



**TOWN OF FALMOUTH  
BOARD OF SELECTMEN  
Fiscal Year 2021  
Operating Budget Policy  
Voted September 9, 2019**

**INTRODUCTION**

The Town of Falmouth, Board of Selectmen hereby establishes the following Fiscal Year 2020 budget policy in order to continue to strengthen the financial position of our community as memorialized in **FY2020-2024 Strategic Plan Goal II.A - Promote Long-Term Financial Stability of Town Operations**.

This policy recognizes and amplifies the existing financial policies of the Town and clarifies strategies for meeting the goals contained therein. The Fiscal 2021 Budget Policy is intended to establish guidelines to ensure the strong fiscal health of the Town of Falmouth as we continue to strengthen the management practices in order to move toward meeting the Town's financial goals in order to promote quality of life for Falmouth residents.

The FY2021 budget shall be based on conservative and achievable estimates of available revenues. The FY2020 budget established a baseline for municipal services offered within a sustainable operating budget. Recommended expenses shall continue to be analyzed within a multi-year framework of local revenues. Early action shall be taken to address projected shortfalls to ensure that the Town is providing service levels that can be supported within our anticipated revenue stream over the next five years.

The Town of Falmouth will seek to establish a level service budget which limits increases in order to sustain operations under the proposition 2½ levy capacity. The Town will not rely on the use of non-recurring revenues such as free cash, stabilization or other one-time revenues to sustain the operating budget, but will continue to monitor its stream of recurring revenues with the ongoing goal of identifying additional local revenues that could continue to support maintaining and enhancing service levels in our community.

In establishing a budget ceiling for the coming fiscal year, the Selectmen adopt a maximum tax revenue growth of 2.5% above the fiscal year 2020 levy and an estimated new growth component of \$700,000.

The operating budget is supported by four major revenue sources; tax levy, state aid, local receipts and other available funds. Among those, the tax levy and local receipts are the only source of revenue projected to increase. This additional revenue shall be allocated to operating budgets as determined by priority such as fixed costs and the Board of Selectmen's Strategic Plan.

The Town will continue to level fund appropriations to trust funds in the amount of \$1,672,079 from recurring revenues that have been designated as a portion of the operating budget.

The Board may revisit a budget ceiling based on any significant unanticipated, but documented revenue increases which may provide additional flexibility. The Board notes that revenue increases do not necessarily indicate automatic line item budget increases. Individual line item budgets may require reductions or lower proportional growth in order to live within the overall budget increase.

To assist the Town Manager and our Department Managers as they develop an operational budget for the Board of Selectman's review, the following policies will apply:

## **REVENUE POLICY**

### **Local Estimated Receipts**

Recent history of revenue growth and the additional short term rental tax will allow an increase in allocation of estimated receipts consistent with the Town's policy of conservative revenue estimates. This circumstance will permit the Town to fund modest increases that will enhance community services. The Town will continue to maintain the goal of conservatively budgeting local estimated receipts to responsibly avoid any future revenue deficits and to help meet the Town's goals for financial stability through increases in general fund reserves. The receipts estimated to support the Annual Operating Budget will not include Meals Tax Revenue.

### **State Revenues**

The FY 2020 state budget increased state aid to cities and towns. However, state assessments such as charter and school choice increased well beyond state aid revenue increases. At this early date, the Town will project level funding state aid until the State's FY 2021 budget has

been further developed. The Town continues to monitor potential new revenues from seasonal lodging taxes.

### **Property Taxes**

The Town will present an operating budget that is consistent with the revenues available within the limits of proposition 2 ½ and no additional property taxes beyond this are proposed to support 2021 operations. The Board shall continue to evaluate temporary property tax increases including capital and debt exclusions for the financing of significant capital improvements or other one-time, major expenses, but will avoid the use of permanent overrides to fund the operating budget.

## **APPROPRIATION POLICY**

To protect the Town's conservative budget strategy, appropriations shall be limited to the existing programs and a potential modest increase in services. The Town will continue to evaluate public safety existing programs and services. Town Departments shall endeavor to limit any significant increase in appropriations unless there is a fixed cost increase in place to support a current service that the Town offers. Department Heads will submit budgets that do not exceed a 2.30% annual increase.

### **Strategic Priorities**

To further guide the Town Manager in the development of the 2021 Budget, the Board of Selectmen has adopted a five-year Strategic Plan FY 2020-2024. Requests for new programs shall be consistent with the Board of Selectmen's Strategic Plan and where appropriate have an identified revenue source. Priority shall be placed on maintaining and improving basic public services that are justified based on community needs and strategic priority.

### **Increase Reserves**

This section shall address four separate reserves; General Stabilization Fund, Capital Stabilization Fund, OPEB Trust Fund and the Worker's Compensation Trust Fund. For the second year, the Town will not further appropriate funds into the General Stabilization Fund. The Fund balance is \$6,589,985 which is within range of the overall policy goal of 5% of the previous year's operating budget not including excluded debt. The Town will fund the Other Post Employment Benefit Trust Fund in the amount of \$500,000 and the Workers Compensation Trust Fund in the amount of \$140,000.

There shall be an appropriation to the Capital Stabilization Fund which will consist of 75% of the previous year's meals tax revenue and the remainder from the property tax levy in the amount of

\$1,032,079. After assessing basic service needs, the Town will continue to review revenue growth and make recommendations as necessary to responsibly increase reserves that may be in excess of the budget policy.