

BUDGET DOCUMENT | TOWN OF GROVELAND

A COMMUNITY COMPACT CABINET INITIATIVE

DECEMBER 2017



DLS
DIVISION OF LOCAL SERVICES
MA DEPARTMENT OF REVENUE

PREPARED BY:

DLS | Technical Assistance Bureau

100 Cambridge Street, Boston, MA 02114-9569

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DIVISION OF LOCAL SERVICES
MA DEPARTMENT OF REVENUE

Christopher C. Harding
Commissioner of Revenue

Sean R. Cronin
Senior Deputy Commissioner

December 7, 2017

Board of Selectmen
183 Main Street
Groveland, MA 01834

Dear Board Members,

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

If you have any questions regarding the report, please contact Zack Blake, Technical Assistance Bureau Chief, at (617) 626-2358 or blakez@dor.state.ma.us.

Sincerely,

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

Sean R. Cronin
Senior Deputy Commissioner

Supporting a Commonwealth of Communities

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INTRODUCTION

At the request of the board of selectmen, the Division of Local Services Technical Assistance Bureau (TAB) developed a budget document and guide for the Town of Groveland. This project was the result of the Community Compact Cabinet (CCC) initiative (www.mass.gov/orgs/community-compact-cabinet), whose goal is to encourage implementation of best practices that promote efficiency, accountability, and transparency in municipal government. A comprehensive budget document is a best practice that allows local officials to show expenditure allocations in the context of available revenues, highlight community priorities, and explain plans for contending with budgetary pressures in the upcoming year.

Groveland is a predominantly residential community located in the northwestern part of Essex County. It has 6,750 residents and is governed by a five-member board of selectmen and open town meeting. The selectmen appoint a finance director, who serves as the treasurer/collector and human resources director as well as manages the town's financial offices ([C. 60 Acts of 1998](#), Town Bylaw Sec. 2-36A). She is also responsible for preparing Groveland's annual operating budget (\$19.4 million in FY2018) and is an ex-officio member of the capital improvement planning committee. Although the incumbent effectively manages these processes, through this CCC request, town officials sought to enhance the annual budget document's communication impact with residents, maximize its potential as a policy and management tool, and remedy inefficiencies presently involved in its development.

Groveland's budget process begins in the fall when the finance director develops preliminary revenue estimates with input from the financial team and distributes the operating budget request package to all departments. This includes a cover memo, guidelines, and electronic standardized forms that must be submitted by the end of December. While many department heads transmit their requests electronically, some still complete them by hand. The finance director then consolidates the requests into an operating budget proposal along with an extensive, thoughtful budget message, which conveys town trends and challenges. The budget is then distributed to the selectmen and finance board by mid-January.

Paralleling the budget process, the capital improvement planning committee solicits capital budget requests, sending out instructions and standardized request forms in early fall. It then conducts hearings into late December, at which point it presents its five-year capital plan and current year recommendations to the selectmen in compliance with town bylaw.

The finance board holds budget hearings in January, which the finance director attends to respond to questions and provide supplemental information as it becomes available. After deliberations and

having met with the capital improvement planning committee, the finance board formulates its operating and capital budget recommendations. Selectmen are kept abreast throughout the process by the finance director, and they review and approve recommendations by finance board before finalizing the annual town meeting warrant and, if necessary, a special town meeting warrant. The finance board's report is available prior to town meeting, which is held the last Monday in April.

Groveland's budget process runs fairly smoothly and to the overall satisfaction of town officials. There are consistent planning practices, open discussions, and good cooperation among the selectmen, finance board, school committee, and departments. However, there is also significant room to improve the overall presentation of the budget document. Currently, it consists of only a revenue projection summary, series of departmental operating budgets, finance director's budget message, and a five-year capital plan. Lacking are Groveland's formal financial policies and annually developed priorities. Essential to developing the final budget proposal, these should be developed jointly by the selectmen and finance board in advance of the process. The annual budget is a municipality's most important annual tool for communicating to residents and businesses the town's priorities and challenges. As such, building a more comprehensive, open and transparent budget document is important for gaining taxpayers' confidence.

BUDGET DOCUMENT FEATURES

The budget document template we designed consists of two Excel workbooks with embedded instructions and multiple worksheets, which we have populated with Groveland's FY2018 budget data. One workbook is for department heads to submit budget requests to the finance director that contains police department information to serve as a sample. The other, master workbook is for compiling and presenting town-wide budget data.

To maximize its value, the departmental workbook includes the following components: an overview with department mission statements and goals and objectives; a personnel summary with a data table and organizational chart; and a budget overview with data tables and narrative area. The finance director should meet with department heads to review their mission statement and organizational goals and objectives. Updated annually, the mission statement should clearly explain a department's core purpose, while goals would identify desired achievements reached through specific, measureable objectives. In addition, we recommend the finance director password-protect the workbook's formulas before distributing copies to the departments.

