

THE ANNUAL BUDGET PROCESS

PURPOSE

The purpose of this policy is to articulate the principles to be followed in the formulation of the recommended annual budget, formalize the steps 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 Select Board, the Town Administrator, the Town Accountant, the Capital Improvement Committee, and Town Meeting.

The parties identified in this policy with responsibility for managing the annual budget process reflects the historical and current practice of the Town, particularly the key roles played by the volunteer members of the Finance Committee and the Capital Improvement Committee. While this model has served the Town well due to the dedication and hard work of the volunteer members and, as town residents, their understanding of issues of importance to the citizens of Montague, there is recognition that dependence on volunteers comes with some risk such as the loss of institutional knowledge due to turnover of committee membership and competing demands on members' time from personal and professional obligations. Consequently, the Town shall explore "best practices" for management of the annual budget process to see if there is any opportunity for improvement to the existing practice of the Town.

DEFINITIONS

Annual Budget – comprised of requests for funding for general fund operations, enterprise fund operations and capital projects.

Capital Projects - A capital project is defined as a major, non-recurring expenditure for roads and bridges, utility infrastructure, equipment, vehicles, parks, buildings, and technology that generally meets the following criteria:

- Massachusetts General Law permits the Town to issue bonds to finance the expenditure;
- The expenditure is \$25,000 or more;
- The expenditure will have a useful life of 5 years or more; and
- Planning, engineering, or design services may be considered capital when such services are integral to a construction, renewal, or replacement project that meets the criteria for a capital expenditure.

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 to account for general government services. This fund is used to record all revenues and expenditures that are not associated with special-

Commented [RA1]: Steve, this paragraph is my stab at language regarding the impetus for exploring alternative practices for managing the annual budget process. No pride of authorship here. Do you think it captures the concerns of all in our last zoom conversation?

purpose funds, e.g., enterprise funds and grant 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 _____ and reaffirmed by _____ 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.

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 assumption 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 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:

- The recommended annual operating budget – inclusive of general fund operations, enterprise fund operations, and capital projects – shall be the responsibility of the Finance Committee.
- Prior to the beginning of the budget process, the Finance Committee shall develop a calendar outlining the steps to be followed in the development of the budget and the proposed dates they are scheduled to occur. The calendar shall be distributed to the Select Board and the Town Administrator for their review and comment.

The calendar shall include, but not be limited to, dates for the following:

- Departmental submissions of capital requests, including those from the Gill-Montague Regional School District to the Capital Improvements Committee.
- Presentation by the Town Administrator and Town Accountant to a joint meeting of the Select Board and the Finance Committee of the status of the current year's budget, preliminary estimates of revenue for the ensuing fiscal year, and proposed budget guidelines to accompany instructions to Department Heads for submittal of their operating budget requests for the ensuing fiscal year.
- The calculation by the Town Administrator and transmittal of the preliminary GMRSD Affordable Assessment to the Finance Committee and GMRSD.
- Submittal of departmental operating budget requests, including Boards and Committees, to the Finance Committee.
- Presentation by the Capital Improvements Committee to the Finance Committee of the preliminary list of capital requests for the ensuing fiscal year.
- Joint reviews by the Finance Committee and Select Board of departmental budget requests.
- Joint Meeting of the Finance Committee and Select Board, to be joined by representatives of the Town of Gill and the GMRSD, to receive from the Town Administrator final revenue estimates for the ensuing fiscal year and the final calculation of the GMRSD Affordable Assessment.
- Joint meeting of the Finance Committee, Select Board and Capital Improvements Committee to receive CIC recommended capital projects for the ensuing fiscal year.
- Joint Meeting of the Finance Committee and the Select Board to approve the operating budget to be recommended to the Annual Town Meeting as well as other articles to be included in the Annual Town Meeting warrant.
- Preparation and transmittal of the Finance Committee's report to Town meeting on the recommended budget for the ensuing fiscal year. The report shall include but not be limited to the following:
 - A description of the important features of the budget
 - A description of any major changes from the current year in financial policies, expenditures, and revenues, together with the reasons for such changes
 - A summary of the Town's debt position
 - Other material the Finance Committee deems appropriate

Commented [RA2]: The following bullets are a suggestion of report content if all parties think inclusion of these bullets should be part of the policy.

REFERENCES

M.G.L. c. 44, §31

M.G.L. c.59, §§ 21C-23

ADOPTED BY:

DATE ADOPTED:

