FINANCIAL FORECAST TEMPLATE INSTRUCTIONS

2026

DLS

DIVISION OF LOCAL SERVICES

MA DEPARTMENT OF REVENUE

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Introduction

A financial forecast is an essential planning and policymaking tool that projects revenues and expenditures over a multiyear period. A well-designed forecast allows a municipality to evaluate the impact of various decisions and policy choices, identify challenges, analyze different scenarios, and budget sustainably for the future.

The Division of Local Services (DLS) developed the accompanying Excel workbooks as a tool for forecasting all the operating revenues and expenditures that appear on a community's Tax Rate Recapitulation Sheet (tax recap). One has a 5-year look back of historical data and the other is a 10-year look back. The tax recap includes all estimated revenues, and the legislative body approved appropriations along with other legally required amounts to be raised that impact the property tax rate.

The forecast is comprised of a Summary worksheet that combines the revenues and expenditures drawn from the Revenue, Expenditures, Enterprise Funds, Community Preservation (CPF), and Cost-of-Living Allowances (COLA) worksheets. The Revenue summary page merges the four major revenue groupings from the detailed Tax Levy, State Aid, Local and Offset Receipts, and Available Funds worksheets. The Expenditures summary page presents historical general fund expenditures, current operating budget, and projected spending. Because the enterprise and community preservation funds are separate from the general fund, their revenues and expenditures are presented on separate worksheets that are linked to the Summary and Revenue pages. There are also supplemental worksheets to enhance the integrity and value of the tool.

Entering Data

This manual begins with a worksheet reference block for each section that includes the data required to complete the sheet and the source for that information. Much of the data can be found in multiple documents and sources; however, the recommended or primary source is printed in bold. Additionally, each worksheet has footnotes that provide data source information associated with the numbers in column A. All worksheet reference blocks are compiled in the Appendix.

The spreadsheets have a combination of built-in formulas, cells linked to other worksheets, subtotal lines in light blue, and total lines in dark blue. The worksheet reference block indicates if data in the worksheet is pulled from another worksheet (links from) or is sent to another sheet (links to). Be

mindful when directly entering data to note if the cell references (is linked) to another cell or is based on a formula.

The columns are identified as budget, actual, and projected throughout the template. Revenues are presented consistently as budget, whereas historical expenditures are the actual amounts through the last finalized fiscal year. To aid in forecasting specific revenue and expenditure categories, the 3-year average percentage change is calculated on the far right. The next field is to input the percentage increase (or decrease) for the projected years in that row. Some fields (e.g., personal services) can be forecasted based on data from a different worksheet. This is indicated in the projection column with a link to the associated worksheet. The impact of these projections is shown on the Summary worksheet.

By including general, enterprise, and community preservation fund worksheets, this template is designed to accommodate the finances of all cities and towns. Therefore, there may be categories, columns, or line items that are not applicable. For a more concise presentation, extraneous information should be hidden rather than deleted. Due to the layered linkage in the forecast, deleting information may result in errors or a deficiency. To hide information, right-click on the applicable worksheet tab, column, or individual row line within a worksheet and select 'Hide'.

We recommend that one individual maintain the community's working copy of the forecast. We also recommend maintaining a separate file of the original copy of the forecast workbook as a safeguard to correct any possible deleted formulas or overwritten references.

Revenue

Tax Levy

Forecast Worksheet	Data	Source Information
Tax Levy	Levy Limit	▪ DLS Gateway, Taxrate, **Levy Limit** worksheet ▪ DLS Gateway, Taxrate, Tax Rate Recap, page 1
	Levy Ceiling	▪ DLS Gateway, Taxrate, **Tax Rate Recap, page 1** ▪ DLS Gateway, Taxrate, Levy Limi**t** worksheet ▪ DLS Gateway, Taxrate, LA-4 Assessment/Classification
	New Growth Dollars by Property Class	▪ DLS, Gateway, Taxrate, **LA-13** Tax Levy Base Growth ▪ Discussions with assessors ▪ DLS, Gateway, Taxrate, **LA-13A** Amended Tax Levy Base Growth
	Debt Exclusion	▪ DLS Gateway, Taxrate, **DE-1 Debt Exclusions** ▪ Debt amortization schedules ▪ Reimbursement adjustments/premium amortizations ▪ Discussions with treasurer and accountant
	Capital Exclusions/ Other Adjustments	▪ DLS Gateway, Taxrate, **Levy Limit** worksheet
	Total Levy	▪ DLS Gateway, Taxrate, **Tax Rate Recap, page 1**
Links From		▪ Debt worksheet (DE-1 Debt Exclusion)
Links To		▪ Revenue

The property tax levy is the revenue a community raises through real and personal property taxes. It is adjusted year-to-year as dictated by Proposition 2½, which includes an automatic increase of 2.5% over the previous year's levy limit and an allowance for new growth. Additionally, a community may vote to increase its levy limit permanently through an override or temporarily through a debt exclusion or capital outlay exclusion.

Enter historical information from Gateway into the tax levy worksheet for all fiscal years in the order presented in this section.

Input: Levy Limit: From the DLS Gateway, Taxrate, **Levy Limit** worksheet, enter the initial Prior Year Levy Limit in the first year of the forecast (cell C7) using the value in Part II. A. (Example: if the forecast begins with FY2020, go to fiscal year 2020 Levy Limit worksheet and enter the FY2019 levy limit in cell C7.) The 2.5% increase is automatically calculated, and the total levy limit is carried forward to all subsequent years.

Projection: Future amounts are automatically calculated based on the prior year's levy limit.

Input: Levy Ceiling: For each year, enter the total property value from DLS Gateway, Taxrate, **Tax Rate Recap, page 1** on row 26. The levy ceiling, equal to 25% of the total property value, and override capacity are automatically calculated with override capacity being the difference between the levy limit and levy ceiling.

