

Excess Levy Capacity Policy



Select Board
February 15, 2022

What is Excess Levy Capacity ?

Excess Levy Capacity is the difference between the levy limit and the levy in any given year.

Levy Limit – The total amount that can be raised by taxation under the limitations of Proposition 2 ½.

Tax Levy – The actual amount raised by taxation.

Common Misconceptions about Excess Levy Capacity

- 1.) Maintaining excess levy capacity reduces the Town's tax capacity in future years.
- 2.) The Town has the option of "recapturing" excess levy capacity from past years.



Why does Andover have excess levy capacity?

- Andover has maintained \$300,000 of excess levy capacity every year since 2015. The amount was established when the Select Board voted to release \$900,000 of excess levy capacity to fund the Municipal Services Facility.
- The POB plan will create excess levy capacity because 50% of the debt service is exempt from Proposition 2 ½. As a result, the overall burden on the general fund is reduced.



Constructing the Tax Levy



Debt Exclusion

Levy Limit

Excess Levy Capacity

Excess Levy Capacity is not taxed.

New Tax Growth

2.5% Increase (reduced)

Tax Levy

Prior Year Tax Levy

In this scenario, the **levy limit** and **tax levy** are not equal.



	Levy Limit Calculation	FY 2023 Tax Levy Calculation
Prior Year Tax Levy	\$162,894,020	\$162,894,020
2.5% Increase	\$4,072,351	\$4,072,351
New Growth	\$1,931,422	\$1,931,422
Excess Levy Capacity		(\$2,462,646)
Total Tax Levy	\$168,897,793	\$166,435,147

Exempt Debt Service	\$8,656,912	\$8,656,912
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TOTAL RAISED BY TAXATION	\$177,554,705	\$175,092,059
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Levy Limit	\$168,897,793	\$168,897,793
Tax Levy	\$168,897,793	\$166,435,147
Excess Levy Capacity	\$0	(\$2,462,646)



Excess Levy Capacity Policy Statement

Excess Levy Policy Statement: Excess levy capacity shall be considered a restricted revenue with the general purpose of mitigating the financial impact of property taxes. Excess levy capacity shall only be appropriated in accordance with the following:

- 1) Excess levy capacity may be used to offset the costs associated with major capital projects and as a measure to mitigate the overall tax impact of said project(s).
- 2) Excess levy capacity may be used to offset extraordinary expenses that may result in major service impacts or are otherwise unforeseen and critical to service delivery.
- 3) Excess levy capacity may not be used without the approval of the Select Board and Finance Committee.

It is understood that the total excess levy capacity will fluctuate annually based on the valuation of real property, each classification's share of the total levy and certified new growth.







