

Report of the Finance Committee

The Finance Committee is pleased to present our Report to Town Meeting. The report focuses primarily on our FY18 omnibus operating budget and capital plan recommendations. The Finance Committee seeks to balance the goals, desires, and limitations of a broad spectrum of residents in Wayland. Some residents demand more and better services from town government. Others struggle with the property tax obligations and other fees that the town government imposes. With the Finance Committee's recommendations, the Town tries to balance the demand for services against the cost of delivering those services. The Finance Committee seeks to gain efficiencies and cost savings and benefit from innovations in town operations, budgeting, and finances.

The Committee expressed its concern over several issues, including:

1. Expense increases are not sustainable without a significant increase in the tax rate.
2. Town has exhausted its ability to use free cash to fund operating expenses.
3. Town has continued to defer the hiring of additional fire and police personnel while the Schools are hiring 16 new positions.
4. The Capital Improvements Projects (CIPs) being requested over the next five years cannot be implemented without significant increases in the tax rate.
5. Current debt service and borrowings are at the top end of the desired range, while the Town is facing increasing capital requests and future significant increases in OPEB and pension payments.

Highlights (\$ in Millions)

Operating Expenses - \$77 <ul style="list-style-type: none">• 3.27% Increase over FY17• Town: 2.71%• School: 2.02%• Unclassified: 5.94%	Receipts - \$77.1 <ul style="list-style-type: none">• Property Tax: \$64.1• State Aid: \$5.2• Local Receipts: \$4.5• Overlay Surplus \$0.5• Other: \$2.40• Free Cash: \$0.5	Capital Expenses - \$2.9 <ul style="list-style-type: none">• DPW: \$1.2• Facilities: \$0.16• Fire: \$0.37• School: \$0.29• DPW Water: \$0.93
Cost Drivers - \$4.5 <ul style="list-style-type: none">• Increase in Payroll: \$1.7• Free Cash Transition: \$1• 16 Full Time Personnel: \$0.6• Assessor's Overlay: \$0.6• River's Edge: \$0.15	Active Employees that Receive W-2s – 1,170 <ul style="list-style-type: none">• 823 School• 347 Town• 16 New School FY2018 Full Time Employees	Peer Towns – Average Tax Bill <ul style="list-style-type: none">• 2nd Finance Peer Comparison• 6th School Peer Comparison
Tax Rate – \$18.5749 <ul style="list-style-type: none">• Estimated \$18.49 (Mils)• 1.92% change in tax rate from FY2017	Use of Free Cash - \$0.9 <ul style="list-style-type: none">• \$0.5 Towards General Fund Operating Expenses• \$0.2 Towards Capital Expenses• \$0.2 Towards OPEB Expenses	Debt Service - \$7.5 <ul style="list-style-type: none">• Schools: \$4.3• Town: \$3.2

How FY18 Tax Dollars are Spent



In addition to the FY18 operating budget expenditures we have split debt service and healthcare cost between the Town and the school system based on actual borrowings and respective headcount. The allocation does not account for new hiring, shared operating expenses such as IT and Nursing or unallocated expenses such as Reserve for Salary and Retirement.

Budget Challenges

Operating Expenses	The Finance Committee requested that the Town moderate increased expenditures to a pace of 2.5% each year so as to avoid future overrides and to slow the tax rate increase. In FY18 expenditures are estimated to increase 3.27%.
Moody's Rating	Maintaining a Aaa rating with Moody's is critical so the Town can minimize future interest charges on borrowings. On 2/23/17 the Town's outlook was revised to negative from stable. The Town risks a future downgrade if the General Fund continues its decent to below 20% of revenues, further increase in the debt burden as a percent of taxable property values, and potential future debt issuance that is not excluded from the levy limitations of Proposition 2 ½. Key factors to positive future rating reviews are the town's commitment to eliminate free cash appropriations to fund operating expenses and to improve its financial position over the near term.
Debt	The Town currently spends approximately \$0.10 of every tax dollar on debt service. Per Moody's, the Town has a higher debt burden compared to other Aaa rated communities in Massachusetts or across the US.
Personnel	57% of all costs are spent on personnel and payroll related expenditures. Including healthcare and insurance related costs that number increases to 75% of the overall budget. There are over 16 new positions in this years' budget. The number of active Town and School employees who received W-2s in Calendar year 2016 is 1,170.
Process	There were substantial improvements in the process of developing the Omnibus budget. This year, the Town Administrator determined the initial budget and worked diligently with Town departments to identify priorities.