Projection: If the levy limit is projected to be equal or exceed the levy ceiling, the override capacity will be negative and "Over levy ceiling" will appear. The levy limit will be capped at the levy ceiling (on the Revenue summary worksheet and the following year beginning levy limit). When the property value increases to the point that the levy ceiling is greater than the levy limit (levy ceiling * 2.5% > levy limit), the calculated values will be reflected, and the message will cease.

Input: New Growth: Enter new growth dollars from the Tax Levy Growth column of the DLS, Gateway, Taxrate, **LA-13** Tax Levy Base Growth into the New Growth section of the Tax Levy worksheet (rows 31 – 34) by property class for each fiscal year. The information will automatically update the New Growth line (row 10) in the Levy Limit section.

Projection: New growth represents additional value added to the property tax base from new construction or improvements to existing properties and other additions to the tax rolls. Seek input from the board of assessors, assessing director, and community & economic development personnel to determine new growth projections. To assist with new growth analysis, tables calculating the three-year and five-year certified new growth averages are at the bottom of the worksheet. Any spikes in these periods should be identified and noted for possible adjustments to the multiyear averages.

Input: DE-1 Debt Exclusion: For historical years, enter gross excluded debt amounts and any adjustments (i.e., reimbursements, excessive amounts raised in the prior year, and bond premiums applied) directly from the DLS Gateway, Taxrate, **DE-1 Debt Exclusions.** This amount must equal the amounts reported on form **DE-1**. This data will update the Debt Exclusion(s) line in the Levy Limit section (row 13).

Projection: Prospective debt exclusion amounts should be entered into the Debt worksheet and linked to this section (see Debt). Use the Capital Improvement Plan (CIP) and financial policies regarding excluded debt. To analyze prospective debt exclusions and project principal and interest, use the Debt Service calculator found on the DLS website or request a preliminary annual debt payment schedule from the financial advisor.

Note: Bond premiums applied as adjustments are classified as receipts reserved for appropriation that are allocated based on an amortization schedule, appropriated annually by the legislative body, and reported on forms **DE-1** and DLS Gateway, Taxrate, **B-2 Other Funds**. For additional information, see DLS Informational Guideline Release 17-22: *Premiums and Surplus Proceeds for Proposition 2½ Excluded Debt*.

Input: Capital Exclusions and Other Levy Limit Adjustments: Enter historical capital outlay expenditure exclusions, or excluded funds for specific capital project costs, from the tax recap **Levy Limit** sheet and entered with the debt exclusion information in the Levy Limit section of the Tax Levy worksheet (row 14). Historical exclusion information for a stabilization fund override, water/sewer project, or other adjustment are also found on the tax recap **Levy Limit** and entered in same portion of the Tax Levy worksheet (rows 15-17).

Projection: Base projections on the CIP and financial policies Like linking the projected debt issuances to the debt exclusion section, a section could be added in the debt worksheet to capture prospective information and linked directly to the Tax Levy worksheet for these exclusions. A stabilization fund override is updated each year when policymakers vote the amount. Use historical practices and written policy to establish the projected amounts.

Input: Total Levy: Until DLS approves the tax recap, the projected levy is set equal to the maximum allowable levy limit. When available, enter the actual tax levy amount from DLS Gateway, Taxrate, **Tax Rate Recap, page 1** in the Total Levy line (row22). The difference between the maximum allowable levy and the total levy, or excess levy capacity is automatically calculated. This is verified against the **LA-5 Certification** or in the DLS municipal finance trend dashboard reports – property taxes – proposition 2 ½ limits.

State Aid

Forecast Worksheet	Data	Source Information
State Aid	Cherry sheets	▪ DLS webpage: **Trends in Municipal Cherry Sheet Aid** ▪ DLS Gateway, Taxrate, **Tax Rate Recap, page 2**
	Education Aid (Chapter 70)	▪ Supplemental information: ▪ Chapter 70 Program, fiscal year Chapter 70 Aid *Complete Formula spreadsheet* ▪ Inter-District School Choice, FY Inter-District School Choice Tuition spreadsheet ▪ Charter Schools, Tuition, Reimbursements and Enrollment
	Property Tax Reimbursements	▪ DLS, Gateway, Misc Forms, MDM-1 (detail for state reimbursement amounts) ▪ Discussions with assessors
Links To		▪ Revenue

State aid is the combination of program revenues and reimbursements a community receives from the state as reported on the cherry sheet, which is the official notification from DLS of estimated aid to be paid and charges to be assessed. All distribution and reimbursement programs past and present are listed for historical purposes with the cells linked to the Revenue summary page. For ease of use, hide non-applicable line items.

Input: Historical final estimates can be downloaded from trends in municipal cherry sheet aid on the DLS website. The state budget progress is reported on the DLS website in the cherry sheet & state payment reports under cherry sheet estimates - preliminary. This information reflects each aid proposal in the state budget process and should be used for the current budget year. Fiscal year totals must equal those reported on DLS Gateway, Taxrate, **Tax Rate Recap, page 2**.

Projection: General Government – Use a conservative percentage change when projecting Unrestricted General Government Aid (UGGA) while considering recent history and the current state budget environment. Reimbursement for veteran's benefits is 75% of the amounts spent for allowable financial, medical, and burial benefits in the previous fiscal year. Property tax exemptions granted by the community are fully reimbursed. Revenues lost due to tax-exempt, state-owned land are reimbursed based on the community's state-owned land value compared to the value of all state-owned land, with the values adjusted every two years. Because each of these categories is based on the community's actual experience, the aid amounts can be somewhat predictable. As for offset receipts reserved for direct expenditure, the projected revenue and corresponding appropriation are generally level funded in the forecast.