The master workbook contains a template of town-wide budget components, including:

- Table of Contents
- Budget Message
- Forecast
- Budget Calendar and Process
- Organizational Chart
- Personnel Summary
- Revenue & Expenditure Overview
- Revenues Section
- Departmental Budget Sections
- Capital Investment Section
- Financial Policies
- Appendices

Rather than standalone components, these documents should be incorporated into an omnibus budget to help clearly communicate short- and long-term considerations taken into account when developing the town's spending plans.

Although the selectmen have some formal policies, the majority of them address personnel and procedural matters rather than core financial practices. In recent months, the finance board has discussed the need for additional guidance on the topics, including capital planning, other postemployment benefits, and debt management. While this is a good start, Groveland should adopt a broader reserve policy on the use of free cash and stabilization funds, as well as for any special purpose stabilization funds, the assessor's overlay account, and enterprise fund retained earnings. In addition, the town should enact policies on revenue and expenditure forecasting and indirect cost allocation.

With input from selectmen and the finance board, we recommend the finance director draft the policies and submit them for formal adoption by both boards. Relevant policy excerpts should then be included as part of a broader budget package. Guidance on financial policies can be found on TAB's [webpage](#) under Community Compact Reports.

BUDGET DOCUMENT WORKFLOW

Adopting a comprehensive budget document can eliminate some inefficiency in Groveland's overall budget development process. From Vadar, the finance director should download current fiscal year departmental data into individual Excel budget request workbooks. These workbooks would distribute via email to each department, which would be responsible for data entering their budget request information, updating their mission statement, and outlining annual goals and objectives. Once complete, department heads would return their budget request workbooks to the finance director electronically.

These department-level workbooks would then serve as the source data for the final budget document. Our template uses formulas and linked sheets to automatically summarize line-item data into a final, presentation-ready format. If the finance director stores the files on a single drive, the totals in the department-level workbooks can be linked to the budget master workbook and thereby avoid data entry errors from one to the other. This standardizes the point of change and keeps data consistent throughout the development process. Any subsequent budget alterations should single out specific line items for reduction or increase.

After town meeting, the finance director should create an archive of the budget files that she would use as the starting point for the subsequent year's annual budget process. Budget data from the prior year should be replaced with actual reported activity from Vadar. In doing so, she would delete the oldest fiscal year's data and shift the other column data over to create a new, blank column for the upcoming year, leaving the formula-embedded column untouched. All other individual department workbook tabs would carry over for update as needed.

ADDITIONAL RECOMMENDATIONS

Readopt the Other Postemployment Benefits Fund: In April 2015, Groveland created a trust fund for other postemployment benefits (OPEB) under M.G.L. c. 32B, §20, which allowed the town to create a reserve to finance its OPEB liability. However, the statute at that time did not meet OPEB trust fund guidelines established by the Governmental Accounting Standards Board (GASB), and it was therefore modified by the Municipal Modernization Act. To establish a GASB-compliant OPEB trust, town meeting must reaccept M.G.L. c. 32B, § 20. To make available the options required to meet the investment goals of an OPEB trust, town meeting must also authorize the prudent investor rule as detailed in [M.G.L. c. 203C](#). Further information may be found in the [November 3, 2016 edition of City & Town](#) and in the [Municipal Modernization Act FAQs](#) located on the DLS website.

Consider Moving Annual Town Meeting Date: Per town bylaw, annual town meeting is held on the last Monday of April, and the annual town election follows a week later. To meet this date, budget requests are submitted in December, the budget is presented to the selectmen and the finance board by mid-January. This requires that the finance board initiate its hearings immediately so they can develop operating and capital budget recommendations, which the selectmen to review towards the end of the process and then post the warrant at least two weeks prior to town meeting.

An early town meeting date puts undo pressure on the finance director, selectmen and the finance board to complete work on the operating and capital budgets. It also can sometimes deny the town relevant information concerning state aid. Absent an early House-Senate joint resolution, the town may only have the Governor's proposed state aid estimate to guide its revenue projections. If the House Ways and Means releases its proposed budget, town officials may have to scramble to update figures and present alternate figures at town meeting. Many towns have recognized that there is little justification for an early town meeting and have gained valuable time by moving the annual town meeting into May and even June.

Formalize the Budget Process in Bylaw: The board of selectmen, finance board, and town administrator should develop a bylaw that codifies the town's budget process. We believe that the town is on the right track and with a bylaw that establishes a general budget timeline, clearly defines the responsibilities of various town officers, and fosters regular communication among the participants that local officials can help ensure that the improvements the town has made to the budget process are lasting.