The Finance Committee's Budget Message (\$Millions)

The Town has remained financially strong since the Finance Committee reported at Annual Town Meeting last year, even though the Town's outlook was revised from stable to negative on February 22, 2017. Per Moody's, Wayland's Aaa bond rating "reflects a stable tax base with strong wealth and income levels, satisfactory financial position including a trend of reduced reserves, and manageable debt and pension burdens. The rating also incorporates the town's aggressive funding of its OPEB liability and conservative budgeting practices despite the recent use of fund balance."¹ The rating enables the Town to obtain favorable rates on our debt issuances, resulting in savings in the Town's interest expense, and demonstrates sound fiscal management.

The Committee recommended FY2018 operating and capital budgets together would result in an increase in the average household's property tax bill of roughly 4.94%. This percentage increase is clearly higher than desirable, but is driven by the following primary factors:

1. Reducing the use of free cash to "buy down" our tax rate to \$0.5 million from \$1.5 million in 2017 (approximate impact 0.8%)
2. Increasing the use of cash capital to fund certain capital items (rather than borrowing) to \$0.35 million from \$0.3 million in 2017 (approximate impact .5%)
3. Moving approximately \$0.7 from the capital budget to the operating budget (approximate impact 0.6%)
4. An "apples to apples" increase in the general fund operating budget of 3.27% vs. the FinCom initial target of 2.5% (approximate impact .75 %)
5. The general fund appropriations that drive the budget higher this year are as shown below in Table 1 (\$ in thousands):

Table 1: Operating Budget Drivers		
<i>Department</i>	<i>Percent Increase</i>	<i>Dollar Increase</i>
School Department	2.02%	\$764
DPW Highway	18.56%	247
Minuteman	169.61%	116
Police	4.12%	110
DPW Parks	8.71%	74
Information Technology	8.95%	71

6. Increases were due to:
 - a. School Department: Increases in salaries (steps and lanes), new hires and new programs.
 - b. DPW Highway: The loss of the current laydown area, building maintenance and repair expenses associated with the new DPW Facility, police detail, and employee dues, training, and licensing.
 - c. Minuteman: Rate increase and higher enrollment.
 - d. Police: Education and Step increases mandated through collective bargaining. Their request for additional personnel was not approved.

¹ Moody's Investor's Service, *Credit Opinion*, 22, February 2017

- e. DPW Parks: Reflection of current staffing levels, anticipated step increases, projected overtime expenditures, and the creation of a separate seasonal laborer line.
- f. Information Technology: Increases were due to infrastructure upgrades and annual support for hardware and software.

Financial Summary & Schedules (\$Millions)

There are several components to the omnibus operating budget. The General Fund Operating Budget funds most municipal and much of school operations (schools receive grants and user fees to fund a portion of their operation). Three other municipal enterprise fund operating budgets (Water, Wastewater, and Septage), along with the General Fund Operating Budget add up to the Omnibus Budget. The Finance Committee recommends budgeting enterprise expenses to equal fee revenues generated in the enterprise fund budgets. In other words, the enterprise funds generally support themselves through fees charged to their users based on usage.

In this report, the Committee focused on the General Fund Operating Budget. It recommended an Operating Budget with operating expenses totaling \$77.1 and other expenses of \$1.3 (overlay \$0.6, cash capital \$0.35, OPEB \$0.2, State Assessments \$0.18), for a total amount to be raised of \$78.4.

The Committee estimates total revenue from property taxes, local receipts, and state aid in FY2018 will be \$74.1. The result is an operating budget deficit of about \$3.0. The Finance Committee proposes to close this operating shortfall with and \$1.3 in transfers from other funds, \$0.5 from free cash reserves, \$0.61 million in ambulance receipts, \$0.5 from the Overlay Surplus recently released by the Board of Assessors, and \$0.09 in prior year bond premiums. Tables Two, Three, and Four below, summarize General Fund overall budgeted expenses and revenues and expense budget summaries by category. Table Five summarizes Enterprise Fund expenditures and Table Six shows tax history and estimates the average property tax bill if our recommended budget is approved.

