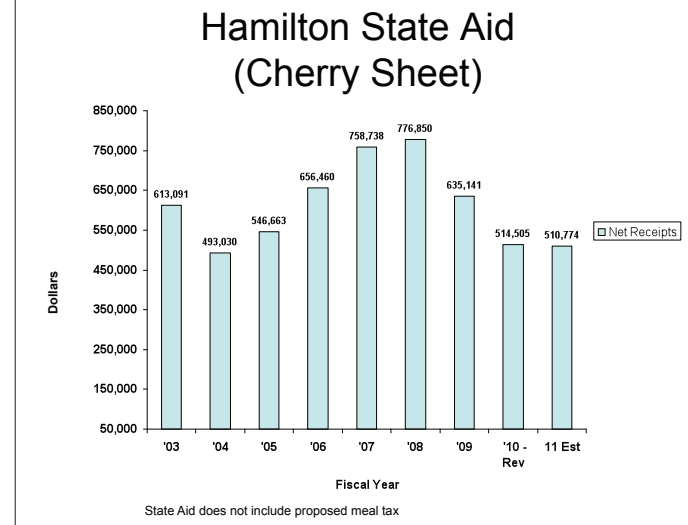
FY11 Budget Challenges

- Increasing Fixed Charges (Health Benefits, Property and Casualty Insurance, Retirement)
- Decrease in State Aid and local revenues creating a funding gap over prior year expense structures
- Decrease in new construction affecting tax base and levy capacity
- Maintain community service level with no increase in budget
- Unfunded State Mandates (Quinn Bill -Educational Stipends for Police, DEP-Ipswich River Regulations, EPA storm water rules, Prevailing Wage Law, Ch. 40-B affordable housing, Closed Landfill rules)

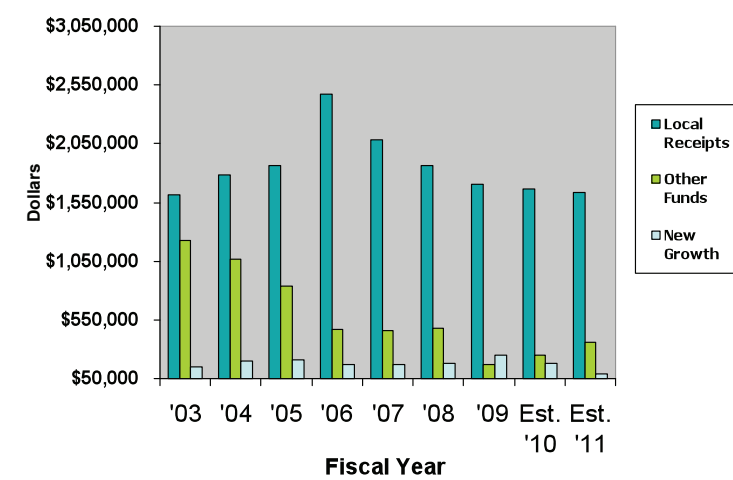
KEY NUMBERS

Regional Services Apportionment Adjustments for FY2011

Regional School District		All others (Joint Recreation, ECO, and Joint Library)	
FY2011	Wenham: 32.68% Hamilton: 67.32%	FY2011	Wenham: 36.40% Hamilton: 63.60%
FY2010	Wenham: 32.24% Hamilton: 67.76%	FY2010	Wenham: 36.29% Hamilton: 63.71%
Decrease of .44% (Effect on Hamilton) - Apportionment based upon enrollment		Decrease of .11% (Effect on Hamilton) - Apportionment based on property valuation	
COA Van			
FY2011	Wenham: 55.92% Hamilton: 44.08%		
- based on rider ship from calendar year 2007, 2008 & 2009			
FY2010	Wenham: 55.34% Hamilton: 44.66%		
- based on rider ship from calendar year 2006, 2007 & 2008			



