

Townsend, Massachusetts

Budget Process and Document Enhancements

April 2017

Edward J. Collins, Jr. Center for Public Management

McCORMACK GRADUATE SCHOOL OF POLICY AND GLOBAL STUDIES



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INTRODUCTION

Townsend is a town in northern Middlesex County, bordering New Hampshire, with a population of 8,926 (2010 Census) and an operating budget of \$18.7 million (FY2016). The Board of Selectmen is the Town's executive body, and a Town Administrator manages the Town's various departments. Town Meeting is Townsend's legislative body. The Town's budget document has historically consisted largely of financial data, with limited narrative that could assist the public in understanding the Town's priorities and how they influence the critical financial decisions that must be made each year. Through the Community Compact Cabinet initiative, Townsend sought to implement best practices related to the budget process and document. The Town retained the services of the Collins Center for Public Management to support its efforts.

The municipal budget is one of the Town's most important communication tools, serving a variety of stakeholders including elected officials, Town staff, residents, and Town businesses. Townsend recognized the need to enhance transparency by contextualizing the financial data typically provided and building new content in ways that engage potential readers.

In consultation with the Chair of the Board of Selectmen and the Town Administrator, under the guidelines established through the Community Compact Cabinet initiative, Collins Center staff developed a multi-pronged approach to reaching the Town's goals.

Project Approach:

1. Discuss and review the Town's existing budgeting process and create an internal budget process calendar to guide staff efforts toward budget development.
2. Assess and suggest improvements to the Town's budget request forms.
3. Draft a policy regarding submission of the annual budget and budget message that conforms to the Town's existing policy structure after discussions with key stakeholders and a review of the Town charter and relevant by-laws.
4. Review Townsend's existing budget document in detail, compare it to best practices published by the Government Finance Officers Association and other widely-accepted best practices, and make specific recommendations on ways to increase budget transparency.
5. Assist the Town in implementing up to three of the proposed budget document enhancements.

BUDGET PROCESS RECOMMENDATIONS

Budgeting is an ongoing process that involves multiple stakeholders, including the Board of Selectmen, Finance Committee, Town Administrator, finance staff, department heads, and the residents of Townsend. Stakeholders have varying perspectives and priorities that must be integrated into an efficient and effective continuous process. Budgeting should be fully integrated with other major Town processes, including financial forecasting, capital planning, strategic planning, and policy setting and review.

After reviewing the Town's existing budgeting process as documented in its Charter and by-laws, as well as discussing with key stakeholders the undocumented, informal components of the process and taking into account external processes that impact the Town's budget, such as the budgeting processes and timelines of the State and the North Middlesex Regional School District, the Center made a series of recommendations to streamline the process. Several key changes were made, including:

- The Town Administrator or designee should anchor the beginning of the budgeting process by updating the five-year financial forecast each year in early- to mid-fall.
- The Town Administrator or designee should collect and analyze non-financial data that may impact the Town. For example, this may include demographic, economic, socio-cultural, regulatory, legal, or technological trends.
- Each year, the forecast and other relevant non-financial data should be presented to the Board of Selectmen, Finance Committee, and the Town's representatives on the North Middlesex Regional School District School Committee at a "Financial Summit" so that these decision-making bodies have a fact-based foundation for setting budgetary guidelines and making budgetary decisions.

Working with key stakeholders, the Center documented the new budget process in both narrative and graphic form. These documents can be disseminated by the Town to staff and the public to increase understanding and transparency of the budgeting process.

In addition, the Center collaborated with the Town Administrator to make improvements to the budget request forms used by all department heads. A new form was created to collect new information from each department, including mission statement, department description, goals, accomplishments, and an organizational chart. Finally, the Center held a training session for all department heads on the purpose and use of the new form and the budget enhancement project generally. The form and training presentation can be found in the appendices.

The final budget process narrative and graphic can be found on the following pages.

