NHMA
NEW HAMPSHIRE MUNICIPAL ASSOCIATION
EST. 1941

OPERATIONS POLICIES

Financial Policies Certificate Series

Polices for Operations and Budgeting

September 9, 2025

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OPERATIONS POLICIES

What are they and why do I need them?

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Operational Policies & Procedures

Operational policies are the backbone of an organization's structure. They establish the standards, rules and guidelines necessary to effectively govern general operations. They can include, but are not limited to:

- ➢ Code of conduct
- ➢ Equal Employment Opportunity
- ➢ Data protection policy
- ➢ Onboarding procedures
- ➢ Leave request procedure
- ➢ Remote work policy
- ➢ Emergency response plan
- ➢ Safety policy
- ➢ Conflict of interest
- ➢ Drug and alcohol policy
- ➢ Email use policy
- ➢ Expense reimbursement procedure
- ✓ Risk management policy
- ✓ Anti-fraud policy
- ✓ Personnel policy
- ✓ Budget policy

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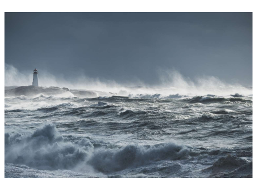

RISK POLICY

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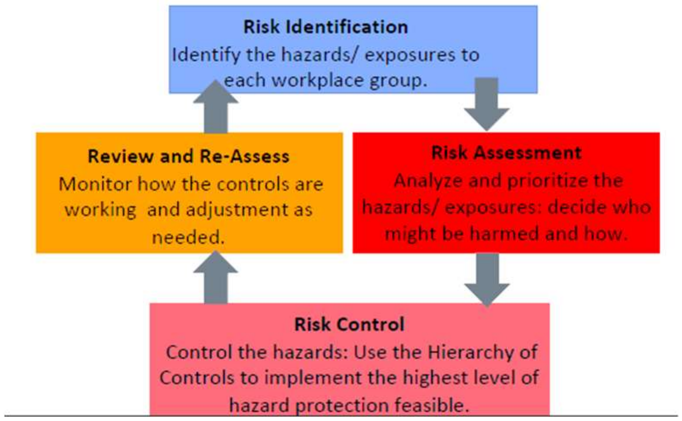
Risk Management

A risk management policy can be expanded to include the objectives of the Joint Loss Management Committee (JLMC) (NH RSA 281-A:64 III) as the purpose of a JLMC is to bring workers and management together in a non-adversarial, cooperative effort to promote safety and health in each workplace.



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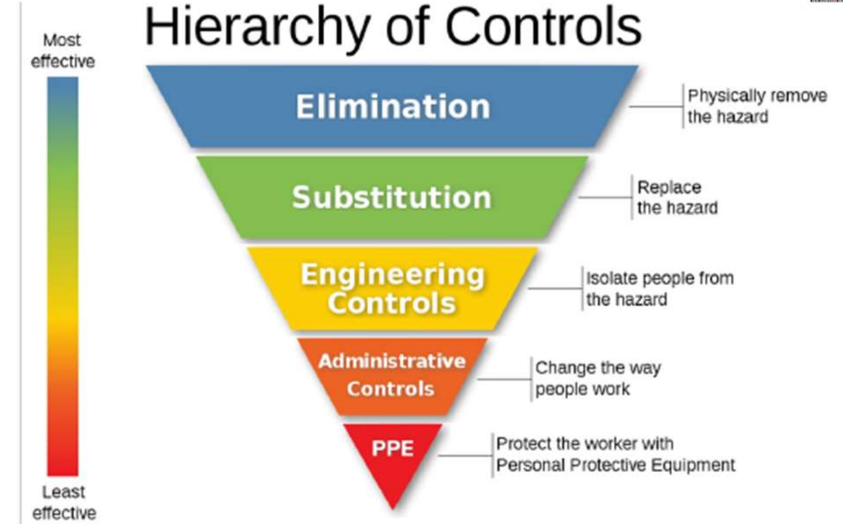
Hierarchy of Controls



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Trends Risk Management Claims in New England

Aging Infrastructure → High Volume of "Attritional Losses" – losses that could be prevented → Staffing Turnover → Shifting Weather Patterns

→ Locally - high wind & rains, humidity/mold, lightning, snow, freezing temps. → High Demand for professional Facilities Management staff → Technical complexity of new building technologies → Increased Reinsurance pricing & decreased market capacity driving price increases

→ Rising construction costs – up 17%-22% in 2022 → Competition with Federal Recovery Act programs for limited building supplies → Data Breeches, Ransomware, Cyberattacks → Law Enforcement Liability

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Risk Management Policy

The purpose of this policy is to establish guidelines for the City/Town Risk Management standards and programs in order to maximize public and employee safety and minimize potential risk exposure for the City/Town.

