

Fiscal Year 2023 Budgeting Guidelines & Review Procedures

TO: All Dover Town Departments
FROM: Dover Warrant Committee
DATE: October 1, 2021
SUBJECT: Fiscal Year 2023 Budgeting Guidelines & Review Procedures

Financial Overview.

Dover is currently in a reasonable financial condition, with prudent overall debt management and annual debt service levels, including future debt related to the Caryl Community Center. We have fared relatively well during the pandemic because of our conservative approach to the operating budget and relatively stable revenue sources.

An estimate of our Free Cash balance (not yet certified for July 1, 2021) relative to Dover's annual budget is at a the conservative (high) end of the Commonwealth's Guidelines for Municipal Finance, and the Town has established and begun funding Stabilization Funds designed for the servicing of certain anticipated liabilities.

The town has not needed to consider a Proposition 2 ½ override in recent years, and the annual Reserve Fund (\$250,000 as approved at Town Meeting), along with the end-of-fiscal-year appropriations transfer process implemented in FY21, has been adequate to address unanticipated and emergency expenses.

Budgeting Considerations

Despite Dover's sound financial condition, we highlight below concerns regarding budget issues that the town may face over the intermediate and longer term:

The rate of growth in the operating budget plus Reserve Fund disbursements has significantly exceeded the modest inflation rate in many of the past few fiscal years. Prudent budgeting practices has the town fund recurring expenses via the property tax levy and other recurring sources of revenue, with Free Cash being used for non-recurring expenditures as voted at Town Meeting.

Revenues to fund the town's expenses are derived almost entirely from individual property taxes where both the base (value of real estate) and the multiplier (the tax rate applied to the base) are constrained in how much they can increase annually by Prop 2 ½. Given the historically unpredictable level of new development in Dover, we should not expect revenues to grow at a pace greater than that of the regional economy.

Many of the most significant increases in the town budget occur in categories of spending that are either mandated or difficult to control. These include multi-year employment contract obligations, state mandated Special Education costs, insurance, pension funding, and energy costs. Therefore, it is incumbent upon every department head to tightly control those costs it does have discretion over.

Fiscal Year 2023 Budgeting Guidelines & Review Procedures

Much of Dover's physical infrastructure is in good condition, but significant capital investments will be required this year and the foreseeable future to maintain and ensure the longevity of important town assets, including the Caryl Community Center, Town House, Protective Services Building, Chickering School, and the shared Regional Schools.

The DS Regional School System, and through its intergovernmental agreement with Sherborn and the Regional Schools, the town, has an obligation to pay future post-retirement benefits that are currently underfunded.

The Warrant Committee will thoroughly review and vet ALL requests for Reserve Fund Transfers during the fiscal year and expects thoughtful planning and budgeting should preclude the necessity for these requests, except for those needed to address truly unforeseen or emergency expenditures. As a reminder, a Reserve Fund Transfer should not be used for expenditures that were known or expected to occur at the time of budget preparation. It is best practice for departments who know they will be needing a Reserve Fund Transfer, to submit a "Prior Notification" form as soon as possible. Should a department be unfamiliar with this process, please seek out guidance from the Warrant Committee liaison or Town Administrator.

Budget Guidelines:

- **Given the foregoing, the Warrant Committee suggests that all departments evaluate FY23 budget requests in comparison to FY21 actual expenditures along with FY22 budgeted amounts and incorporate any significant changes based on such actual expenditures.**
- **The Warrant Committee further strongly suggests that all departments submit level-service or reduced expenditure budgets for FY23 (apart from the effect of the increase in existing Contractual and At Will salaries).**
- Should a department budget request be above level service, the department should submit a separate request entitled "Additional Service Request" and provide specific audible supporting data and a justification for each such request. The Warrant Committee will subsequently review and vet all requests for additional positions in detail.
- The Board of Selectman has postponed approving a general salary increase until the reclassification study is concluded. It is the Warrant Committee's suggestion that departments begin budget planning without any increase to salaries (beyond standard steps), but be prepared to adjust accordingly.
- Energy costs should be budgeted consistent with the guidance above and should incorporate the town's contractual pricing for heating oil and motor fuel.
- The Warrant Committee urges departments to annotate individually significant budget items to aid in the review process, especially when there is a material change from the prior fiscal year.
- Prior to Warrant Committee review, departments should prepare and submit budget narratives that explain all significant items and changes that have occurred after Jul 1, 2021. Department heads will present their budget to the Warrant Committee either in person or via zoom. As always, presentations will be scheduled (see below) so as to be completed by early March. **If your department is unable to conduct its review on the assigned date, please contact the Warrant**

Fiscal Year 2023 Budgeting Guidelines & Review Procedures

Committee immediately to reschedule. Please discuss with your department's liaison to ensure that they fully understand your budget requests.