Deliverable: Budget Process Narrative

Operating Budget

The Town of Townsend's budget process begins in early- to mid-fall when the Town's financial staff updates the Town's five-year financial forecast. At the same time, the Town Administrator and designated staff collect and analyze other data that may impact the Town. For example, this may include demographic, economic, socio-cultural, regulatory, legal, or technological trends. This information is presented to the Board of Selectmen, Finance Committee, and the Town's representatives on the North Middlesex Regional School District School Committee at a "Financial Summit" in early November.

The Town Administrator, following the policy priorities and other directives of the Board of Selectmen, develops budgetary guidelines for department heads that are sent to all departments, boards, and commissions, along with budget forms, by the end of November. Budget requests are due to the Town Administrator by the first business day of January.

As needed, the Town Administrator works with department heads regarding their budget requests. In addition, if necessary, the Town Administrator updates the Town's revenue projections after the release of the State's House 1 budget figures and incorporates any significant change in state aid figures into his/her budget recommendation. In addition, the Town Administrator confers with the Capital Planning Committee regarding potential capital projects and their potential impact on the operating budget. The Town Administrator creates a balanced budget in consultation with the Board of Selectmen and submits it to the Board prior to its first regularly-scheduled meeting in February.

During the Board's two regularly-scheduled meetings in February, joint budget hearings are held with the Finance Committee. The Board of Selectmen deliberates and directs the Town Administrator to make changes as it deems appropriate. By the first day of March, the Town Administrator submits the proposed budget, inclusive of a budget message and supporting documents, to the Board of Selectmen and the Finance Committee.

Additionally, any elected officials shall submit to the Town Administrator, Board of Selectmen, and the Finance Committee a proposed budget with an accompanying budget message and supporting documents. The Finance Committee deliberates and prepares a report to Town Meeting with recommendations as it deems in the best interest of the Town.

According to the policy of the School Committee, the North Middlesex Regional School District's budget is submitted to the Board of Selectmen by a final date arranged cooperatively with the School Committee and Finance Committee.

The Annual Town Meeting is held on the first Tuesday in May. According to Town by-law, an attested copy of the warrant must be posted in several places at least seven days prior to the meeting. In addition, the proposed budget, inclusive of the budget message and supporting documents, shall be published on the Town's website at least seven days prior to the meeting. The final budget adopted by Town Meeting shall be published on the Town's website within seven days following the meeting.

The new fiscal year begins on July 1.

The procedure for amending the operating budget is as follows. Amendments may be made at a Special Town Meeting or the subsequent Annual Town Meeting. Also, appropriation transfers may be made at the subsequent Annual Town Meeting in accordance with Massachusetts General Law Chapter 44, Section 33B.

Capital Improvement Plan

The Town's capital improvement planning process begins in October when the Capital Planning Committee (CPC), established by Town by-law, prepares the inventory of current facilities, surveys the status of previously approved capital projects, and prepares to release capital request forms and instructions to department heads.

In November, the CPC releases capital request forms and instructions to department heads, who have until the end of that month to prepare and submit new requests and update previous requests.

In December, the CPC meets with department heads to discuss the requests.

