



## June 3<sup>rd</sup> Override Vote Frequently Asked Questions

### **Proposition 2 1/2**

*What is an “Override”?*

An Override refers to a vote by the registered voters in town to override the tax increase limit set by Proposition 2 ½. On Monday, June 3, 2019, there will be a referendum to determine if the total tax levy limit may be increased by \$5.95 million. If the override passes, the town, including Schools and General Government, will implement a plan to ensure that the budget will be stabilized for a period of at least five years.

<https://www.mass.gov/service-details/proposition-2-12-and-tax-rate-process>

*How does Proposition 2 ½ limit tax increases?*

Proposition 2 ½ is a state law that was enacted in 1980. It limits the total amount of property taxes that a city or town can assess each year. The levy limit or total tax amount a town is allowed to collect cannot increase by more than 2.5% per year, plus the impact of new growth, unless there is a vote to override this limit.

Individual tax bills are impacted by changes to the relative value of residential and commercial properties and localized changes in real estate values. However, if the town had no new construction in a given year AND all of the real estate in town increased in value by exactly the same amount, say 10%, then every property tax bill would increase by 2.5% the following year.

<https://www.mass.gov/files/documents/2017/09/08/levylimitsprimer.pdf>

*What is meant by “new growth”?*

New growth refers to new construction or other improvements that add to the tax base allowing for an increase in the total tax amount. If a new subdivision of houses is built in an empty field, the extra real estate value of those houses is added to amount that may be taxed (the levy limit). Also, if a piece of land is owned by a municipality or a non-profit is sold to a private owner or for-profit business, that property would then be subject to property tax and would count as new growth.

### **Details of an Override**

*What is the exact language of the ballot question?*

“Shall the Town of Norwood be allowed to assess an additional \$5,950,000 in real estate and personal property taxes for the purpose of operating Municipal Government (\$550,000), the School Department (\$4,700,000), and establishing a Stabilization Fund for Municipal Government and School Department operations (\$700,000) for the fiscal year beginning July 1, 2019?

\_\_\_\_\_ YES

\_\_\_\_\_ NO”

*What does the override get us? Where does the \$5.95 million go?*

In the first year, Fiscal Year 2020, the override money would be spent as follows:

\$3.2 million – eliminate deficit in school budget

\$1.5 million – restore and enhance school programs

\$700,000 – set aside in an override stabilization account

\$300,000 – increase budget for snow & ice

\$250,000 – increase budget for road work

More detail is available in this packet:

<http://www.norwoodma.gov/FY20%20Override%20packet.pdf>

*Will the override last 5 years?*

An override is a permanent increase in taxes. It would remain in place unless there was a subsequent underride vote.

The override has been recommended as part of a 5 year plan. The Town-Wide Budget Balancing Committee spent nearly a year studying the finances of the town. The committee wanted to make a recommendation for a long-term fix to the structural deficit that the town has been facing for years. The committee chose to make projections over a period of 5 years (FY20 – FY24). The \$5.95 million value of the override was set such that the deficit problem will be solved for a period of AT LEAST 5 years. The committee hopes to extend that period as long as possible.

The detail of the 5 year projections can be found in this packet:

[http://www.norwoodma.gov/document\\_center/Budget%20Balancing/2nd%20Pass%202019-1-28a.pdf](http://www.norwoodma.gov/document_center/Budget%20Balancing/2nd%20Pass%202019-1-28a.pdf)

*What is the pledge? (MOU) What does it mean?*

As part of the recommendation for an override, the three major boards in town government (Board of Selectmen, Finance Commission, and School Committee) agreed to a Memorandum of Understanding which serves as a pledge to the voters of Norwood.

