

**Date:** June 2, 2008

**To:** Honorable Town Council  
Residents of the Town of North Smithfield

**From:** Robert Lowe, Town Administrator

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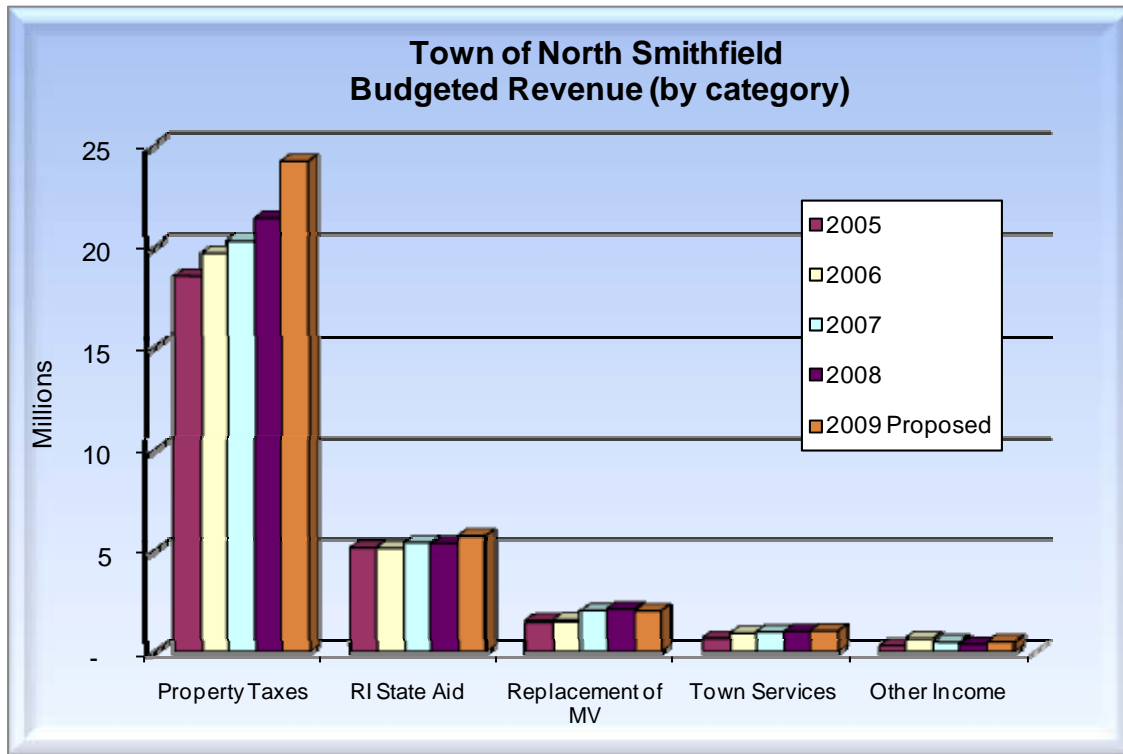
Submitted herein, in accordance with Article VIII, Section 2 of the Town Charter is the proposed municipal budget for Fiscal Year 2008-2009 for the Town of North Smithfield. The zero-based budget is a plan that represents financial information by department and is summarized by the major governmental categories listed below.

- School
- General Government
- Financial Administration
- Public Works
- Public Safety
- Debt Service
- Fixed Charges
- Other

The approach of the FY 2009 Proposed Budget is to create a budget structure and philosophy that will expand on our basic business principles to guide decisions now and in the future. Our primary goal for the future is to provide high quality service at the lowest cost possible with a stable tax rate and fee structure. Our secondary goal is to regain our focus on providing traditional municipal services and expanding into areas of specialty on a planned basis when resources are available.

## Revenue

Revenues are generated from five (5) major categories: Property Taxes (70%), RI State Aid (18%), Replacement Motor Vehicle Taxes (7%), Town Services (3%) and Other Income (2%). The graph shows budgeted revenue dollars (in millions) for the five fiscal years 2005, 2006, 2007, 2008 and the projection for 2009.



## Property Tax

RIGL 44-5-11.5, enacted in 1997, requires all cities and towns to revalue property on a nine-year schedule, including two statistical updates at three-year intervals. Accordingly, North Smithfield completed its statistical update for assessment values as of December 31, 2006. The assessed values were represented in the tax levy of the 2008 budget.

