

# Overview of the Municipal Budget Process and Key Concepts

*April 13, 2022*



**D L S**  
DIVISION OF LOCAL SERVICES  
MA DEPARTMENT OF REVENUE

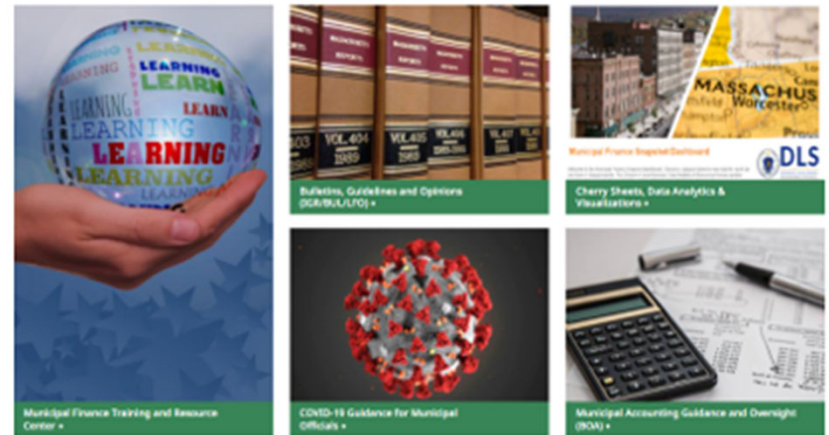
[mass.gov/dls](https://mass.gov/dls)

# Overview of the Division of Local Services

DLS promotes sound municipal financial management practices and supports local officials by providing guidance, training, and oversight.

Five Bureaus:

- Bureau of Accounts
- Bureau of Local Assessment
- Data Analytics and Resource Bureau
- Financial Management Resource Bureau
- Bureau of Municipal Finance Law



**DLS**  
DIVISION OF LOCAL SERVICES  
MA DEPARTMENT OF REVENUE

# You Will Learn:

## Budget Concepts

- Financial Policies
- Capital Planning
- Forecasting
- Annual Budget Document

## Budget Procedures

- Budget Development
- Budget Calendar
- Submittal to Legislative Body
- Monitoring

## Key Takeaways:

- The budget process should be based on a data-driven understanding of the community's fiscal condition and translate its needs and priorities into services.
- Financial policies, capital planning, and forecasting provide structure, context, and insight into a community's needs, fiscal condition, and ability to provide service now and into the future.

## Key Takeaways:

- The budget development process should be formally laid out, logical, with clearly defined roles and procedures.
- An annual budget document should include financial information, goals and objectives, lay out prospective revenues and expenditures, and explain program changes in detail.
- The budget should be monitored throughout the year to ensure that departments are spending within appropriations.

# Introduction

## **Municipal Budget**

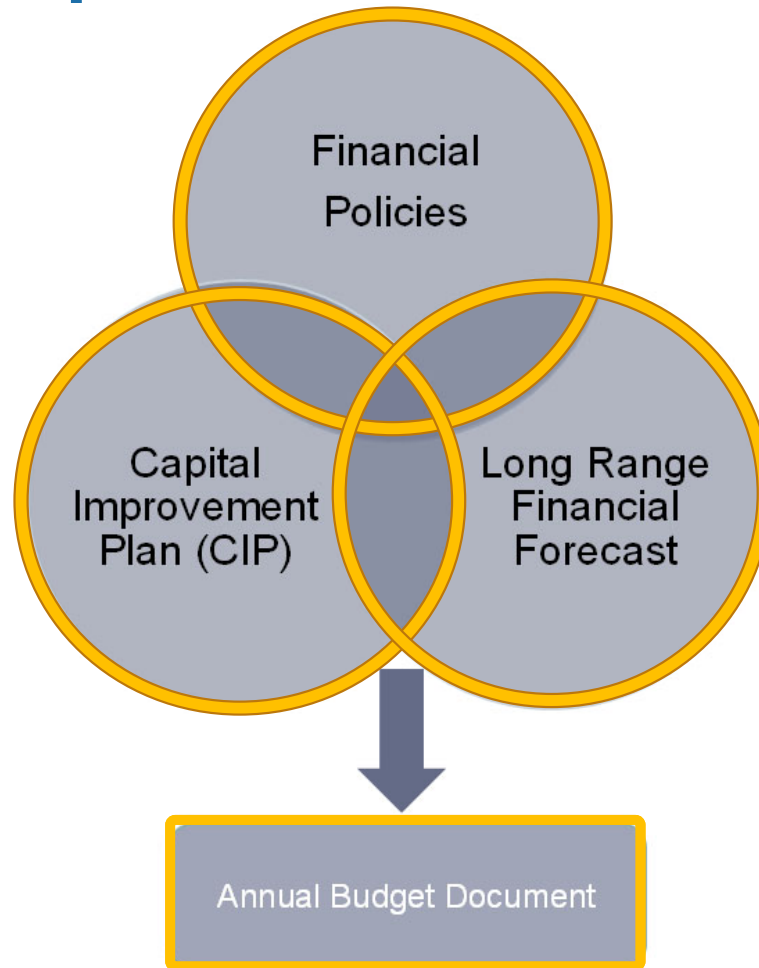
- ❑ Translates community needs and priorities into services
- ❑ Provides short- and long-term fiscal context to guide decision-making
- ❑ Derives from a transparent, deliberative process that informs the public

# Introduction

## **Municipal Budget**

- ☐ Serves as a community's single most important policy document
- ☐ Is more than simply matching revenues to expenditures
- ☐ Represents the intersection of all aspects of municipal finance

# Essential Concepts





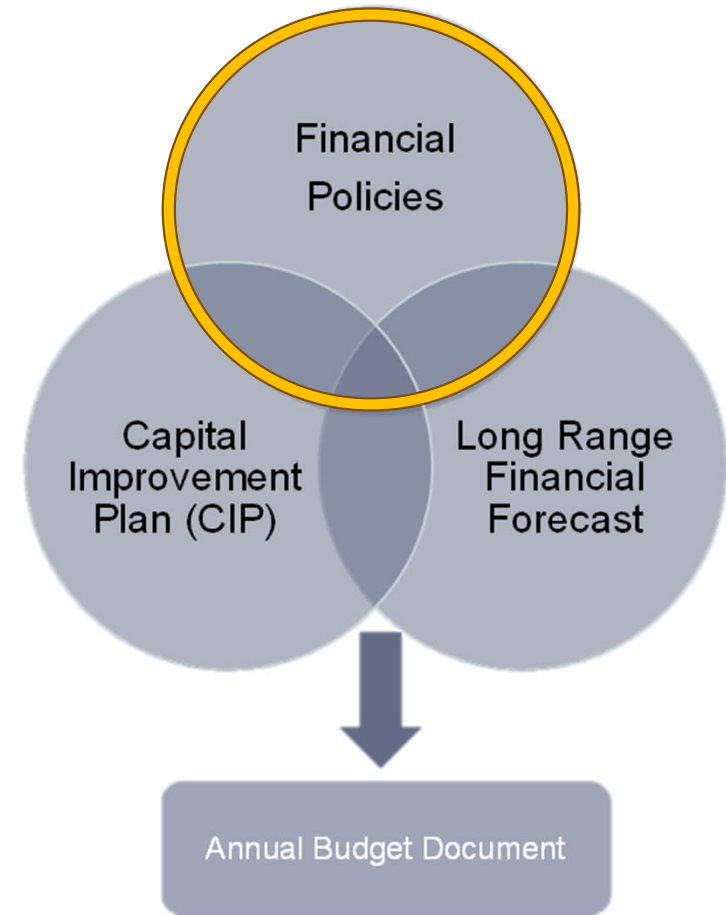
# Financial Policies

## Reduce uncertainty

- ☐ Funding priorities
- ☐ Revenue allocation

## Structure financial planning

- ☐ Identify stakeholders
- ☐ Define roles & responsibilities



## Core Policies

### Financial Planning

- ☐ Capital Planning
- ☐ Forecasting
- ☐ Financial Reserves
- ☐ Debt Management
- ☐ Investments
- ☐ OPEB
- ☐ Enterprise Indirect Cost Allocation