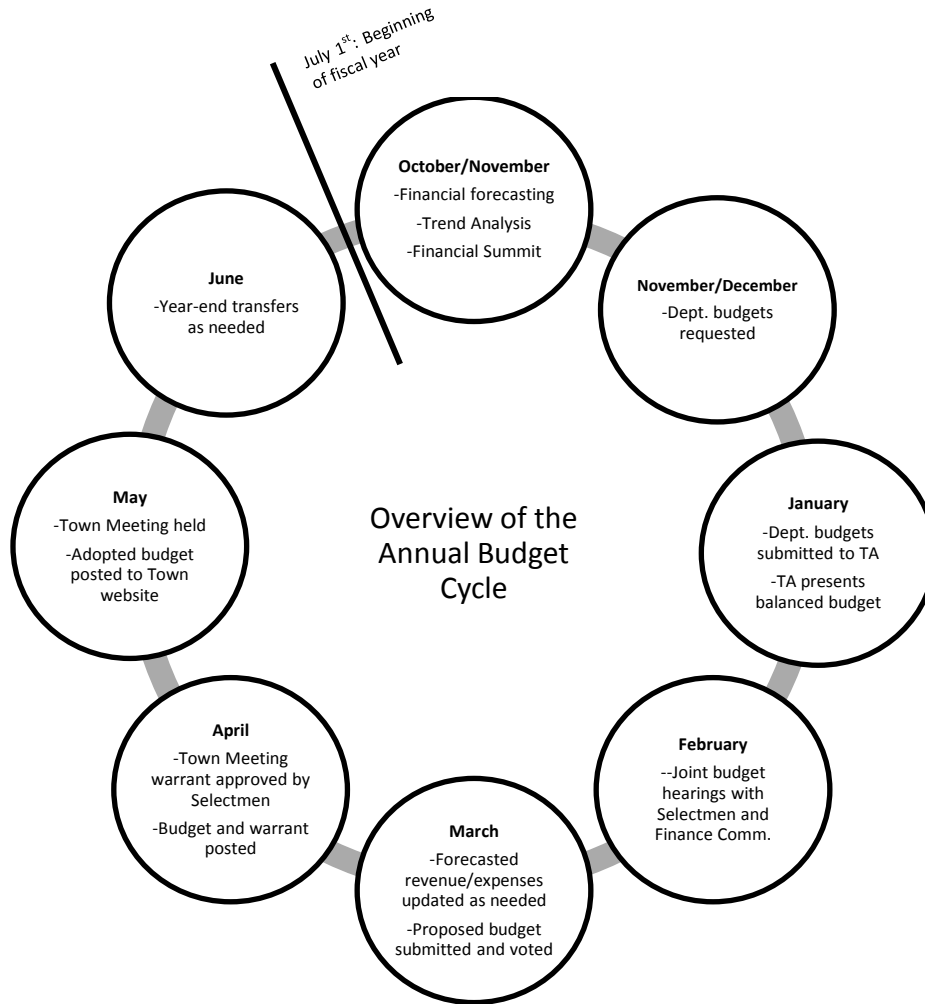
In January, the CPC evaluates the requests based on criteria established in the by-law:

1. "Risks to public safety or health
2. Deterioration of Town facilities
3. Coordination with other capital requests
4. Requirement of state or federal law or regulation
5. Improvement in operating efficiency
6. Systematic replacement
7. Equitable provision of services and facilities
8. Protection and conservation of resource"

No later than 60 days prior to the Annual Town Meeting, the CPC shall submit the CIP to the Board of Selectmen as the recommended capital budget. The Board shall coordinate with the Town Administrator to finalize the capital budget and submit it to the Finance Committee for funding recommendation and consideration at the Annual Town Meeting.

The Town Administrator shall ensure that any impacts to the operating budget are taken into account.

Deliverable: Budget Process Graphic



BUDGET POLICY RECOMMENDATIONS

The Town also requested that the Center assist in drafting a budget policy. The formal policy, coupled with the process narrative and graphic, provide clarity on the purposes, goals, roles, responsibilities, and key milestones of the Town's budgeting process.

The policy was formatted to align with the Town's existing financial policies and was adopted by the Board of Selectmen. It can be found on the following pages.

Deliverable: General Budget Policy

Section 1. Balanced Budget

Background: Massachusetts municipalities are required by state law (M.G.L. c.44, §31) to prepare balanced annual budgets. The Government Finance Officers Association (GFOA) notes a true structurally balanced budget is one that supports financial sustainability for multiple years into the future.

Policy: The Board of Selectmen and the Finance Committee shall recommend and Town Meeting shall adopt balanced budgets in which current revenues (non-one-time) equal or exceed current expenditures. Expenditures shall be realistically budgeted and estimated revenues shall be conservatively budgeted to allow for unanticipated events. The Town shall present said estimates and assumptions behind revenue estimates along with the balanced budget at the Annual Town Meeting.