We recommend using \$0.5 of free cash to offset this year's operating budget. This is substantially lower than the total used in previous years, reflecting the reduced level of free cash available and responding to concerns raised by Moody's and recommendations by key town officials and our Financial Adviser.

Table 2: Summary of General Fund Expenses				
<i>Thousands of Dollars</i>	Approved FY 2016	Approved FY 2017	Proposed FY 2018	Change Over 3 Years
Operating Budget	\$72,642	\$74,651	\$77,090	6.1%
Other Expenses	771	1,003	1,145	48.5%
Total Amount to be Raised	73,413	75,654	78,235	6.6%

Table 3: Expense Summary of General Fund by Function				
<i>Thousands of Dollars</i>	FY 2016 Expended	2017 Adopted	2018 Proposed	Change Over 3 Years
Schools	\$36,462	\$37,723	\$38,486	5.55%
Unclassified	8,762	9,028	9,986	13.97%
Debt and Interest	7,653	7,507	7,545	-1.42%
Public Safety	5,571	5,986	6,048	8.58%
Retirement	3,972	4,235	4,362	9.83%
General Government	3,366	3,933	3,955	17.48%
Human Services	2,514	2,622	2,667	6.10%
Public Works	1,957	2,247	2,569	31.28%
Land and Planning Use	778	850	837	7.45%
Snow Removal	421	450	450	6.81%
Regional Vocational Schools	109	69	185	69.64%
TOTAL - GENERAL FUND	71,566	74,651	77,090	7.72%

Table 4: Summary of General Fund Revenues				
<i>Thousands of Dollars</i>	Approved FY 2016	Approved FY 2017	Proposed FY 2018	Change Over 3 Years
Property Tax Revenue	\$58,375	\$62,712	\$65,513	12.22%
State Aid	4,666	5,029	5,238	12.3%
Local Receipts	4,180	4,400	4,500	7.7%
Transfers from Funds	1,238	1,263	1,284	3.7%
Ambulance Receipts	360	360	615	70.8%
Free Cash	4,350	1,500	500	-88.5%
Overlay Surplus	150	300	2500	2.33%
Bond Premium	94	90	85	-9.6%
Total Revenues	73,413	75,654	78,235	6.6%

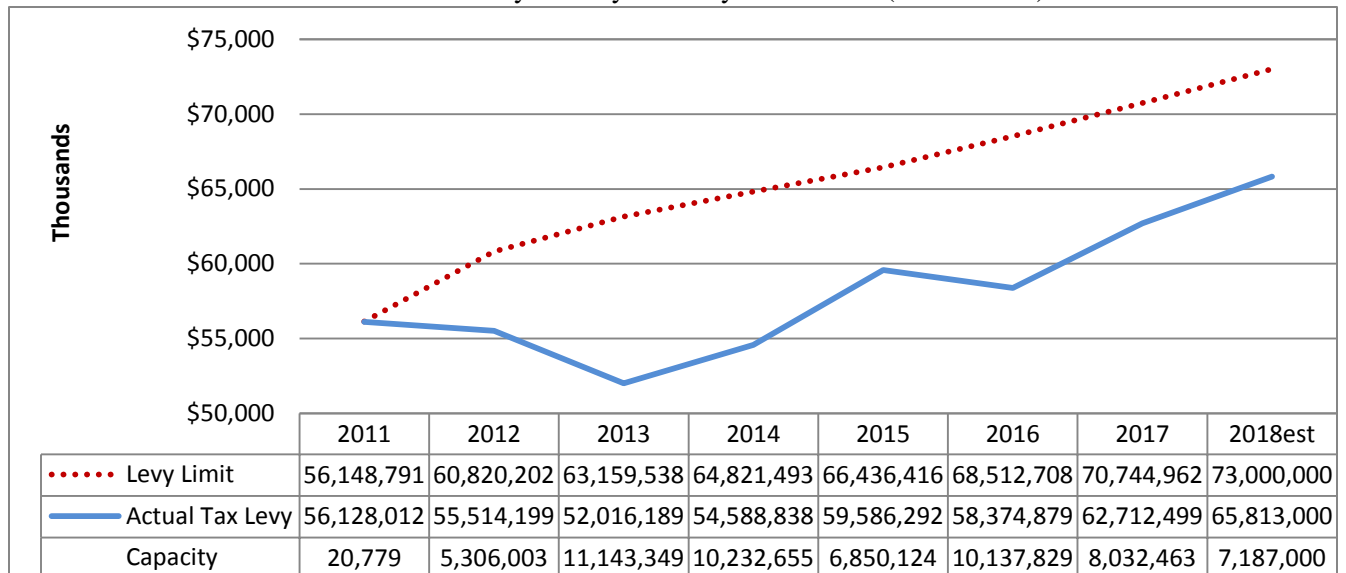
Table 5: Summary of Enterprise Fund Expenses				
<i>Thousands of Dollars</i>	FY 2016 Expended	2017 Adopted	2018 Proposed	Change Over 3 Years
Water Fund	\$3,628	\$3,787	\$4,002	10.31%
Septage Fund	34	53	45	32.35%
Wastewater Fund	646	743	713	10.37%
TOTAL - ENTERPRISE FUNDS	4,308	4,583	4,760	10.49%