### Financial Operations

- ☐ Reconciliations
- ☐ Revenue Turnover
- ☐ Tax Enforcement
- ☐ Antifraud

## Capital Planning Policy

- ❑ Define capital project
- ❑ Assign responsibility
- ❑ Define capital budget process
- ❑ Establish selection criteria
- ❑ Identify capital financing strategy
  - Debt vs cash
  - Capital spending as % of annual revenue
- ❑ Debt Maturity

## Forecasting Policy

### ❑ Project Fiscal Impact

- Policies
- Programs
- Capital needs

### ❑ Include in Budget Process

- Assign responsibility
  - Town Manager/Admin
  - Finance Committee
  - Board of Selectmen
  - Mayor
  - City Council

### ❑ Set Revenue Guidelines

- Use: one-time, reserves
- Data-driven

### ❑ Set Expenditure Guidelines

- Level-funded vs level-service
- Community-specific priorities

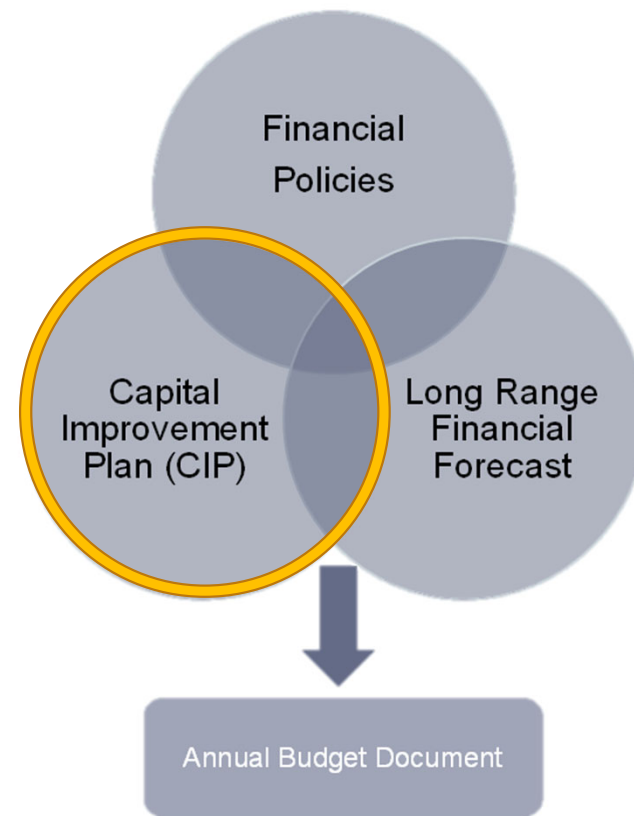
# Capital Improvement Plan

## Maintain community assets

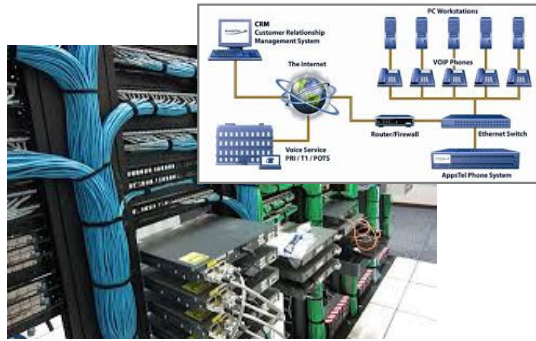
- ☐ Provide optimal service
- ☐ Maintain and improve existing infrastructure
- ☐ Identify and invest in future needs

## Organize capital spending

- ☐ Asset inventory
- ☐ Prioritize project submissions
- ☐ Five-year investment strategy
- ☐ Set spending parameters
  - Debt vs. cash
  - % annual revenue



# Capital Assets



Large Scale IT Infrastructure



Road and Utility Infrastructure



Schools and Town Buildings



Vehicles



Heavy Equipment

# Asset Inventory

ID#	Facility	Year Built or Acquired	Sq Ft	Assessed Value	Replacement Cost (est.)	Historic Building	Condition	Use Type	Last Major Imprvmt	Comments
B1	Town Hall	1850	5,336	\$1,212,300			Good	Heavy	2004	FY04: \$360K renovation. FY14: \$20k repair chimneys
B2	Town Barn	1993	224	\$293,900			Good	Heavy		FY13: In need of renovation/replacement
B3	Transfer Station	2003	65,000	\$525,000	\$1,975,000		Good	Heavy		Built in 2003. Solid waste disposal center including drop-off center recyclables
B5	Police Station	1988	6,500	\$650,000	\$7,500,000		Poor	Heavy		Needs assessment study to be scheduled in 2017
B6	Fire Station #1 - Center	1975	4,693	\$918,800			Good	Heavy	2000	2000: New roof and re-surface garage floor. Cost \$85,000
B7	Fire Station #2 - West	1940	1,440	\$160,900			Good	Heavy	2011	2011: propane heaters, windows

✓ Identifier

✓ Construction/acquisition date

✓ Useful life (in years)

✓ Physical description

✓ Purchase Price

✓ Replacement cost

✓ Condition

✓ Use type

✓ Area for comment

## Capital Project

A **capital project** will either acquire, construct, enhance, maintain, or rehabilitate a capital asset.

City/Town should establish definition via policy

- ☐ Dollar threshold – ex: \$25,000 or more
- ☐ Minimum useful life – ex: Ten or more years
- ☐ Include purchase of supporting services
  - Design/engineering
  - Feasibility studies



# Capital Improvement Plan

## Multi-year financing strategy

- ❑ Incorporates policy priorities
- ❑ Complies with CIP financing policies
- ❑ Integrated into financial forecast
- ❑ Ensures capital assets support base level of service
- ❑ Includes detail and summary of proposed projects:
  - ✓ Description of project
  - ✓ 5-year breakdown of prospective project costs
  - ✓ Funding source(s)
  - ✓ Operating budget impact
  - ✓ Stakeholders involved
  - ✓ Benefit to residents