A risk management policy objective might generally include:

- ❑ The achievement of organizational goals and objectives
- ❑ The ongoing health and safety of all employees at the workplace
- ❑ Ensuring public safety within the municipality's jurisdiction is not compromised
- ❑ Limited loss or damage to property and other assets
- ❑ Limited interruption to the continuity of government

Example: The objectives of the Risk Management policy is to assist management to make informed decisions which will:

a) Improve the municipality's performance on decision making and planning;

b) Promote a more innovative, less risk averse culture in which the taking of calculated risks in pursuit of opportunities to benefit the municipality is encouraged;

c) Provide a sound basis for integrated risk management and internal control as components of good corporate governance.

Example-City of Oakley, CA

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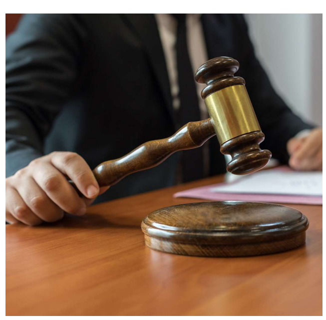
Risk Management Policy-Outcomes

The improvements in outcomes and benefits of an effective Risk Management Policy should

a) Increase likelihood of achieving the municipality's aims, objectives and priorities;
b) Prioritize the allocation of limited resources;
c) Give an early warning of potential problems; and
d) Provide key officials with the skills to be confident decision makers in the face of risk.

The policy may also identify when the risk management policy will be applied. Some areas might include:

- ❑ Strategic planning
- ❑ Expenditure of large amounts of money
- ❑ New strategies and procedures
- ❑ Management of projects and proposals
- ❑ Introducing significant change, and
- ❑ The management of sensitive issues.



ANTI-FRAUD POLICY

Anti-Fraud Policy

The first step in that process is the adoption of a fraud policy is to outline the primary objectives:

- ✓ Inform all employees that fraudulent acts will not be tolerated;
- ✓ Ensure that each employee understands his or her responsibility to report activity that appears to violate any law, regulation or policy;
- ✓ Clearly outline the procedures available to report the suspected violation; and
- ✓ Advise employees that each report will be handled confidentially, without retaliation of any kind, and without regard to the status or tenure of the individual accused.

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FRAUD POLICY CHECKLIST

- ❑ Definitions and examples of fraud
- ❑ Policy of zero tolerance
- ❑ Responsibility to report and reporting procedures
- ❑ Confidentiality, retaliation, and false allegations
- ❑ Disciplinary actions
- ❑ Fraud prevention
- ❑ Employee acknowledgement

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SAMPLE ANTI-FRAUD POLICY

The City of
Lakeland, TN
www.lakelandtn.gov

Policy- example

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Anti-Fraud Policy Objectives

- Protect the Town's valuable resources by ensuring they are not lost through fraud;
- Create and promote a robust 'anti-fraud' culture across the organization which highlights the Town's zero-tolerance of fraud, corruption and theft;
- Ensure effective Anti-Fraud systems and procedures are in place which:
- Ensure that the resources dedicated to combatting fraud are sufficient and those involved are appropriately skilled;
- Proactively deter, prevent and detect fraud, corruption and theft;
- Identify emerging fraud risks and provide proactive advice to key stakeholders to assist in the prevention of fraud in these areas;
- Investigate suspected or detected fraud, corruption and theft;
- Enable the Governing Body to apply appropriate consequences to recover losses, where appropriate through legal means; and
- Provide recommendations to inform policy, system, risk management and control improvements, thereby reducing the Town's exposure to fraudulent activity.

Delegation of Authority

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Written Delegation of Financial Functions

Delegation of Deposit Authority

- RSA 41:29, the treasurer has the responsibility to deposit all monies received by the municipality in appropriate financial institutions as outlined in the statute.
- RSA 41:29 VI allows the treasurer to delegate deposit or other financial functions to other officials or employees provided such delegation is in writing and includes written procedures acceptable to the selectboard.
- Such delegation may only be to an official or employee bonded in accordance with RSA 41:6.
- The treasurer shall ensure that all moneys remitted shall be deposited at least on a weekly basis, or daily whenever funds remitted from all departments collectively totals $1,500 or more

Segregation of Duties RSA 669:7
Incompatibility of Offices

It is best practice to have different people:

❑ Receive and deposit cash

❑ Record cash payments to receivable records

❑ Reconcile cash receipts to deposits and the general ledger

❑ Bill for goods and services

❑ Follow up on collection of returned checks

❑ Distribute payroll or other checks

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PERSONNEL POLICY

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Why Have a Personnel Policy or Employee Handbook?