Table 6: Real Estate Tax History Forecast				
<i>Thousands of Dollars</i>	Approved 2016	Approved 2017	Proposed 2018	Change Over 3 Years
Real Property Tax Rate Forecast				
Property Tax Revenue (000's)	\$58,375	\$62,712	\$65,813	12.7422%
Total Assessed Valuation (000's)	3,366,486	3,457,138	3,543,566	5.26%
Equals Tax Rate (Mils)	17.34	18.14	18.49	6.63%
% Change in Tax Rate from Prior Year	-5.71%	4.61%	1.92% ²	
<i>Average Resident Tax Bill (Not in 000's)</i>	11,730	12,529	12,815	9.25%
<i>Average Annual Change from prior year</i>	2.65%	6.81%	2.28%	
<i>Cumulative Change from FY 14</i>	6.65%	13.92%	16.52%	

For estimating purposes, the Finance Committee assumes the FY2018 total assessed real property valuation (in italics above in Table 6) will increase by 2.5%, which may understate (or overstate) the actual increase. The Board of Assessors cannot confirm the actual FY2018 valuation until the fall of calendar year 2017.

The Committee does not anticipate the need for an operational override under Proposition 2 ½ in the near term if the Town limits expense growth (see Chart 1 below). The Town's Proposition 2 ½ Levy Limit increases each year as the property valuations increase regardless of whether the Town imposes taxes up to the levy limit or not. Over the past years, as the Town has managed to hold down the increase in taxes, the levy limit has continued to grow, resulting in the good position of having excess levy capacity.

Chart 1: Actual Tax Levy & Levy Limit by Fiscal Year (\$Thousands)



² 1.92% is the year over year increase in the tax rate. The use of taxation increased 4.9447% year over year from FY2017.

Summary of the Capital Improvement Program (CIP)

The Finance Committee reviewed \$8.3 million in capital requests for FY2018 from Town boards and departments. After considering the merits of each request individually as well as the collective impact and discussions with the town and School personnel, the Committee recommend that Town Meeting fund \$2.98 million, or about forty percent of the initially requested amount. The Finance Committee's FY2018 capital budget recommendation is driven, among other things, by a policy which tries to maintain General Fund debt service (interest expense and principal repayments) under 10 percent of total expenditures. The debt service levels have been above that policy range over the past several years, due primarily to the high school and DPW construction projects. Table 7 represents proposed FY18 Capital expenditures.

