INTRODUCTION

The Town of Falmouth, Board of Selectmen hereby establishes the following Fiscal Year 2015 budget policy in order to continue to strengthen the financial position of our community as memorialized in FY2014-2018 Strategic Plan Goal 1.1 - Promote Long-Term Fiscal 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 2015 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.

The FY2015 budget shall be based on conservative and achievable estimates of available revenues. The FY2014 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 2 ½ 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 continuous goal of identifying additional local revenues that could continue to support maintaining basic service levels in our community.
In establishing a budget ceiling for the coming fiscal year, the Selectmen have adopted a maximum total budget growth of 2.25% above the fiscal year 2014 excluding debt service. An additional .25% of the tax levy ($195,000) will be added to the base budget in addition to the amount that was appropriated last year. The total amount earmarked for the capital stabilization from the tax levy will be approximately $460,000.

The .25% contribution earmarked for capital stabilization will not include meals tax revenue as a funding source. This capital set aside is in recognition of the Town’s considerable capital reinvestment needs given severe reductions as a result of the recent economic recession. The annual appropriation to the capital stabilization fund will continue to grow each year at a rate no less than the annual operating budget growth.

Certain budgets may require reductions or less growth in order to live within the 2.25% total budget growth. The Board may revisit the budget ceiling based on the adoption of documented revenue increases that may provide additional flexibility.

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**
Total Fiscal Year 2015 estimated receipts shall remain level funded unless new program revenues are identified in order to support budget growth. The Town will maintain the goal of conservatively budgeting local estimated receipts to avoid any future revenue deficits and to help meet the Town’s goals for financial stability through the increase in general fund reserves. The receipts estimated to support the Annual Operating Budget will not include Meals Tax Revenue.

**State Revenues**
In Fiscal year 2013 the state ended with a surplus and began the FY 14 budget on target; therefore, initial budget estimates shall reflect level funding of state revenues. In addition, the FY 14 Chapter 70 (Education Aid) revenues increased by $88,675, and this amount should be added to the school budget outside the 2.25% budget growth. This revenue source may be modified as the Town receives additional information about Local Aid Distribution for 2015. While Cherry Sheet Appropriations have begun to rebound, new or additional State charges are consuming increases, resulting in limited net additional revenue to the Town.

**Property Taxes**
The Town will present an operating budget that is consistent with the revenues available within the limits of proposition 2 ½ and new growth no additional property taxes beyond this are proposed to support 2015 operations. The Board shall continue to evaluate temporary property
tax increases including capital and debt exclusions for the financing of 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 services of the Town. Town Departments shall endeavor to limit any significant increase in appropriations. In the event a level service budget outpaces the 2.25% budget growth, that Department will document the impacts and be prepared to discuss alternatives that will be in line with the five-year strategic plan of the Board of Selectmen.

**Strategic Priorities**

To further guide the Town Manager in the development of the 2015 Budget, the Board of Selectmen has adopted a five-year Strategic Plan FY 2014-2018. Requests for new programs shall be consistent with this Board of Selectmen 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**

Included in the FY 15 budget shall be an appropriation to the Capital Stabilization Fund which will consist of 75% of the meals tax revenue and .25% of the forecasted tax levy in addition to the appropriation in the previous year. Also, 25% of the meals tax revenue shall be appropriated to the Stabilization Fund and a minimum of $100,000 appropriated to the OPEB Trust. In FY 2015 the Health Insurance Stabilization Fund should be reallocated to other permanent existing municipal stabilization funds. Two years following the temporary establishment of this single purpose stabilization fund, it is now appropriate to make a permanent placement. While this temporary instrument was utilized in 2012 to effectuate savings resulting from Municipal Health Insurance Reform, it is not the most appropriate long term strategy for overall fiscal health. The Town will continue to analyze the levy capacity and make recommendations to increase reserves that are in excess of the budget policy after assessing basic service needs.