



TOWN OF TOWNSEND

Budget Process & Policy

Adopted by its Board of Selectmen

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2/28/17

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BUDGET PROCESS

Operating Budget

The Town of Townsend's budget process begins in early- to mid-fall when the Town's financial staff updates the Town's five-year financial forecast. At the same time, the Town Administrator and designated staff collect and analyze other data that may impact the Town. For example, this may include demographic, economic, socio-cultural, regulatory, legal, or technological trends. This information is presented to the Board of Selectmen, Finance Committee, and the Town's representatives on the North Middlesex Regional School District School Committee at a "Financial Summit" in early November.

The Town Administrator, following the policy priorities and other directives of the Board of Selectmen, develops budgetary guidelines for department heads that are sent to all departments, boards, and commissions, along with budget forms, by the end of November. Budget requests are due to the Town Administrator by the first business day of January.

As needed, the Town Administrator works with department heads regarding their budget requests. In addition, if necessary, the Town Administrator updates the Town's revenue projections after the release of the State's House 1 budget figures and incorporates any significant change in state aid figures into his/her budget recommendation. In addition, the Town Administrator confers with the Capital Planning Committee regarding potential capital projects and any impact on the operating budget. The Town Administrator creates a balanced budget in consultation with the Board of Selectmen and submits it to the Board prior to its first regularly-scheduled meeting in February.

During the Board's two regularly-scheduled meetings in February, joint budget hearings are held with the Finance Committee. The Board of Selectmen deliberates and directs the Town Administrator to make changes as it deems appropriate. By the first day of March, the Town Administrator submits the proposed budget, inclusive of a budget message and supporting documents to the Board of Selectmen and the Finance Committee.

Additionally, elected officials shall submit to the Town Administrator, Board of Selectmen, and the Finance Committee a proposed budget with an accompanying budget message and supporting documents. The Finance Committee deliberates and prepares a report to Town Meeting with recommendations as it deems in the best interest of the Town.

According to the policy of the School Committee, the North Middlesex Regional School District's budget is submitted to the Board of Selectmen by a final date arranged cooperatively with the School Committee and Finance Committee.

The Annual Town Meeting is held on the first Tuesday in May. According to Town by-law, an attested copy of the warrant must be posted in several places at least seven days prior to the meeting. In addition the proposed budget, inclusive of the budget message and supporting documents, shall be published on the Town's website at least seven days

prior to the meeting. The final budget adopted by the Annual Town Meeting shall be published on the Town's website within seven days following the meeting.

The new fiscal year begins on July 1st.

The procedure for amending the operating budget is as follows. Amendments may be made at a Special Town Meeting or the subsequent Annual Town Meeting. Also, appropriation transfers may be made at the subsequent Annual Town Meeting in accordance with Massachusetts General Law Chapter 44, Section 33B.

Capital Improvement Plan

The Town's capital improvement planning process begins in October when the Capital Planning Committee (CPC), established by Town by-law, prepares the inventory of current facilities, surveys the status of previously approved capital projects, and prepares to release capital request forms and instructions to department heads.

In November, the CPC releases capital request forms and instructions to department heads, who have until the end of that month to prepare and submit new requests and update previous requests.

In December, the CPC meets with department heads to discuss the requests. In January, the CPC evaluates the requests based on criteria established in the by-law:

1. "Risks to public safety or health
2. Deterioration of Town facilities
3. Coordination with other Capital requests
4. Requirement of state or federal law or regulation
5. Improvement in operating efficiency
6. Systematic replacement
7. Equitable provision of services and facilities
8. Protection and conservation of resource"

No later than 60 days prior to the Annual Town Meeting, the CPC shall submit the CIP to the Board of Selectmen as the recommended capital budget. The Board shall coordinate with the Town Administrator to finalize the capital budget and submit it to the Finance Committee for funding recommendation and consideration at the Annual Town Meeting.

The Town Administrator shall ensure that any impacts to the operating budget are taken into account.

BUDGET POLICY

Section 1. Balanced Budget

Background: Massachusetts municipalities are required by state law (M.G.L. c.44, §31) to prepare balanced annual budgets. The Government Finance Officers Association (GFOA) notes a true structurally balanced budget is one that supports financial sustainability for multiple years into the future.

Policy: The Board of Selectmen and the Finance Committee shall recommend and Town Meeting shall adopt balanced budgets in which current revenues (non-one-time) equal or exceed current expenditures. Expenditures shall be realistically budgeted and estimated revenues shall be conservatively budgeted to allow for unanticipated events. The Town shall present said estimates and assumptions behind revenue estimates along with the balanced budget at the annual town meeting.

The Town will not balance the budget by using one-time or other nonrecurring revenues to fund ongoing expenditures. One-time revenues as defined by the Town's "One-Time Revenue Policy" include but not limited to: "transfers from the stabilization fund, transfers from enterprise funds, sales of assets, special state or federal "pothole" appropriations and department turn-backs (unexpended money) from prior operating budgets." They are to be used for "capital improvements, property acquisitions, contributions to the stabilization fund, and single year casualties."