Table 7: FY18 Capital Expenditures					
Description	Borrowing	Cash Capital	Free Cash	Other Funds	TOTAL
DPW					
Town wide road reconstruction	300,000	247,128		52,872	600,000
Equipment Replacement- Tractor H-6	190,000				190,000
Cemetery road construction			65,000	120,000	185,000
Culvert	100,000				100,000
Equipment Replacement- Dump Truck H-4		20,000		75,000	95,000
Equipment Replacement- Dump H-13			46,466	18,534	65,000
Facilities					
TB mechanical / electrical improvement			38,991	49,009	88,000
Fire Station # 2 Renovations				75,000	75,000
Fire					
Ambulance				305,000	305,000
Fire Vehicle				65,000	65,000
Schools					
Middle School Tile Replacement			8,723	141,277	150,000
Happy Hollow Food Service Equipment			60,000		60,000
Claypit School Phone upgrade		50,000			50,000
Various Locations Custodian Equipment		30,000			30,000
Total General Fund	590,000	347,128	219,180	901,692	2,058,000
Water Fund					
Water Mains	700,000				700,000
Well Cleaning				65,000	65,000
Water Tank Study				50,000	50,000
Pilot Study Manganese- Campbell Well				110,000	110,000
Total Water Fund	700,000			225,000	925,000
Total Fiscal 2018 requested budget	1,290,000	347,128	219,180	1,126,692	2,983,000³

Summary of the 5 Year Capital Improvement Program (CIP)

The Finance Committee is charged with preparing the omnibus operating budget of the Town and submitting it at the annual Town meeting. In addition, it is to prepare and present to the annual Town meeting a five-year capital improvement program for the Town, which shall include the construction and

³ Does not include DPW Article for \$1.6 million for road and environmental work at the transfer station.

reconstruction of capital assets (such as municipal buildings, recreational facilities, roads and transfer station) and acquisition of land, equipment and vehicles and other personal property, and shall make recommendations to the appropriate authorities proposing such improvements.

As part of the FY2018 budget process the Town departments and the School Department prepared a five-year capital plan outlining their anticipated capital needs for the fiscal year period July 1, 2017 to June 20, 2022. While the Town will likely choose not to do all of these projects in the time period forecasted, it is important to understand the nature and size of potential capital projects and the impact these projects can have on the Town's tax rate and Moody's bond rating. Several of these maintenance projects (e.g. repairs to the Town Building) increase in cost the longer the repairs are deferred.

The major projects outlined in the five-year forecast are as follows:

Table 8: Five Year Capital Expenditure Plan (in Thousands)					
Major Projects	2018	2019	2020	2021	2022
DPW					
Transfer Station (Article)	\$1,600			\$60	
Town Wide Road Construction	600	\$718	\$735	\$754	\$773
DPW Equipment	350	805	1,210	1,020	505
DPW Land Improvement	285	660	395	255	365
Facilities					
Library		19,085	575	850	70
Town Building	88	2,105	1,310	1,300	220
Council on Aging		200	5,400		
Municipal Pad			2,000		
Motor Pool		50	50		30
Information Technology		755	320	120	120
Public Safety					
Fire Station	445	995	515	65	305
Console Upgrades					100
Public Safety Building				75	
Recreation					
Laker Recreation			100	5,000	
Middle School Field Construction		2,150			
Land Acquisition			500		
Greenways		130	500		
Town Beach		40			200
Field & Playground Design		285	55		50
Vehicle					50
Surveyor		30			
Schools					
Stadium/ Repairs		2,750			
Bus Relocation		600			
Repair & Replacement	290	550	835	-	2,550
Boiler Replacement			400	400	400
Tennis Court Repairs		300			
Middle School Improvements			350	115	
Parking Area and Vehicles		250	30		35
Town Clerk					
Voting Machines			25		
Subtotal	3,658	32,458	15,305	10,014	5,773

In addition, the Enterprise Funds forecasted their five-year capital requirements in Table 9 as follows:

Table 9: Five Year Capital Expenditure Plan Enterprise Fund (in Thousands)					
Major Projects	2018	2019	2020	2021	2022
Water Fund					
Water Mains	700	700	700	1,000	1,600
Water Meters		430			
Well Cleaning	65				
Water Tank Study	50				
Replace Filters - Baldwin Pond		1,000			
Campbell Manganese Removal	110	5,000			
Subtotal	925	7,130	700	1,000	1,600