Hamilton's Other Revenue Sources



Operating Equipment Expenditures

Fiscal Year	Purchase	Lease/Purchase
2011	\$256,000	\$ 82,495
2010	\$ 12,000	\$108,937
2009		\$ 69,000
2008	\$ 54,000	\$ 40,000
2007	\$135,000	\$ 40,000
2006	\$148,174	\$ 40,000

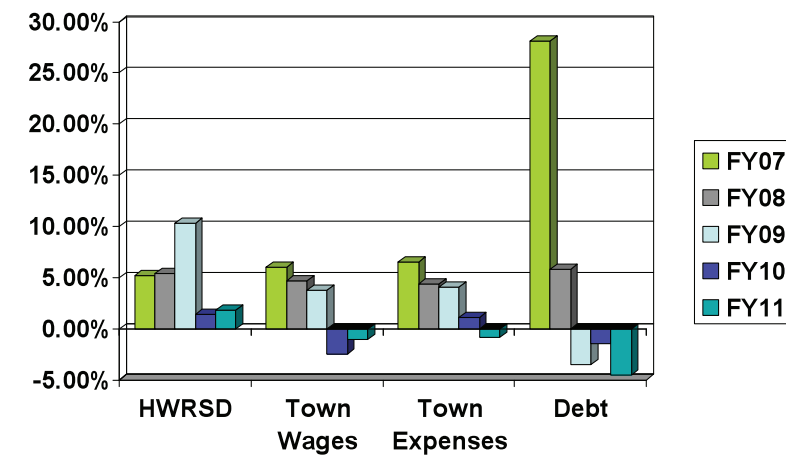
FY11 BUDGET

FY11 BUDGET

Proposed Budget

	FY'10	FY'11
TOWN SALARIES AND WAGES	\$ 3,657,863	\$ 3,560,743
TOWN CAPITAL AND OPERATING EXP	\$ 4,311,578	\$ 4,427,379
TOWN DEBT	\$ 856,382	\$ 971,884
TOWN ARTICLES		\$ 93,813
TOWN REVENUE: (STATE/LOCAL)	\$ (2,624,860)	\$ (2,722,016)
NET TOWN EXPENDITURES	\$ 6,200,963	\$ 6,297,990
HAMILTON SHARE SCHOOL NET EXPENSE	\$15,116,019	\$15,601,818
HAMILTON SHARE SCHOOL DEBT SERVICE	717,383	530,947
NORTH SHORE VOC/TECH SCHOOL	118,700	159,008
TOTAL TAX TO BE RAISED	\$22,360,732	\$22,623,577