The Town will not use budgetary procedures that balance the budget at the expense of future years, such as postponing or deferring payment of expenses already incurred, accruing future year revenues, or rolling over short-term debt to avoid making principal payments.

As a general rule, no supplemental appropriations to departmental operating budgets shall be made at any special town meetings except in non-anticipatable, extenuating circumstances.

Section 2. Revenue and Expenditure Forecasting

Background: A critical step in maintaining a sound financial plan is the preparation of a multi-year revenue/expenditure forecast(s). Long term financial planning, including revenue and expenditure assumptions, is one of the local government financial practices that credit rating agencies evaluate when assessing municipalities for credit quality.

The Massachusetts Division of Local Services (DLS) states that a financial forecast, or multi-year revenue and expenditure forecast, allows a municipality to evaluate the impact of various government decisions over time.

A forecast will provide decision-makers with an indication of the long-term fiscal impact of current policies and budget decisions, and will allow staff, the Finance

Committee, and the Board of Selectmen to test various “what-if” scenarios and examine the fiscal impact on future budgets.

Policy: Each year the Town Administrator and Town Accountant shall jointly prepare and maintain a five-year Financial Forecast for General Fund and any Enterprise Fund(s) expenditures and revenues based on current service levels and current funding sources and including the five- year Capital Improvement Program.

The forecast shall be used as a budget tool to enable Town officials to review operating needs, identify fiscal challenges and opportunities, and develop long-term budgeting policies as part of an overall strategic plan. The forecast shall be incorporated into the budgetary guidelines released to all departments as part of the annual budgeting process.

A moderately conservative approach shall be used when forecasting revenues. Upon review of historical data, conservative assumptions should be made about dollar or percentage adjustments to the current year’s revenues to arrive at projections for the first forecast year. The same analysis shall be made for successive years of the forecast. As new information is available or circumstances change, the forecast shall be revised.

All assumptions shall be made transparent in the submission and presentation of the financial forecast.

Section 3. Position Control and Vacancies

Background: The largest segment of a town’s budget is its personnel costs. Failure to accurately monitor the approved personnel budget can lead to errors in budgeting, over or understaffing, incorrect grading, and other personnel costs.

Policy: The Town shall maintain a personnel system that accurately tracks authorized, filled, and unfilled positions as well as their funding source. Annual budgets shall be prepared that account for all the costs necessary to cover positions that the Town intends to have during that budget period.

Section 4. Content and Submission of Budget

Background: The content and submission of the budget is governed by:

- Town Charter, Article 4 “Town Administrator, ” Section 4-2 “Powers and Duties” and
- Town Charter, Article 6 “Finance and Fiscal Procedures,” Section 6-2 “Submission of Budget and Budget Message,” Section 6-3 “Budget Message,” and Section 6-4 “The Budget” and
- General By-Laws, Chapter 41 “Finance Committee,” Section 41-4 “Submission of department budgets” and Section 41-6 “Budget amendments”

Policy: Article 4 of the Town Charter states that is the duty of the Town Administrator “to prepare the budgets which fall directly under the Board of Selectmen. To oversee the

budgets for the Agencies under the supervision of the Selectmen, and in addition the Town Administrator will present to the Selectmen the budgets of elected Agencies and the Capital Plan in such a manner that the Selectmen have an understanding of the total budget. The Town Administrator will also work with the Finance Committee, the Accountant and the Treasurer to develop a plan for the funding of appropriations."

Article 6 of the Town Charter states that "Within the time fixed by by-law, before the Annual Town Meeting is to convene, the Town Administrator, after consultation with the Board of Selectmen, shall submit to the Finance Committee a proposed operating budget for the agencies for which the selectmen are responsible for the ensuing fiscal year with an accompanying budget message and supporting documents. Additionally, elected officials shall submit to both the Board of Selectmen and the Finance Committee a proposed operating budget for the ensuing fiscal year with an accompanying budget message and supporting documents."

Further, that "The budget message of the Board of Selectmen shall explain the budget for all town agencies both in fiscal terms and in terms of work programs. It shall outline proposed financial policies of the town for the ensuing fiscal year, describe important features of the budget, indicate any major variations from the current year in financial policies, expenditures and revenues together with the reasons for such changes, summarize the town's debt position and include other material as the Finance Committee deems desirable, or the selectmen may reasonably require."

Further that, "The proposed operating budget shall provide a complete financial plan for all town funds and activities for the ensuing fiscal year. Except as may otherwise be required by laws of the Commonwealth, or this charter, it shall be in the form which the Finance Committee deems desirable or the selectmen may require. The presentation of the budget shall utilize modern concepts of fiscal presentations so as to furnish maximum information and the best financial control."

In addition, the Town shall strive to present to Town Meeting an annual operating budget that conforms to the high standards and best practices set forth by the Government Finance Officers Association.