Table 10: Five Year Capital Expenditure Plan Summary and Reference Points (in Thousands)					
Major Projects	2018	2019	2020	2021	2022
Total Potential Major Projects	4,583	39,588	16,005	11,014	7,373
Normal Replacement Expenditures ⁴		3,000	3,500	4,000	4,500
Total Potential Capital Requests	\$4,583	\$42,588	\$19,505	\$15,014	\$11,873
Reference Points					
Forecasted debt level at 6/30/ for debt issued FY2017 and prior ⁵	\$71,935	\$65,655	\$59,876	\$54,646	\$49,827
Forecasted principal payments ⁶	7,564	6,899	5,772	5,668	5,334
Estimated Revenue:					
Town ⁷	78,670	81,030	83,461	85,965	88,544
Water Fund ⁵	4,760	4,903	5,050	5,202	5,358
Total	83,430	85,933	88,511	91,167	93,902
Cumulative borrowing limit at 100% of revenue	11,495	20,278	28,635	36,521	44,075
Incremental borrowing level at 100% of revenue	11,495	8,783	8,357	7,886	7,554

The Finance Committee has adopted two benchmarks to measure debt levels that would allow the Town to maintain its current Moody's debt rating and maintain the same level of debt service in its annual budget. The Town can decide to exceed either of these benchmarks, but should understand the financial impact of exceeding these benchmarks, e.g. the higher the debt service in a given year, the higher the tax rate to fund that debt service. A higher debt service could result from a downgrade in Moody's rating. The benchmarks adopted are:

- Debt service shall be less than 10% of Revenue
- Borrowings shall be less than 100% of revenue

⁴ Increase is reflective of future potential projects not considered in current five-year plan.

⁵ Per debt schedule plus the estimated \$3.4 million to be issued in FY 2017, Mainstone debt is not included as it will be paid for with CPA funds.

⁶ Assume the FY 2017 borrowings will have an average life of 10 years

⁷ Based on FY2016 increased by 3% per year

As a reference point the Town's debt level at June 30, 2016 is \$61 million and its debt service for 2017 is approximately \$7 million.

If the Town were to elect to fund all the above projects with debt financing, the debt level for General Fund obligation debt would grow to \$100 million at June 30, 2022 and debt service would be \$23 million for FY2022. These levels assume that half the request is funded over 10 years and half is funded over 20 years and that the debt has an average interest rate of 4.5%. Shorter maturity schedules or higher rates would increase the debt service levels. The projected borrowing rates for FY2017 borrowings are between 3-3.5% for the General Fund and 4% for Mainstone.

The Finance Committee recommends that 10% of budgeted revenue, from all sources, be the capital spending level cap for debt services which equates to \$7.7 million in FY2018. The Committee believes that the debt and debt service levels are not supportable if all of these projects are funded and recommends that a capital spending level cap from all sources range from \$8 to \$10 million a year be considered. The \$10 million capital level would still represent a significant increase in debt and debt service levels from the Town's current levels with 2017 principal payments of \$5 million and debt service levels of \$7 million. At the \$10 million level debt service, would be 12% of revenue by 2022. At the \$8 million cap debt service, would be 11% of revenue.

Overview of the Town's Budget Process

Throughout the fall of 2016 the Finance Committee reviewed various FY2018 budget scenarios based on revenue estimates, expense growth as compared to FY2016 actuals and FY2017 year-to-date information, changes to our free cash position, the estimated effect on the tax levy, and feedback from residents of the Town. Following these discussions, the Finance Committee issued FY2018 Operating Budget Process Memorandum in September, 2016.

The Finance Committee's FY2018 operating budget process memorandum requested boards, committees, and departments to explore creative ways to gain efficiencies, explore innovations, and take on new initiatives with the goal to control costs. This memorandum cited our goal for less than a 2.5% Total General Operating Budget increase.

Boards, committees, and departments submitted their capital requests to the Finance Committee in the fall and the operating budgets submissions were due in November. The Committee requested written budget summaries with explanatory statements of changes from the amounts appropriated for the same purposes in FY 2017. In addition to board and committee members, and town officials and staff, members of the community provided valuable comments and insight during the budget season. The Finance Committee worked diligently to incorporate their suggestions in their work and recommendations.

On February 21, 2017, the Finance Committee deliberated and voted 6-0-1 this recommended Omnibus Budget to Town Meeting.

