Municipal Financial Best Practices

Franklin Regional Council of Governments
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Contact Information

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Technology
Inventory (Tech cont)

- **Hardware**
  - Location
  - Purchase date/warranty
  - Serial # - model #
  - Description/capacity

- **Software**
  - Name/Developer
  - Version
  - Upgrade history
  - License # / where used

- Desktops, laptops, tablets, servers, printers, scanners, copiers, hand-helds, etc.
- If Internet: monitor virus, anti-malware protections
- Essential to replacement program
- Ensures interaction & exchange of info & data with Feds & State, i.e., DOR/DLS
Treat technology as a department
Put budget control with global view

- receives tech requests from departments
  -- licenses often times stay within dept budgets
- centralizes decision-making
- evaluates need – balances resources
- ensures compatibility
- encourages tech planning, upgrades
Log-in or User Name / Password

- ID what software requires secure log-in
  - Note: electronic signatures / authentication
- Set rules: Should nots - Safeguards - Requirements
- Where multiple people use same software, put authority to assign in one person
- Assign log-in names by function not individual
- Useful: master list of who uses what software
- What about the “Proverbial Bus?”
- DOR “Password Policy”
Internet Access Policy

- Serves as notice to all that Internet access is:
  - For town business only
  - Not for personal use

- Protects the town

- Rigid policy not necessary. Avoid abuses

- Software “red flag” protections available

- Signed acknowledgement in personnel file
Email Use Policy (Tech cont)

- Serves as notice to all that Internet access is:
  - For town business only
  - Not for personal use

- All emails are public record
  - Custodian must be designated

- There is no right to or expectation of privacy

- Protects the town

- Signed acknowledgement in personnel file

- Be reasonable, too
Backups  (Tech cont)

1. **If “Shared” Drive – require its use**
   - access to individual dept files still restricted
   - centralize backup to tape, disk, cloud
   - assign responsibility / schedule / verify
   - part of tech support contract

2. **If “C” Drive – set backup requirements**
   - to thumb drive
   - storage => off sight

3. **Frequency**
   - how much data are you willing to lose / rekey
   - how much computer downtime can you tolerate
Disaster Recovery (Tech cont)

- In event or a crash, a breach, lost data
- Protocols: who to contact
  - actions to secure systems
  - actions to initiate recovery
- ID where recovery hard data is located
- Plan for acceptance of new data absent technology
Also (Tech cont)

- Personal email address use
  - Public records
  - Security issues on cell phones
  - Backups
    - Copy to a backup file on desktop
    - Email copy to town specified address
  - Town access, i.e., on departure, termination
Confidential Data *(Tech cont)*

Personnel records *(MGL Ch. 149 Sec. 52(C))*
- Personal information
- Personnel data
- Medical records
- I-9

Consolidated files. Single secure location
Separate folders for medical & I-9

Rules for access

Paper trail: Personnel Action Forms
Look Back / Ahead

Select board / FinCom / TA-TC

- Can we improve “process”
- Do our general bylaws help or hinder
- What in the prior year did we not accomplish
- Can we establish priorities & goals for new FY
- Are there different approaches to consider
- Are there resident concerns we should address
- Can planning begin for major projects in future
Select Board

Evaluate efficiency
- decisiveness or kick-the-can
- is relevant information at hand

Weekly v. Bi-weekly meetings
- time to make progress
- collaborative agenda

Defer decision making (to TA / Dept Hd)
- establish protocols for addressing and advancing resident issues/complaints
Finance Committee

Evaluate role & efficiency

- budget calendar
- number of meetings
- budget software modules
- spreadsheets
- request forms
- operating budget format
- town meeting warrant article
Finance Stuff
Budget Process

1) Identify those with roles/responsibilities
2) Agreement on a budget calendar
3) Linear process
4) Formalize (codify) the process
5) Recommend a balanced budget
6) Strive for structural balance
7) Terms / concepts to understand
Budget Terms / Concepts

- All revenue is General Fund revenue. Except…
- Expense drive / revenue driven budgets
  - Four general sources of revenue
- Proposition 2 /12 controls major funding source
- Distinguish line-items and articles
  - Line-items accts close at year-end
  - Article accounts remain open year-to-year
- Required: Amount – Purpose – Funding Source
- Consider budget approaches
Expenditure Side Budget Approaches

Level Service – cost to maintain service levels

Level Funded – same amount of money
   Could cause decline in services

Zero Based – start from bottom up with
   essential services

Program based – IDs mission critical programs

* Fixed Costs and Discretionary Spending
Fixed – Discretionary

Deduct fixed costs:

