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**TOWN OF GREAT BARRINGTON
MASSACHUSETTS**

OFFICE OF THE TOWN MANAGER

AGENDA

JOINT MEETING

GREAT BARRINGTON BOARD OF SELECTMEN

AND

FINANCE COMMITTEE

TOWN HALL, 334 MAIN STREET

NOVEMBER 29, 2010

6:00 P.M.

- I. Call to Order.
- II. Presentation of FY 10 Audit Report by Melanson Heath & Company, PC (Discussion/Vote).
- III. Review Proposed FY 12 Budget Policy (Discussion/Vote).
- IV. Adjournment.

Kevin O'Donnell, Town Manager

PURSUANT TO MGL. CHAPTER 30A, SECTION 20 (e) (f), MEETINGS OF THE TOWN OF GREAT BARRINGTON SELECTMEN ARE REGULARLY RECORDED AND VIDEOTAPED. ANY MEMBER OF THE PUBLIC WISHING TO SPEAK AT THE MEETING MUST RECEIVE PERMISSION OF THE CHAIR.

THE LISTING OF AGENDA ITEMS ARE THOSE REASONABLY ANTICIPATED BY THE CHAIR WHICH MAY BE DISCUSSED AT THE MEETING. NOT ALL ITEMS LISTED MAY IN FACT BE DISCUSSED AND OTHER ITEMS NOT LISTED MAY ALSO BE BROUGHT UP FOR DISCUSSION TO THE EXTENT PERMITTED BY LAW.

EXECUTIVE SUMMARY

TITLE: Adoption of a Budget Policy for Fiscal 2012.

BACKGROUND: The Town Board of Selectmen and the Finance Committee should adopt a budget policy which will articulate its priorities and goals and provide an overview outlining the issues to be addressed that fall under the jurisdiction of the Town. This policy will set the general guidelines and direction under which the Town Budget shall be developed by the Town Manager.

FISCAL IMPACT: None

RECOMMENDATION: The Town Board of Selectmen and the Finance Committee adopt the Budget Policy for Fiscal 2012.

PREPARED AND REVIEWED BY:


Kevin O'Donnell, Town Manager

DATED:

4/16/10

BUDGET POLICY FISCAL 2012

It shall be the policy of the Town Board of Selectmen and the Finance Committee that the budget policy articulate its priorities and goals and provide an overview outlining the issues to be addressed that fall under the jurisdiction of the Town of Great Barrington.

1) **BUDGET COMPLIANCE:** The fiscal 2012 budget is estimated in accordance with municipal code and all applicable state laws. The budget is based on separate funds set forth from anticipated revenues and expenditures for the General Fund and the Enterprise Fund.

2) **BUDGET DEVELOPMENT:** The annual operating budget shall be developed and contain complete financial statements that show outstanding obligations of the municipality, cash on hand to the credit of each fund, funds received from all sources during the preceding year, funds available from all sources during the ensuring year, estimated revenues available to cover expenses in the proposed budget, and the estimated tax rate required to fund the proposed budget. Departments through the Town Manager's office shall make appropriate budget submittals. Goals and objectives along with activity measures shall be included in every departmental budget summarizing its activities for the year.

3) **BUDGET COMPONENTS:** The budget shall contain 4 distinct elements dealing with goals and objectives that are measurable by each Department, an overall cohesive policy, operational items and a communication section, making the document readable and understandable to the citizenry of the Town of Great Barrington. The budget shall contain a five-year capital improvement plan for all Town facilities. Inclusive within the capital improvement plan shall be the operational costs associated with the particular projects as needed. The budget shall reflect the priorities determined by the Town Board of Selectmen at their strategic planning sessions.

4) **PUBLIC HEARINGS ON THE PROPOSED BUDGET:** The Finance Committee shall hold a public hearing on the proposed budget pursuant to State law and the Municipal Code to be held on April 6, 2011 at 7:00 p.m. Furthermore, the Town Board of Selectmen and Finance Committee shall hold budget workshops at 6:00 p.m. February 15, 16, 22, 23 and March 30, 2011 as scheduled by the Town Manager. Copies of the proposed budget shall be submitted by the Town Manager to the Town Board of Selectmen and Finance Committee and available to the public no later than the close of the business day February 11, 2011.

5) **EXPANDED SERVICE ITEMS:** Expanded service request items will be considered, however, it shall be noted separately in the confines of each departmental budget along with justification for said service. Priority will be given for expanded service request items that place a minimum reliance upon the property tax to fund these endeavors.

6) **NON-PROPERTY TAX REVENUE SOURCES:** The Town Board of Selectmen and Finance Committee shall continue with the concept that user fees and other non-property tax revenues shall be utilized to help offset the property tax and to the fullest extent possible, be devised to recoup the costs of supplying a particular service. The Town Manager in preparation of the budget shall review current department fee structures and charges for services and makes increases and changes as deemed necessary and appropriate. However, the Town Board of Selectmen and Finance Committee realizes there is a social commitment in providing a quality of life, and therefore, user fees and other non-property tax revenues shall not unilaterally be developed to be at 100% of the associated costs therein.