The Town will not balance the budget by using one-time or other nonrecurring revenues to fund ongoing expenditures. One-time revenues as defined by the Town's "One-Time Revenue Policy" include but not limited to: "transfers from the stabilization fund, transfers from enterprise funds, sales of assets, special state or federal "pothole" appropriations and department turn-backs (unexpended money) from prior operating budgets." They are to be used for "capital improvements, property acquisitions, contributions to the stabilization fund, and single year casualties."

The Town will not use budgetary procedures that balance the budget at the expense of future years, such as postponing or deferring payment of expenses already incurred, accruing future year revenues, or rolling over short-term debt to avoid making principal payments.

As a general rule, no supplemental appropriations to departmental operating budgets shall be made at any special town meetings except in non-anticipatable, extenuating circumstances.

Section 2. Revenue and Expenditure Forecasting

Background: A critical step in maintaining a sound financial plan is the preparation of a multi-year revenue and expenditure forecast. Long-term financial planning, including revenue and expenditure assumptions, is one of the local government financial practices that credit rating agencies evaluate when assessing municipalities for credit quality.

The Massachusetts Division of Local Services (DLS) states that a financial forecast, or multi-year revenue and expenditure forecast, allows a municipality to evaluate the impact of various government decisions over time.

A forecast will provide decision-makers with an indication of the long-term fiscal impact of current policies and budget decisions, and will allow staff, the Finance Committee, and the Board of Selectmen to test various "what-if" scenarios and examine the fiscal impact on future budgets.

Policy: Each year the Town Administrator and Town Accountant shall jointly prepare and maintain a five-year Financial Forecast for General Fund and any Enterprise Fund(s) expenditures and revenues based on current service levels and current funding sources and including the five-year Capital Improvement Program.

The forecast shall be used as a budget tool to enable Town officials to review operating needs, identify fiscal challenges and opportunities, and develop long-term budgeting policies as part of an overall strategic plan. The forecast shall be incorporated into the budgetary guidelines released to all departments as part of the annual budgeting process.

A moderately conservative approach shall be used when forecasting revenues. Upon review of historical data, conservative assumptions should be made about dollar or percentage adjustments to the current year's revenues to arrive at projections for the first forecast year. The same analysis shall be made for successive years of the forecast. As new information is available or circumstances change, the forecast shall be revised.

All assumptions shall be made transparent in the submission and presentation of the financial forecast.

Section 3. Position Control and Vacancies

Background: The largest segment of a town's budget is its personnel costs. Failure to accurately monitor the approved personnel budget can lead to errors in budgeting, over or understaffing, incorrect grading, and other personnel costs.

Policy: The Town shall maintain a personnel system that accurately tracks authorized, filled, and unfilled positions as well as their funding source. Annual budgets shall be prepared that account for all the costs necessary to cover positions that the Town intends to have during that budget period.

Section 4. Content and Submission of Budget

Background: The content and submission of the budget is governed by:

- Town Charter, Article 4 "Town Administrator," Section 4-2 "Powers and Duties" and
- Town Charter, Article 6 "Finance and Fiscal Procedures," Section 6-2 "Submission of Budget and Budget Message," Section 6-3 "Budget Message," and Section 6-4 "The Budget" and
- General By-Laws, Chapter 41 "Finance Committee," Section 41-4 "Submission of department budgets" and Section 41-6 "Budget amendments"

Policy: Article 4 of the Town Charter states that is the duty of the Town Administrator "to prepare the budgets which fall directly under the Board of Selectmen. To oversee the budgets for the Agencies under the supervision of the Selectmen, and in addition the Town Administrator will present to the Selectmen the budgets of elected Agencies and the Capital Plan in such a manner that the Selectmen have an understanding of the total budget. The Town Administrator will also work with the Finance Committee, the Accountant and the Treasurer to develop a plan for the funding of appropriations."