The pledge limits the annual increase of the town budget, both general government and schools. It states that other revenue sources will be used before property taxes are increased. Most importantly, it includes a promise that the voters will not be asked for another operational override for at least 5 years. The full pledge can be viewed here: <http://www.norwoodma.gov/FY20%20Override%20packet.pdf>

*Many towns have had multiple overrides, will this happen in Norwood?*

Norwood has not had an operational override since Proposition 2 ½ was enacted in 1980. The Town-Wide Budget Balancing Committee has recommended an override at this time along with a 5-year plan to solve the structural deficit issue that the town has been facing. The pledge to the voters is a promise from the three major boards in town government that they will not ask for another operational override for at least five years.

*Would an override be a one-year fix?*

No. The Town-Wide Budget Balancing Committee has worked to project the budget over a 5 year period, and the Committee has made the recommendation for a \$5.95 million dollar override because this amount will be enough to meet the needs of the town for at least 5 years.

*Would the override impact all taxpayers?*

The override would increase the levy limit for property taxes. The Board of Selectmen has the authority to set the residential and commercial tax rates, but it is expected that both the residential and commercial rates would increase by similar amounts.

*How will the override stabilization account work?*

An override stabilization account is a tool that other communities have used to make sure that there is sufficient money to support the budget for a number of years without resorting to additional override votes. The override stabilization account is part of the 5-year plan that has been recommended by the Town-Wide Budget Balancing Committee.

In the first two years of the plan (FY20 and FY21), money would be deposited into the account. Because expenses are expected to slightly outpace revenue increases each year, in the final two years of the plan (FY23 and FY24), there is a projection for a small deficit. The money in the override stabilization account would be used to supplement the revenues and balance the budget.

### **Impact on Property Taxes**

*How much would my taxes increase for the 2019-2020 year?*

For the average residential tax bill, the increase would be \$389 for the FY20 tax year, in addition to the normal annual increase allowed by Proposition 2 ½. The actual increase for each homeowner is based on the assessment for the home.

Without the override, the Town's Tax Levy for FY2020 will be \$75,498,189 plus new growth. If passed, the override will add \$5,950,000 or 7.9% to the tax levy. Each year, whether we have an override or not the Town is allowed to increase the tax levy by new growth which is taxes assessed to those who are producing new homes, additions and expanded commercial facilities. In subsequent years, whether the override is successful or not, the Town is limited to raising the tax levy no more than 2.5% plus new growth. So, for the average home the additional impact of the override is approximately 7.9% higher than it would be without an override.

*How much would my taxes increase after 2020?*

After Fiscal Year 2020, annual increases would again be limited by Proposition 2 ½, but the override amount would be included in the new baseline.

*Would this impact both residential and commercial taxes?*

Yes, both residential and commercial taxes will increase. The Board of Selectmen sets the tax rates each fall, but the percentage increase in taxes for both residential and commercial taxes is expected to be roughly the same.

*How do taxes in Norwood compare to surrounding communities?*

The average residential tax bill in Norwood is lower than that in many neighboring communities.

**TOWN OF NORWOOD  
NORFOLK COUNTY AREA TOWNS  
AVERAGE ANNUAL TAX BILL**

Municipality	Year	Single Family Values	Single Family Parcels	Average Single Family Value	Single Family Tax Bill*
Wellesley	2019	9,721,651,000	7,301	1,331,551	15,406
Medfield	2019	2,320,287,900	3,524	658,424	11,766
Needham	2019	7,729,230,600	8,399	920,256	11,402
Westwood	2019	3,488,287,900	4,523	771,233	11,299
Sharon	2019	2,944,585,200	5,329	552,559	10,725
Milton	2019	5,121,153,500	7,174	713,849	9,409
Norfolk	2019	1,495,779,250	3,102	482,198	8,819
Walpole	2019	3,351,399,900	6,559	510,962	7,716
Millis	2019	869,482,500	2,211	393,253	7,354
Medway	2019	1,563,024,500	3,678	424,966	7,212
Dedham	2019	3,305,847,600	6,613	499,901	7,074
Canton	2019	2,934,609,400	5,425	540,942	6,708
Foxborough	2019	1,975,187,100	4,346	454,484	6,681
Wrentham	2019	1,620,083,158	3,513	461,168	6,512
Franklin	2019	3,424,692,100	7,722	443,498	6,502
Plainville	2019	752,946,600	1,983	379,701	5,684
Stoughton	2019	2,434,691,300	6,626	367,445	5,637
Randolph	2019	2,406,344,775	7,205	333,983	5,003
Braintree	2019	4,407,368,500	9,069	485,982	4,904
Weymouth	2019	5,085,090,630	13,395	379,626	4,601
Average	2019	3,347,587,171	5,885	555,299	8,021
Norwood	2019	2,647,081,200	5,847	452,725	4,930