- debt service
- OPEB
- Medicare
- workers’ comp
- known deficits
- pension obligations
- health insurance (active)
- utilities
- property / casualty insurance

Result: discretionary revenue encourages revenue projections
Proposition 2½ - Walk through

MGL C. 59 § 21C

Start with Prior Year Levy Limit
Add 2½ percent
Add New Growth
Add Override, if any
equals new Levy Limit

Add Debt & Capital Exclusions, if any
Add Stabilization Fund Overrides, if any
equals Maximum Allowed Levy

Note: Levy Percent of Levy Limit
Note: Excess Levy Capacity
The Big Questions

- How do we avoid or limit property tax increases
  - Raise less than allowed in Tax Revenue
  - Result: an increase in Excess Levy Capacity
  - Result: less revenue to fund government

- How do we sufficiently fund our budget
  - Increase Local Receipts estimate
  - Use available Free Cash
Increase Local Receipts

- Reduces future Free Cash
  - Local Receipts indirect relationship with Free Cash
  - Pay me now v. pay me later
  - Risk of Revenue Deficit
    - Year-end calculation
    - Hit to Free Cash plus hit to tax revenue
  - Risk of Appropriation Deficit
    - Inadequate department funding
    - Hit to Free Cash
Use Free Cash

- Certified Free Cash must be available
  - Cannot spend when certified in Fall
  - Reduces revenue source for Capital
  - Non-Recurring revenue used for recurring need
    - More tolerable with rules in place
How to Address Issues

- **Deficits**
  - Department head moves money around
  - SB / FinCom approved transfers May 1-Jul 15
  - TM line-item transfers

- **Set & Commit to Policies**
  - Local Receipts estimates
  - Use of Free Cash
Revenue Sources

Four primary operating budget sources:

- Tax Revenue (real & personal) limited by Prop 2 1/2
- State Aid
- Local Receipts
- Other (Free Cash & other one-time)

Enterprise Funds

Special Revenue Funds (Recap & B-2)

Gifts, grants, other
Operating Budget Info

- **For FinCom**
  - Standard form for all dept requests
  - Detail matches town’s Chart of Accounts
  - One master copy
  - Use budget modules, if available, practical

- **For Town Meeting**
  - Less detail
  - Line-item budget
Town Meeting Warrant

Articles v. Line-items

- **Articles**
  - continue year-to-year (accountant can still close)
  - best used for one-time expenditures (i.e., capital)
  - appropriations to Stabilization Funds
  - bond authorizations

- **Line-item budgets**
  - offer clarity, more information, complete budget picture
  - define manager’s authority – give flexibility
  - line-items close out at year-end
Tying it all together
(see handouts)
Broadband

- How will Broadband be financed?
  - Bonds
  - Notes
- Capital Project Fund
- How will Broadband activity operate?
  - General Fund Department
  - Enterprise Fund
Bonds (BB cont)

- Loan – level principal or level debt service
- $2,000,000 minimum – national market
- Issuance costs $50,000 (2.5%)
  - 5 Years of audits / continuation
  - Bond Council
  - Credit Rating
  - Financial Advisor
  - Roll into bond
- State Qualified Bonds – coverage ratio barrier
State House Notes (BB cont)

- <$500,000 – DLS forms
- >$500,000 Green Light Letter – Bond Council
- Principal pay down starts in Year 2
  - Statutory minimum / discretion otherwise
- Serial (permanent) Notes – locks in rate
- More local market (familiarity)
- Financial Advisor
Broadband Operations (BB cont)

- Dept of Public Utilities vs. Division of Local Services
  - Municipal Modernization Act change

- General Fund

- Enterprise Fund
General Fund (BB cont)

- Just another department
- Subject to all policies/procedures
- Expenditures funded thru line-item budget
- Unexpended appropriation to Free Cash
- Revenues go to General Fund
- Excess Revenue to Free Cash
- *Year 1 expenditures may exceed revenues
- Expenditures over appropriation => deficit
Enterprise Fund (BB cont)

- Still a department – activity separate from GF
- Create via TM vote – majority
- TM appropriates operating budget
- Indirect costs apply
- Recommend separate TM article
- Revenue is User Fees not taxation
- Retained earnings like Free Cash
- *Year 1 expenditures may exceed revenues
- General Fund my subsidize Ent. Fund
Stabilization Fund (BB cont)

- Not permitted within an Enterprise Fund, but...
- 2/3s TM vote to create Special Purpose Stabilization Fund for Broadband purposes
- Appropriate into by TM majority vote
  - From Enterprise Fund retained earnings
  - From General Fund revenue. Sub-ledger required
- Expend by 2/3s TM vote
  - Only for Broadband purposes