

TOWN OF GROTON

BUDGET DOCUMENT | A COMMUNITY COMPACT CABINET INITIATIVE

OCTOBER 2016



DLS

DIVISION OF LOCAL SERVICES
MA DEPARTMENT OF REVENUE

PREPARED BY:

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DIVISION OF LOCAL SERVICES
MA DEPARTMENT OF REVENUE

Michael J. Heffernan
Commissioner of Revenue

Sean R. Cronin
Senior Deputy Commissioner

October 31, 2016

Mark Haddad, Town Manager
Town Hall
173 Main Street
Groton, MA 01450

Dear Mr. Haddad,

I am pleased to present the enclosed report on budget document best practices for the Town of Groton. As part of the Baker-Polito Administration's commitment to cities and towns, the Community Compact Cabinet initiative strives to create clear mutual standards, expectations, and accountability for both the state and municipalities. It is our hope that this report will provide important guidance on creating a transparent, thorough, and accessible budget document, as together we seek to build better government for our citizens.

Sincerely,

A handwritten signature in black ink, appearing to read "Sean Cronin".

Sean R. Cronin
Senior Deputy Commissioner

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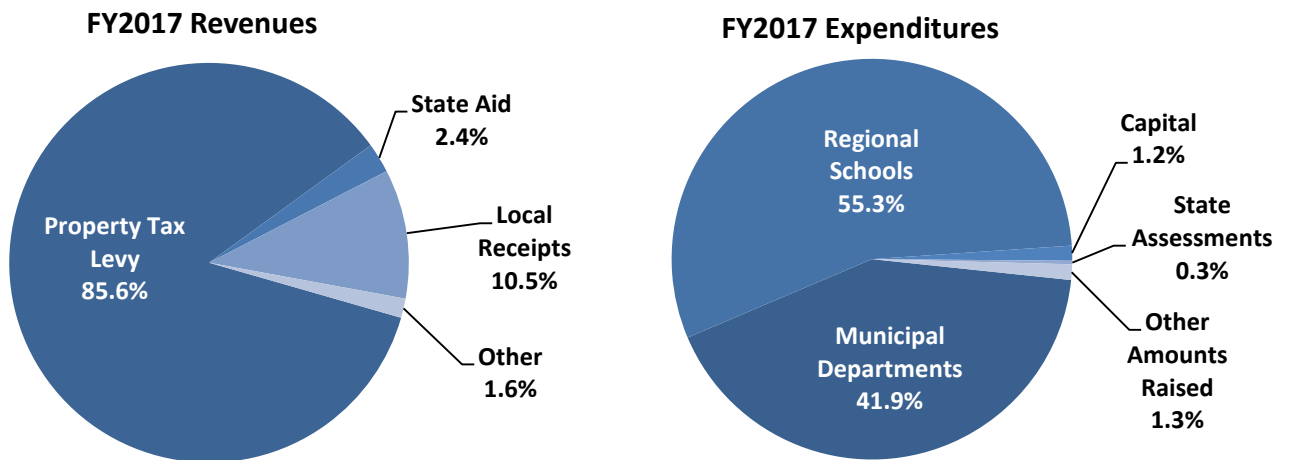
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INTRODUCTION

At the town manager's request, the Technical Assistance Bureau at the Division of Local Services developed this guide for creating a municipal budget document. This project is the result of the Community Compact Cabinet initiative, whose goal is to encourage the implementation of municipal best practices that promote good governance by fostering efficiency, accountability, and transparency in local government. With an effective budget document officials can show expenditure allocations within the context of the town's available revenues, demonstrate how the budget includes community priorities, and explain how the town plans to contend with external pressures or anticipated difficulties in the upcoming year.

Groton is a community of about 11,100 residents located in northwestern Middlesex County. The town's executive body is a five-member board of selectmen, while an open town meeting fulfills the legislative function. The various town departments are administered by a town manager, who is appointed by the select board. Groton funds public education through the Groton-Dunstable Regional School District (GDRSD) and Nashoba Valley Technical High School (Nashoba Tech).

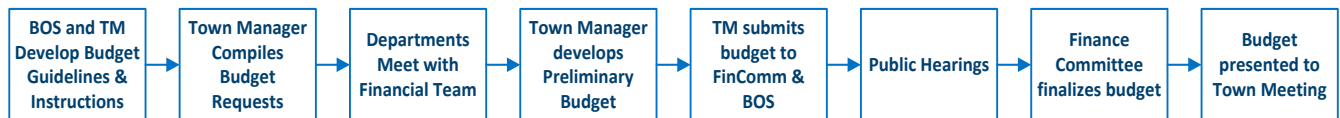
Groton's most significant revenue source is the property tax, comprising 85 percent of total revenue in FY2017 at \$30.2 million. The other 15 percent of the town's revenue is made up of \$3.7 million in local receipts, \$856,513 in state aid, and \$651,980 in other available funds. In FY2017, Groton's largest single expense category is its regional school assessments at \$19.6 million, of which the town pays \$19 million to GDRSD and \$611,524 to Nashoba Tech. Its second largest expense is the municipal operating budget at \$14.8 million, followed by \$446,000 in miscellaneous items, \$426,980 in the capital budget, and \$100,000 in state assessments.