Article 6 of the Town Charter states that "Within the time fixed by by-law, before the Annual Town Meeting is to convene, the Town Administrator, after consultation with the Board of Selectmen, shall submit to the Finance Committee a proposed operating budget for the agencies for which the selectmen are responsible for the ensuing fiscal year with an accompanying budget message and supporting documents. Additionally, elected officials shall submit to both the Board of Selectmen and the Finance Committee a proposed operating budget for the ensuing fiscal year with an accompanying budget message and supporting documents."

Further, that “The budget message of the Board of Selectmen shall explain the budget for all town agencies both in fiscal terms and in terms of work programs. It shall outline proposed financial policies of the town for the ensuing fiscal year, describe important features of the budget, indicate any major variations from the current year in financial policies, expenditures and revenues together with the reasons for such changes, summarize the town's debt position and include other material as the Finance Committee deems desirable, or the selectmen may reasonably require.”

Further that, “The proposed operating budget shall provide a complete financial plan for all town funds and activities for the ensuing fiscal year. Except as may otherwise be required by laws of the Commonwealth, or this charter, it shall be in the form which the Finance Committee deems desirable or the selectmen may require. The presentation of the budget shall utilize modern concepts of fiscal presentations so as to furnish maximum information and the best financial control.”

In addition, the Town shall strive to present to Town Meeting an annual operating budget that conforms to the high standards and best practices set forth by the Government Finance Officers Association.

BUDGET DOCUMENT ASSESSMENT AND RECOMMENDATIONS

The Town's existing budget document consisted largely of financial data and a budget message written by the Town Administrator. This presentation did not meet the Town's goals of providing a transparent document. Transparency in the budget document should be approached from two different angles. First, the document must provide the appropriate content. Too little or too much detail can leave a reader confused or overwhelmed. Either scenario results in an opaque understanding of the budget. The second angle is accessibility of the content. Access goes beyond simply publishing a hard copy or digital version. An accessible budget uses various tools to draw in and engage the reader with the document. These may include, for example, graphics, charts, explanatory "break out" boxes, a glossary/acronym list, and clear and concise language. Although the Town's budget provided sufficient information for the Town Administrator, Board of Selectmen, and Finance Committee, it was generally not transparent to many members of Town Meeting, Town residents, and the general public interested in the Town. Further, it did not tell a compelling story about the Town's fiscal position, priorities, or goals.

Center experts, guided by widely-accepted best practices set forth by the State Department of Revenue, Government Finance Officers Association (GFOA), and others, assessed the Town's budget document and made several recommendations to enhance its readability and content. The Center then created draft content in collaboration with the Town Administrator to help "jump start" the process of improving the budget document. Finally, a plan for further enhancing the document over the next several fiscal years was developed.

Accessibility

The Town has an opportunity to restructure and reformat its budget to guide the reader through the materials. Key additions would include:

- Table of contents
- Pagination
- Consistent formatting
- Charts, graphs, and other visual aids
- Consistent and attractive design elements
- Glossary/acronym list to define financial and other technical jargon

Content

Center experts worked with department heads to create new content that provides key context to each department's budget request. The new information includes:

- Contact information
- Mission statement
- Department description
- Organizational chart
- FY2017 accomplishments
- FY2018 goals
- Full-time equivalent position table, with explanations of any staffing changes

In addition, after determining with the Town that revenue was a priority topic for inclusion, the Center drafted a revenue section for the FY2018 budget. Other new content developed included a Community Profile and a Glossary/Acronym List. Further, the Center encouraged the Town to include the budget process narrative and graphic in the FY2018 budget document.

Action Plan for Further Enhancements

Although significant progress was made in enhancing the budget document for FY2018, there are other improvements that the Town can make to further adhere to best practices. The following table lays out a multi-year action plan for adding content to the budget document.