BUDGET CHANGES Year over Year



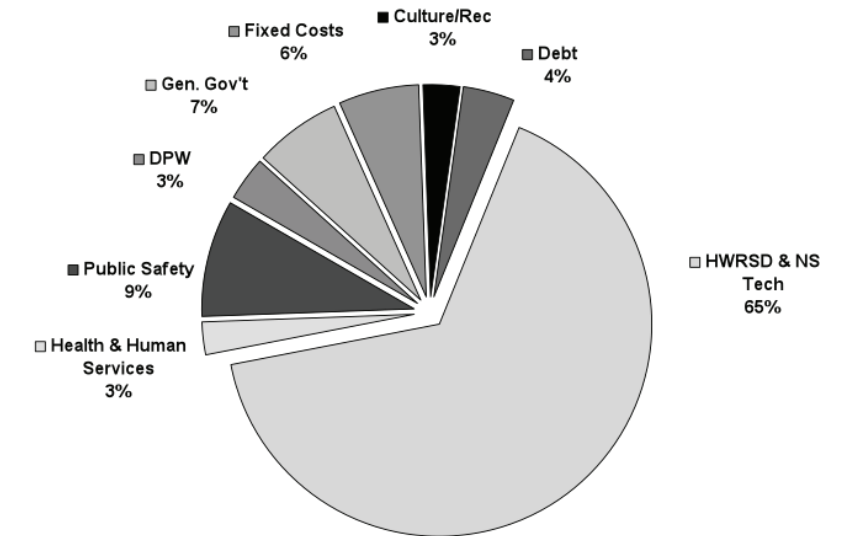
Warrant Highlights

- Financial Actions
 - Town and School budgets \$24,639,272
 - North Shore Technical High School \$159,008
 - Water Enterprise budget \$1,010,383
 - Waste Reduction Enterprise \$353,320
 - Community Preservation Budget \$477,901
 - Town Articles for Debt, Trust and Stabilization \$93,8130
- Planning/Zoning Actions
 - Streamline permitting process to reduce redundancy in Board reviews
- Town By-Law Amendments
 - Adopt MGL for Other Post Retirement Trust
 - Adopt MGL for Meals Tax
 - Finance and Advisory Committee Role Definition
- Other Actions
 - Establish Stabilization Funds
 - Amend HWRSD Agreement
 - Citizens Petition

Come to Town Meeting
Saturday, May 8, 2010
at 9:00 a.m.
HWRHS Auditorium

Come out and vote
Thursday, May 20, 2010
7:00 a.m. - 8:00 p.m.
Winthrop School

Distribution of Hamilton FY10 Expenses



Comparison of Levy to Median Assessed Value & Tax Bill

Fiscal Year	Tax Levy	Assessed Value	Property Tax Bill
2011*	\$22,623,577	\$403,300	\$6,630
2010	22,447,259	403,300	6,565
2009	21,889,263	427,700	6,514
2008	19,907,450	450,800	6,036
2007	18,735,982	435,700	5,481
2006	17,631,714	473,600	5,650
2005	16,575,371	414,200	5,186

*Proposed Tax Levy using FY10 Assessed Value

Town Meetings & Ballot Votes

WENHAM

- Saturday, May 1, 1:00 p.m. (Town Meeting/Buker)
- Thursday, May 20, 7:00 a.m.- 8:00 p.m. (Ballot Vote/Buker)

HAMILTON

- Saturday, May 8, 9:00 a.m. (Town Meeting/HWRHS)
- Thursday, May 20, 7:00 a.m.- 8:00 p.m. (Ballot Vote/Winthrop)

For More Information

To learn more about these budgets, you can find additional resources and information at the following sources:

- Hamilton and Wenham Town Halls
- Regional School District Office on School Street in Wenham
- Hamilton-Wenham Public Library
- Offices at each school
- School district website: www.hwschools.net
- Town websites: www.hamiltonma.gov and www.wenhamma.gov
- Coverage in the Hamilton Wenham Chronicle and Salem News
- Town warrant booklets are available from both towns and online

Note: Specific information about ballot questions can be found through these sources. That information cannot be included here because of laws governing the expenditure of public funds for public service information.

Municipal Finance Terminology

As both Towns and the Regional School District prepare for presentation of their FY11 budgets, it is a good opportunity to provide to the public information that will help to better understand how budgets are composed. This article is, therefore, designed to provide an outline of the terms commonly used during the discussion of town and school budgets. The terms and their definitions are as follows:

LEVEL SERVICE BUDGET

Level Service Budget is the estimated cost to deliver the same services from one year to the next. It includes all contractual increases and projected economic factors that affect these services. It is a useful planning tool in understanding the economic factors which affect the budget process.

CHERRY SHEET

This is the shorthand name for the local aid which towns and municipalities receive from the State. The aid is offset by any State or County charges which are assessed to communities. (An example would be assessments for membership in the Northeast Mosquito Control District.) The amount of Cherry Sheet funds are identified as part of the budgeting process and are distributed quarterly.

OVERLAY (ALLOWANCE FOR ABATEMENTS AND EXEMPTIONS)

This is a reserve account to fund anticipated property tax abatements and exemptions and uncollected taxes. The amount of the reserve is set by the Board of Assessors.