- Help explain employer's policies, procedures, and philosophies
- Introduce employees to employer's environment and culture
- Communicating employer expectations and potential consequences for non-compliance
- Encourage uniformity and consistency in policy interpretation, administration, and enforcement
- Provide useful defenses in wrongful discharge litigation

- **BUT, if poorly drafted**
  - May violate laws
  - Increase financial and liability exposure if employer fails to follow policies consistently/uniformly

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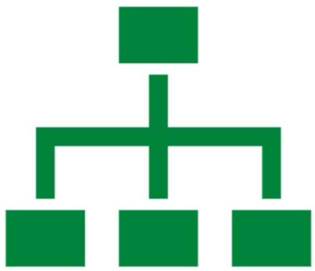
Set the Tone From the Top



Authority and responsibility-

- Clear lines of authority should be communicated.
- If everyone is responsible, then no one is responsible.
- By providing all of the authority necessary and only the authority necessary will assist in the decision-making matrix.

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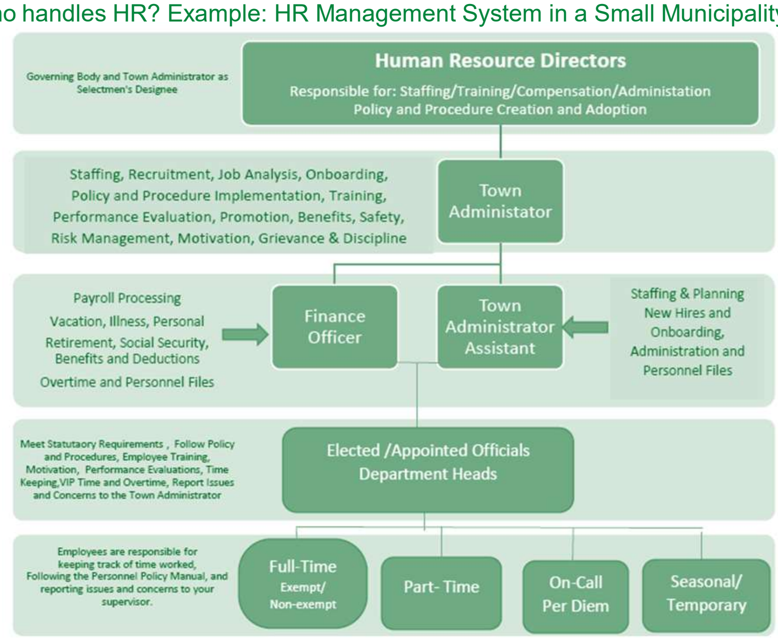
Who handles HR? Example: HR Management System in a Small Municipality



Practice Pointer: Create a Flow Chart for your city/town

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Personnel Policy examples:

Practice Pointer- When was the last review of your policies and job descriptions?

- Pre-employment:
  - job descriptions/qualifications
  - background checks
- Hiring Practices
  - anti-discrimination laws and
  - equal opportunity employment
  - anti-harassment
  - anti-retaliation
  - disability accommodations
  - religious accommodations
- Onboarding
  - performance evaluations
- Payroll and Compensation
  - time-keeping
  - attendance
  - standard of conduct
- Benefits and Time off and Leave
- Health and Safety
  - workplace injuries
  - substance use/abuse
- Employee Acknowledgements and disclaimers
- Department of Labor regulations
- IRS employment documentation and reporting standards
- HIPPA and confidentiality laws

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Equal Employment Opportunity

- Equal opportunity without regard to irrelevant factors such as race, color, religion, gender, age, gender identity, national origin, disability, veteran status, or any other legally protected status;
- Applies to recruiting, hiring, training, advancement, work assignments, compensation, benefits, discipline, reductions, transfers, termination, and all other terms, conditions, and privileges of employment;
- Ability to notify his/her supervisor or HR without fear of reprisal;
- Complaints or reports will be kept as confidential as possible;
- Municipality will investigate and will, if called for, take appropriate corrective action.