# Capital Improvement Plan Summary

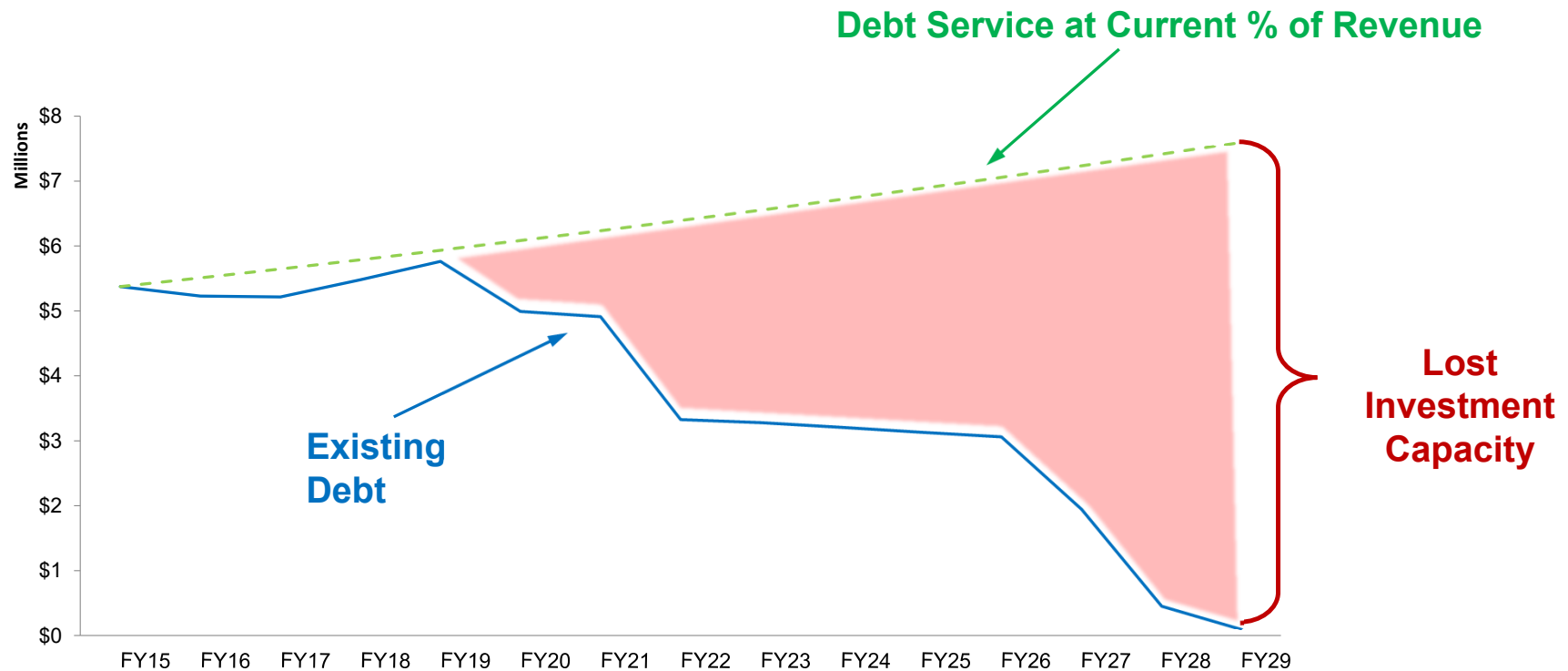
TOWN OF BROOKLINE CAPITAL IMPROVEMENT PROGRAM: FY2018 - FY2023																			
CATEGORY CODES (CC):				REVENUE CODES (RC):															
1 = New Facility Construction		4 = Infrastructure		A = Property Tax/Free Cash/Overlay Surplus				D = Golf Budget		G = Utility Bond		J = Re-Appropriation of Funds							
2 = Facility Renovation / Repair		5 = Vehicles		B = General Fund Bond				E = Golf Bond		H = CDBG		K = Debt Exclusion Override							
3 = Parks/Open Space/Playgrounds		6 = Miscellaneous		C = State / Federal Aid				F = Utility Budget		I = Other									
CC		Total	Prior Year (FY17)	FY2018		FY2019		FY2020		FY2021		FY2022		FY2023		Future Years			
				Amount	RC	Amount	RC	Amount	RC	Amount	RC	Amount	RC	Amount	RC	Amount	RC		
	<u>GENERAL GOVERNMENT</u>			50,000	A														
2	Larz Anderson Garage	125,000									125,000	A							
2	Parking Garage (Town Hall/Pierce Phase 4)	300,000	300,000																
6	Town Building Furniture	125,000	25,000													25,000	A	25,000	A
2	Town Rehab/Upgrade	350,000				50,000	A	50,000	A	50,000	A	50,000	A	50,000	A	50,000	A	50,000	A
2	Town Hall Data Room Improvements	120,000				120,000	A												
6	Technology Applications	1,605,000	275,000	175,000	A	180,000	A	185,000	A	190,000	A	195,000	A	200,000	A	205,000	A		
	General Government Total	2,625,000	600,000	395,000		230,000		235,000		365,000		245,000		275,000		280,000			
				500,000	H														
	<u>PLANNING &amp; COMMUNITY DEVELOPMENT</u>																		
4	Gateway East/Village Sq. Circulation Improv. - CD	378,000	378,000																
4	Gateway East/Village Sq. Circulation Improv. - CD	500,000																	
4	Gateway East/Village Sq. Circulation Improv. - Other	1,422,000	1,422,000																
4	Gateway East/Village Sq. Circulation Improv. - State	6,933,000	6,933,000																
4	Commercial Area Improvements	150,000																150,000	A
6	Major Parcel Study	100,000	100,000																
6	Zoning By-Law Reorganization	250,000				250,000	A												
	Planning & Community Development Total	9,733,000	8,833,000	500,000		250,000		-		-		-		-		150,000			
				50,000	A														
	<u>PUBLIC SAFETY</u>																		
5	Fire Apparatus Rehab	1,550,000						500,000	A							1,000,000	A/B		

# Capital Budget

FY 2016 Recommended Capital Budget			
Department	Project Description	Recommendation	Requested Funding Source(s)
<i>Community Development</i>	Conservation Meadows Preservation Program	\$ 26,400	CPA
<i>Community Development</i>	Lower Vine Brook Paved Recreation Path Reconstruction	\$ 369,813	CPA
<i>Community Development</i>	Acquisition of Wright Farm - Parcel 2	\$ 755,000	CPA
<i>Economic Development</i>	Grain Mill Alley Additional Design	\$ 18,000	CPA
<b>Total Community/Economic Development</b>		<b>\$ 1,169,213</b>	
<i>Fire &amp; Rescue</i>	Fire Pumper	\$ 500,000	GF Debt
<i>Police/Fire &amp; Rescue</i>	Police/Fire Dispatching and Records Software	\$ 705,900	GF Debt/Free Cash
<i>Police</i>	Parking Meter Replacement	\$ 500,000	Debt/Parking Meter Fund
<i>Fire &amp; Rescue</i>	Public Safety Radio Stabilization, Phase 1	\$ 90,000	Free Cash
<i>Police</i>	Design/Engineering - Firing Range at Hartwell Ave. Site	\$ 50,000	Free Cash
<b>Total Public Safety</b>		<b>\$ 1,845,900</b>	
<i>Rec. &amp; Community Programs</i>	Lincoln Park Field Improvements	\$ 650,000	GF Debt/Recreation RE/CPA
<i>Rec. &amp; Community Programs</i>	Park and Playground Improvements	\$ 68,000	CPA
<i>Rec. &amp; Community Programs</i>	Park Improvements - Athletic Fields	\$ 85,000	CPA
<i>Rec. &amp; Community Programs</i>	Park and Playgrounds ADA Accessibility Study	\$ 78,000	CPA
<i>Rec. &amp; Community Programs</i>	Park Improvements- Hard Court Resurfacing	\$ 55,000	CPA
<i>Rec. &amp; Community Programs</i>	Pine Meadows Equipment	\$ 68,000	Recreation RE
<b>Total Culture and Recreation</b>		<b>\$ 1,004,000</b>	
<i>Public Facilities</i>	Middle School Space Mining	\$ 674,000	GF Debt
<i>Public Facilities</i>	Clarke Middle School Circulation and Parking Improvements, Design	\$ 363,000	GF Debt
<i>Public Facilities</i>	LHS Phase 2 Overcrowding/Completion	\$ 90,200	GF Debt

## Maintain a Steady Balance of Capital Investment

- ❑ Track debt service as a percentage of revenue
- ❑ Take on new debt as old is retired
- ❑ Lack of reinvestment leads to lost capacity
- ❑ Codify in capital planning policy