Norwood Average Tax Bill is 61.5% of the average

**Section 7-8**

**Why is the town facing such a budget crunch?**

*How much do Town expenses increase each year?*

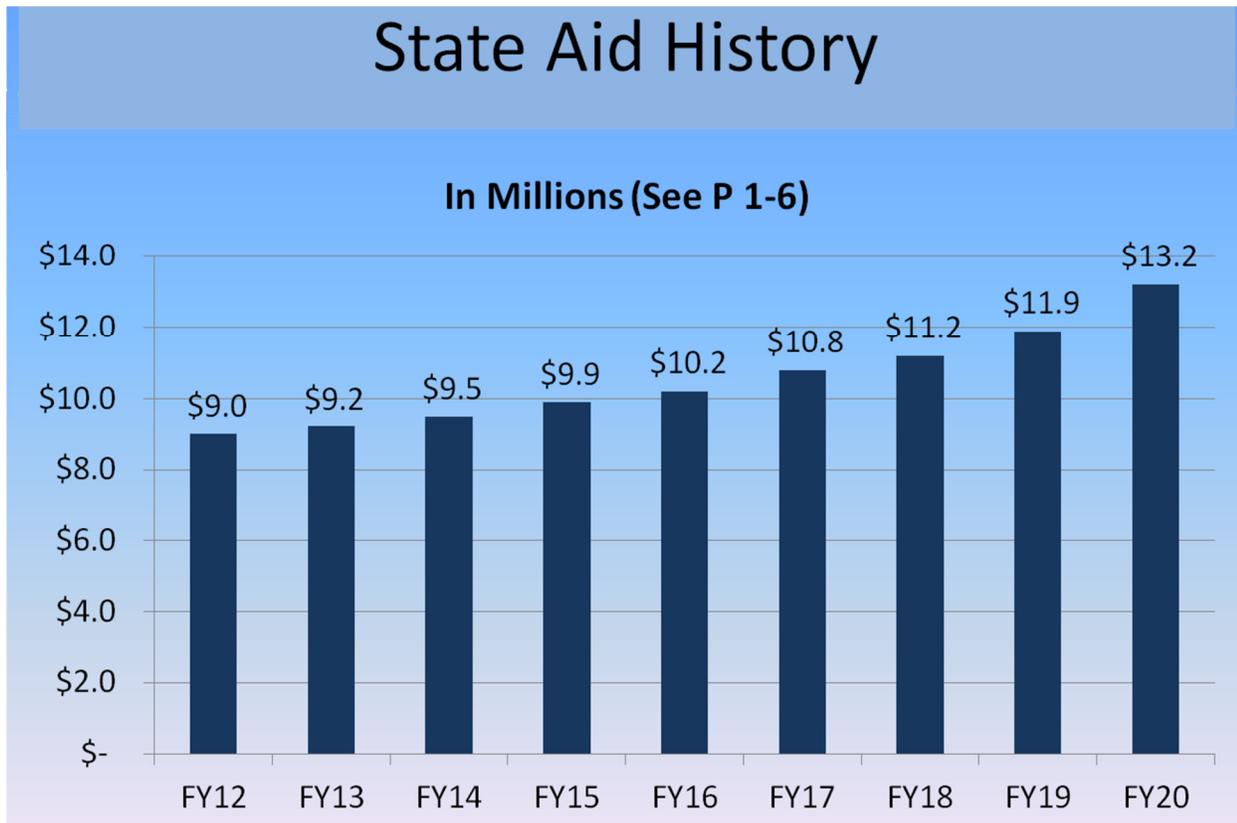
The Town-Wide Budget Balancing Committee has looked at the recent history the town budget and made projections for the next five years. General government and school operating budgets are expected to increase by 3.5% or less each year after FY20, but some categories of expenses are growing faster than that. Health insurance costs are projected to increase at rates up to 5% per year, and the town's costs for the retirement fund are expected to increase more than 9% per year.

*What is a structural deficit?*

A structural deficit occurs when expenses are increasing faster than revenues are. For the past several years, Norwood's expenses have been larger than incoming revenues. This deficit has been addressed each year with budget cuts and use of one-time sources of money. Without a significant increase in revenue, the town's structural deficit will only continue to get worse.

*What are the main factors in the town deficit?*

Property tax is one of the largest revenue streams available to the town, and increases in property tax are limited by Proposition 2 ½. Additionally, the funding that local communities receive from the state has not kept pace with costs. This graph shows the history of state aid from FY02 to FY19, the last year for which final numbers are available.



On the cost side of the equation, the town is faced with many unfunded mandates, particularly for education. The costs to educate students have been rising quickly. At the state level, the Foundation Budget Review Commission outlined the problem in a report in October 2015. Unfortunately, the state has not yet fully implemented the recommendations for increased funding.

<http://www.doe.mass.edu/bese/docs/fy2016/2016-04/item7.html>

Finally, health insurance and retirement costs generally increase each year at a rate higher than the increase in revenues.

*Why are our costs going up faster than the national inflation rate?*

National statistics such as the consumer price index are weighted heavily to the cost of food and other retail products. Of course, these averages also include data from all regions of the country, including those with very different costs of living. The costs of running the town are more driven by salary and health insurance costs in the greater Boston area.

*How much does health insurance cost the town?*

In FY20, Norwood expects to spend more than \$14 million on health insurance. The state requires that all municipal employees who work at least 20 hours per week be included in the town's health insurance program. Although the state allows towns to charge employees a percentage of the cost of

health insurance, the same benefit must be offered for all employees and there are limits to the percentage that may be charged to the employee

Several years ago, the Town of Norwood joined the state's health insurance program through the Group Insurance Commission (GIC). The GIC has saved the town money over the years (Approximately \$10 million over the last 8 years), but annual health insurance costs still have the potential to be a big driver in budget increases.

*The Town has faced budget problems before. What makes this year different?*

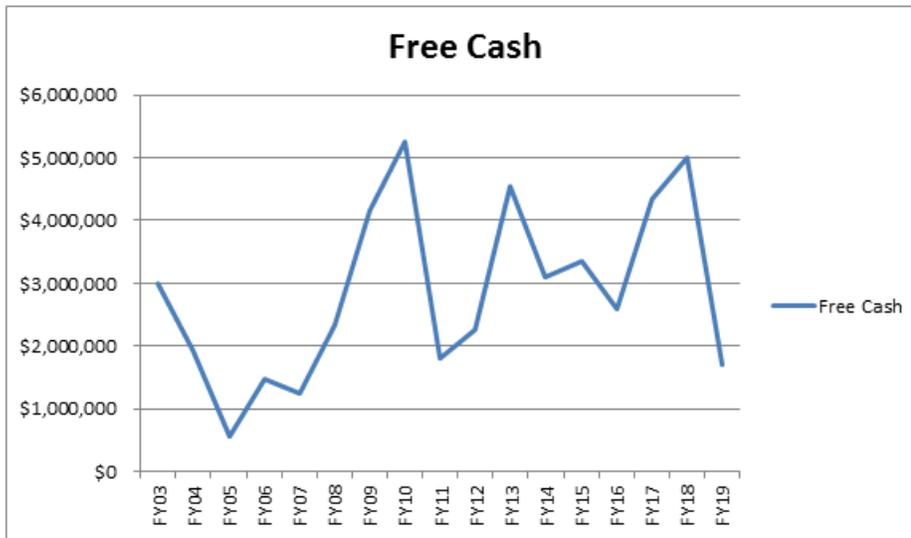
For FY20, the Town has seen significant increases in shared costs and very limited options for supplementing the budget with one-time money. Increases in fixed costs such as health insurance, retirement, and debt service are using virtually the entire increase in revenues. In fact, the money available for the school budget for FY20 is less than the FY19 budget for the schools. With costs going up annually, the only way to balance the budget is to make significant cuts.

