

## ANNUAL BUDGET PROCESS

### PURPOSE

To promote transparency, procedural consistency, and fiscal sustainability, this policy establishes guidelines for developing, documenting, and adopting the annual budget. As the Town’s central policy document, the budget prioritizes annual and longer-range objectives and is the means for turning strategic plans into fiscal reality. It constitutes a contract between the Town and its residents, explaining how funds are to be raised and allocated for the delivery of services.

### APPLICABILITY AND SCOPE

Applies to:	<ul style="list-style-type: none"><li>▪ Board of Selectmen, Financial Advisory Committee, Edgartown School Committee, and Capital Programs Committee in their budget decision-making roles</li><li>▪ Town Administrator, Town Accountant, and Board of Assessors job duties</li><li>▪ All department heads and the boards and committees that have spending authority (all referred to here as “department heads”) in their budget planning duties</li></ul>
Scope:	<ul style="list-style-type: none"><li>▪ Annual budget development, documentation, and adoption processes</li></ul>

### POLICY

Town officials will work together to prepare a balanced budget for the approval of voters at annual town meeting. The creation of the budget will be guided by and reflect all the other financial planning policies adopted by the Town and contained in its policy manual. Town meeting has the sole authority to appropriate funds for the budget, except for specific instances where appropriation is not required by statute (such as grants, gifts, and offset receipts). Furthermore, only a subsequent annual or special town meeting vote can amend any previously approved appropriation.

The Town Administrator is responsible for developing the annual budget and will do so according to the vision, goals, and strategic plans laid out by the Board of Selectmen. As the advisor for the interests of town meeting voters, the Financial Advisory Committee (FAC) will make recommendations on all finance-related warrant articles, including the annual budget article. The Capital Programs Committee will work in close collaboration with the Town Administrator in analyzing departmental submissions for the annual capital budget. To ensure early knowledge of the elementary school’s expenditure projections and smoothly integrate its budget, the Town Administrator will cultivate a strong, communicative relationship with the Edgartown School Committee. It is the goal of all these parties to work in a cooperative manner to present voters with a consensus budget.

Substantial annual appropriations in the budget arise from obligations to regional shared service partners, most prominently, the Martha’s Vineyard Regional High School (MVRHS), but also Dukes County and others. The Town Administrator must therefore work to stay timely apprised of the budget projections of these partners.

All parties applicable under this policy are expected to comply with the milestone deadlines in the annual budget calendar when they are set each year. As part of this, department heads will timely provide the Town Administrator with all information needed for the creation of an informative budget document, which will be made available to voters in advance of town meeting.

## A. Budget Goals

At minimum each year, the Town's budget goals will include the following:

General fund – The goals for the general fund budget include preserving core services, fulfilling required mandates, and maintaining or enhancing the local quality of life, while also ensuring reserve levels that will allow flexibility to respond to changes in the economy and other unanticipated issues that could potentially affect the Town's fiscal health.

Capital investment — To pay for items in the capital plan, the Town will strive to achieve and maintain the annual capital funding levels spelled out in the Capital Planning and Debt Management policies. Additionally, the Town will plan to regularly fund, within departmental operating budgets, the maintenance costs for equipment, facilities, infrastructure, and other capital assets to maximize their useful lifespans.

## B. Tax Levy Considerations

Levy growth — Edgartown has had a longstanding practice of asking voters nearly every year to approve permanent (override) and/or temporary (capital and debt exclusion) increases to the levy limit, as allowed under the Proposition 2½ statute. Going forward, the Town will seek to shift its strategy toward leveraging excess levy capacity rather than pursuing overrides or exclusions. This does not mean levying to max every year; the Town should intend to leave a prudent percentage of available levy limit unused. The purpose of this policy shift is to steer the Town away from a practice that sometimes seeks an override while a significant percentage of excess levy capacity is untapped. This change is also necessary to help ensure capital needs are not treated only as accessory budget priorities. Instead, the Town's budget makers will strive toward a consensus, targeted level of funding being gradually built up within the base levy budget as a necessary objective to provide consistent support for the capital plan.

## C. Principles for Balanced, Sustainable Budgets

The Town Administrator, with the Town Accountant's assistance, will prepare an annual budget proposal for the approval of the Board of Selectmen and FAC and eventual inclusion in the annual town meeting warrant. Along with the proposal, the Town Administrator will also report to these boards on the Town's methods of operation, program service delivery, resource expenditures, and manpower allocations. To assure the creation of a budget that is both balanced and sustainable for future years, the following principles will apply:

1. Recurring revenues (e.g., property taxes, vehicle and boat excises, service fees and charges, interest earnings, state aid) will be sufficient to support recurring expenditures (e.g., employee wages and benefits, materials, supplies, contracted costs, debt service).
2. Because free cash is not a current or recurring revenue source, it should not be relied on to balance the operating budget, which is, in effect, what happens when it is applied to reduce the tax rate on the tax recapitulation sheet.
3. The Town will avoid using any one-time revenue source to fund ongoing services unless necessitated by exceptional circumstances, and any such usage will require the Town Administrator to document a plan to replace this source in future years.