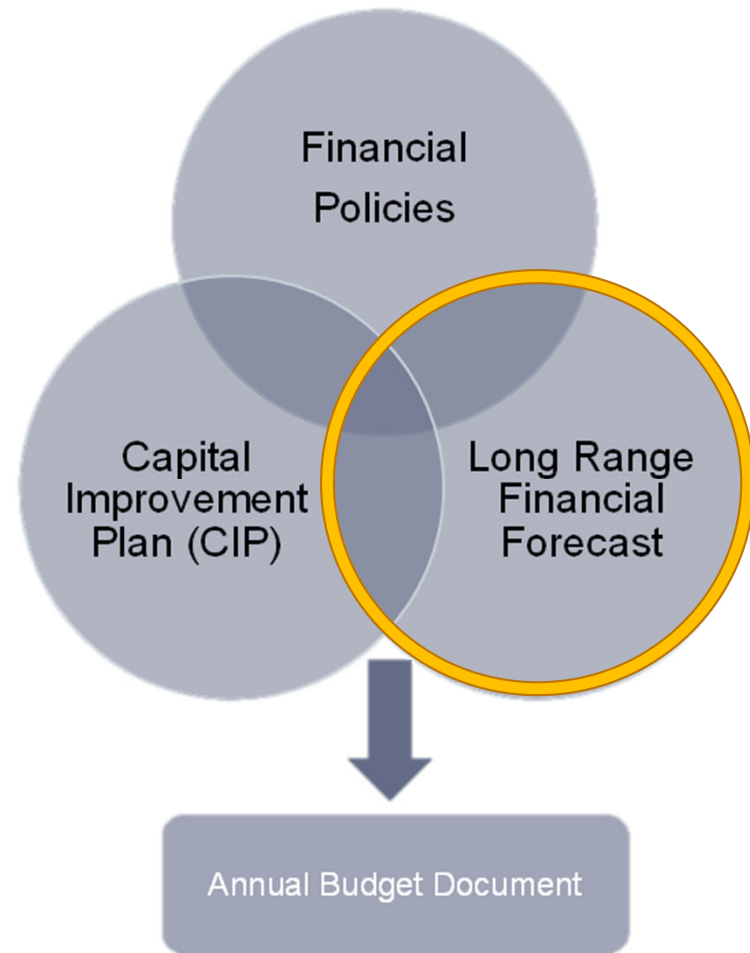
# Long Range Financial Forecast

## Brings context to budget decisions

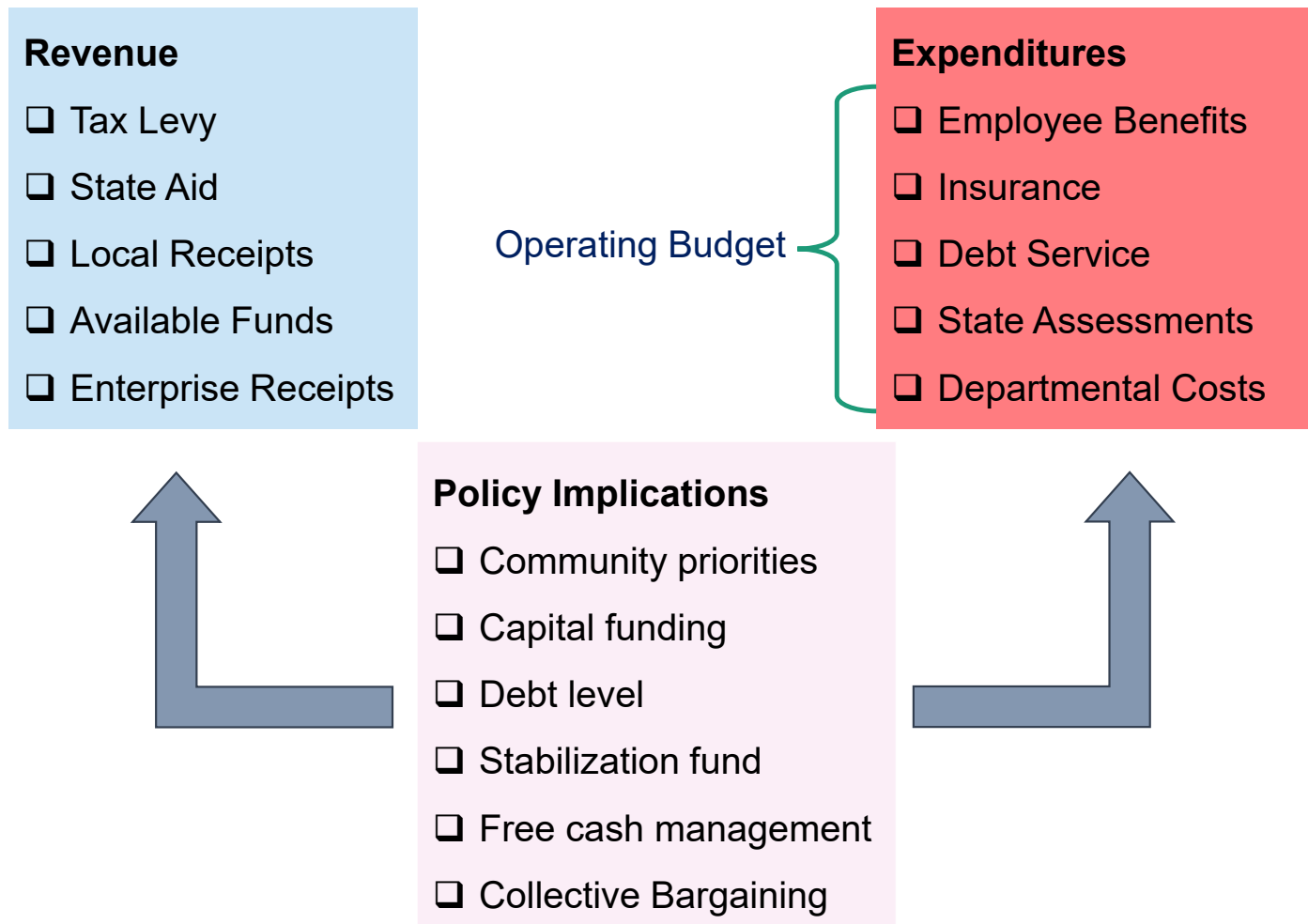
- ❑ Determine fiscal condition: present and future
- ❑ Implication of policies and capital needs

## Financial planning tool

- ❑ Project revenues and expenditures
- ❑ Play out varying assumptions
  - Trends, policies, future needs
- ❑ Evaluate impact of budget choices
- ❑ Make strategic decisions
  - Program expansions
  - Collective bargaining