FY2019	<ul style="list-style-type: none"> • Expand budget message to discuss how budget supports Town’s strategic goals and vision as evidenced through Master Plan, OSRP, etc. • New budget summary section that relies heavily on visual aids • Add Townwide organizational chart • Include NMRSD budget • Review new FY2018 content for potential improvements
FY2020	<ul style="list-style-type: none"> • New debt section that discusses legal debt limits and the Town’s overall position and reports key debt ratios • New table of FY2020 capital projects and discussion of impact on operating budget • Pilot the inclusion of performance data for data-rich departments (e.g. Police, Fire, or Library) • Append financial policies • Review new FY2019 content for potential improvements
FY2021	<ul style="list-style-type: none"> • Expand detail of capital projects and include summary of five-year CIP • New financial schedule of changes in fund balances • Continue to add performance data from departments as available • Review new FY2020 content for potential improvements

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APPENDICES

Appendix A: Department Budget Form Template

Appendix B: Department Head Budget Process Overview Presentation

<Department Name>

Contact Information: <Department Head Name, Position Title>

Phone: <Direct Line>

Email: <Email>

Location: <Building, Floor, Room, Street Address>

Mission Statement: <Mission Statement>

Department Description: <Department Description>

Organizational Chart

Note: Either describe or draw and scan. The Collins Center staff will format a draft version and send it back to you for your review.

FY17 Accomplishments

- Number 1
- Number 2
- Number 3

FY18 Goals

- Number 1
- Number 2
- Number 3

Personnel Summary Table

Note: 30+ hours per week is considered fulltime. If someone in your department works less than 30 hours per week, calculate the fulltime equivalence by dividing the hours they work per week by 30. If they work varying hours per week, please make a note so that we can use payroll data to calculate.

<i>Position Title</i>	<i>FY16 FTEs Actual</i>	<i>FY17 FTEs Actual</i>	<i>FY18 FTEs Dept. Req.</i>	<i>Explanation of Changes (FY17 to FY18)</i>