7) **FISCAL MANAGEMENT:**

- ◆ Ensure debt management does not require the elimination of essential Town services.
- ◆ Establish a target of 10% of the non-debt service tax levy for CIP operations annually if permissible under the restraints of the State law.
- ◆ Establish a target balance of the general undesignated fund balance at a minimum of 10% of the total operational expenditures of the general fund.
- ◆ Exempt from prop 2 ½ requirements any long term capital debt for municipal buildings, WWTP improvements, fire apparatus acquisition and school facilities renovations.
- ◆ Develop a program for continued Town wide energy reduction usage with the Energy Committee.
- ◆ Town Manager is authorized to submit a FY12 budget with a property tax levy as mandated by the State law. The FY12 budget shall establish a target total tax levy for both the Town and the Berkshire Hills Regional School District of 3% below the total Maximum Tax Levy allowed by State law for fiscal 2012.
- ◆ Authorize no new program without an identified financing source to pay for said program.
- ◆ General Obligation debt ratio not to exceed 50% of statutory limit (5% of equalized valuation).
- ◆ Authorize no new full time personnel beyond authorized levels for FY11.
- ◆ Allow no borrowing to fund operational programs.
- ◆ Maximum utilization of funds from all sources shall be considered for programs.

The Town Manager is directed to review annually methods of operation, program service delivery and expenditure of resources inclusive of manpower allocation to ensure maximum efficiency of the Town.

8) **CAPITAL IMPROVEMENT PLAN:** A five year capital improvement plan shall encompass any capital project with an overall expenditure of \$7,500 and a life expectancy in excess of 2 years. Inclusive within the Capital Improvement Plan shall be the breakdown of the additional operational costs associated with the equipment, including, if required, personnel. Target ten percent (10%) of the municipal property tax levy shall be included for the Capital Improvement Plan if permissible under the State law restraints.

9) **TAX LEVY:** The Town Manager is directed to present a budget and shall not increase the property tax rate/property tax levy by more than what is authorized by the State law and establish a target levy of 3% below the total Maximum Tax Levy allowed by State law.

10) **SALARIES/BENEFITS:** Salaries and employee insurance contributions shall be set in the Fiscal Year 2012 budget pursuant to the Town's agreements with its collective bargaining units and for non-represented personnel as authorized by the Town Manager.

11) **TOWN SERVICE DELIVERY:** It is recognized that the Town Manager in preparation of the budget shall have the flexibility to propose significant reorganizational changes and provide alternative service deliveries in meeting the existing level of service standards that the Town of Great Barrington is currently receiving. All level of service standards may be reviewed, and if it is felt that a service is no longer cost effective or needed, the Town Manager is authorized to eliminate that service from the Fiscal 2012 budget. Any service reductions shall be so noted within the confines of the Fiscal 2012 budget so the Town Board of Selectmen and Finance Committee may exercise their prerogatives in determining whether or not said service should be reduced or modified.

12) **ENTERPRISE FUND:** The Town Manger shall prepare a budget for the enterprise fund that maintains that it is self supporting without a property tax transfer.

13) **DEVELOPMENT OF STRATEGIC BUDGET DOCUMENT**

A. The Town of Great Barrington budget is a goal oriented resource allocation plan which addresses the four major functions of a municipal budget:

1. The budget is a POLICY DOCUMENT which proposes, identifies, and clarifies policies.
2. The budget is a FINANCIAL PLAN which promotes the efficient use of municipal assets and resources.
3. The budget is an OPERATIONS GUIDE which establishes the framework for the execution of policy decisions.
4. The budget is a COMMUNICATIONS DEVICE which serves as a focal point for processes.

B. The strategic budget views one budget document from these four perspectives, as outlined below.

14) **DEVELOPMENT OF THE POLICY DOCUMENT**

A. Define long-term organization-wide goals and policies within an executive summary section of the budget document.

1. Include Town Government Mission Statement.

2. Identify multi-year capital objectives sought by local government, and present separately within the 2012 Budget Document.
 - i. The focus of budgetary deliberations should be the matching of appropriate service levels to revenue sources.
 - ii. Preparation of the Budget Document will focus on the development of the tax levy required meeting the requirements of the State Law examining service levels approved by Town Meeting and by the Town Board of Selectmen and Finance Committee.

- B. Define short-term policies guiding budget development within a sub-section of the Executive Summary section of the budget document.
 1. Identify the short-term choices selected for the 2012 Budget year.
 - i. Under the State of Massachusetts's Law the Town must restrict the maximum levy limit to a 2.5 % increase over the prior year levy limit adjusted for new construction growth, net debt and capital exclusions.
 - ii. The Budget will indicate any expansion of municipal services necessary for 2012. Additional staff or other resources required to meet service expansion demands will be identified in the Budget.
 - iii. An annual review of non-property tax revenue sources will be required. This activity supports the general view of budget development as a "revenue driven" process. Results of this review will support any recommended changes in fees and rates to be charged during 2012.