Education - *Chapter 70*: Using complex formulas, the Department of Elementary and Secondary Education (DESE) annually determines the total school foundation budget, minimum local

contributions, and allocation of foundation budget between local and regional school districts. DESE then calculates the distribution of Chapter 70 educational aid and determines required net school spending (NSS) amounts. A community's required local contribution is a historical amount based on an estimate of the percentage change in revenue growth (municipal revenue growth factor, or MRGF), enrollment trends, and inflation levels from the previous year. Officials should review historical trends in these areas to use as a benchmark for forecasting purposes. Communities that are full members of a regional school district will not receive Chapter 70 aid as it is provided directly to the district.

To better understand the Chapter 70 aid amounts, we suggest that local officials familiarize themselves with the actual calculation by using the NSS worksheet (see Supplementary worksheets).

Local and Offset Receipts

Forecast Worksheet	Data	Source Information
Local Receipts	Local Receipts Not Allocated	▪ DLS Gateway, Taxrate, **Tax Rate Recap, page 3** ▪ DLS municipal finance trend dashboard reports – general fund revenues and expenditures – **local receipts** ▪ Discussions with department heads, accountant, and treasurer
Offset Receipts	Offset Receipts	▪ DLS Gateway, Taxrate, **A-1 Offset Receipts** ▪ Discussions with department heads, accountant, and treasurer
Links To		▪ Revenue

Local receipts are locally generated revenues other than real and personal property taxes and include motor vehicle and other excises, penalties and interest, investment income, fees, and charges. Offset receipts, which are permitted by local option (M.G.L. c. 44, § 53E) and not included in local receipts, allows a particular department's estimated receipts to be earmarked for the department's use and appropriated to offset its annual operating budget.

Input: Enter the historical local receipt budget and actual amounts from either the **Tax Rate Recap, page 3** or download the applicable years from the municipal finance trend dashboard – general fund revenue and expenditures – local receipts. The data can be filtered by type and entered by year into the Local Receipts worksheet.

Offset receipts are reported in the same manner (prior year actual and current year estimated) and are entered from the DLS Gateway, Taxrate, **A-1 Offset Receipts.**

Projection: Local receipts generally reflect the health of the local economy and can significantly impact free cash. They also affect the MRGF calculation, which can trigger an increase in the NSS requirement. We recommend a generally conservative projection for all receipts with a target of no more than 90% of the previous year's actual revenue.

Available Funds/Other Financing Sources

Forecast Worksheet	Data	Source Information
Available Funds	Free Cash	▪ DLS Gateway, Taxrate, **Tax Rate Recap page 4** ▪ DLS Gateway, Taxrate, **B-1 Free Cash** ▪ DLS municipal finance trend dashboard reports – operating positions – free cash
	Available funds & balances	▪ DLS Gateway, Taxrate, **B-2 Other Funds** ▪ DLS Gateway, Taxrate, **Tax Rate Recap page 4** ▪ Certified legislative body meeting votes from municipal clerk ▪ DLS municipal finance trend dashboard reports – operating positions – stabilization fund ▪ DLS Gateway, Schedule A, **Part 6 Trust** ▪ Balance sheet ▪ Discussions with accountant and treasurer
Links From		▪ Revenue (Free Cash – Total Operating Budget)
Links To		▪ Revenue

Aside from locally generated revenues and state aid, a community may rely on other funding sources. These can include appropriations of reserves, such as available free cash and stabilization funds, as well as other recurring or nonrecurring sources of revenue and special revenue sources, for instance overlay surplus and receipts reserved for appropriation. The Available Funds worksheet captures these amounts as reported on DLS Gateway, Taxrate, **Tax Rate Recap page 4** each fiscal year.

Free Cash: A community's free cash represents the amount of unrestricted funds available for appropriation that have been certified by DLS as of July 1. After certification, it may be used for the current or ensuing fiscal years and is reported on DLS Gateway, Taxrate, **B-1 Free Cash**, which ties to the amounts reported on DLS Gateway, Taxrate, **Tax Rate Recap page 4** of the respective fiscal year Tax Rate Recaps.

Input: Enter the historical use of free cash from legislative meeting minutes (town meeting or council) or from the accounting officer. Each appropriation should be reviewed and identified for the purpose: prior-year expenses, transfers to stabilization, another reserve(s), OPEB trust funds, other special purpose, capital expenditures, current operating expenses, or tax rate reduction. The City/Town Appropriation template on the DLS website is a useful tool to record and balance legislative action.

Projection: Because there is no guarantee a community will have future free cash, it should not be projected. Once free cash is certified as available, the forecast may be updated.

Other Available Funds: Other available funds include stabilization fund(s), receipts reserved for appropriation, bond premiums, overlay surplus, and other one-time revenues. By statute, these

must be appropriated by the legislative body for purposes for which a community may expend funds and are reported on DLS Gateway, Taxrate, **B-2 Other Funds**

Input: Enter the historical use of other available funds from town meeting or council minutes and from form **B-2**.

Projection: If it is the intent of the community to use stabilization fund balances in future years, enter the amount into the projection year. The appropriation will be subtracted from the projected balances located on the bottom of the worksheet to monitor available fund balances and ensure the funds are not depleted. (Appropriations to the fund are likewise added.) As with free cash, there should only be revenue projections of other financing sources if the anticipated appropriation is from an identifiable balance or recurring source of revenue.

A section of the Available Funds worksheet in the template is dedicated to six stabilization funds highlighted in purple. Enter the name of any special stabilization funds in one of the number lines and hide any others not needed. The purpose of segregating these funds is to record appropriations in and out of the funds to maintain a projected annual fund balance thus enabling policymakers to monitor the funds' availability.