*Can Free Cash be used to help the budget?*

"Free Cash" is the state's term for money leftover from previous fiscal years. There may be extra money because a department doesn't spend its entire budget or because revenues are slightly higher than anticipated. Each year, in the fall, the state certifies the amount of free cash from the previous year. In recent years, Norwood has been using more than \$1 million in free cash each year to supplement the operating budget for the next budget year. This year, the amount of free cash is significantly less than in recent years. Therefore, only roughly \$500,000 will be used in the operating budget. This is the money that the Finance Commission had earmarked for Forbes Hill expenses when the town purchased the Forbes Hill property.

It should be noted that the Town-Wide Budget Balancing Committee has recommended that the town discontinue use of free cash to supplement the operating budget. If free cash is available, best practice is to use that money for one-time expenses and small capital items. Over time, this should reduce dependence on borrowing and lower our debt service expenses.

Fiscal Year			
Fiscal Year	Free Cash	Fiscal Year	Free Cash
FY 2003	\$2,986,860	FY 2012	2,253,208
FY 2004	1,921,521	FY 2013	4,552,629
FY 2005	554,138	FY 2014	3,111,464
FY 2006	1,466,025	FY 2015	3,349,180
FY 2007	1,243,949	FY 2016	2,598,112
FY 2008	2,326,828	FY 2017	4,342,245
FY 2009	4,153,275	FY 2018	5,004,123
FY 2010	5,250,959	FY2019	1,694,781
FY 2011	1,796,894		



Overview - 9

### What other options have been considered section

*Will the re-assessment of properties increase the revenues the town collects?*

No. Proposition 2 ½ limits the total amount of taxes that can be collected, even if property values increase. If all properties in town doubled in value, the tax rate would need to be reduced by half. The total amount of the tax levy would not change.

Note that cities and towns are required to re-assess properties every ten years. This is unrelated to any budget deficits.

The only impact that the re-assessment would have on tax revenues is that some additional new growth may be found as part of this process. If there are new decks or other improvements that had not previously been reported to the town, that added value would be treated as new growth with respect to Proposition 2 ½.

*Could we borrow to solve this problem?*

No. Cities and towns are required to have balanced budgets and are not allowed to borrow money to support operational budgets.

*Could we dip into our reserves?*

Yes, but that would leave the Town in a very precarious financial situation. There is currently roughly \$5 million in our stabilization accounts. If the Town were to spend all of that to close the budget deficit next year, that would leave the town without a financial safety net.

The three major boards (Board of Selectmen, Finance Commission, and School Committee) have been working on updating the financial policies for the town. They have agreed to strive for a minimum balance of 5% of Non-Utility Budgets in our stabilization funds. In addition to providing for emergencies, healthy balances in our reserve accounts helps the Town to maintain, and possibly improve, our bond rating. A strong bond rating is important when the town needs to borrow money. Towns with the highest bond ratings pay the lowest interest rates on the money they borrow.

*Would a trash fee solve the problem?*

Trash collection costs the town approximately \$1.9 million a year. If the Town were to collect fees to cover this cost, it would certainly reduce, but not eliminate, the budget deficit.