Debt Exclusion

\$8,656,912

New Tax Growth

\$1,931,422

2.5% Increase

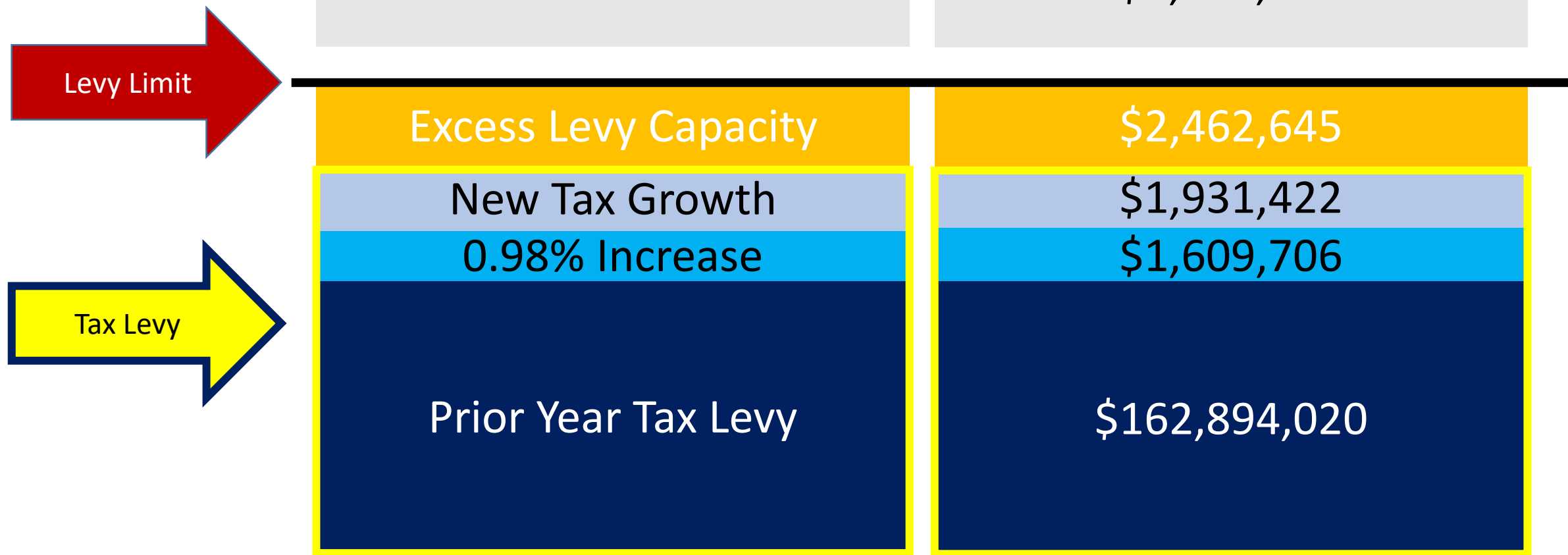
\$4,072,351

Prior Year Tax Levy

\$162,894,020

In this scenario, the **levy limit** and **tax levy** are equal.