Enterprise Funds - Revenue

Forecast Worksheet	Data	Source Information
Enterprise Funds	Estimated receipts	▪ DLS Gateway, Taxrate, **A-2 Enterprise Funds** ▪ Discussions with department head, accountant, and treasurer
	Retained earnings	▪ DLS municipal finance trend dashboard reports – operating positions – retained earnings by fund
Links To		▪ Revenue

An enterprise fund (M.G.L. c. 44, § 53F½) gives a community the flexibility to establish a separate accounting and financial reporting mechanism for a municipal service for which a fee is charged in exchange for goods or services.

The given service's revenues and expenses are segregated into a fund with financial statements separate from the general fund. The enterprise retains its year-end retained earnings, which must be certified by DLS to be available for appropriation. An enterprise fund is separate from the general fund with both the revenues and expenditures recorded in the Enterprise Funds worksheet.

Input: Enter estimated revenue and retained earnings from DLS Gateway, Taxrate, **A-2 Enterprise Funds**.

Projection: For self-supporting enterprise funds, estimated revenues should be set equal to the projected expenditures. Review historical billing and collection experience to ensure user rates/fees are sufficient.

Community Preservation Fund

Forecast Worksheet	Data	Source Information
Community Preservation Fund	Estimated receipts	▪ DLS Gateway, Taxrate, **A-4 CPF** ▪ Discussions with accountant and treasurer
	State Match	▪ Fiscal Year State CPA Match
Links To		▪ Revenue

Communities may adopt the Community Preservation Act (CPA), as outlined in M.G.L. c. 44B, to establish a fund for open space protection, historic preservation, affordable housing, and outdoor recreation. Operating independently of the general fund, revenue sources for this fund are a local property tax surcharge of up to three percent plus an annual distribution from the state trust fund established for this purpose.

A separate worksheet is included to capture the revenue and balance the to the budgeted revenues on the tax recap. Expenditures are automatically equal to the revenue in the Summary worksheet.

Input: Enter estimated revenues from DLS Gateway, Taxrate, **A-4 Community Preservation Fund**.

Projection: The CPA surcharge is based on local property taxes and increases accordingly. Due to the increased program participation, the annual state amount has trended downward in the last several years.

Revenue Summary

Forecast Worksheet	Data	Source Information
Revenue	Tax Recap Total	▪ DLS Gateway, Taxrate, **Tax Rate Recap, page 1**
Links From		▪ Tax Levy ▪ State Aid ▪ Local Receipts ▪ Offset Receipts ▪ Available Funds ▪ Enterprise Funds ▪ CPF
Links To		▪ Summary

The Revenue summary worksheet combines the totals for all the preceding worksheets:

- Tax Levy
- State Aid
- Local Receipts
- Offset Receipts
- Available Funds
- Enterprise Funds
- Community Preservation Fund

Input: Enter the tax recap total from the DLS Gateway, Taxrate, **Tax Rate Recap, page 1** in the line marked *Tax Recap Total* (row 60)**.** The *Difference* must be zero, confirming that the calculated totals (linked from the above worksheets) are correct and the revenues for all fiscal years are accounted for. The recap total is the only information directly entered into this worksheet.

To identify any discrepancies, review each forecast revenue section total with the category total on **Tax Rate Recap, page 2**. Refer to the source document to update the worksheet with the error.

Expenditures

Expenditure Summary

Forecast Worksheet	Data	Source Information
Expenditures	Municipal departments	▪ **General ledger budget to actual expenditure reports** ▪ Intergovernmental assessment information ▪ Position control worksheet
	Debt Service	▪ Debt amortization schedules ▪ Debt worksheet ▪ DLS Gateway, Taxrate, **DE-1**
	Risk Management	▪ Workers' and unemployment compensation policies ▪ Casualty, liability, auto, and property insurance coverage information
	Employee Benefits	▪ Health insurance plan information ▪ Retirement system's funding schedule and annual appropriation letters (PERAC) ▪ OPEB target funding schedule
	Reserves and Miscellaneous	▪ Reserve Policies ▪ Actuarial and audit service contracts ▪ Regional agreements

	State Assessments (State Aid Worksheet)	▪ Trends in Municipal Cherry Sheet Aid worksheet
		▪ Supplemental information:
		  ▪ Chapter 70 Program, fiscal year Chapter 70 Aid ***Complete Formula spreadsheet***
		  ▪ Inter-District School Choice, FY Inter-District School Choice Tuition spreadsheet
		  ▪ Charter Schools, Tuition, Reimbursements and Enrollment

	Other Amounts to be Raised	▪ Trends in Municipal Cherry Sheet Aid worksheet ▪ DLS Gateway, Taxrate, **Tax Rate Recap, page 2** ▪ DLS Gateway, Taxrate, **OL-1 Overlay** ▪ Discussions with assessors
	Other Financing Uses	▪ DLS Gateway, Taxrate, **B-2 Other Funds** ▪ DLS Gateway, Taxrate, **Tax Rate Recap, page 4** ▪ Town or council meeting minutes
Links From		▪ Expenditure Detail ▪ Position Control ▪ Debt ▪ State Aid ▪ Tax Levy
Links To		▪ Summary

The Expenditures worksheet summarizes historical, budget, and projected expenditures. It includes information from the Debt and Position Control worksheets. Expenditures is organized by:

- Municipal departments
- Debt
- Risk management
- Employee benefits
- State assessments
- Reserves and Miscellaneous appropriations
- Other amounts to be raised

Input: Enter final general ledger expenditure information. For ease, extract general ledger data into Excel and format it by expenditure category within department and function using the Expenditure Detail worksheet (see sample). Link the departmental summary detail to the associated categories in the Expenditure worksheet for the current budget year and historical expenditures.