BUDGET DOCUMENT GUIDE

CURRENT BUDGET PROCESS AND DOCUMENT

Groton’s town manager is the primary driver of the budget document preparation process and must deliver a preliminary budget to the finance committee by the end of December. After December, the town holds various public hearings, and the finance committee finalizes budget requests before presenting them to town meeting. The flowchart below summarizes the overall budget process.



Groton’s existing budget book is a substantial, 274-page document with a wealth of information and budget detail, including an extensive budget message from the town manager. The book also includes data on Groton’s revenues and tax rate, a five-year projection, separate sections for each departmental budget, and other financial data. This document is the final product of a workflow that begins with the town accountant and town manager preloading personnel costs and prior year budget information into Excel workbooks before distributing them to town departments. Next, department heads input budget request amounts in the appropriate workbook columns and justify their requests. The town manager then compiles and reviews the requests before submitting the preliminary budget to the finance committee and board of selectmen. The finance committee may further revise these amounts to prepare the town’s finalized budget proposal.

RECOMMENDED DESIGN AND WORKFLOW

To begin, the town manager and financial team should carefully consider the budget document’s intended audience. Until this point in time, the primary audience has been the finance committee, since the document’s main purpose was to provide that body with the data they need to develop the final budget. Given the town’s goal of making the budget a better public information source, in the future its audience should be expanded to include town meeting and the general public.

We recommend implementing a budget document that is laid out in coherent sections sharing a unified visual design and containing narratives understandable to lay people. Its structure should be reflected in a table of contents at the beginning, much like the one in Groton’s existing budget document. In hard-copy versions, Groton should also consider using physical tab separators between sections to make navigation easier. Additionally, each section should follow a standard

internal format. For instance, each departmental budget entry should be made up of the same basic elements: department overview with a mission statement and objectives, personnel table, organizational chart, budget narrative, and budget data. These elements should share the same format and appear in the same order, which helps readers to access information quickly and easily.

The budget document workflow should limit duplication of effort as much as possible and therefore should be aligned with the budget development process. The point of user input should always start with line-item detail and use Excel formulas and linked sheets to automatically summarize information into its final, presentation-ready format. This standardizes the point of change and keeps data consistent throughout the development process. The town manager and town accountant should create, format, and protect formulas in the working documents before distribution to department heads.

Departmental working documents should provide the source of data for the final budget document, which should also align with Groton's financial software records for accurate monitoring. These working documents should contain line-item detail that ties directly to object codes in the community's general ledger (GL) accounting software. This makes it possible to accurately note changes in the upcoming budget. Any subsequent alterations to the budget should single out specific line items for reduction or increase. Data within the workbooks should generally flow from specific details to a reader-friendly summary.

After town meeting has voted on and approved the finalized budget, the accountant should enter each line item into the town's GL as the new fiscal year's appropriation. Data for the most recent town meeting appropriation should become the current year's appropriation in the GL, where it can then be entered into the corresponding column in the working documents.

Having a well-defined, logical flow of data throughout budget development is essential. Maintaining this cycle ensures that line-item classifications are uniform and that the budget process starts with consistent base data. It also makes it easier to monitor appropriations during the year.

It should also be possible to either directly use or easily transfer the content of the working spreadsheets, including mission statements, objectives, personnel information, budget narratives, and budget data. With the addition of worksheets that include these components, the town manager can use Groton's existing budget workbooks as the basis for a more comprehensive budget document based on best practices.

COMPONENTS

The budget document should detail all proposed revenues and expenditures for the upcoming budget year, outline the community's priorities and challenges, and communicate financial policies to residents and businesses. It should also follow a logical structure, have a standardized format, and include the following components.

- Table of Contents
- Budget Message
- Organizational Chart
- Budget Calendar and Process
- Overview of Revenues and Expenditures
- Revenues Section
- Departmental Budget Sections
- Capital Investment Section
- Appendices

Due to the significant pressure they exert on municipal finances, expenses such as debt service, employee benefits, and insurance should each have dedicated sections mirroring the format of a departmental entry.

The two attached Excel workbooks provide adaptable templates that showcase the above components. Each spreadsheet contained within them includes embedded instructions. The Budget Master workbook contains a template for all the above components except the departmental budget sections, which are found only in the Department Budget workbook. This second workbook also includes instructions on how to fill out the departmental budget request so that it can be used as a manual for department heads.