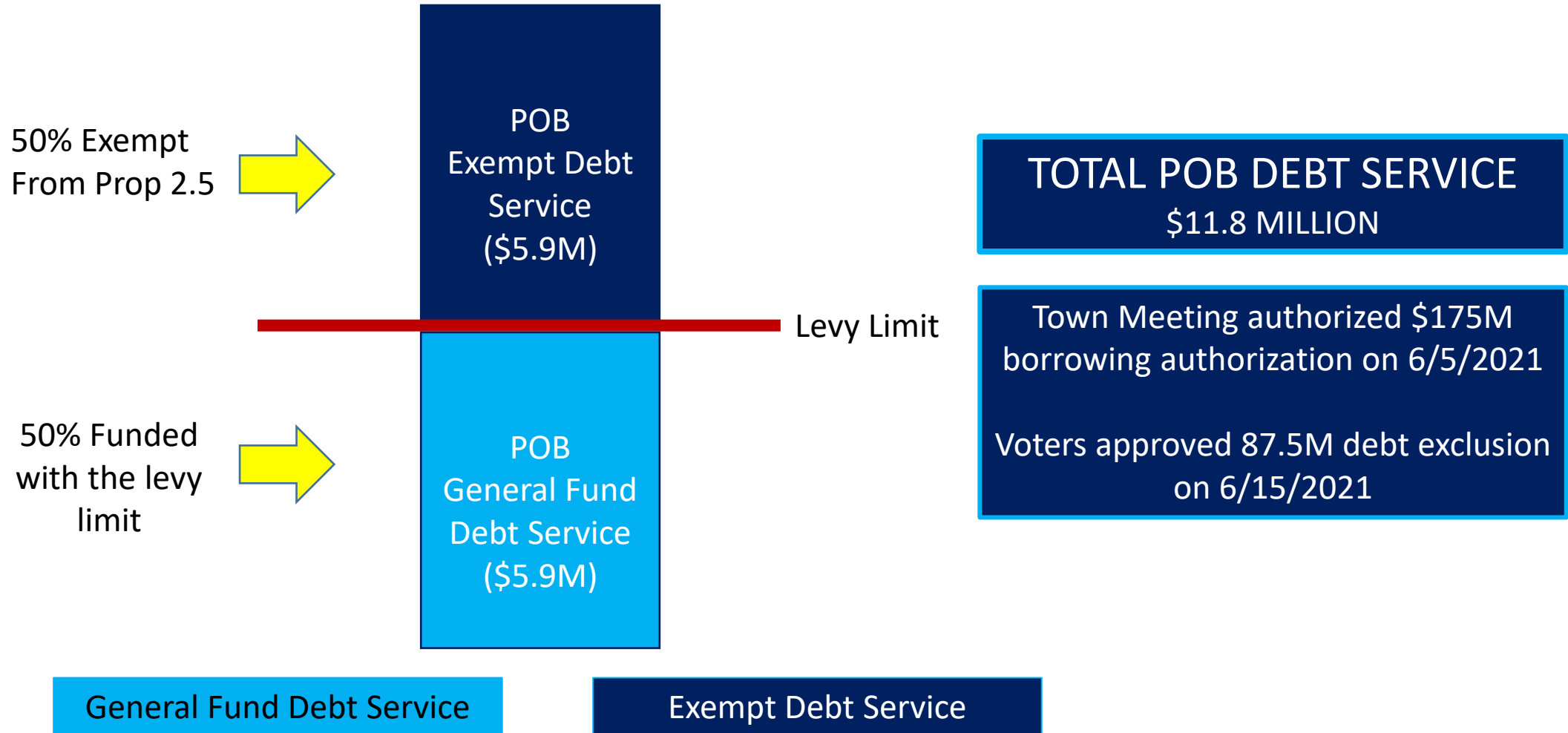


Excess Levy Capacity is not taxed.