Municipal Departments

Projection - Expenses:

- Base growth of operating expenses and employee benefits on historical trends.
- Understand cause of fluctuations in historical experience.
- Review regional or shared program agreements for assessment formulas and/or participation costs.
- Review all multiyear contractual agreements for known increases and expiration dates.

Projection – Personal Services

- Link to the Position Control worksheet.
- Do not assume any 'potential' increases in the Expenditure worksheet. Factor only known increases due to a compensation plan, schedule, or contracts (collective bargaining or individual) in either the Position Control worksheet or for the expenditure line.

Projection – Capital/Special Articles

- Departmental capital outlay is appropriated within the annual budget for items routinely replaced with the operating expenses and is expected to be expended in the year appropriated.

Debt Service

Projection - Based on the community's existing and anticipated payment schedules. See Debt worksheet.

Risk Management

Risk management comprises the community's workers' and unemployment compensations, casualty and liability insurances, including police and fire accident insurances, property and auto coverage, and public official bonds.

Projection - Based on historical fluctuations, claims history, and discussions with local officials.

Employee Benefits

Employee benefits include group health and life insurance, Medicare, retirement, and OPEB.

Projection:

- Retirement: Use the biennial funding schedule approved by the Public Employee Retirement Administration Commission (PERAC) and the annual appropriation letters. Seek input from the retirement board for details of actuarial variables (e.g., assumed rate of investment return, funding date, employee demographic changes).
- Health and life Insurance: Health insurance expenses are based on the plan provider, the percentage of premiums paid by active and retired employees, and the number of employees and retirees enrolled. Get input from the plan provider for rate change trends and projected increase percentages. Self-insured communities should seek guidance from their paid insurance consultant.
- Medicare: For all employees hired after April 1, 1986, a 1.45% Medicare tax is withheld from paychecks and matching amounts paid by the community. Tie projected increases to personnel cost increases.

Reserves and Miscellaneous

Reserves include appropriations to reserve funds such as stabilization and OPEB trust or may include the finance committee's or council's reserve fund if not included in the omnibus budget. This category also accounts for periodic expenses not otherwise included in a departmental budget.

Projection: Level fund the annual appropriation to the finance committee's reserve. The purpose of this reserve is to provide supplemental funding for unforeseen or unanticipated expenses, not as a supplemental revenue source. Funds are transferred to the applicable line item and expended; therefore, this account always reflects zero dollars expended.

Miscellaneous appropriations include items that may not follow traditional projection rules, such as actuarial and audit contractual services or local assessments. An actuarial analysis of the OPEB obligation must be performed every two years. Audit services may be contracted on a one, two, or three-year basis. Enter the current scheduled contract amounts into the forecast and update them when renegotiated. Forecast appropriations for other postemployment benefit liabilities and other reserves (e.g., stabilization, capital purchases) according to policy.

State Assessments

Assessments reported on the cherry sheet are for charges for participating in various state and regional programs.

Input: Historical amounts can be included with all other expenditures linked or entered from the general ledger. Current budget and projected amounts are entered in the State Aid worksheet and linked to Expenditures.

Projection: Based on historical experience and program participation.

Other Amounts to be Raised

Other amounts are those that are raised on the tax recap sheet rather than through operating budgets.

Input:

- Cherry sheet offsets (i.e., public libraries and inter-district school choice receiving tuition) linked from the State Aid worksheet.
- Enter allowance for property abatements and exemptions (overlay) from DLS Gateway, Taxrate, **Tax Rate Recap, page 2** into the Tax Levy worksheet.
- All others are "as required" and input from DLS Gateway, Taxrate, **Tax Rate Recap, page 2.**

Projection:

- Enter specific tax title expenses that are not included in the annual budget, although as a recurring expense, this should be included as part of the annual operating budget.
- Include deficits and court judgments only in the event something materializes.
- Cherry sheet offsets as linked from the State Aid worksheet.
- Overlay - confer with the assessors to determine potential pending Appellate Tax Board or court cases and review outstanding receivable balances to project annual funding amounts. Include an overlay amount each year to maintain budget continuity.

Other Financing Uses

Other financing uses records the expenditure of free cash and other available funds authorized at the annual or special town meeting or at any council meeting. These include transfers to other funds, including special revenue, stabilization, and OPEB funds. Also included are any prior-year purposes, including an appropriation to cover a prior year snow and ice deficit.

Input: Depending on how special articles or legislative actions outside of the budget are recorded, historical other financing uses may be included in the general ledger expenditures. These should be identified and organized in the Expenditure Detail worksheet and linked to this section. If not, and specifically for the budget year, input from DLS Gateway, Taxrate, **B-2 Other Funds, Tax Rate Recap, page 4**, and town or council meeting minutes. Only legislative actions that are not funding the operating budget should be included - those amounts are already accounted for in the expenditures. It is important that other financing uses are captured correctly for the budget year in order to balance the forecast. Budgeted revenues must equal gross appropriations as reported on the tax recap.

Projection: Free cash is not projected (zero until certified), Include only known further expenditures funded from other sources as listed on DLS Gateway, Taxrate, **B-2 Other Funds.**

Enterprise Funds - Expenditures

Forecast Worksheet	Data	Source Information
Enterprise Funds	Direct, indirect, debt, and capital expenditures	▪ Budget to actual expenditure reports ▪ Multiyear contracts ▪ Discussions with department head, accountant, and treasurer ▪ Indirect Cost Allocation policy
Links To		▪ Summary

Input: Final general ledger amounts. For ease, extract expenditure data into Excel and summarize the expenditures in the worksheet expenditure categories. Link the totals to the corresponding expenditure categories for the current budget year and for prior year expenditures. (See Expenditure Detail worksheet template sample.)

