

A-1 Annual Budget Process 8.24.22)

PURPOSE

The purpose of this policy is to state the principles to be followed in the formulation of the recommended annual budget, describe the process and procedures that culminate in the adoption of the annual budget, and identify the parties responsible for preparing and presenting the budget.

APPLICABILITY

This policy applies to the Finance Committee, the Selectboard, the Town Administrator, the Town Accountant, the Director of Assessing, the Capital Improvements Committee (CIC), and Town Meeting.

The Town's annual operating budget (see definition below) is developed through a collaborative process that involves the Town Administrator and Financial Management Team (Accountant, Treasurer and Director of Assessing), the Selectboard, the Finance Committee, and the Capital Improvements Committee.

DEFINITIONS

Annual Budget - comprised of requests for funding for general fund operations, enterprise fund operations, non-capital special article requests, and capital projects. The fiscal year for the Town's annual budget begins on July 1, and is named according to the calendar year in which it concludes, e.g. the annual budget for FY2023 starts July 1, 2022 and ends June 30, 2023.

Capital Project - a major, non-recurring expenditure that generally meets the following criteria:

- Massachusetts General Law permits the Town to issue bonds to finance the expenditure;
- Project cost is \$25,000 or greater;
- Proposed project or asset to be acquired has a useful life of 5 years or more including:
 - New public buildings, or additions to existing buildings, including land acquisition costs and equipment needed to furnish the new building or addition for the first time;
 - Alterations, renovations, or improvements to existing buildings;
 - Land acquisition and/or improvements, unrelated to public buildings, but necessary for conservation, recreation or off-street parking;
 - Major equipment acquisition, replacement or refurbishment, including but not limited to vehicles, furnishings, and information technology systems' hardware and software or other items that combined in purpose together make it a Capital Project;
 - New construction or major improvements to Town's physical infrastructure, including streets, sidewalks, stormwater drains, and the sanitary sewer system. Infrastructure improvements must extend the useful life of the infrastructure by at least ten (10) years to be appropriately classified as a Capital Project;

Feasibility studies, engineering design services, or consultant services which support and a part of a future Capital Project

Enterprise Fund - a separate accounting and financial reporting mechanism for municipal services for which a fee is charged in exchange for goods or services. Revenues and expenses of the service are segregated into a fund with financial statements separate from all other governmental activities.

General Fund - the primary fund used by a government entity. This fund is used to record all revenues and expenditures that are not associated with special-purpose funds, e.g., enterprise, capital project, grant, and revolving funds. The activities being paid for through the general fund constitute the core administrative and operational tasks of a municipality.

Gill-Montague Regional School District (GMRSD) Affordable Assessment – as a matter of policy, per the agreement captured in the 2009 Compact for Funding Education endorsed by the Administration and School Committee of the Gill-Montague Regional School District, the Selectboards and the Finance Committees of Gill and Montague, and reaffirmed by consensus of those boards in 2019, 48.5% estimated general fund revenues for the ensuing fiscal year shall be known as the “Affordable Assessment” and be allocated to support the recommended budget of the GMRSD.

For the purpose of calculating the Affordable Assessment, estimated general fund revenues for the ensuing fiscal year shall be exclusive of those revenues characterized as non-recurring and/or revenues targeted to support specific operating budget programs, e.g., veterans benefit reimbursements, solid waste fees, Council on Aging reimbursements from the Town of Gill, a portion of Kearsarge Lease Fees and School Resource Officer (SRO) reimbursements from the FCTS and the GMRSD.

Operating Budget – The plan of proposed expenditures for personnel, supplies, and other regular expenses for the coming fiscal year. Unused and unencumbered appropriation balances close at the end of the fiscal year.

Special Article – A separate appropriation for a specific purpose, which can be capital or non-capital in nature. Unless it adds to an operating budget’s appropriation, the unused balance does automatically close at the end of the year but remains until completely used, the purpose is completed, or the balance is appropriated for another purpose.

POLICY

The following principles shall guide town officials in the preparation of the recommended annual operating budget for presentation to town meeting:

- As required by Massachusetts General Law (M.G.L. c.44, §31 and M.G.L. c.59, §§ 21C-23), the recommended annual operating budget shall be balanced; that is, total recommended appropriations shall be supported by estimates of revenue equal to those appropriations.
- Recommended appropriations shall be realistically budgeted and revenues shall be conservatively estimated.
- As a general rule, sources of estimated revenue shall be reasonably expected to recur annually to sustain recurring annual expenditures. The document presenting the recommended annual budget shall include a presentation of estimated revenues and the assumptions underlying the estimates.