A trash fee has been considered, but there are drawbacks to this approach. First, billing for this service would add additional costs to collect this money. Second, the burden of this fee would fall only on homeowners. Commercial properties and apartment complexes have their own trash removal services and do not use this town service.

Finally, trash fees would not be deductible from federal income taxes or subject to the various property tax exemptions that are available to low-income senior citizens.

*Did we consider all possible revenue sources?*

Yes. As has been stated the Town has very little ability to create revenue streams, the state greatly limits our ability in this area.

*What if more money comes in from the state?*

The Governor's Budget for FY20 included a significant increase in state aid for the Town of Norwood, particularly in the Chapter 70 money for education. This increase has already been included in the projections to determine the \$5.95 million figure for the override. See the detailed projections here: [http://www.norwoodma.gov/document\\_center/Budget%20Balancing/2nd%20Pass%202019-1-28a.pdf](http://www.norwoodma.gov/document_center/Budget%20Balancing/2nd%20Pass%202019-1-28a.pdf) The pledge (MOU) that has been signed by the three major boards also promises that additional revenues from other sources, such as state aid, will be used before the tax levy is increased. In other words, if state aid increases beyond the projected levels, local property tax increases would be reduced accordingly.

*Can we increase fees?*

The state sets limits on how much we can increase fees and what additional taxes (like meals taxes) we are able to assess. Fees must be reasonable to cover the cost of the service provided. For example, the Town could not charge \$100 to provide a copy of a birth certificate.

Recently, fees were increased in the Recreation Department and the Building Inspectors Office , but fees cannot be increased enough to eliminate the deficit.

*Why does the town need more money for roads?*

Norwood receives money from the state (Chapter 90) for road work and has been supplementing this money at low levels in recent years. However, with this current level of funding, the town repaves roughly 2.5% of our road miles each year. This means that roads would be replaced roughly every 40 years. However, roads are expected to last only 20-25 years. If we wish to maintain and perhaps improve the overall condition of our roads, we need to invest more each year in maintenance of this infrastructure.

*Why does the town need more money for snow & ice?*

Although the state allows cities and towns to deficit spend for snow & ice, Norwood has been averaging a deficit of over \$300,000 annually which is more than 50% of our budget allocation. Essentially, by budgeting low for snow & ice every year, the town is always counting on spending free cash the following spring. A more reasonable budget for snow & ice would allow Norwood more flexibility in how free cash is spent each year. This would allow for more money to be put toward capital projects rather than borrowing for small projects.

*What cuts would be expected in town services if new revenues are not available?*

Although the general government (Town Hall, Public Safety, DPW, Library, Rec Center, Senior Center, etc.) was able to balance the budget for FY20 without significant cuts, the 5-year projections anticipate that additional cuts would be required in the next few years if there is not a substantial increase in revenue. The General Manager has offered a list of suggested cuts for FY21 – FY24. Please see the list on the override information packet here:

<http://www.norwoodma.gov/FY20%20Override%20packet.pdf>

### **Impact on Schools section**

*How can I learn more about the impact of the override on the schools?*

The Budget Hearing Presentation from April 24, 2019 contains an overview of the impact of cuts without an override and the potential improvements with an override. You can find that presentation and more information here:

<https://www.norwood.k12.ma.us/sc/budget-information>

Additionally, detailed budget information can be found here:

<http://www.norwoodma.gov/FY20%20Override%20packet.pdf>

### **Affordability concerns section**

*Are there exemptions for senior citizens or other taxpayers who not be able to afford this increase?*

Yes. In short, there is the senior tax work off program, a low income elderly partial tax exemption, the senior citizen circuit breaker income tax rebate program, and several others. The Town recently adopted a senior citizen donation fund to assist seniors with taxes and in the fall will adopt a program to let individuals work for seniors who may be homebound or disabled and unable to participate in the senior tax work off program. Please contact the Norwood Senior Center for guidance with any of these programs.