- C. Present a formal budget message within the Executive Summary section of the budget document.
 1. This message from the Town Manager should include the priorities and budget issues addressed by the 2012 Budget, significant changes from 2011, and an explanation of the factors that led to those changes.

- D. Define the Goals and Objectives of each Department/Fund.
 1. Each objective should be broadly traceable to the short-term and long-term goals and policies stated above.
 2. Each goal and objective should be placed within the 2012 Budget Document alongside the financial presentation for the department/fund.

15) **DEVELOPMENT OF THE FINANCIAL DOCUMENT**

- A. The General fund and the Enterprise fund must be budgeted.

1. The basis for inclusion within the financial plan should be the “department”, with departments organized by “funds”.
2. Expenditures should be budgeted by fund and/or department within the Budget Document.
 - i. Expenditure objects should be summarized as Salaries, Expenditure, Capital Outlays, or Transfers to Other Funds.
3. Revenues should be budgeted by fund and/or department within the Budget Document.
 - i. Revenue objects should be summarized by source as General Property Tax Levy, Intergovernmental Revenues, Departmental, Miscellaneous Revenues, Transfers from Other Funds, or Free Cash Applied.
4. Object codes and summaries should be consistent across all organizational units.
5. Object codes and summaries should be traceable to financial statement results.
6. The Budget Document should include financial results for 2010 and the proposed (later approved) 2012 Budget.
7. The official Budget should present the 2012 Budget, an estimate of results anticipated through June 30, 2011, and the Approved 2011 Budget.
 - i. The official Budget must be presented by fund- the General Fund and the Enterprise Fund with expenditures portrayed by department and revenues by source.
 - ii. The Budget must include percentage changes for each General Fund defined expenditure category (General Government, Public Safety, Public Works, etc).
 - iii. The Budget should identify the percentage change in the General Fund revenue budget as a whole.
 - iv. The Budget must include, at a minimum, the total revenues and total expenditures for each the General and Enterprise Fund identifying any excess and any local property tax required. This information should present results for the periods identified above.
 - v. The official Budget must include a prediction of the change in each fund balance at year-end 2012.
 - vi. The official Budget must include a summary of 2011 and 2012 property taxes by fund and a statement of outstanding general obligation debt

anticipated at June 30, 2011.

- B. Sources and uses of Funds should be separately summarized for the organization.
 - 1. A summary of expenditures for the General Fund and a summary of revenues for the General Fund, presented in the same format as individual departmental budgets, should be found within the General Fund section of the Budget document.
- C. Major revenue sources should be separately portrayed.
 - 1. A summary of major revenue sources for the periods identified earlier should be presented for: General Property Tax Levy, Intergovernmental Revenues, Departmental, and Miscellaneous Revenues.
- D. The Budget document should project changes in fund balances and retained earnings for all funds, including all unreserved and undesignated amounts.
 - 1. The Budget document should include historic trends in fund balance and retained earnings, including graphic portrayals.
- E. The Budget document should identify and summarize the capital improvement amounts and items budgeted as well as their impact on tax levies and future operating budgets.
 - 1. Capital improvements are defined as improvements with useful lives in excess of 2 years and involving the initial commitment of at least \$7,500.
- F. The Budget document should identify all current debt obligations.
 - 1. Each debt issue should be summarized, including date of issue, face amount, amount outstanding, 2012 principal and interest payments, and revenue sources.
 - 2. The position, over time, of the Town relative to legal debt margin should be portrayed.
 - 3. The impact of current debt issues upon subsequent budgets should be identified.
- G. The basis of all budgeting should be explained and should relate to the annual financial statements.

16) **DEVELOPMENT OF THE OPERATIONAL DOCUMENT**

- A. A mission statement and narrative should precede the presentation of each departmental budget.

1. Identify the assigned services, functions, and activities of the department/fund.
 2. Identify the general mission of the department/fund.
- B. Provide objective benchmarks for the measurement of departmental results.
1. Data should be provided for at least 2010, 2011, and projected 2012.
 2. Performance measurements for each program should be initially developed.
- C. A table of organization or a series of tables should be included in the budget document.
- D. A schedule of personnel or position counts for 2010, 2011, and projected 2012 should be included.
1. Explanations should be included where any significant changes in staffing or reorganizations are included.
 2. Presentation should be made on a FTE basis.

17) **DEVELOPMENT OF THE COMMUNICATIONS DOCUMENT**

- A. The Executive Summary section of the Budget document should explain the implications of any other long-term planning ongoing (e.g. defining service areas, land use plans, etc.)
- B. The Budget document should include a table of contents, useful section dividers, and attractive formats.
- C. A glossary should be included, including definitions of professional terminologies, acronyms, and abbreviations.
- D. Demographic information should be included.
- E. Emphasis should be placed on graphical presentations.

Signed: _____
Sean Stanton, Chairman Board of Selectmen

Signed: _____
Thomas Blauvelt, Chairman Finance Committee

As adopted by the Town of Great Barrington on this 29th day of November 2010.