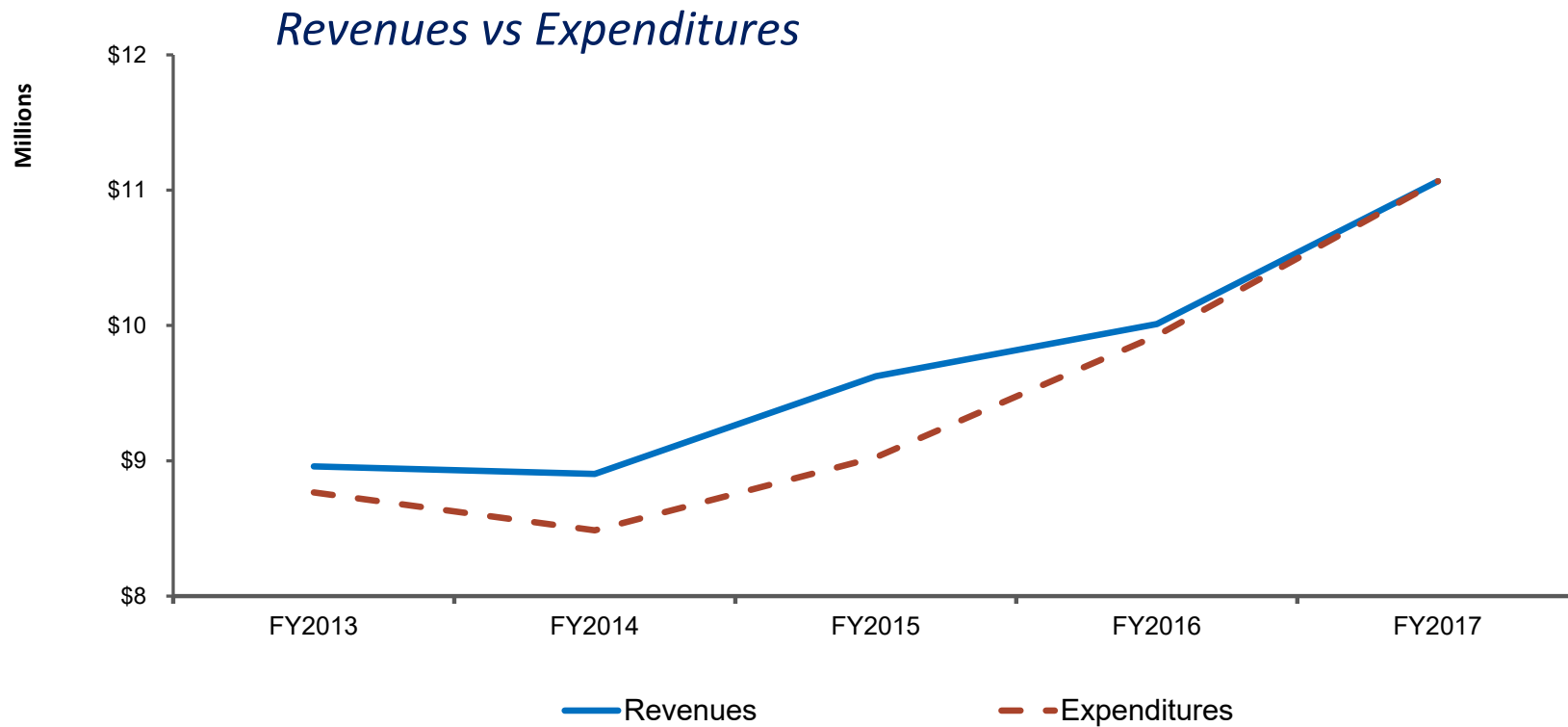


## Forecast Concepts

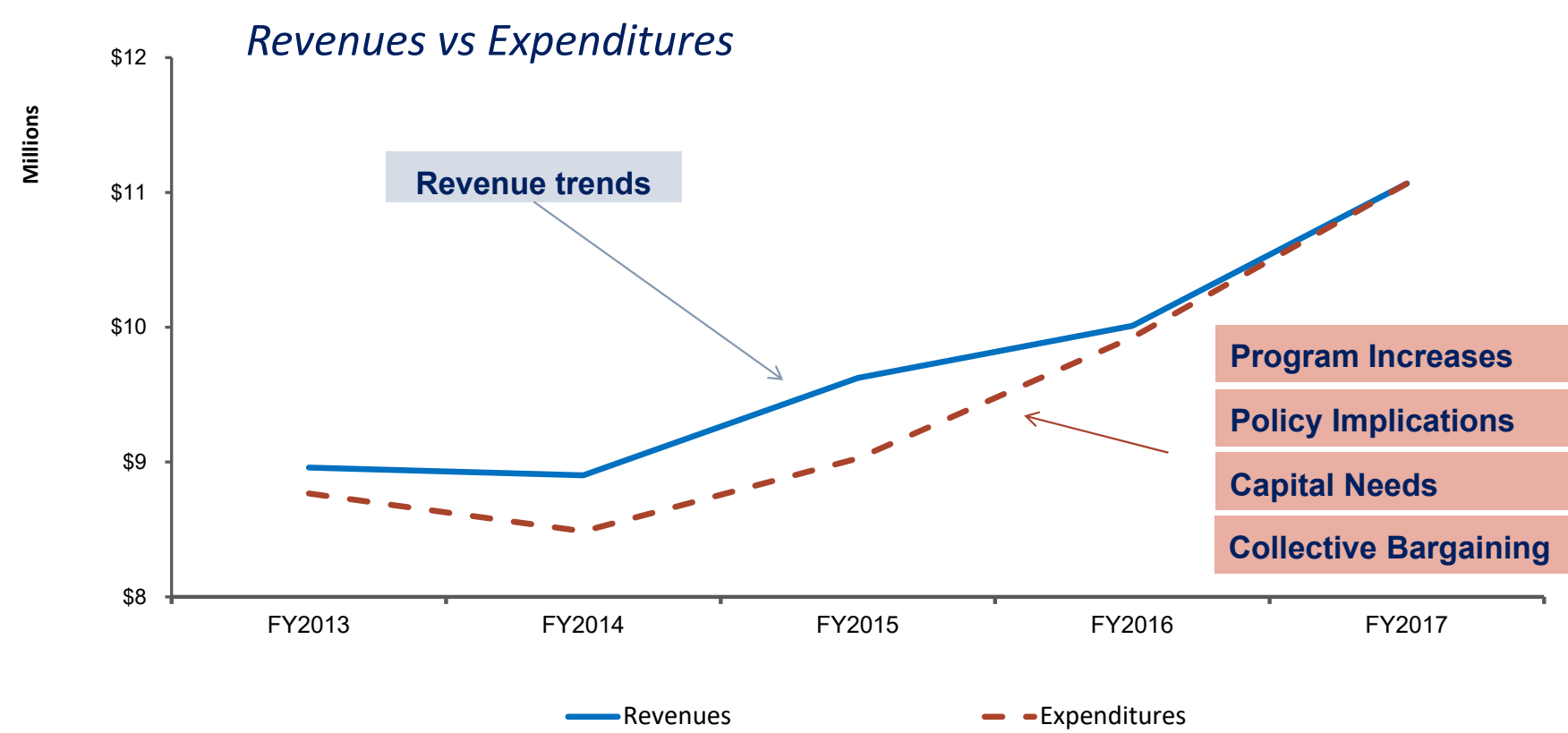


# Historical Revenue and Expenditure Data

## Five Year Trend



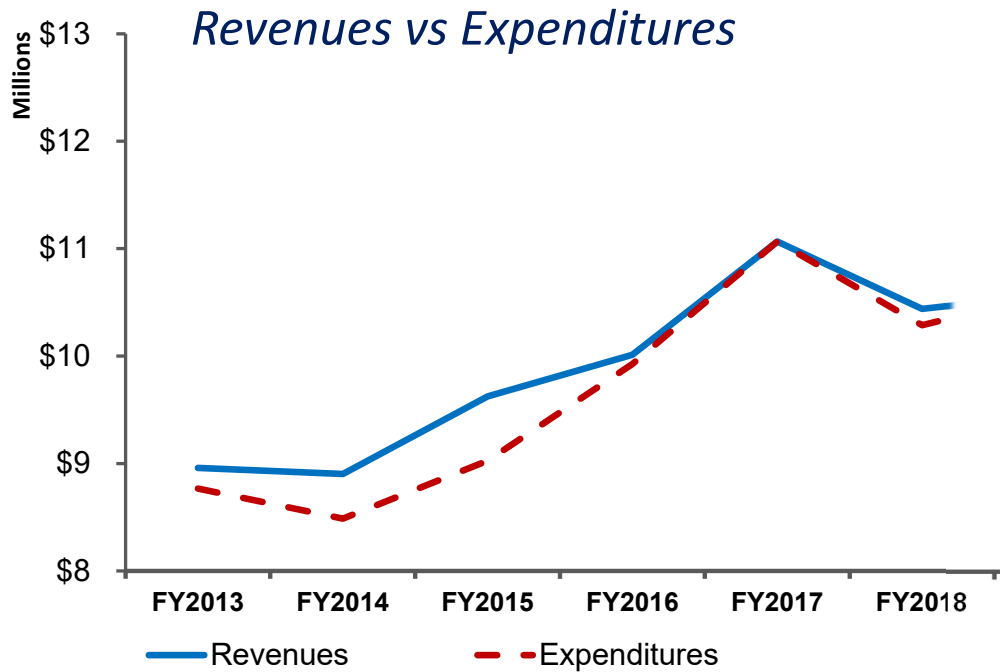
# Build Assumptions





## Use Assumptions

### Project Revenues and Expenditures Five Years



<b>General Fund Revenues</b>	<b>FY2016 Budget</b>	<b>FY2017 Budget</b>	<b>FY2018 Projected</b>	<b>FY2019 Projected</b>	<b>FY2020 Projected</b>	<b>FY2021 Projected</b>	<b>FY2022 Projected</b>
Property Tax Levy	7,917,693	8,488,764	8,898,710	9,086,851	9,344,736	9,603,638	9,688,442
State Aid Cherry Sheet	255,739	299,356	323,180	326,642	333,219	339,956	346,855
Estimated Local Receipts	644,700	749,500	768,575	788,272	808,499	829,264	850,675
Free Cash	286,843	225,000	105,000	35,000	35,000	35,000	35,000
Available Funds/Other Financing	45,800	47,551	-	-	-	-	-
<b>Total Revenues</b>	<b>9,150,775</b>	<b>9,810,171</b>	<b>10,095,465</b>	<b>10,236,764</b>	<b>10,521,454</b>	<b>10,807,857</b>	<b>10,920,972</b>