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Anti-Harassment Policy Summary

- Harassment can take the form of words, actions, or visual representations
- Policy applies to all municipality personnel, as well as to vendors and clients who interact with municipality personnel
- Promptly report it to your supervisor or HR without fear of reprisal
- Municipality will investigate complaints and will, if called for, take appropriate disciplinary action
- Complaints will be kept as confidential as possible under the circumstances

Federal Antidiscrimination Law: Local Government Employers Toolkit

Local government employers must comply with many federal anti-discrimination laws prohibiting discrimination based on race, color, ethnicity, sex, gender, pregnancy, disability, and age.

- The federal anti-discrimination statutes covered by the resources provided in this Toolkit include:
- **Title VII of the Civil Rights Act of 1964** (Title VII).
- The **Pregnancy Discrimination Act of 1978** (PDA).
- The **Equal Pay Act of 1963** (EPA).
- The **Age Discrimination in Employment Act of 1967** (ADEA).
- The **Americans with Disabilities Act of 1990** (ADA).
- The **Genetic Information Nondiscrimination Act of 2008** (GINA).
- The **Uniformed Services Employment Reemployment Rights Act of 1994** (USERRA).

Onboarding

Onboarding, also known as organizational socialization, refers to the process through which new employees acquire the necessary knowledge, skills, and behaviors to become effective members of an organization early in their respective jobs.

- Understanding the Process – Plan ahead.

Onboarding starts the moment someone accepts a job offer and continues through his or her first year of employment.

- Communication Strategies – Clear two-way communication is vital in order for new employees to quickly adjust to their new work environment.

- Social Integration – Introduce new employees to the people that they'll be working with. It's very important for new employees to feel socially accepted by their peers and managers.

- Peer Support – Match new employees with a willing and experienced colleague to help them understand the organization and their new job.

- Organizational Knowledge – Every organization has a unique culture, so help them navigate that culture in order to fast track them in becoming productive members of the organization.

Additional local government considerations

- **Collective bargaining** or similar rights of organized labor under NH state law.
- The impact of state public records laws (RSA 91-A) related to the handbook itself and employee records.
- The impact on privacy laws related to employee records.
- NH Records retention law (RSA 33-A:3-a - Disposition and Retention Schedule)

Department of Labor Wage-Hour Audit

- Wage and hour audit can occur at any time, with or without prior notice
- Both the federal and state departments of labor are empowered to conduct audits. See 29 U.S.C. §211; and NH R.S.A. 273:9.
- Usually, it will include the prior two to three years and will focus on compliance with laws and rules related to payment of wages, minimum wage, child labor, and record-keeping.
- **Do you have all the required forms and up to date records ?**

Examples of Employee Personnel File Records for Retention

- ☐ Job description for the position
- ☐ Job application and/or resume
- ☐ Offer of employment
- ☐ IRS Form W-4 (the Employee's Withholding Allowance Certificate)-use updated edition
- ☐ I-9 Employment Eligibility Verification-use updated edition
- ☐ Personnel Action Form
- ☐ Background Check
- ☐ DMV Driving record-if applicable
- ☐ Direct Deposit Form
- ☐ Forms providing next of kin and emergency contacts and procedures

Examples of Employee Personnel File Records for Retention

- Receipt or signed acknowledgment of employee handbook
- Forms relating to employee benefits/enrollments
- Requests for Vacation/Extended Leave for FMLA
- Performance evaluations
- Complaints from customers and/or coworkers
- Awards or citations for excellent performance
- Records of attendance or completion of training programs
- Warnings and/or other disciplinary actions
- Notes on attendance or tardiness
- Any contract, written agreement, receipt, or acknowledgment between the employee and the employer (such as an employment contract, or an agreement relating to a company-provided car), and
- Documents relating to the worker's departure from the company (such as reasons why the worker left or was fired, unemployment documents, insurance continuation forms, and so on).