**Financial data will be collected on a separate Excel form and combined with the above in the FY18 budget document.

Town of Townsend Budget Improvements

December 6, 2016

The Budget Process

...is an ongoing cycle

...involving many stakeholders

- Board of Selectmen

- Finance Committee

- Town Administrator

- Finance staff

- Department heads

- Public

...that should be fully integrated with other major Town processes

- Financial forecasting

- Capital planning

- Strategic planning

- Policy setting and review

The Budget Document

...is one of a municipality's most important communication tools

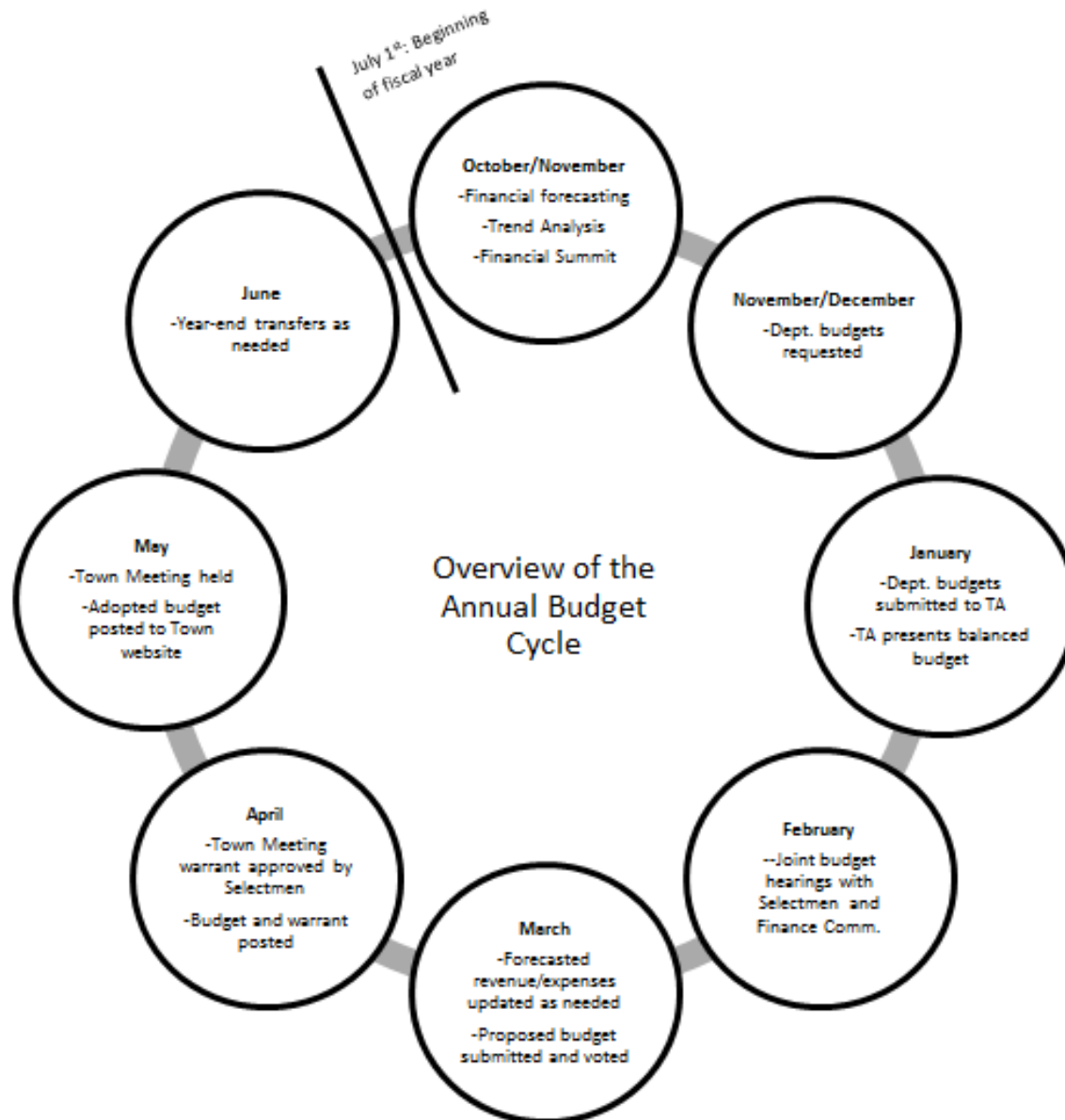
...is a tool for many stakeholders with different, sometimes competing, priorities and needs

...should be more than a collection of financial schedules

...should provide transparency about the government on two fronts:

1. Appropriate content
2. Access to content

The Budget Process Calendar (Draft)



GFOA Distinguished Budget Content Summary

- Budget message
- Budget summary
- Revenue
- Department budgets (Including any enterprise fund(s))
- Regional school district budget
- Debt
- Capital improvement program
- Supplemental data, e.g. policies, budget process description, community profile

New Department Content

1. Department Description
2. Mission Statement
3. Organizational Chart
4. FY17 Accomplishments (3 to 5)
5. FY18 Goals (3 to 5)
6. 3-year staff position summary

Requirement #1: Department Description

- Brief, 3-4 sentence narrative describing the main responsibilities of the department.

Requirement #2: Mission Statement

- Brief, 1-2 sentence statement that explains the department exists and who its customers are.
- Structure: The mission of XXX is to...

Examples of Department Description and Mission Statement (Draft)

Board of Selectmen/Town Administrator

Department Description: "The Board of Selectmen is the Chief Executive Office of the Town and consists of three (3) members elected to three (3) year terms. The Board of Selectmen has all of the executive power possible to have in accordance with the Constitution and the laws of the Commonwealth and by the charter and by-laws of the Town. The Board of Selectmen shall be responsible for the formulation and promulgation of policy directives and guidelines to be followed by all town agencies serving under it and, in conjunction with other elected multiple member bodies to develop and promulgate policy guidelines designed to bring the operation of all town agencies into harmony."