<b>Expenditures</b>	<b>Actual</b>	<b>Budget</b>					
General Government	450,385	511,889	536,618	551,884	555,518	559,225	563,005
Public Safety	1,197,710	1,274,904	1,306,550	1,320,835	1,326,856	1,332,993	1,339,246
Education	5,383,609	5,875,591	6,009,031	6,314,892	6,711,110	7,130,707	7,560,446
Public Works/Cemetery	556,270	765,426	778,254	787,856	795,944	804,156	812,495
Health and Human Services	54,165	80,383	84,275	86,553	88,281	89,573	90,890
Culture & Recreation	213,719	211,905	222,143	231,461	239,538	241,004	242,484
Debt Service/Capital Plan	344,141	270,664	265,040	257,420	249,640	191,700	24,100
State Assessments	3,284	3,310	3,360	3,410	3,461	3,513	3,566
Fixed Costs/Benefits	429,579	479,186	481,169	519,261	557,708	599,450	644,790
Risk Management	94,735	100,190	105,700	111,514	117,647	124,118	130,944
Misc/Other Uses	362,525	192,744	105,000	35,000	35,000	35,000	35,000
Other Amounts Raised	25,829	43,979	46,771	42,359	42,957	43,563	44,178
<b>Total Expenditures</b>	<b>9,115,951</b>	<b>9,810,171</b>	<b>9,943,910</b>	<b>10,262,446</b>	<b>10,723,661</b>	<b>11,155,001</b>	<b>11,491,145</b>
<b>General Fund Surplus/(Shortfall)</b>	<b>34,824</b>	<b>(0)</b>	<b>151,555</b>	<b>(25,682)</b>	<b>(202,208)</b>	<b>(347,144)</b>	<b>(570,173)</b>

#### Enterprise Funds

Revenues - Budget	119,415	62,011	60,236	61,624	62,671	63,748	64,858
Expenditures - Actual	133,598	62,011	60,236	61,624	62,671	63,748	64,858
<b>Enterprise Surplus/(Shortfall)</b>	<b>(14,183)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

#### Community Preservation

Revenues - Budget	740,543	1,193,994	283,279	290,361	297,620	305,061	312,688
Expenditures - Actual	695,243	1,193,994	283,279	290,361	297,620	305,061	312,688
<b>Enterprise Surplus/(Shortfall)</b>	<b>45,300</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

<b>GRAND TOTAL REVENUES</b>	<b>10,010,733</b>	<b>11,066,176</b>	<b>10,438,980</b>	<b>10,588,749</b>	<b>10,881,745</b>	<b>11,176,667</b>	<b>11,298,518</b>
<b>GRAND TOTAL EXPENDITURES</b>	<b>9,944,792</b>	<b>11,066,176</b>	<b>10,287,425</b>	<b>10,614,431</b>	<b>11,083,952</b>	<b>11,523,810</b>	<b>11,868,691</b>
<b>Total Surplus/(Shortfall)</b>	<b>65,941</b>	<b>(0)</b>	<b>151,555</b>	<b>(25,682)</b>	<b>(202,208)</b>	<b>(347,144)</b>	<b>(570,173)</b>

#### COLA Impact

Impact on General Fund			12,704	45,712	80,012	115,505	152,233
<b>Surplus/(Shortfall) after COLA</b>			<b>138,851</b>	<b>(71,393)</b>	<b>(282,219)</b>	<b>(462,649)</b>	<b>(722,406)</b>

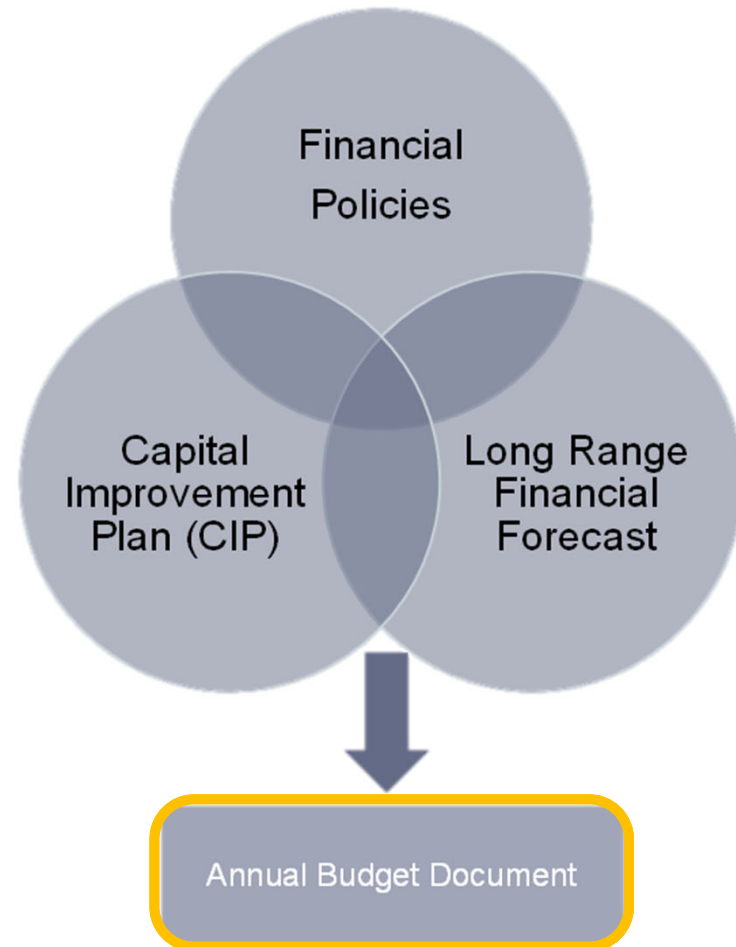
# Annual Budget Document

## Communicate financial plan

- ☐ Financial policies
- ☐ Revenues and expenditures
- ☐ Departmental budget detail
- ☐ Capital financing plan
- ☐ Goals and Objectives

## Highlight community priorities

- ☐ Budget message
  - Town Manager/Administrator
  - Finance Committee
- ☐ Long-term financial goals
- ☐ Upcoming challenges



