

**New to the Finance Committee:
Budgeting 101**

ASSOCIATION OF TOWN FINANCE COMMITTEES
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Overview: Dedham, MA

- **Annual operating budget**
 - Process and timeline
- **Capital Improvement Plan (CIP)**
 - CIP process
 - Differences between operating and capital processes
- **Managing long-term debt**
 - Policies and guidelines
- **Tax recapitulation process**

Annual Operating Budget Process

- **Process begins in the fall and concludes at Annual Town Meeting in the spring**
- **Departments develop line-item budget requests**
 - Salaries
 - Purchase of Services
 - Supplies
 - Other Charges & Expenses
- **Review process of each line item includes Town Administrator and Finance Committee's recommendations to Town Meeting**

Operating Budget Process Timeline

When	Who	What
November	Finance Department	Revenue projections: State aid, property tax, local receipts, other
	Town Administrator	Deliver annual budget message to departments with guidelines for budget requests
December	Finance Department	Meet with departments, develop and compile budget requests
	Town Administrator	Review departmental budget requests
January	Town Administrator	Develop budget recommendation, submit to Board of Selectmen and Finance Committee
February	Board of Selectmen	Publish warrant
February	Finance Committee	Review budget requests, hold budget hearings
March, April	Finance Committee	Develop budget recommendations and publish warrant recommendations to Town Meeting
May	Town Administrator	Budget presentation to Town Meeting

- ### Developing a Capital Improvements Plan
- Annual CIP process occurs in conjunction with operating budget process
 - Capital budget covers 5-year period
 - **Capital Policy & Process** document adopted in FY12
 - Definition of capital improvement
 - “A physical betterment, including construction of new buildings, purchase of land, or items having a useful life of 3 years or more. Any having a cost of less than \$10,000 and not of a non-recurring nature shall not be considered a capital improvement.”
 - Policy document is a work in progress

- ### Capital Budget Process: Dedham, MA
- Town Administrator delivers guidelines and forms for capital requests to department heads
 - Department heads' capital requests specify:
 - Fiscal year and priority of each request
 - Description of need, and whether replacement or new equipment
 - Estimated useful life
 - Cost estimate and funding source
 - Director of Facilities prepares assessment of all facilities with recommendation
 - Building, Planning and Construction Committee reviews any request involving a Town building
 - Director of Finance prepares 5-year financial plan describing funds available and bonding capacity

Capital Process: Committee Review, Town Meeting

- **Capital Expenditures Committee (CEC): Five appointed members (3 by Moderator, 1 Finance Committee, 1 Planning Board)**
 1. Review all capital reports and requests, hold department hearings
 2. Review Town Administrator's proposed capital budget
 3. Vote to make capital recommendations to Finance Committee
- **Finance Committee reviews CEC recommendation, votes to make capital recommendation to Town Meeting**
- **All capital items presented in one article to Town Meeting**

Managing Long-Term Debt

- **Three policies guide Dedham's financial decisions (established 1998, revised 2003 and 2012)**
 - Overall Financial Management Policies
 - Debt Management Policy
 - Investment Policy
- **Overall Financial Management Policies describes broad financial goals:**
 - Maintain highest possible bond rating
 - Maintain balance in General Stabilization Fund at 5-10% of operating budget
 - Meet ARC of retiree pension and healthcare costs

Debt Management Policy

- **Financing Capital Improvements**
 - \$10,000-\$250,000 funded through annual budget
 - Projects < \$250,000 to be funded through borrowing, debt service paid through operating budget
 - Projects < \$4,000,000 to be funded by borrowing, paid from debt exclusions or reserves (Major Capital Facilities Stabilization Fund- Meals and 2% Set Aside for Hotels)
- **Debt Service Guidelines: Annual debt service on non-excluded borrowing to be 2-10% of the annual operating budget**
 - FY13: Operating budget \$85m, Capital borrowing \$5.1m (6%)

Investment Policy

- MGL c.44 S55B requires all funds to be invested except for immediate distribution
- Investment Policy outlines objectives, allowable instruments, and diversification requirements for the Town's investments
 - Objectives of investments:
 1. Safety of principal
 2. Liquidity
 3. Yield
 - Allowed Investment Instruments
 - Mass. Municipal Depository Trust, certain treasuries, CDs, etc.
 - Diversification
 - Maturity date
 - Instrument type and issuer

Tax Rate Recapitulation Process

- Determines the annual tax levy amount
- Tax Levy = (Amounts to Be Raised) – (Estimated Receipts)

Amounts to Be Raised	Estimated Receipts
Operating Budget	State Aid
Capital Budget	Local Receipts
State Assessments	• Motor Vehicle Excise
Reserve for Abatements	• Departmental Revenue
Other Deficits	• PILOT, etc.
• Snow & Ice	Other Available Funds
• Tax Titles	• Free cash
	• Stabilization

- Other considerations: Split tax rates; Excluded debt; Overrides

Tax Rate Recap: Dedham, FY12

TAX RATE RECAP: DEDHAM, FY12	
AMOUNTS TO BE RAISED	
Town Meeting Appropriations	\$93,404,050.00
Other Amounts (Cherry Sheet charges, Abatements, etc.)	\$4,598,075.61
TOTAL	\$98,002,125.61
ESTIMATED RECEIPTS AND OTHER REVENUES	
State Receipts	\$6,474,585.00
Local Receipts	\$11,645,614.00
Free Cash & Other Available Funds	\$5,400,230.00
TOTAL	\$23,520,429.00
REAL & PERSONAL PROPERTY TAX LEVY	
Amounts to Be Raised	\$98,002,125.61
Estimated Receipts and Other Revenues	\$23,520,429.00
TOTAL	\$74,481,696.61

Resources

- **Department of Revenue**
 - **Division of Local Services:** <http://www.mass.gov/dor/local-officials/>
 - **Tax Rate Recap Sheets:** <https://dls.gateway.dor.state.ma.us/gateway/Public/WebForms/TaxRate/ReportTaxRateRecapPublic.aspx>
 - **At-a-Glance Reports:** <http://www.mass.gov/dor/local-officials/municipal-data-and-financial-management/data-bank-reports/at-a-glance-community-reports.html>
- **Mass. Municipal Association**
 - **Sample Financial Policies:** http://www.mma.org/resources-mainmenu-182/cat_view/145-local-aid-and-finance/158-municipal-finance-rules-and-guidelines

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- **Questions?**
