

## Finance Committee Glossary

1. **Article:** The topic to be considered and voted at Town Meeting.
2. **Assessment:** The Board of Assessors' judgment of the value of a property.
3. **Bond:** A means to raise money through the issuance of debt. The Town (borrower) promises in writing to repay a specified sum of money, alternately referred to as face value, par value or bond principal, to the buyer of the bond on a specified future date (maturity date), together with periodic interest at a specified rate. The term of a bond is always greater than one year.
4. **Capital Expenditure:** An expense for a tangible asset or project that costs at least \$20,000 and has a useful life of at least 5 years.
5. **Chapter 70:** The Chapter of Massachusetts law that governs the funding of the schools. The formula is designed to distribute state aid to help establish educational equity among municipal and regional school districts. It is also the name for the largest part of state funding to schools.
6. **Chapter 90:** The Chapter of Massachusetts law that governs the funding of roads and highway improvements. It is also the common name for the largest part of state funding to highways.
7. **Cherry Sheet:** State aid to the Town, so called as they used to be printed on red paper.
8. **Credit Rating:** The evaluation given by lenders indicating the Town's ability to repay a Loan or Bond. A good credit rating allows the Town to borrow at a lower interest rate.
9. **Free Cash:** Funds remaining from the operations of a previous fiscal year (June 30) which may be appropriated after they have been certified by the Massachusetts Department of Revenue. These include unspent appropriations and revenue collected in excess of estimates.
10. **Levy:** The revenue the Town can raise through real and personal property tax and motor vehicle excise taxes.
11. **Levy Limit:** The maximum tax amount the Town can levy in a given year. The limit can grow 2 1/2% of the prior year's levy limit plus new growth and any overrides.
12. **New growth:** The taxing capacity and thereby revenue added by new construction and other increases in the property tax base.
13. **Omnibus Budget:** The Town budget presented at Annual Town Meeting to authorize costs for Town expenditures in the upcoming fiscal year.
14. **Operating Expenses:** The budget for routine, recurring expenses during the fiscal year starting on July 1 through June 30. It includes all labor and expenses. Typical examples are Police and Fire Department salaries, the Town's assessment from the Pentucket Regional School District, road repairs, snow removal and the solid waste pickup (trash) contract.

15. **Override:** Proposition 2 ½ allows a Town to increase the Town's taxes greater than 2 ½% by one of 3 methods, if approved by the voters:
  - a. Capital Outlay Expenditure Override– allows override of Prop 2 ½, only for a one-time purchase.
  - b. Debt Exclusion Override–allows override of Prop 2 ½ only for the term of the debt repayment schedule.
  - c. General Override–increases the total tax beyond 2 ½% permanently.
16. **Pension Obligations:** Contributions to the Essex Regional Retirement Board and to the Other Post-Employment Benefits (OPEB) for eligible Town employees to pay for negotiated benefits.
17. **Pentucket Regional School District (PRSD) Assessment:** What the Town must pay to the PRSD each year for the schools. It includes:
  - a. Minimum contribution established by the Massachusetts Department of Education based on Town demographics, real estate values, and income.
  - b. Other Assessment. Remainder of operating budget of the PRSD, which is calculated based on the number of West Newbury pupils in the district.
  - c. Capital assessment is the district wide debt service on borrowing also apportioned based on the number of West Newbury pupils in the district and some Green Repair town specific debt and reimbursements.
18. **Proposition 2 ½:** The state law that limits the amount of increase in total real estate taxes, which the Town may assess, to a maximum of 2 ½% per year on existing properties. It does not include taxes that may be levied on new construction or additions (so called new growth).
19. **Raise and Appropriate:** Town Meeting authorization to expend a certain amount of money for a specific purpose by raising that amount of taxes to pay for that expenditure.
20. **Sources of Revenue:** Local receipts collected by the Town such as boat and auto excise tax taxes, fines and interest, real estate property taxes, state aid and grants.
21. **Stabilization Account:** A general or special purpose savings account deposited into at Town Meetings with a majority vote or withdrawn from at Town Meetings with a 2/3 vote. West Newbury uses this account to save for capital expenditures.