## **Budget Preparation**

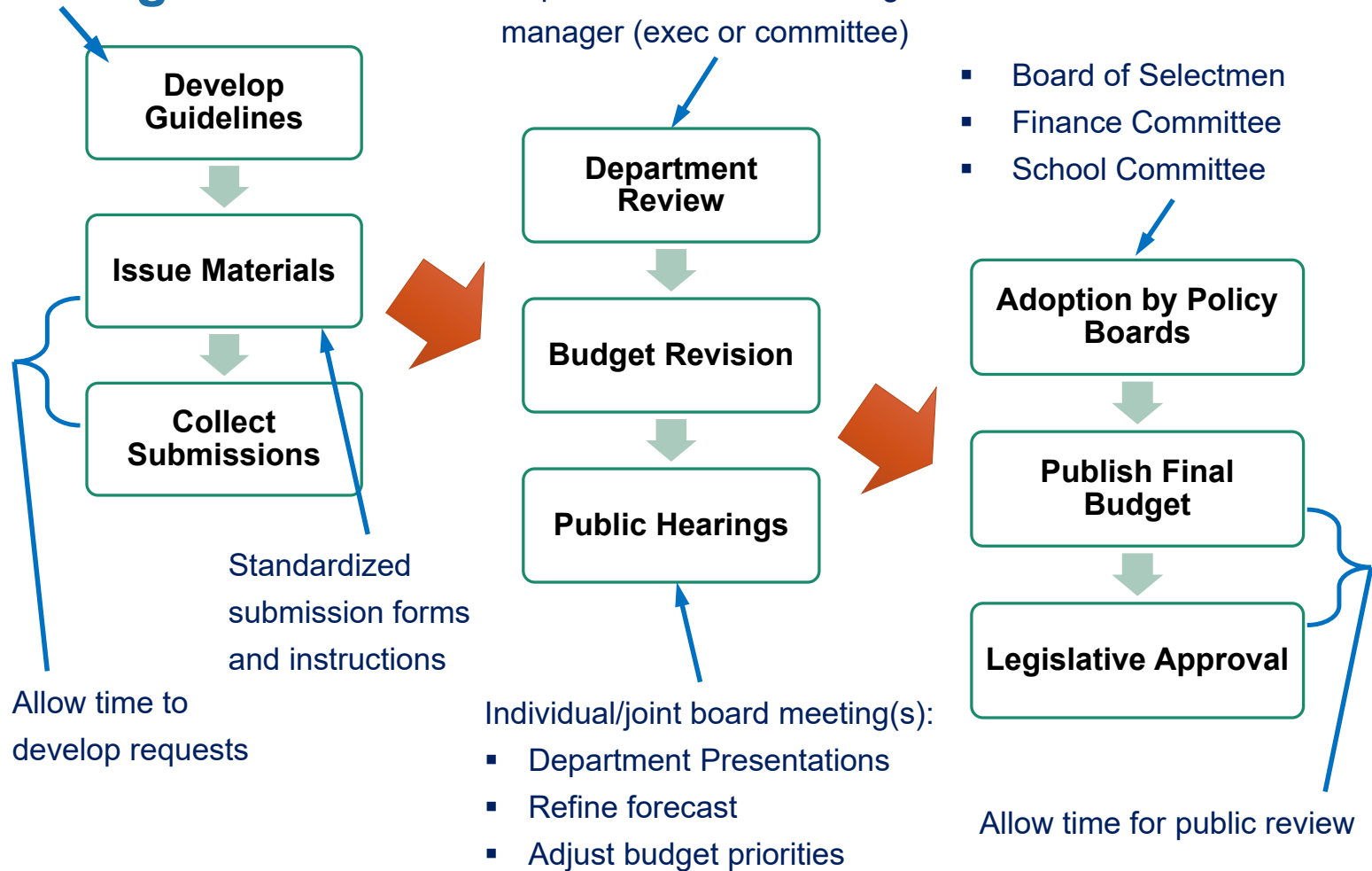
- ✓ Establish authority
- ✓ Assign roles & deadlines
- ✓ Set process
- ✓ Allow for public review

## **Document Components**

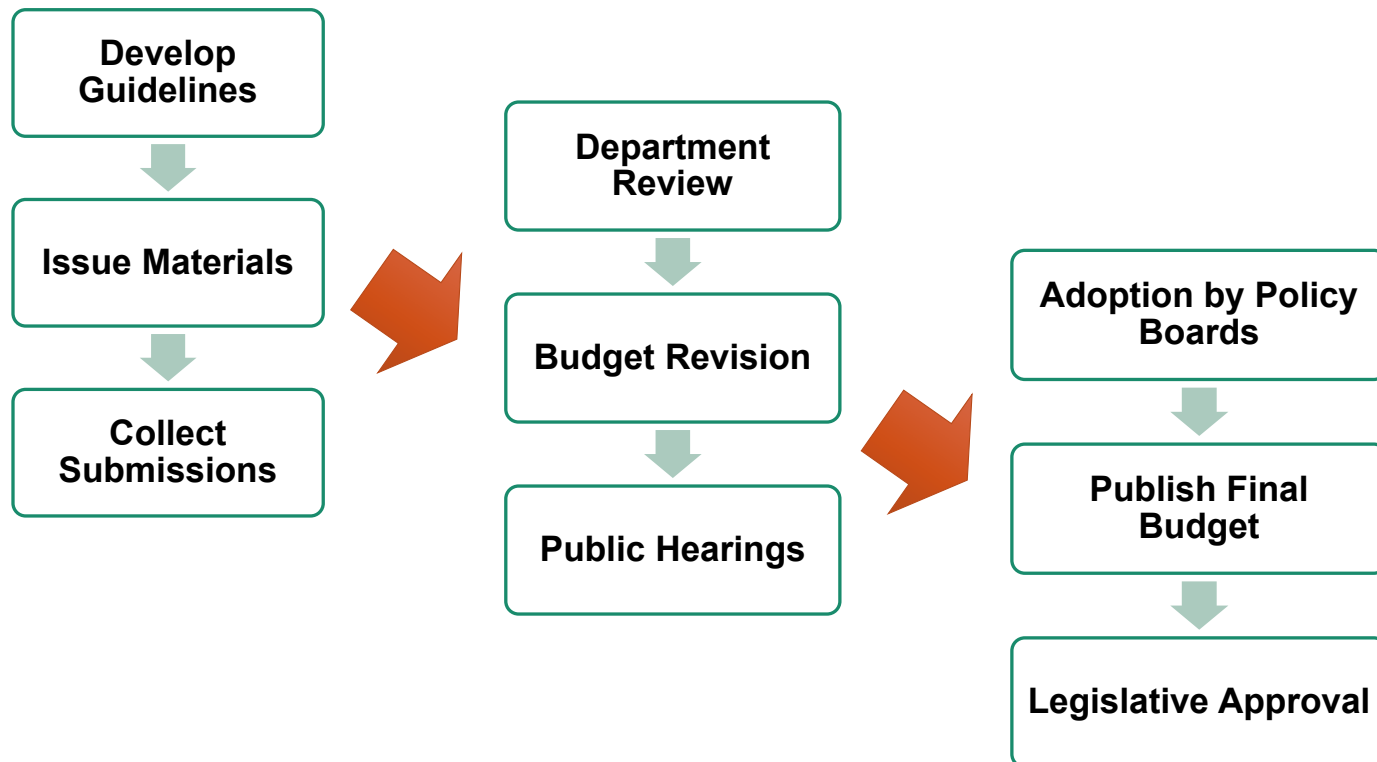
- ✓ Table of Contents
- ✓ Budget Message
- ✓ Forecast
- ✓ Organizational Chart
- ✓ Budget Calendar and Process
- ✓ Overview of Revenues and Expenditures
- ✓ Revenues Section
- ✓ Departmental Budget Sections
- ✓ Capital Investment Section
- ✓ Financial Policies
- ✓ Appendices

- Board of Selectmen
- Finance Committee
- Mayor
- City Council

## Budget Process



## Budget Process



# Budget Calendar

<b>August</b>			<b>January</b>		
Town Manager issues Guidelines & Instructions to departments	15		Tri-Board Meeting: Review working budget	15	
<b>October</b>			<b>February</b>		
Tri-Board Meeting: Policy Discussion	5		Revenue Projections Updated	5	
Operating and Capital Budget Requests due to Town Manager	15		Budget adjustments made (if necessary)	10	
Town Manager Begins Dept Budget Reviews	20		Revised Budget Submitted to BOS	25	
<b>November</b>			Revised Budget Submitted to Finance Committee	25	
Tri-Board Meeting: Revenue Projections	4		<b>March</b>		
Selectmen begin budget hearings	15		Selectmen vote to approve budget	8	
<b>December</b>			Budget submitted to Finance Committee	10	
School Budget submitted to School Committee	8		<b>April</b>		
School Committee holds budget hearings	11		Finance Committee report due	5	
Capital Improvement Committee holds hearings	15		Warrant prepared and distributed to Town Meeting Member	10	
			<b>May</b>		
			Town Meeting Begins	4	

# Prepare Town Meeting Motions/ City Council Orders

## Article 4 APPROPRIATE FY2018 OPERATING BUDGET

MOTION: That the following amounts be appropriated for the ensuing fiscal year to be raised in the tax levy or from general revenues of the Town, except where otherwise indicated they shall be paid from other source.