STABILIZATION FUNDS-TOWNS

The purpose of this fund is to accumulate funds for capital and other future spending purposes. While there is no specified amount required to be in the stabilization fund, an amount of 3-5% is considered to be optimal. Amounts from the stabilization fund can be appropriated by a 2/3 vote of Town Meeting for any lawful municipal purpose.

STABILIZATION FUND-REGIONAL SCHOOLS

A regional school district has the option of establishing a stabilization fund which is governed by MGL c. 71, §16G ½. A regional school district stabilization fund is governed differently from a town stabilization fund.

The school committee, boards of selectmen and/or town meetings approve funds to be expended from the stabilization fund. The stabilization fund is not certified by Department of Revenue. The District Treasurer is the custodian of the fund. The law restricts the use of the fund to "... any purpose for which a regional school district may borrow money". MGL c. 71, §16(d) provides the definition for the types of appropriations permitted from the stabilization fund which include: acquiring land, school construction and reconstruction, extraordinary repairs to school building(s), construction of sewerage systems, sewerage treatment and disposal systems, purchasing equipment, construction, reconstruction and improvements to outdoor playground, athletic or recreational facilities, constructing, reconstructing, or resurfacing roadways and parking lots.

By law, each year the school committee may not authorize an amount for deposit into the stabilization fund that exceeds 5% of the operating budget appropriated by the member towns in the preceding year.

By law, the aggregate amount in the stabilization fund can not exceed 5% of the combined equalized valuations of the member towns.

RESERVE FUND

This is an amount set aside annually within a town budget to pay for "extraordinary and unforeseen expenditures". The amount in the reserve fund may not exceed 5% of the prior year's tax levy. The fund is within the exclusive control of a town's Finance and Advisory Committee, although transfers are made in consultation with the Board of Selectmen. An example of such an extraordinary expenditure would be for unanticipated fuel increases.

FREE CASH

Free cash is a town's unrestricted available funds that may be used to fund any appropriation. Free cash results when either when revenue collections exceed budgeted estimates or actual expenditures are less than budgeted appropriations.

PROPOSITION 2 ½

Proposition 2 ½ is a State law enacted in 1980 which limits the amount which a community can raise through real and personal property taxes. There are two primary

limitations, the Levy Limit and the Levy Ceiling. A town has a Levy Limit which is the total amount which it is authorized to levy in real and personal property taxes as part of the permanent levy. This amount can be increased no more than 2 ½% + New Growth + an Override from one year to the next. There is a further limitation that a town may not levy in taxes more than 2 ½% of the total value of its real and personal property. This is the Levy Ceiling.

NEW GROWTH

New Growth consists primarily of increases to the tax base as a result of new construction or additions to personal property. It also includes exempt property which has returned to the tax rolls. It does not include any increase in property valuation due to revaluation.

OPERATIONAL OVERRIDE

An override is an increase in the Levy Limit in excess of 2 ½% + New Growth as described above. An Override requires a majority ballot vote for a specific dollar amount for a specific purpose. If passed, the amount of the Override becomes a permanent part of the Levy Limit, subject only to the Levy Ceiling.

DEBT EXCLUSION/CAPITAL OUTLAY EXPENDITURE EXCLUSION

These are votes, similar to an Override vote, to increase the Levy Limit either for the purpose of paying debt service for the length of the debt or for incurring capital costs during the year the project is undertaken. Unlike an Override, these increases do not become a permanent part of the Levy Limit. A Debt Exclusion is subject to the Levy Ceiling while a Capital Outlay Expenditure Exclusion is not. Like an Override, both require a majority ballot vote for a specific amount for a specific purpose.

ENTERPRISE FUND

An Enterprise Fund is an account for financing specific services where it is intended that the costs of providing the service will be recovered through user charges. An example is the Water Enterprise Fund.

