Joseph Markarian, Jr.

To: Tim Logan

From: Joe Markarian

Re: Revenue & Expenditure Projections
as part of a Town Master Plan

Date: August 11, 2017

As we touched on when we last met, the municipal master plans that I have seen and been involved with, in the first instance, delve into residents' vision of what they want their community to look like. The focus is on quality of life type issues. To be more specific, I searched online ("Municipal Master Plan Massachusetts") and took a quick look at Master Plans for a number of Massachusetts towns.

While there are variations, the plans consistently explored peoples' vision of: local land use, regional planning, housing, open space, facilities, natural resources, economic development, etc. Demographics and other statistics are often cited to provide context. All address an implementation plan. I did not seen examples where revenue and expenditure projections were incorporated into a Master Plan.

That said, towns should and for the most partdo complete short and long-term budget projections, but they are usually a step in the annual budget process. Still, once a town has its master plan "vision", how that vision will be funded is a legitimate question. And, I can see where stabilizing tax bills might be an objective of a master plan. However, I expect it is understood that a desire to fund the cost of implementing a master plan "vision" and, at the same time, to hold down tax bills gives rise to an immediate conflict.

As part of the Community Compact Project, I will be working with the Town Administrator and Finance Committee on long-term revenue and expenditure projections. The critical decision points specific to future tax bill impacts are as follows:

1) Deciding on New Growth estimates for future years.
2) Accounting for debt service associated with Debt Exclusions.
3) Establishing the levy percentage (what percentage of the town's Levy Limit will actually be raised in property taxes.
4) Projecting the town's total assessed value into future years. This is necessary in calculating the future impact on tax rates.
5) Projecting the the average single family assessed value is also useful.

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Revenue projection scenarios are also influenced by decisions on annual Local Receipt estimates, State Aid estimates and how Free Cash will be used.

Projecting expenditures requires a comprehensive budget line-item analysis and judgement calls as to future appropriation levels.

The general rule is to be conservative on both the expenditure and revenue side of the budget. Generating realistic projections also requires looking at past trends and determining how those trends might continue into subsequent years. The possible impact of future known fiscal events or changes in other circumstances should be incorporated as well. Each year, projections should be updated to reflect the town's, just ending, actual financial activity, which in turn may change prior assumptions about the future.

Ultimately, projections are not a certainty and do not reflect reality. They represent a goal progress toward which is measured at the completion of each fiscal year. Invariably, corresponding adjustments are to future year numbers.

Lastly, again as part of the Community Compact effort, I will provide the town with spreadsheets "calculators" that will allow what-if scenarios to be run by changing assumptions and variables.

Hope this is helpful. Please contact me with any questions.

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