Program 1000: Education

Personal Services

## Article 5 APPROPRIATE FY2018 ENTERPRISE FUND

MOTION: a) That the Town appropriate the following sum to the Division of the Department of Public Works pursuant to the provisions of M.G.L. Chapter 44, Section 53F 1/2 and Section 53F 3/4 for Fiscal Year 2018 beginning July 1, 2017 as follows:

Personal Services	\$
Expenses	
Debt Service	1
MWRA Assessment	7
Total	\$9

Said sum to be funded from water receipts and earnings.

2230 Temporary Borrowing

2310 Reserve Fund

## Article 9 ESTABLISH AND CONTINUE DEPARTMENTAL REVOLVING FUNDS AND SPECIAL REVENUE FUND

MOTION That the Town authorize the following revolving and special revenue funds for certain Town departments pursuant to the provisions of M.G.L. Chapter 44, Section 53E 1/2 and Section 53F 3/4 for Fiscal Year 2018 beginning July 1, 2017 as follows:

## Article 12 APPROPRIATE FOR MUNICIPAL CAPITAL PROJECTS AND EQUIPMENT

MOTION: That the following amounts be appropriated for the following capital improvements and that each amount be raised as indicated:

- Center Streetscape Improvements and Easements – that this item be indefinitely postponed;
- Automatic Meter Reading System - \$40,000 to evaluate the existing meter equipment for compatibility with an Automatic Meter Reading technology, and that to meet this appropriation \$20,000 be appropriated from Water Fund Retained Earnings and \$20,000 be appropriated from Wastewater Fund Retained Earnings;
- Equipment Replacement - \$1,083,000 for the cost of departmental equipment for the Department of Public Works and all incidental costs related thereto, and that to meet this appropriation the Treasurer, with the approval of the Board of Selectmen, is authorized to borrow \$1,083,000 under M.G.L. Chapter 44, Section 7, or any other enabling authority. Any premium received by the Town upon the sale of any bonds or notes approved by this vote, less any such premium applied to the payment of the costs of issuance of such bonds or notes, may be applied to the payment of costs approved by this vote in accordance with Chapter 44, Section 20 of the General Laws, thereby reducing the amount authorized to be borrowed to pay such costs by a like amount;
- Street Improvements and Easements - \$2,542,927 for road reconstruction, repairs and resurfacing by the Department of Public Works and all incidental costs related thereto, and to take by eminent domain, purchase or otherwise acquire any fee, easement or other interest in land necessary therefor, and that to meet this appropriation \$2,542,927 be raised in the tax levy, and authorize the Town to accept and expend any additional

of Fund	FY2018 Authorization
1 and Related to 1 of	\$475,000
Expenses	\$40,000
1, Benefits, Expenses	\$755,000
al Expenses	\$45,000
Expenses	\$180,000
Expenses	\$14,000
Expenses	\$50,000



## Present to Town Meeting/City Council

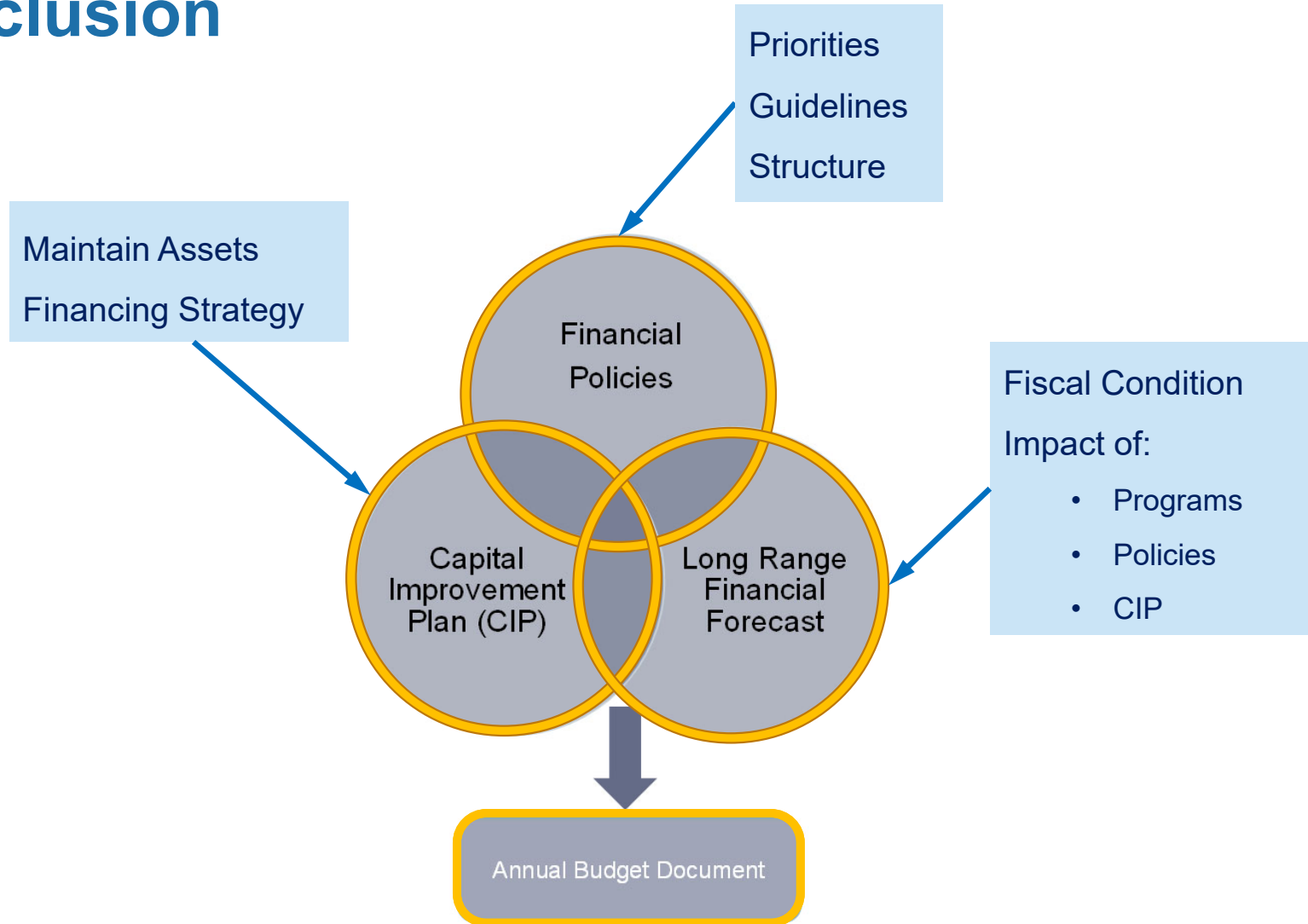


# Budget Monitoring

- ❑ Appropriations = GL entries
- ❑ Budget vs Actuals
  - Department Budgets
  - Capital Appropriations
  - Revenues
- ❑ Keep accurate data
  - Basis for next year's budget



# Conclusion



**Theo Kalivas**

Project Manager

**Financial Management Resource Bureau**

**[kalivast@dor.state.ma.us](mailto:kalivast@dor.state.ma.us)**

**On the web:**

**Division of Local Services**

**[mass.gov/dls](http://mass.gov/dls)**

**Community Compact Cabinet**

**[mass.gov/ccc](http://mass.gov/ccc)**