LOCAL RECEIPTS

Local Receipts are locally generated revenues other than real and personal property taxes and enterprise fund revenues. Examples include motor vehicle excise taxes,

investment income, fines, fees, rentals and other charges for services.

CHAPTER 70

Chapter 70 funds account for the second largest source of revenue for the school district after local property taxes. Ch 70 aid has declined significantly over the past several years, from 19% of the gross budget in FY01 to 13% of the FY 09 gross budget.

CIRCUIT BREAKER

The "Circuit Breaker" law is designed to partially reimburse school district for high cost special education students. The law reimburses a portion of instructional and tuition costs for In District and Out of District students if the cost exceeds approximately \$32,000.

SCHOOL CHOICE

Under the school choice law, parents may send their children (selected through lottery) to schools other than those in their hometown. The state mandates the home school district transfer what amounts to a per pupil tuition of \$5,000 of its state aid to the district accepting the student. The home district must pay additional money for special education students.

EXCESS & DEFICIENCY FUND BALANCE

This fund (also known as the "E & D" or the "reserve fund balance") is the school's equivalent of the town's "free cash" (see above). The "E & D" fund must be certified annually by the Department of Revenue (DOR) prior to the school committee making expenditures. Once certified by DOR, the school committee can approve expenditures for "unanticipated expenses", i.e., special education, major maintenance and capital projects, shortfalls in state aid, regional transportation, etc. The school committee approves funds to be expended from the "E & D" by a vote of two-thirds. By law, the "E&D" can not exceed 5% of operating budget. Auditors recommend that a minimum of 3% of the operating budget should be in the "E & D" at all times.

For more information regarding town and school budgets, when budget presentation meetings are scheduled to occur, and eventually the budgets themselves, the public is encouraged to visit the town and school websites.

The Community Connection

TOWNS/SCHOOL BUDGET PROCESS COMMITTEE/APRIL, 2010/VOL. XI, NO. 5

School District & Municipal Budgets — 2010/2011

Understanding the Numbers

The Budget Process Committee continues the collaboration among Hamilton, Wenham and the Regional School District to produce The Community Connection. We hope that community members will find the budget information contained in The Connection useful as we go to town meetings to review and vote on town and school budgets.

Since 2003 the Budget Process Committee has worked to improve communication among town and school officials and boards and to communicate budget information effectively to voters. At the beginning of this year the committee undertook to revisit the original charge adopted when the committee was formed. A new charge was developed under which the committee has been looking at some substantive issues such as the allocation formula under the regional agreement. We will continue to look at issues and improve how budget information is produced and presented.

This is a time of great ferment in the towns and the district. Hamilton is making significant changes to its form of government. The Blue Ribbon Committee submitted its report and there is ongoing follow up work with respect to the school district. The towns and schools continue to explore ways to more efficiently deliver services through joint programs and otherwise.

For a various reasons there will be unprecedented turnover on the committee in the next few weeks. Some have been on the committee since it began and all have made significant contributions to the work of the committee. Best wishes to them in their future endeavors.

To get additional information on the budgets, please attend the joint budget forum Thursday, April 29 at 7:00 p.m. at the Buker School. Plan to attend your town meeting and vote in your town election.

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Town School Budget Process Committee

	Hamilton	Wenham
<i>Selectmen</i>	Bill Bowler	Larry Swartz
<i>Finance Committee</i>	John McWane	Roger Kuebel
<i>Town Administrators</i>	Candace Wheeler	Jeff Chelgren
<i>Finance Directors</i>	Deborah Nippes-Mena	Sarah Johnson
<i>Community Members</i>	George Lamontagne	Deborah Evans

Regional School District Members

Alexa McCloughan - Committee
Marinel McGrath - Superintendent
Paul Szymanski - Assistant Superintendent

For More Information:
Hamilton – www.hamiltonma.gov
Wenham – www.wenhamma.gov
HWRSC – www.hwschools.net