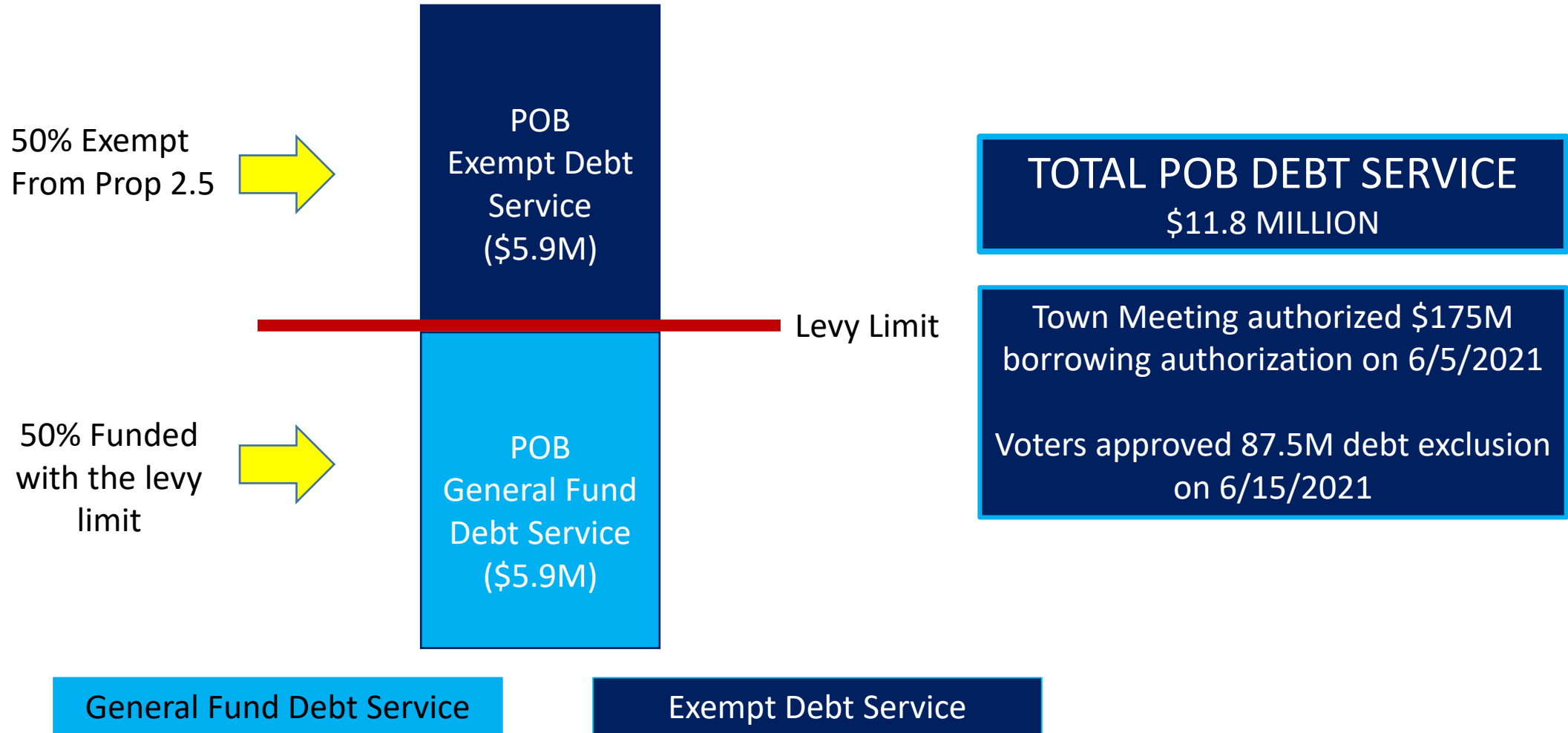
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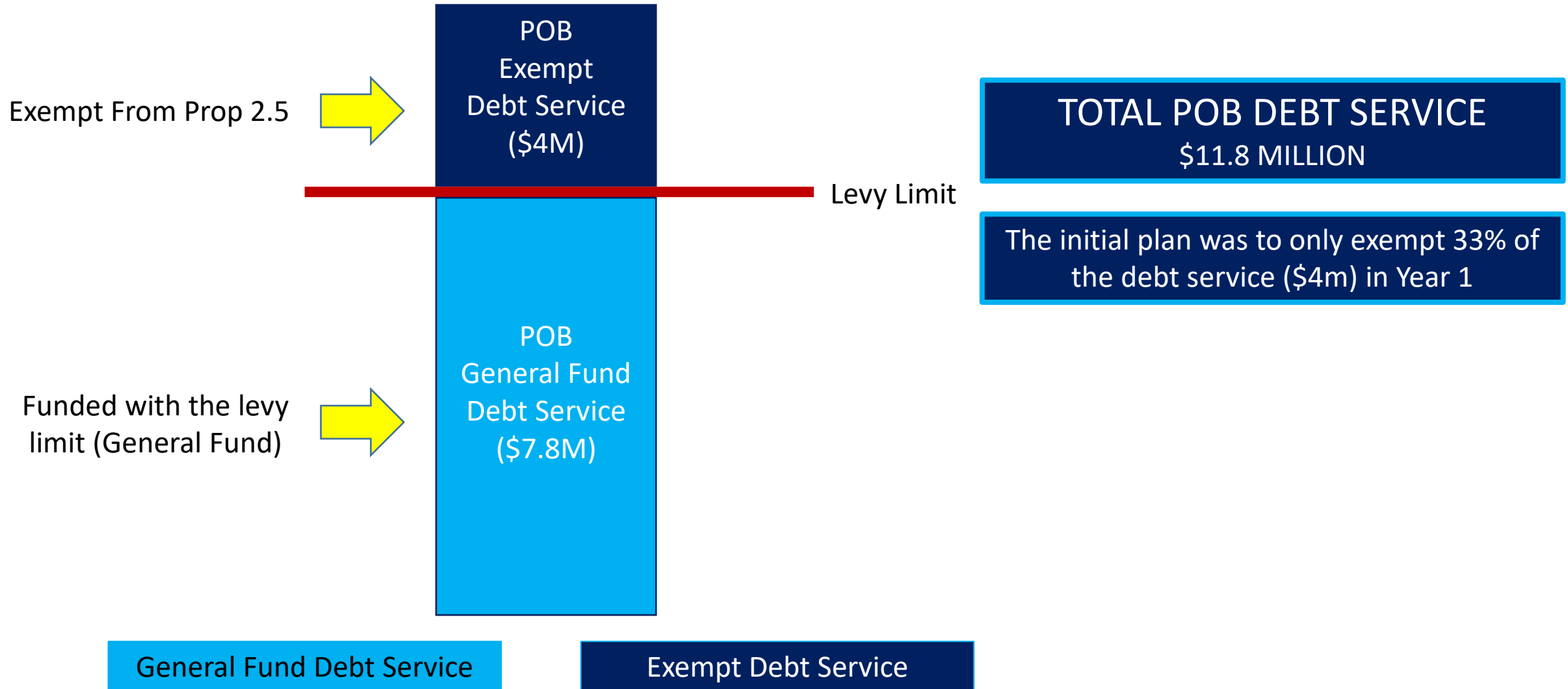
The POB Authorization



The POB Authorization



The Initial Plan



FY 2023 Budget Plan