Projection: Follow the same process as for municipal departments to construct enterprise fund budgets. If the fund is to be self-supporting, then estimated revenues should be set equal to its projected expenditures. Review historical billing and collection experience to ensure user rates/fees are sufficient.

Summary

Forecast Worksheet	Data	Source Information
Summary		
Links From		▪ Revenue ▪ Expenditures ▪ Enterprise ▪ CPF ▪ COLA ▪ Available Funds

The Summary worksheet is the consolidation of all the supporting includes revenues and expenditures worksheets, therefore there is no direct input. This worksheet provides an at-a-glance summary result of all the forecast assumptions, providing the basis for future discussion and policy decisions.

When the current fiscal year's tax recap is approved and the forecast updated to reflect the final budget, the current year total revenues and expenditures on this worksheet should be in balance. A total surplus/(shortfall) equal to zero indicates a balanced budget and a completed budget year. If there is a variance, carefully review supporting entries to identify and correct the error(s). For all subsequent years, a variance between revenues and expenditures is expected.

Surpluses in historical years are generally indications of closing the year with available funds for free cash. Surpluses in projected years can be an indication of healthy finances; however, it is not unusual to have shortfalls.

Supplemental Worksheets

Debt

Forecast Worksheet	Data	Source Information
Debt	Long-term debt	▪ Bank repayment schedules ▪ Preliminary amounts for new issues ▪ Discussions with accountant and treasurer ▪ DLS Gateway, Taxrate, **DE-1**
	Short-term debt	▪ Estimate of short-term interest cost
	Regional debt	▪ Assessment letter and regional budget
Links To		▪ Expenditures (Debt) ▪ Tax Levy (DE-1 Debt Exclusion)

The Debt worksheet is detailed by principal and interest payment for each issue by debt category: general fund, excluded, enterprise, community preservation fund, and regional school district, both within the levy and excluded.

Input: Prior to current budget year, use debt amounts from the expenditure history.

Projection: As new debt issues are approved, enter debt service amounts by year. The debt service amounts are linked to the Expenditures worksheet. To analyze prospective debt and project principal and interest, use the Debt Service calculator found on the DLS website or request a preliminary annual debt payment schedule from the financial advisor..

Future debt exclusion data is also linked to the **DE-1 Debt Exclusion** section of the Tax Levy worksheet and manually offset by any adjustments or reimbursements. These amounts will be reported on DLS Gateway, Taxrate, **DE-**1 and raised in the tax levy.

Position Control

Forecast Worksheet	Data	Source Information
Position Control	Salary, Wages, other Compensation	▪ Compensation plan ▪ Collective bargaining agreement(s) ▪ Employee contracts ▪ Bylaws/Ordinances
Links To		▪ Expenditures (Personal Services)

The position control worksheet provides detail by employee (or groups of employees) to determine the actual cost of any contractual or personal services schedule adjustment based on position, step, grade, longevity, stipends, or other compensation for the budget and more accurate forecasting.

Input: Current year budget personnel costs by department and pay category: collective bargaining agreements, personal contracts, elected official stipends, and exempt/wage and compensation plan employees. Reconcile current year costs to the Expenditure worksheet.

Projection - Personal Services: Review all compensation documents relative to the various municipal positions to identify increases (e.g., cost-of-living adjustment, step, longevity, and stipends) over the duration of the forecast. Review the bylaws or ordinances to understand how certain personal services increases are calculated. Update entries in the future years only with known increases.

Link future years by function to the Personal Services line by department/function in the Expenditure worksheet.

COLA

Forecast Worksheet	Data	Source Information
COLA	Salary, Wages, other Compensation	▪ Compensation plan ▪ Collective bargaining agreement(s) ▪ Employee contracts ▪ Bylaws/Ordinances
Links From		▪ Position Control
Links To		▪ Summary

The COLA worksheet estimates the impact by contract or classification to provide policymakers with a tool to analyze future cost impacts.

Input: Personal service costs linked from the Position Control worksheet.

Projection: Enter percentage increases each year by employee class and bargaining unit to generate estimated impacts. Information entered in this worksheet is a high-level approximation that provides a reasonable number for forecasting. A more detailed analysis by employee is required to prepare the actual budget.

This information is linked to the Summary worksheet 'below' the Grand Total to highlight the impact of proposed changes.

Net School Spending (NSS)

Forecast Worksheet	Data	Source Information
NSS	Education	▪ Chapter 70 Program, fiscal year Chapter 70 Aid and Net School Spending Requirements, ***Complete Formula spreadsheet*** ○ Regional Allocation tab ○ Summary tab

The NSS worksheet analyzes local school district finances and details the DESE calculations that demonstrate spending expectations, required local contributions, and resulting state aid. Because this worksheet is supplemental to the cherry sheet data, it is not linked to any other worksheet in this forecast.

Information about educational program funding and charges needed to complete the NSS worksheet is found on the Department of Elementary and Secondary Education (DESE) website, http://www.doe.mass.edu/. Under the Administration and Finance, Chapter 70 Program are data (Excel workbooks) and reports on Chapter 70 funding, NSS requirements, and enrollment data.

Snow and Ice

Forecast Worksheet	Data	Source Information
Snow		▪ DLS Gateway, Balance Sheet, **Snow and Ice Data Sheet**

Communities are permitted to deficit spend snow and ice accounts with the approval of the local chief administrative officer (mayor, select board or other under charter). This often causes this account's actual expenditures to be overlooked in the budget process. Therefore, with the public works director, financial officers should review historical spending trends with a goal of properly funding this item instead of needing to fund a shortfall with other available funds or using subsequent year resources for current year expenses.