The Omnibus Property Tax Relief and Replacement Act of 1985 amended section 44-5-2 of the RI General Laws entitled “Maximum Levy” in 2006. Under the new provision, known as S3050, a city or town may levy a tax in an amount not more than five percent (5%) in excess of the total amount levied and certified by that city or town for its fiscal year 2009. The cap on the levy drops incrementally each year, down to four percent (4%) in 2013. The maximum allowed levy increase for the Town for 2009 is \$1,068,520.

A projected tax levy increase of \$2,817,565 (13.18%) is proposed to support the 2008-2009 fiscal year appropriation. This equates to a 12.03% proposed tax rate increase for residential and commercial properties. The amount over the 5% maximum of \$1,749,250 is mainly due to the costs associated with the new Middle School bond debt and operations. Special permission is required by the state to exceed the 5% tax levy cap. The Town has submitted an override request to the Auditor General's Office and the Office of Municipal Affairs and is currently under review.

### ***State Aid***

As depicted, State Aid has been nearly flat funded for the last 5 years. State funding decreased by approximately \$245,000 in 2008 due to State budget cuts. The 2009 proposed budget includes an increase to the School Housing Aide of approximately \$570,000 (35% reimbursement rate) for the Middle School bond debt incurred. This is an overall net increase over 2008 of \$370,000.