- The Town will seek to avoid using budgetary relief offered by statute or regulation that balances the budget at the expense of future years, such as amortizing deficits over multiple years.
- The Town will not use one-time or non-recurring revenues to balance the budget, except in the event of emergency, extraordinary or unforeseen circumstances. Should such an event necessitate the use of one-time revenues to balance the budget, the Selectboard, Town Administrator, and Finance Committee shall present along with the budget a plan to return the town to a structurally balanced budget within three years.
- The Town shall maintain reserves for emergencies and other purposes (See Financial Reserves Policy) and shall maintain liquidity sufficient to pay bills on time to preclude the need to borrow in anticipation of revenue.

PROCEDURES

The following procedures shall be followed in the development and presentation of the recommended annual operating budget:

- By October 1st, the multi-year revenue and expenditure forecasting tool, 6-year capital improvement plan, and financial policy guidelines have been prepared for use in the budget development process for the upcoming year. The Town Accountant and Town Administrator are responsible for keeping the forecasting tool up to date, the CIC maintains the capital plan, and the Finance Committee reviews the financial management policies annually and makes recommendations for any changes to the Selectboard.
- In October, the Capital Improvements Committee (CIC) develops and transmits to the Town Administrator, the Selectboard and the Finance Committee a calendar identifying dates including:
 - a schedule for the submission of capital project requests by Town departments and the GMRSD for years 1 through 6 of the Capital Improvement Plan (CIP).
 - a scheduling period within which departments requesting capital projects will appear before the CIC to respond to the Committee's questions about project proposals, and to provide information and answer questions regarding the cost estimates and scope for any projects proposed for the Capital Budget (Year 1 of the CIP).
 - a date (typically on or about January 15) by which the Town Administrator or their designee will submit to the CIC a finalized set of capital projects to comprise the Capital Budget.
 - a joint meeting of the Finance Committee and CIC (typically on or about March 15), at which the CIC and Town Administrator or their designee will present and discuss the recommended Capital Improvement Plan.

- By November 1st, the Town Accountant provides department heads and committee chairs with the forms they will use to submit their budget requests for the upcoming year and the GMRSD with a preliminary estimate of the Affordable Assessment. The Town Administrator brings information about substantive changes under consideration for town services/programs to the attention of the Selectboard and Finance Committee.
- By December 15th, departmental requests for the operating budget and non-capital articles are submitted to the Town Accountant, who incorporates them into the budget workbook and distributes the workbook, the accompanying narratives, and non-capital special article requests to the Selectboard, the Finance Committee, and the Town Administrator.
- By mid-January, the Finance Committee chair, the Selectboard chair, the Town Administrator and the Town Accountant shall agree on a schedule for the remainder of the budget process and proposed dates that include, but are not limited to, the following:
 - Presentation by the Town Administrator and Town Accountant to the Selectboard and the Finance Committee on the status of the current year's budget, and for the ensuing fiscal year: a) updated estimates of revenue, b) an overview of proposed expenditures related to the operation of town departments (including information about personnel and programmatic changes), and c) anticipated capital requests
 - Reviews of departmental and committee requests (These are scheduled and hosted by the Finance Committee.)
 - A New Growth estimate, which will inform the final budget figure for use in the Annual Budget Process and calculation of the final Affordable Assessment.
 - At least one joint meeting of the Finance Committee and Selectboard, with representatives of the Town of Gill the Franklin County Technical School and the GMRSD, to review the two school districts' assessments and capital requests for the upcoming year.
 - By March 15th, a joint meeting of the Finance Committee, Selectboard and Capital Improvements Committee to receive CIC's final report on capital projects and its recommendations, and to discuss funding sources for requests that are likely to appear on the warrant.
 - A meeting at which the Finance Committee makes recommendations for annual appropriations to Reserves and Trust Funds.
 - At least one joint meeting of the Finance Committee and the Selectboard to finalize the operating budget that will be recommended to the Annual Town Meeting and discuss other articles to be included in the Annual Town Meeting warrant.
 - Dates for the opening and closing of the warrant for the Annual Town Meeting; the date when Annual Town Meeting materials will be released. These materials include the Finance Committee's report on the recommended budget for the ensuing fiscal year.
 - The Annual Town Meeting, typically held on the first Saturday in May.

REFERENCES

M.G.L. c. 44, §31

M.G.L. c.59, §§ 21C-23

Town of Montague – Capital Planning policy

Town of Montague – Revenue and Expenditure Forecasting policy

Town of Montague – Financial Reserves policy

ADOPTED BY:

DATE ADOPTED: