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Town may invest revenue from proposed meal, hotel tax hikes in 'rainy-day' fund

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By Matt Rocheleau, Globe Correspondent

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A plan to beef up Framingham’s “rainy-day” savings account – which is at about half of its base funding level – by using revenue generated from proposed increases to the town’s hotel and meals tax will go before the end of the month’s Special Town Meeting.

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Town Meeting Members will first decide at the Oct. 27 meeting on whether approve the Board of Selectmen’s recommendation to increase each tax and then vote on whether to approve putting potential revenue from each tax collected during FY 2010 into the town’s reserve funds account, or Stabilization Fund.

Because state law requires that revenue generated from an increase in each tax be appropriated by Town Meeting each year, meeting members will then vote on whether to have the Selectmen draft a detailed plan to bring back to a future Town Meeting, no later than fall 2011, on how to use the added tax revenue gained in the coming years.

In the interim, before a more-detailed plan is written, the Selectmen recommend continuing to deposit the revenue into the Stabilization Fund, and to keep that money in the reserve account.

“The Stabilization Fund desperately needs this,” said Selectmen Chair Ginger Esty.

“We have no intent to then come back for these funds,” added Laurie Lee, vice chair of the Selectmen.

Using money invested in the Stabilization Fund requires a two-thirds vote from Town Meeting.

The [meeting’s warrant](#), released late last week, states that the Stabilization Fund’s base funding amount should be 5 percent of the town’s total budget, or \$10,166,483. The fund’s current balance of \$5,045,854 is only about half of that, or 2.5 percent of the total budget, and the fund has not been contributed to since a \$750,000 deposit in FY 2007.

“Since the FY2010 budget is balanced without this revenue, a logical approach would be to appropriate the FY2010 revenue into the Stabilization Fund ... The balance of our Stabilization Fund has been identified as a material weakness in our financial position,” the warrant says.

The addition of the proposed meals tax increase could raise the “rainy-day fund” to 2.8 percent and the hotel tax increase could raise it to 2.6 percent. Combined revenue from the pending tax increases could put the Stabilization Fund at \$5,923,169 or 2.9 percent of the FY 2010 budget.

“This is a major investment improving the financial health of the entire Town,”

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the warrant says.

In August, the meals tax increased statewide from 5 to 6.25 percent, and gave municipalities the option to increase the tax locally by another .75 percent. An approval of Article 19 would add that .75 percent to put Framingham's meals tax at 7 percent.

Additionally, local communities have the option to increase the room occupancy tax by 2 percent, and approval of Article 20 would increase the town's hotel tax from 4 to 6 percent.

"Nobody right now is thrilled about the [tax] increases, especially with the recent state increase in sales tax," said Audrey Hall, Town Meeting member and chair of the Standing Committee on Ways and Means.

But, she added, "The one thing that distinguishes this tax from so many others is that Framingham hosts so many from outside of the town," so increasing the tax for eating out at a restaurant in town or spending the night in a hotel would generate revenue from visitors and not solely on town residents, like other tax increases might.

Selectmen member Dennis Giombetti agreed that "Framingham is a destination spot for both visitors and outside workers," and the tax increases would impact out-of-towners more than those living in Framingham.

However, restaurant and hotel owners in area communities, including Framingham, have expressed concern about losing customers if the local option tax hikes are approved. Some have also said they are worried that if the options are passed in one community, but not in other neighboring towns, consumers could avoid the town which charges higher tax on dining out or lodging.

Both increases would be effective January 1, 2010 and would generate, according to estimates in the warrant, a combined \$877,284 in revenue for the remainder of FY 2010, which ends in July – with \$650,559 coming from the meals tax and \$226,725 from hotel tax.

The total annual estimated revenue from the meals and hotel taxes is \$1,301,118 and \$453,450 respectively, which would not be realized until FY2011, according to the warrant.

Looking ahead, if the measures are passed, Selectmen members are considering various options on how to use future revenue gained from the taxes.

Giombetti said he would like to see at least some of the future revenue spent on improvements and renovations to downtown infrastructure, along with other town wide projects.

Though he said it is too early to say how much of the revenue could be allocated to such a venture, "The whole notion is to improve the downtown area and spur more private investing from that."

However, Esty said she would want any future plans to include at least a portion of the tax revenue to continue going towards the Stabilization Fund.

"This money would not be a luxury," said Esty. "I'd much rather keep staff than look at a pretty building we can't afford to staff."

Hall said the Ways and Means Committee will meet on Oct. 19 and 20, with the town CFO to discuss possible options for allocating the tax revenue.

Framingham's Special Town Meeting will be held on Oct. 27 at 7:30 p.m. in Nevins Hall at the Memorial Building.

To view all 34 articles in the entire 64-page Special Town Meeting warrant and background materials, [click here](#).

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