### ***Replacement of Motor Vehicle Tax***

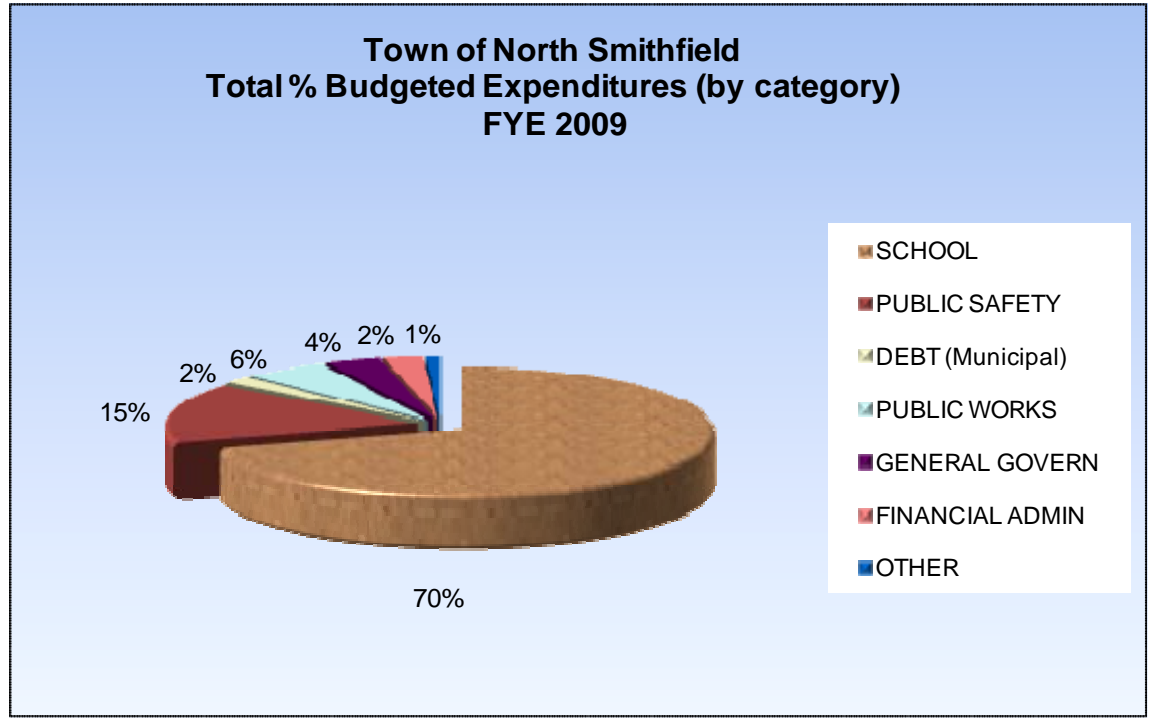
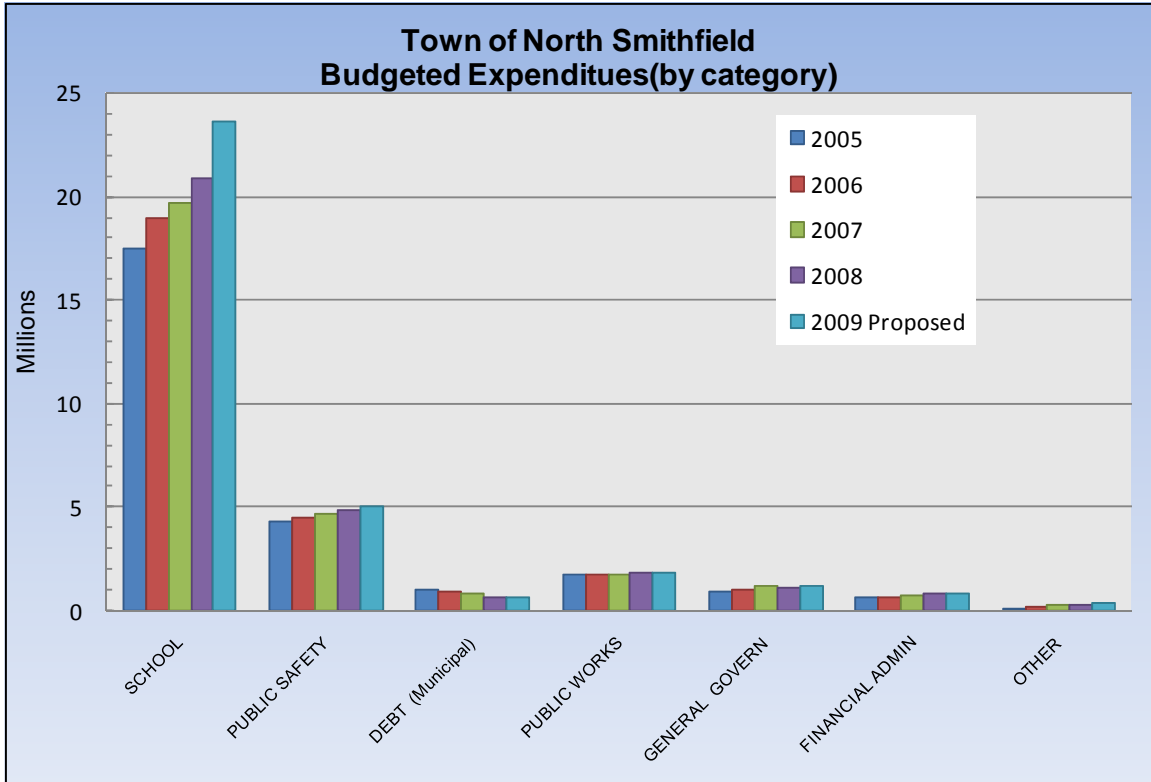
The 1998 General Assembly enacted legislation to phase out the property tax on motor vehicles and trailers. The state program was designed to phase-out the automobile tax by reducing vehicle values over an eight year period. Cities and towns are reimbursed lost revenues due to the elimination of the excise tax. The Town projects to collect approximately \$1,995,707 from the State in 2009.

### ***Town Services***

Town Services which make up 3% of total town revenues were reviewed in 2008 by the Administration to ensure rates are comparable with other cities and towns and to ensure they are in line with the labor and other costs associated with providing the service. Upon completion of this review various Town fees were increased in 2008 and are reflected in this budget.

### ***Expenditures***

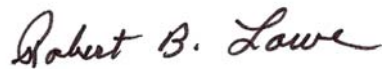
Expenditures are proposed to increase an overall 10.4% as compared to the prior year. The directive from the Town Council was to keep the expenditure budget within a 4.25% increase over the prior year. The majority of department's budgeted expenditures are under the 4.25% and the Town and School operations as a whole is under the directive. However, the new Middle School bond debt and operation expenses caused the proposed budget to be over the 4.25% directive.



The Fiscal Year 2008-2009 Budget is balanced in accordance with the Town Charter and addresses the goals and priorities established for the Town's future. The budget is fiscally sound, and although does not fund all initial requests made by departments, it does address top priority needs.

I wish to recognize and extend thanks to staff in all Town and School Departments for their invaluable assistance during the budget process and express my appreciation to the Finance Department for their help in preparing this budget.

Respectfully submitted,

A handwritten signature in cursive script that reads "Robert B. Lowe".

Robert B. Lowe  
Town Administrator