Change Log and Assumptions

The Change Log worksheet is provided to maintain a brief explanation by date for each change. This will help preserve the forecast's integrity and prevent multiple competing copies that could cause confusion. The final template worksheet, Assumptions, documents and summarizes the decisions made in developing the forecast.

Appendix

Worksheet Reference Blocks

Summary

Forecast Worksheet	Data	Source Information
Summary		
Links From		▪ Revenue ▪ Expenditures ▪ Enterprise ▪ CPF ▪ COLA ▪ Available Funds

Revenue

Forecast Worksheet	Data	Source Information
Revenue	Tax Recap Total	▪ DLS Gateway, Taxrate, **Tax Rate Recap, page 1**
Links From		▪ Tax Levy ▪ State Aid ▪ Local Receipts ▪ Offset Receipts ▪ Available Funds ▪ Enterprise Funds ▪ CPF
Links To		▪ Summary

Tax Levy

Forecast Worksheet	Data	Source Information
Tax Levy	Levy Limit	▪ DLS Gateway, Taxrate, **Levy Limit** worksheet ▪ DLS Gateway, Taxrate, Tax Rate Recap, page 1
	Levy Ceiling	▪ DLS Gateway, Taxrate, **Tax Rate Recap, page 1** ▪ DLS Gateway, Taxrate, Levy Limi**t** worksheet ▪ DLS Gateway, Taxrate, LA-4 Assessment/Classification
	New Growth Dollars by Property Class	▪ DLS, Gateway, Taxrate, **LA-13** Tax Levy Base Growth ▪ Discussions with assessors ▪ DLS, Gateway, Taxrate, **LA-13A** Amended Tax Levy Base Growth
	Debt Exclusion	▪ DLS Gateway, Taxrate, **DE-1 Debt Exclusions** ▪ Debt amortization schedules ▪ Reimbursement adjustments/premium amortizations ▪ Discussions with treasurer and accountant
	Capital Exclusions/ Other Adjustments	▪ DLS Gateway, Taxrate, **Levy Limit** worksheet
	Total Levy	▪ DLS Gateway, Taxrate, **Tax Rate Recap, page 1**
Links From		▪ Debt worksheet (DE-1 Debt Exclusion)
Links To		▪ Revenue

State Aid

Forecast Worksheet	Data	Source Information
State Aid	Cherry sheets	▪ DLS webpage: **Trends in Municipal Cherry Sheet Aid** ▪ DLS Gateway, Taxrate, **Tax Rate Recap, page 2**
	Education Aid (Chapter 70)	▪ Supplemental information: ▪ Chapter 70 Program, fiscal year Chapter 70 Aid *Complete Formula spreadsheet* ▪ Inter-District School Choice, FY Inter-District School Choice Tuition spreadsheet ▪ Charter Schools, Tuition, Reimbursements and Enrollment
	Property Tax Reimbursements	▪ DLS, Gateway, Misc Forms, MDM-1 (detail for state reimbursement amounts) ▪ Discussions with assessors
Links To		▪ Revenue

Local Receipts and Offset Receipts

Forecast Worksheet	Data	Source Information
Local Receipts	Local Receipts Not Allocated	▪ DLS Gateway, Taxrate, **Tax Rate Recap, page 3** ▪ DLS municipal finance trend dashboard reports – general fund revenues and expenditures – **local receipts** ▪ Discussions with department heads, accountant, and treasurer
Offset Receipts	Offset Receipts	▪ DLS Gateway, Taxrate, **A-1 Offset Receipts** ▪ Discussions with department heads, accountant, and treasurer
Links To		▪ Revenue

Available Funds

Forecast Worksheet	Data	Source Information
Available Funds	Free Cash	▪ DLS Gateway, Taxrate, **Tax Rate Recap page 4** ▪ DLS Gateway, Taxrate, **B-1 Free Cash** ▪ DLS municipal finance trend dashboard reports – operating positions – free cash
	Available funds & balances	▪ DLS Gateway, Taxrate, **B-2 Other Funds** ▪ DLS Gateway, Taxrate, **Tax Rate Recap page 4** ▪ Certified legislative body meeting votes from municipal clerk ▪ DLS municipal finance trend dashboard reports – operating positions – stabilization fund ▪ DLS Gateway, Schedule A, **Part 6 Trust** ▪ Balance sheet ▪ Discussions with accountant and treasurer
Links From		▪ Revenue (Free Cash – Total Operating Budget)
Links To		▪ Revenue

Expenditures

Forecast Worksheet	Data	Source Information
Expenditures	Municipal departments	▪ **General ledger budget to actual expenditure reports** ▪ Intergovernmental assessment information ▪ Position control worksheet
	Debt Service	▪ Debt amortization schedules ▪ Debt worksheet ▪ DLS Gateway, Taxrate, **DE-1**
	Risk Management	▪ Workers' and unemployment compensation policies ▪ Casualty, liability, auto, and property insurance coverage information
	Employee Benefits	▪ Health insurance plan information ▪ Retirement system's funding schedule and annual appropriation letters (PERAC) ▪ OPEB target funding schedule
	Reserves and Miscellaneous	▪ Reserve Policies ▪ Actuarial and audit service contracts ▪ Regional agreements

	State Assessments (State Aid Worksheet)	▪ Trends in Municipal Cherry Sheet Aid worksheet
		▪ Supplemental information:
		  ▪ Chapter 70 Program, fiscal year Chapter 70 Aid ***Complete Formula spreadsheet***
		  ▪ Inter-District School Choice, FY Inter-District School Choice Tuition spreadsheet
		  ▪ Charter Schools, Tuition, Reimbursements and Enrollment