*Will this impact rents for residents of public housing?*

No. Municipally owned properties are exempt from property taxes. There will be no rent increases due to the override for residents at any of the Norwood Housing Authority properties.

### **Voting questions section**

*When and where is the election?*

The election will be held on Monday, June 3, 2109. Polls are open from 7am to 8pm at the regular election locations throughout town.

To check your polling location, use this link:

[http://www.norwoodma.gov/departments/town\\_clerk\\_and\\_accountant/voting\\_and\\_elections/departments/town\\_clerk\\_and\\_accountant/voting.php](http://www.norwoodma.gov/departments/town_clerk_and_accountant/voting_and_elections/departments/town_clerk_and_accountant/voting.php)

*Who can vote on the override?*

All voters who are registered to vote in Norwood are eligible to vote.

To verify your registration, use this link:

[http://www.norwoodma.gov/departments/town\\_clerk\\_and\\_accountant/voting\\_and\\_elections/departments/town\\_clerk\\_and\\_accountant/voting.php](http://www.norwoodma.gov/departments/town_clerk_and_accountant/voting_and_elections/departments/town_clerk_and_accountant/voting.php)

*Are absentee ballots available?*

Yes, absentee ballots are available, but they must be requested by noon on Friday, May 31, 2019. For more information, use this link:

[http://www.norwoodma.gov/departments/town\\_clerk\\_and\\_accountant/voting\\_and\\_elections/absentee\\_ballots.php](http://www.norwoodma.gov/departments/town_clerk_and_accountant/voting_and_elections/absentee_ballots.php)

## **Middle School**

*Is it true that Norwood needs a new middle school?*

In 2017, the Town conducted a Long Range Building Study which evaluated the condition and use of each school building other than the high school. This study, conducted by Ai3 Architects, concluded that the Coakley Middle School is overcrowded, inefficient, and does not meet the educational needs of our students. Norwood filed a Statement of Interest with the Massachusetts School Building Authority (MSBA) to start the process of studying the feasibility of a new school within the MSBA program. On December 12, 2018, the MSBA voted to invite Norwood to participate in the eligibility period. This phase officially started May 1, 2019.

<https://www.norwood.k12.ma.us/sc/long-range-building-study>

*When will the town need to vote on a new middle school?*

The town will be asked to vote in the fall of 2019 for approximately \$1.5 million for a feasibility study and schematic design. That design work would be completed in 2020, so the town could be asked to vote for funds to build the school as early as spring of 2021. If each stage goes as quickly as possible, construction could start as early as spring of 2022, with completion of the project expected in time for the 2025-2026 school year. For the timeline, click on the link below.

<https://campussuite-storage.s3.amazonaws.com/prod/1213978/583ade96-581b-11e7-99ef-124f7febbf4a/1890293/9dc2f03e-2e39-11e9-b589-0a210c0ba55e/optimizations/1>

*How much would it cost the town to build a new middle school?*

It is expected that a new middle school would cost roughly \$80 - \$100 million dollars and we would expect that the state would reimburse the town for a significant percentage of that. If the town were to borrow \$50 million over 25 years, that would cost the average taxpayer roughly \$260 in the first year, decreasing by about \$5 per year for the 25 year life of the borrowing and disappearing after 25 years.

## **Misc. questions section**

*What is a bond rating? How does that impact the town?*

A bond rating is a credit rating, it determines the interest rate the Town pays when it borrows money for various projects. The stronger the bond rating the lower interest rate the Town pays (just like your own credit rating). The difference between our current rating and the top rating would mean several million dollars in savings for a project the size of the middle school; or if our credit rating were to drop the middle school project would cost several million dollars more than projected.

*What is the status of Forbes Hill?*

Forbes Hill is currently under agreement with hopes to close on the property soon. The cost of maintaining the property is being taken out of surplus for the upcoming fiscal year which gives the Town time to complete the sale process.