

## Melissa Noe

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**From:** jsylbert@mac.com  
**Sent:** Sunday, March 02, 2014 9:39 PM  
**To:** Town of Monterey  
**Cc:** Will Marsh  
**Subject:** Using free cash to lower the tax levy.

Dear Select Board and Finance Committee,

The minutes of the Select Board meeting of 2/10/14 record the following:

“j. The Board and Finance Committee discussed the letter written by Jon Sylbert in the February Monterey News and questioned why some transfers which were done under this Board are wrong when they were also done at Jon’s suggestion while he was on the Board.”

I can answer this question, if the boards’ discussion was referring to Article 17 of the FY2012 warrant to appropriate \$150,000 from free cash to lower the tax levy. The answer is that the free cash transfer for FY2012—when I was on the board—was entirely different from free cash transfer for Article 17 of the FY2014 warrant.

In FY2012, the town had \$262,874 in excess levy capacity and was in no danger of going over the levy limit. If taxpayers had turned down Article 17, excess levy capacity would still have been a reasonably healthy \$112,874 (\$262,874-\$150,000).

However, this was not the case for FY2014. For FY2014, the Select Board effectively appropriated \$200,000 from free cash to avoid an override. If Article 17 had failed last year, the town would have been \$160,425 over the levy limit, not \$112,874 under the levy limit, as it would have been for FY2012.

That’s the difference, and it’s a big one. I would never have signed a warrant that went over the levy limit, whether it included an article to transfer from free cash or not.

Moreover, between FY2010 and FY2012, the total tax levy increased by only \$1,445 (\$2,634,566 to \$2,636,011). In fact, if there had not been a \$6,500 overrun in the Fire Department budget for FY2012, the total tax levy would actually have decreased between FY2010 and FY2012.

But, for FY2013 and FY2014 combined, the total tax levy increased by \$419,024 and, if Article 17 had failed last year, the total two-year tax levy increase would have ballooned to \$619,024!

These enormous increases were due to the size of the budgets presented by the Select Board at town meetings in 2012 and 2013. I would never have signed those warrants either.

So, I did agree to use free cash to lower the tax levy for FY2012, but doing so then would not have put the town anywhere near an override, nor decimate excess levy capacity if the article failed. It would also have kept the tax levy stable if it passed, which is the proper use of that article. And that’s what it did.

I hope that clears things up.

On a related matter, I would also like to point out inaccuracies in the Finance Committee minutes of 2/6/14.

First, the minutes state: “The Committee discussed the letter written by Jon Sylbert in the Monterey News. Don confirmed that the mechanics of what Jon was saying was accurate. Muriel expressed her concerns that the Board was not made aware last year that using the \$200,000 to lower the tax levy would also lower the town’s levy capacity.”

This is just flat out wrong. Using free cash does NOT lower excess levy capacity. In fact, it’s the opposite. For every dollar used from free cash, a dollar of excess levy capacity is preserved.

So the point of my article was also the opposite of Muriel’s concern. My point was that if Article 17 had failed, the levy would not have been reduced by \$200,000, and the town would have been in an override situation without knowing it.

Overall, it is more accurate to say that the size of the budget (the levy) affects excess levy capacity, not the use of free cash. The use of free cash can only staunch the bleeding for a while. (Or, to put it another way, if a household uses their savings to pay for something, it does not affect their checkbook balance—but eventually they run out of savings.)

Second, the minutes state: “Using free cash affects the levy capacity, using stabilization does not...”

This first part of this is also wrong for the reasons I state above.

However, the difference between free cash and stabilization does matter here. If a request from stabilization fails, the appropriation fails and the town does not pay for it. So it does not affect the levy either way. But if a request from free cash to lower the tax levy fails, then the tax levy increases by that amount and excess levy capacity decreases by that amount.

Kind regards,  
Jon

Jonathan Sylbert

cc: Monterey News

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