Summary

The Finance Committee voted to recommend both the FY2018 operating and capital budgets. We believe it is in the best interest of Town Meeting to support the FY2018 budget to maintain core services and infrastructure.

The Finance Committee extends thanks and appreciation to the Town's employees, municipal and school department heads, and the various committees for their support during this year's budget preparation.

Finally, we thank the interested residents who provided us timely advice and comments on how to make the budget and our budget processes better.

In Summary, the Town needs to:

1. Monitor expense increases because the current methodologies are not sustainable without a significant increase in the tax rate
2. Limit use of Free Cash to one-time expenses
3. Defer hiring and adopt a Town wide hiring policy that contemplates turnover
4. Scrutinize Capital requests over the next five years so as to minimize the increases in the tax rate.
5. Minimize the Town's debt service.

Respectfully submitted,

WAYLAND FINANCE COMMITTEE

Gordon Cliff

Nancy Funkhouser

Jen Gorke

Carol Martin (Vice Chair)

Klaus Shigley

George Uveges

Dave Watkins (Chair)

Appendix Section

Glossary

Capital Improvements Program – A blueprint for planning the Town’s capital expenditures that comprises an annual capital budget and a five-year capital program. It coordinates community planning, fiscal capacity and physical development. While all of the community’s needs should be identified in the program, there is a set of criteria that prioritizes the expenditures.

Free Cash – Remaining, unrestricted funds from operations of the previous fiscal year including unexpended free cash from the previous year, actual receipts in excess of revenue estimates shown on the tax recapitulation sheet, and unspent amounts in budget line-items. Unpaid property taxes and certain deficits reduce the amount that can be certified as free cash. The calculation of free cash is based on the balance sheet as of June 30, which is submitted by the community’s auditor, accountant, or comptroller. Important: free cash is not available for appropriation until certified by the Finance Director.

Fund - A fiscal and accounting entity with a self-balancing set of accounts to record revenue and expenditures.

General Fund - The Town’s main operating fund that pays for basic Town services such as Police and Fire, parks, and library services which use most of the City’s tax revenue.

Grant - A contribution by a government or other organization to support a specific function.

Infrastructure - The basic structures and underlying facilities needed for the functioning of a community and its economy, such as public facilities, streets, roads, bridges, tunnels, parks, storm drains, and water and sewer systems.

One-Time Expenditures and/or Revenues - Expenditures and/or revenues for one-time projects and services. After the project or service is completed, expenditures and/or revenues are terminated and are not considered part of the budget for the following year.

Ongoing Expenditures and/or Revenues - Expenditures and/or revenues that are recurring and span over more than one fiscal year.

Operating Budget - Authorized expenditures for ongoing municipal services such as public safety, street maintenance, parks, and libraries.

Proposed Budget - The Finance Committee’s recommendation for the Town’s financial operations, which includes an estimate of proposed expenditures and revenues for a given fiscal year.

Reserve - An account used to indicate that a portion of a fund’s balance is legally restricted for a specific purpose and is, therefore, not available for general appropriation.

Revenue - Funds received from various sources and treated as income to finance expenditures.

Schedules - Provides a summary of revenues, expenditures, and positions for the operating budgets of all departments and funds and reflect the funding sources and spending areas of the Capital improvements Program.

User Fee - A charge for services provided by the Town to residents and businesses.

Levy Ceiling – A levy ceiling is one of two types of levy (tax) restrictions imposed by MGL Ch. 59 §21C (Proposition 2½). It states that, in any year, the real and personal property taxes imposed may not exceed 2½ percent of the total full and fair cash value of all taxable property. Property taxes levied may exceed this limit only if the community passes a capital exclusion, a debt exclusion, or a special exclusion.

Levy Limit – A levy limit is one of two types of levy (tax) restrictions imposed by MGL Ch. 59 §21C (Proposition 2½). It states that the real and personal property taxes imposed by a city or town may only grow each year by 2½ percent of the prior year's levy limit, plus new growth and any overrides or exclusions. The levy limit can exceed the levy ceiling only if the community passes a capital expenditure exclusion, debt exclusion, or special exclusion.