

Finance and Budgeting Basics

Municipal Calendar
Operating Budget
Long Term Financing

Municipal Calendar

- July
 - Fiscal Year Begins
 - Q1 Tax Bills Issued
- August
 - Q1 Tax Bills Due
 - Begin work on Financial Forecast

[Municipal Calendar]

- September
 - School End of Year Report (prior FY)
 - Quarterly Cash Reconciliation (prior FY-need for Free Cash Certification)
 - Statement of Indebtedness
 - Begin Capital Improvement Planning Process
 - Finalize Financial Forecast

[Municipal Calendar]

- October
 - Issue Q2 or Semi-Annual Tax Bill
 - Submit Schedule A
 - Begin work on Tax Recap
 - Continue work on CIP
 - Begin work on Operating Budget
 - Establish Fiscal Guidelines
 - Finalize Forms

[Municipal Calendar-]

- November
 - Q2 or Semi-Annual Tax Bills due
 - Continue work on Tax Recap
 - Request budgets from Departments
- December
 - Set Tax Rate
 - Receive & Review Department Budget Requests

[Municipal Calendar]

- January
 - Issue Q3 (Actual) Tax Bills
 - Finalize FY & Capital Budget Recommendations
- February
 - Q3 Tax Bills due
 - Present FY & Capital Budget to BOS, Finance Committee, Capital Committee

[Municipal Calendar]

- March
 - Update Revenue Projections
 - Cherry Sheet Estimates
 - MVX Commitment #1
 - Finalize Budget Recommendations
- April
 - Issue Semi-Annual Tax Bills
 - Town Meeting

[Municipal Calendar]

- May
 - Issue Q4 Tax Bills
 - Semi-Annual Tax Bills due
 - Town Meeting
- June
 - Q4 Tax Bills due
 - Year End Borrowing to cover project deficits

[Operating Budget- Components]

- Budget Message
- Budget Overview
- Department Budgets
- Capital Budget
- Appendices

[Operating Budget- Components]

- Budget Message
 - Transmittal from the Town Manager
 - Tell your budget story
 - Document shouldn't just be filled with spreadsheets
 - Financial Outlook
 - Budget Principles & Process
 - Fiscal Year Goals & Objectives
 - Upcoming Financial Issues

[Operating Budget- Components]

- Budget Overview
 - Executive Summary
 - Revenue Detail
 - Expenditure

[Operating Budget- Components]

- Department Budgets
 - Spreadsheet
 - 2 – 3 years worth of actual
 - Department Request
 - Recommendation
 - Department Mission
 - Description of Services
 - Goals & Initiatives
 - Budget Issues

[Operating Budget- Components]

- Capital Budget
- Appendices
 - Budget Terms & Definitions
 - Latest Bond Rating
 - Tax Rate History
 - Audit
 - Financial Forecast
 - Financial Policies

[Borrowing]

- Municipalities regularly borrow money for a variety of purposes.
 - Satisfy cash flow needs
 - Financing acquisition of capital assets
 - Paying for construction
 - Repair of municipal facilities
- State Law strictly regulates both purposes for which municipalities can borrow & the length of time
- MGL Ch.44 Sections 7 & 8
- Municipalities may incur both short-term and long-term debt

[Long-Term Debt]

- Loans with a maturity date of 1 year or more
- Debt instrument is called a “bond”
- A written document containing an express promise of the bond issuer to repay a specified sum of money (face value, par value) to the buyer of the bond on a specified date (maturity date), together with period interest

[Short-Term Debt]

- For a period of less than one year, often in anticipation of another revenue source
- Debt instrument is called a “Note”
- A written document containing an express promise of the signer to pay a definite sum of money at a specified period of time

[Short-Term Debt]

- Notes are categorized according to purpose
 - RAN's = Revenue Anticipation Note (44:4)
 - BAN's= Bond Anticipation Note (44:17)
 - GAN's= Grant Anticipation Note (44:6A)

[BAN's]

- Notes issued prior to issuance of long-term debt to begin a project
- May be fully repaid when the long-term debt is issued
- May be issued when the total amount of the bond issue is not needed immediately
- May be issued when bond interest rates are high, postpone until a more favorable time

[BAN's]

- Prior to issuing BAN's, Town Meeting must have specifically authorized the long-term debt with a 2/3 vote
- BAN's can be issued for up to 2 years without having to make principal payments
- BAN's can be refunded for up to 5 years from the date of the original loan, however, principal payments must be made in years 3 and 4, equal to the minimum payment (1/3)

[Debt Issuance]

- 2/3 vote of Town Meeting, authorizing the Treasurer with the approval of the Board of Selectmen to issue
- Financial Advisor
- Bond Counsel
- Rating Agency

[Debt Issuance- Roles]

- Financial Advisor
 - Structure the Issue
 - Payment dates
 - Term
 - Call Provisions
 - Prepare the Official Statement
 - Arrange for Credit Rating
 - Receive & Analyze Bids

[Debt Issuance- Roles]

- Bond Counsel
 - Provide approving opinion stating that the bonds have been properly issued in accordance with law (Green Light Letter)
 - Determine whether bonds are taxable or tax-exempt
 - Prepare motions for a vote of the Board of Selectmen

[Debt Issuance- Roles]

- Credit Rating Agency
 - To successfully market bonds, you should generally seek a credit rating
 - A rating is a tool to gauge the relative credit worthiness of the municipality
 - Independent, private rating agency
 - Ratings can have a significant effect on the cost of borrowing (interest rate)