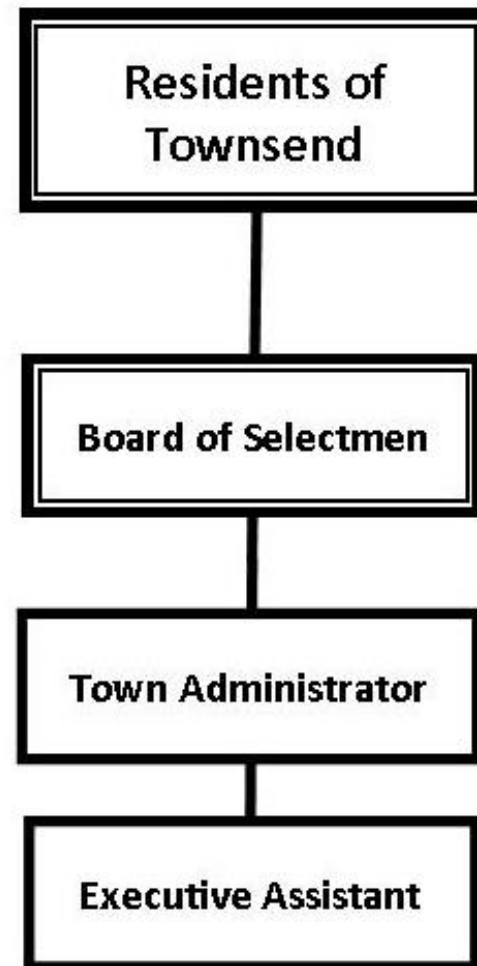
Examples of Department Description and Mission Statement (Draft)

Board of Selectmen/Town Administrator

Mission Statement: “The mission of the Townsend Board of Selectmen to provide a wide range of high quality services to the citizens of Townsend while at the same time supporting a strong economic base for the Town. It is the goal of the Board of Selectmen to provide services as economically as possible so that living or doing business in the community remains affordable, while preserving the current balance of reliance on residential and commercial property.”

Requirement #3: Organizational Chart

- Capture all the authorized (funded or unfunded) positions within the department
- Reflect the department's structure and hierarchy



Requirement #4: FY17 Accomplishments

- This is your opportunity to brag about your department!
- Choose 3 to 5 accomplishments that demonstrate that you are working toward your mission.
- Example of both quantitative and qualitative accomplishments:
 - Town Administrator: Implemented new budget process and received the “Distinguished Budget” award from the Government Finance Officers Association.
 - DPW: Began implementation of new work order system to track and report employee activities.
 - Police: Property crime fell 10% through the first 6 months of the fiscal year as compared with the previous year.

Requirement #5: FY18 Goals

- Choose 3 to 5 goals that are reflective of your mission.
- Goals should achieve improved effectiveness or efficiency.
- Choose goals that you can reasonably accomplish

Examples of Goals

- Town Administrator: “Receive the GFOA Distinguished Budget award for the FY18 budget.”
- Council on Aging: “Investigate and identify at least 3 new grant opportunities to pursue.”
- Fire & EMS: “Procure low-cost, online inspection scheduling software to reduce phone calls to department.”

Requirement #6: Position Summary

<i>Position Title</i>	<i>FY16 FTEs Actual</i>	<i>FY17 FTEs Actual</i>	<i>FY18 FTEs Dept. Req.</i>	<i>Explanation of Changes (FY17 to FY18)</i>

- How to calculate fulltime equivalents (FTEs)

Questions?

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ABOUT THE CENTER

The Edward J. Collins, Jr. Center for Public Management in the McCormack Graduate School of Policy and Global Studies at the University of Massachusetts Boston was established in 2008 to improve the efficiency and effectiveness of all levels of government. The Center is funded by the Commonwealth and through fees charged for its services.



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