4. The Town Administrator will review fee schedules every year and propose increases when necessary to ensure coverage of service costs. This pertains not only to fees for casual services, such as building permits, marriage licenses, etc. but also to the amounts charged for the Town’s water and wastewater utilities. Although neither utility is run as an enterprise fund, the goal is to minimize the general fund’s support of each.
5. The Town will not underfund any fixed, recurring costs in the annual town meeting budget with the expectation that budget supplements will be available during the year but will instead fund them at the realistic amount necessary to complete the year.
6. When a forecast predicts annual revenues to exceed annual expenditures, the following options should be considered for the excess revenue:
  - building up reserve fund target levels
  - reducing debt
  - advancing deferred capital expenditures
  - funding the other postemployment benefits liability
  - accelerating payments on other long-term obligations
  - restoring services reduced from prior years
  - new initiatives
  - tax relief
7. The Board of Assessors will vote to authorize a contribution to the overlay account to offset the Town’s liability for unpaid property taxes caused by abatements and exemptions. This amount shall be based on:
  - Current balance in the overlay account
  - Three-year average of granted abatements and exemptions
  - Cases pending before, or on appeal from, the Appellate Tax Board
  - Timing of the next five-year certification review by the Division of Local Services

D. Budget Calendar

The annual budget process begins in November with the Town Administrator’s forecast presentation to a joint meeting of the Board of Selectmen and FAC, and it ends with annual town meeting in April. The Town Administrator will coordinate a budget process that enables early identification and review of major policy issues and allows adequate time for public input and analysis of options, leading to the timely publication of the annual town meeting warrant.

At the start of the process each year, the Town Administrator will establish specific calendar due dates for each of the sequential tasks listed in the table below, at minimum, and distribute the updated calendar to all applicable parties.

Month	Date	Milestones
October		<ul style="list-style-type: none"> <li>▪ Budget schedule to departments</li> <li>▪ Capital Programs Committee (CPC) first meeting</li> <li>▪ Capital project requests due from departments</li> </ul>
November		<ul style="list-style-type: none"> <li>▪ Cost-of-living adjustment (COLA) set by Personnel Board</li> <li>▪ Town Administrator and Town Accountant meet with the Edgartown School Committee and Superintendent</li> <li>▪ Board of Selectmen (BOS) and FAC hold first budget meeting and review Town Administrator’s forecast</li> <li>▪ Distribute budget instructions to departments</li> </ul>

Month	Date	Milestones
December		<ul style="list-style-type: none"> <li>▪ All money articles due (hard copy to Town Clerk and electronic to Town Administrator)</li> <li>▪ Departments enter their budget requests in Munis</li> <li>▪ CPC report of capital project recommendations due</li> <li>▪ Town Administrator forwards department budgets and CPC report to FAC</li> </ul>
January		<ul style="list-style-type: none"> <li>▪ BOS and FAC hold joint budget review workshop</li> <li>▪ Departments' annual reports due</li> <li>▪ Annual town meeting (ATM) warrant closed</li> </ul>
February		<ul style="list-style-type: none"> <li>▪ FAC budget recommendations due</li> <li>▪ Distribute personnel spreadsheets with next-year COLAs to departments</li> <li>▪ Departments return COLA spreadsheets to Town Administrator</li> <li>▪ Special town meeting (STM) warrant closed</li> </ul>
March		<ul style="list-style-type: none"> <li>▪ Last day for ballot questions</li> <li>▪ BOS sign ATM &amp; STM warrants</li> <li>▪ ATM and STM warrants to the printer</li> <li>▪ Annual town report to the printer</li> <li>▪ Last day to post STM warrant (14 days before)</li> </ul>
April		<ul style="list-style-type: none"> <li>▪ Last day to post ATM warrant (7 days before)</li> <li>▪ Warrant booklets and annual town report available for voters</li> <li>▪ Hold annual and special town meetings</li> <li>▪ Hold annual town elections</li> </ul>
May		<ul style="list-style-type: none"> <li>▪ Town Clerk send any certified bylaw votes to Attorney General and any override or exclusion referendum voting results to DLS</li> </ul>

#### E. Budget Document

The Town Administrator will produce a transparent and reader-friendly budget document that presents short- and long-term strategic objectives and explains fiscal challenges. It will incorporate narrative information on departmental and organizational goals, the plans and resource allocations needed to meet them, graphical information about available finances, analyses of revenues and expenses, and outstanding debt, and summary of the Town's capital plan.

#### REFERENCES

[M.G.L. c. 39, §§ 10, 16](#) [M.G.L. c. 40 § 6](#) [M.G.L. c. 41, §§ 15A, 59, 60](#) [M.G.L. c. 44, §§ 33A, 33B](#)  
[M.G.L. c. 58, §§ 25, 25A](#) [M.G.L. c. 59, § 21C](#) [M.G.L. c. 71, §§ 16B, 16B½](#)

Edgartown Bylaws Chapter 23 Financial Advisory Committee, Chapter 8 Capital Programs Committee and Chapter 55 Town Meetings

Edgartown policies on Capital Planning, Debt Management, Financial Management Team, Financial Reserves, Forecasting, Indirect Cost Allocation, and Other Postemployment Benefits Liability

Division of Local Services Best Practice: [Annual Budget Process in Towns](#)

Government Finance Officers Association Best Practices: [Achieving a Structurally Balanced Budget](#), [Working Capital Targets for Enterprise Funds](#), and [Distinguished Budget Presentation Criteria](#)

#### EFFECTIVE DATE

This policy was adopted on April 20, 2021