	Other Amounts to be Raised	▪ Trends in Municipal Cherry Sheet Aid worksheet ▪ DLS Gateway, Taxrate, **Tax Rate Recap, page 2** ▪ DLS Gateway, Taxrate, **OL-1 Overlay** ▪ Discussions with assessors
	Other Financing Uses	▪ DLS Gateway, Taxrate, **B-2 Other Funds** ▪ DLS Gateway, Taxrate, **Tax Rate Recap, page 4** ▪ Town or council meeting minutes
Links From		▪ Expenditure Detail ▪ Position Control ▪ Debt ▪ State Aid ▪ Tax Levy
Links To		▪ Summary

Enterprise Funds

Forecast Worksheet	Data	Source Information
Enterprise Funds	Estimated receipts	▪ DLS Gateway, Taxrate, **A-2 Enterprise Funds** ▪ Discussions with department head, accountant, and treasurer
	Retained earnings	▪ DLS municipal finance trend dashboard reports – operating positions – retained earnings by fund
	Direct, indirect, debt, and capital expenditures	▪ Budget to actual expenditure reports ▪ Multiyear contracts ▪ Discussions with department head, accountant, and treasurer ▪ Indirect Cost Allocation policy
Links To		▪ Revenue ▪ Summary

CPF

Forecast Worksheet	Data	Source Information
Community Preservation Fund	Estimated receipts	▪ DLS Gateway, Taxrate, **A-4 CPF** ▪ Discussions with accountant and treasurer
	State Match	▪ Fiscal Year State CPA Match
Links To		▪ Revenue

Debt

Forecast Worksheet	Data	Source Information
Debt	Long-term debt	▪ Bank repayment schedules ▪ Preliminary amounts for new issues ▪ Discussions with accountant and treasurer ▪ DLS Gateway, Taxrate, **DE-1**
	Short-term debt	▪ Estimate of short-term interest cost
	Regional debt	▪ Assessment letter and regional budget
Links To		▪ Expenditures (Debt) ▪ Tax Levy (DE-1 Debt Exclusion)

Position Control

Forecast Worksheet	Data	Source Information
Position Control	Salary, Wages, other Compensation	▪ Compensation plan ▪ Collective bargaining agreement(s) ▪ Employee contracts ▪ Bylaws/Ordinances
Links To		▪ Expenditures (Personal Services)

COLA

Forecast Worksheet	Data	Source Information
COLA	Salary, Wages, other Compensation	▪ Compensation plan ▪ Collective bargaining agreement(s) ▪ Employee contracts ▪ Bylaws/Ordinances
Links From		▪ Position Control
Links To		▪ Summary

NSS

Forecast Worksheet	Data	Source Information
NSS	Education	▪ Chapter 70 Program, fiscal year Chapter 70 Aid and Net School Spending Requirements, ***Complete Formula spreadsheet*** ○ Regional Allocation tab ○ Summary tab

Snow & Ice

Forecast Worksheet	Data	Source Information
Snow		▪ DLS Gateway, Balance Sheet, **Snow and Ice Data Sheet**

Updating the Forecast

At a minimum, a community should update the forecast after the final budget is approved, at the end of each fiscal year, and upon approval of the tax recapitulation by DLS. When the Enter the ensuing fiscal year budget into the appropriate column after it is adopted by town meeting or council. Convert the completed fiscal year from “budget” to “actual” and reflect the expenditures as of June 30 after the fiscal year’s books are closed.

To maintain a five-year forecast model:

- Beginning with the COLA sheet, insert a column after the last displayed year.
- Highlight the last projected column from the fiscal year to the bottom, and then from the bottom (a + will be in the corner) drag it to the right, creating a copy of the content and all links under a new fiscal year.
- Adding the column first maintains the blank column between the last projected year and the Average Percent Change and/or Projection Percent columns.
- Moving left through the workbook, continue this process ending with the Summary sheet.
- Verify the linked columns are consistent throughout the worksheets.

After creating the new column, the Projection Percent will carry forward to columns added in the above step, although the historical average percentages should be updated to include the recently closed fiscal year.

Forecasting Guidelines

Revenue assumptions:

- Confine projections of the property tax levy to the limits of Proposition 2½ (absent any overrides) and take into consideration consensus decisions regarding the community's level of excess levy capacity.
- Factor the three- and five-year averages by property class and seek advice from the board of assessors for new growth projections.
- Annually review the levy limit's relationship to the levy ceiling (2.5% of the community's real and personal property total value) to identify potential override capacity and guard against the levy limit approaching or hitting the ceiling.
- Correspond local aid projections with economic cycles.
- Reflect trends in school choice, enrollments, tuition, and charter assessments for Chapter 70 educational aid and or regional assessments.
- Limit local receipts estimates (e.g., motor vehicle excise, inspection fees, etc.) to 90% of the prior year's actual collections unless firm evidence that higher revenues are achievable exists.
- Do not project one-time revenues to fund ongoing or recurring operating expenditures.
- Annually determine sustainability of grant funded programs.
- To the extent feasible, set enterprise fund user fees sufficient to cover all fiscal year operating and capital improvement costs to minimize any general fund subsidy and to reimburse the general fund for enterprise fund indirect costs.
- Comply with financial policies to build and maintain reserves.

Expenditure assumptions:

- Use the current level of services as the baseline for projections.
- Follow historical trends in the growth of operating expenses and employee benefits.
- Cultivate strong relationships with regional partners.
- Factor trends in enrollment, including vocational and technical schools, and school choice, tuition, and charter assessments.
- Include only currently known increases connected to compensation plans or schedule for the salaries/wages of regular employees in the projections.
- Appropriate for all existing debt service obligations.
- Include the annual pension contributions and make appropriations to amortize the other postemployment benefits (OPEB) liability.
- Expect enterprise funds to reimburse the general fund for indirect costs.
- Comply with financial planning policies to build and maintain reserves, maintain debt levels, and fund capital improvement plan.