



POLICY No.: F-6  
DATE ADOPTED: OCTOBER 3, 2018

## **TOWN OF WEST BOYLSTON BOARD OF SELECTMEN POLICY**

### **Town Of West Boylston, Massachusetts**

#### **FORECASTING**

##### **PURPOSE**

To assess the range of choices available to budget decision makers when determining how to allocate resources, this policy establishes guidelines for evaluating revenue sources and the requirement to determine an expenditure strategy as part of the annual budget process and longer range fiscal planning. Forecasting helps local officials understand the long-range implications of pending near-term decisions.

##### **APPLICABILITY**

This policy applies to the Board of Selectmen, Town Administrator and Finance Committee as West Boylston's budget decision makers. It also applies to the job responsibilities of the Town Administrator, Town Accountant, School Superintendent, School Business Manager, and all the managers of revenue-generating departments.

##### **POLICY**

###### **A. Revenue Guidelines**

The Town will continually seek to diversify its revenue to improve the equity and stability of sources. Each year and whenever appropriate, the Town will reexamine existing revenues and explore potential new sources. A balance will be sought between elastic and inelastic revenues to minimize any adverse effects caused by inflation or other economic changes. Additionally, intergovernmental revenues (e.g., local aid, grants) will be reviewed annually to determine their short- and long-term stability in order to minimize detrimental impacts.

The Town will limit using one-time revenues to fund ongoing or recurring operating expenditures. Except in extraordinary circumstances, one time revenues (unassigned fund balance) should not be used to fund more than 1% of the ongoing and routine year-to-year operating expenditures of the Town. These one-time revenue sources can include, but are not limited to, free cash, overlay surplus, sale of municipal equipment, legal settlements, insurance proceeds, and gifts. Additionally, the Town hereby establishes the following priorities:

- Snow and ice deficit
- Operating Budget

- General Stabilization Fund
- Capital Investment Stabilization Fund
- OPEB trust fund
- Other

Economic downturns or unanticipated fiscal stresses may compel reasonable exceptions to the use of one-time revenue. In such cases, Town Administrator, in consultation with the Finance Committee and Town Accountant, can recommend to Town Meeting its use for operational appropriations. Such use will trigger the Town Administrator and Town Accountant to develop an action plan to avoid continued reliance on one-time revenues.

Historically, bond premiums (net of issuance costs) have been considered general one-time revenue to be used as an available source. Chapter 218 of the Acts of 2016 (Municipal Modernization Act) amends current law by allowing communities to either apply the proceeds to the issuance, thereby reducing the amount needed to borrow, or to place the money in a separate fund and appropriate it for a future capital project. (Note: Premiums received for excluded debt must still be used to offset the stated interest costs of financing the project.)

State laws impose further restrictions on how certain types of one-time revenues may be used. The Town will consult the following General Laws when the revenue source is:

- Sale of real estate: M.G.L. c. 44, §63 and M.G.L. c. 44, §63A
- Gifts and grants: M.G.L. c. 44, §53A and M.G.L. c. 53A½

This policy further entails the following expectations regarding revenues:

- The Assessing Department will maintain property assessments for the purpose of taxation at full and fair market value as prescribed by state law.
- Town departments that charge fees shall annually review their fee schedules and propose adjustments when needed to ensure coverage of service costs.
- The Building Department will notify the Town Administrator of any moderate-to-large developments that could impact building permit volume.
- Department heads will strive to be informed of all available grants and other aid and will carefully consider any related restrictive covenants or matching requirements (both dollar and level-of-effort) to determine the cost-benefit of pursuing them.
- Revenue estimates will be adjusted throughout the budget cycle as more information becomes available.
- The Sewer Department will set rates sufficient to cover all fiscal year operating and capital improvement costs and thereby minimize any general fund subsidies.

## B. Expenditure Guidelines

Annually, the Town will determine a particular budget approach for forecasting expenditures, either maintenance (level service), level funded, or one that adjusts expenditures by specified increase or decrease percentages (either across the board or by department). A maintenance budget projects the costs needed to maintain the current staffing level and mix of services into the future. A level- funded

budget appropriates the same amount of money to each municipal department as in the prior year and is tantamount to a budget cut because inflation in mandated costs and other fixed expenses still must be covered.

Under any chosen approach, expenditure projections will include potential cost-of-living adjustments to account for the impact of future contract settlements and compensation plan increases.

### C. Financial Forecast Guidelines

To determine the Town's operating capacity for each forthcoming fiscal year, the Town Administrator will annually create and provide the Board of Selectmen and Finance Committee with a detailed budget forecast. The Town Administrator shall also annually prepare a five year financial projection of revenues and expenditures for all operating funds. These forecasts shall be used as planning tools in developing the following year's operating budget as well as the five-year capital improvement plan.

To ensure the Town's revenues are balanced and capable of supporting desired levels of services, forecasts for property taxes, local receipts, and state aid shall be conservative based on historical trend analyses and shall use generally accepted forecasting techniques and appropriate data. To avoid potential revenue deficits, estimates for local receipts (e.g., inspection fees, investment income, license fees) should generally not exceed 90 percent of the prior year's actual collections without firm evidence that higher revenues are achievable.

Additionally, the Town's forecast model should assume that:

- Current service levels will provide the baseline projections
- Property taxes (absent overrides) will grow at the limits of Proposition 2½
- New growth will be projected conservatively, taking into account the Town's five-year average by property class
- State net school spending requirements will be annually met or exceeded
- Local receipts and state aid will reflect economic cycles
- Historical trends in the growth of operating expenses and employee benefits will continue
- Estimated cost-of-living adjustments of future contract settlements and compensation plan increases will be paid
- Debt service on existing debt will be paid and Capital Planning and Debt policies will be followed
- Annual pension contributions and appropriations to amortize its other postemployment benefit liabilities will continue
- Reserves will be built and maintained in compliance with its Financial Reserves policy

### REFERENCES

Chapter 218 of the Acts of 2016 M.G.L. c. 44, §63 M.G.L. c. 44, §63A M.G.L. c. 44, §53A M.G.L. c. 53A½ M.G.L. c. 44, §20

West Boylston Debt Policy West Boylston Financial Reserves Policy West Boylston New Growth Policy

Division of Local Services Best Practice: Revenue and Expenditure Forecasting

Division of Local Services Bulletin 2013-01B: Bond Premiums and Debt Exclusions  
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Finance Officers Association article: Structuring the Revenue Forecasting Process Division of  
Local Services IGR 17-21 Borrowing