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BUDGET POLICY

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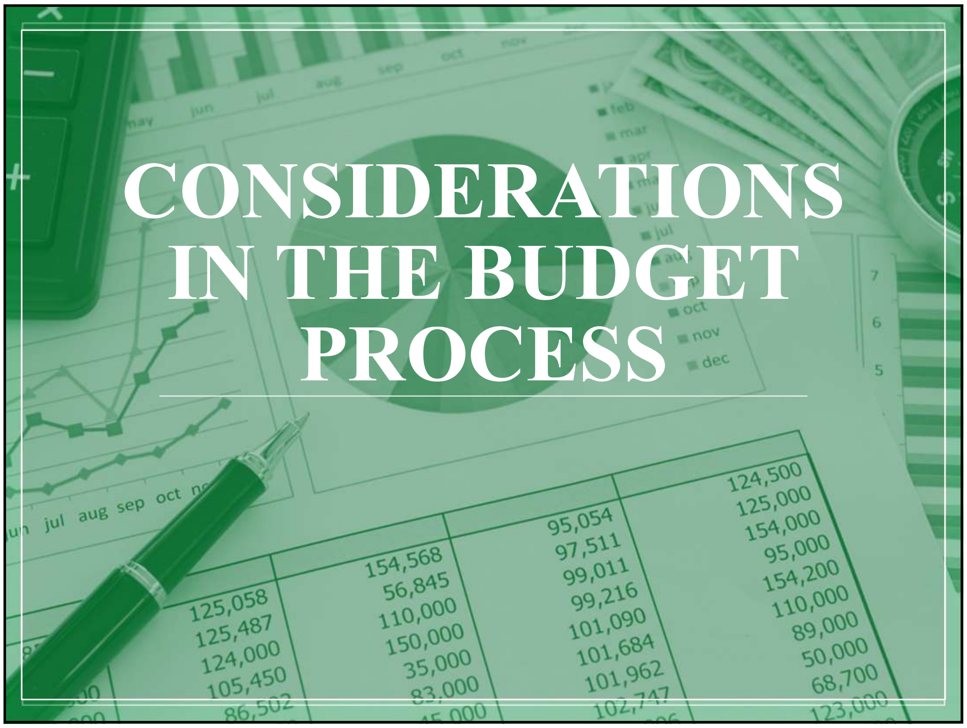

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Certain Multi-Year Expenditures

Lease/purchase agreements, RSA 33:7-e
- With escape clause (simple majority)
- Without escape clause (supermajority vote)

Capital projects, RSA 32:7-a
- Identified capital projects
- 2/3 or 3/5 majority vote
- Up to 5 years

Capital Reserve Funds, RSA 35:1
- may be used for lease/lease purchase payments.

Tax rate impact
- If your town has adopted tax rate impacts must be included on warrant articles, then at least then the first five years of expenses must show the estimated tax rate impact

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Bond Issues and Borrowing

RSA 32, 33, RSA 40

Debt Limit –the total amount of debt that may be outstanding at any one time.

This limit is calculated as a percentage of the total market value (equalized assessed value) of all taxable property in town.

- 3 % for cities,
- 3 % for towns,
- 1 % for village districts and
- 7 % for school districts.

The total debt limit for any municipality that contains an overlapping political subdivision (such as a school district and town that cover the same geographic area) can be limited to 9.75 percent. RSA 33:4-a and 33:4-b.

Special debt limits are provided for cooperative school districts under RSA 195.

Tax increment finance bonds issued under RSA 162-K are exempt from debt limit requirements.

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Debt Limit Exceptions

- Unmatured Tax Anticipation Notes (TAN)
- Notes issued in anticipation of grant of federal or state aid
- Debts incurred for supplying inhabitants with water or for the construction, enlargement, improvement or maintenance of water works
- Debts incurred to finance the cost of sewage systems or enlargements or improvements thereof
- Debts incurred to finance new sewage systems disposal works when the costs thereof is to be financed by sewer rent or sewer assessments
- Debts incurred under RSA 31:10
- Debts incurred to finance energy production projects, the reconstruction or enlargement of municipally owned utilities (RSA 33:6-b)
- Debts incurred to finance small scale power facilities (RSA 33:6-b)
- Debts incurred to finance acquisition of military base (RSA 33:6-c)
- Debts incurred for waste site cleanups (RSA 33:6-d)
- Debts or obligations of Issuer to solid waste management district (RSA 33:6-e)
- Debts incurred for broadband infrastructure (RSA 33:6-f)
- Debts incurred outside the statutory debt limit under any special law (indicating the law under which such debt was issued)
- Sinking Funds and cash applicable solely to the payment of debts incurred within the debt limit
- Tax increment financings pursuant to RSA 162-K

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Purposes for Capital Projects RSA 32:7-a

A "capital project" for this purpose is one for which a town may issue bonds under RSA 33:3 or RSA 33:3-c. These include:

- the acquisition of land;
- planning relative to public facilities;
- the construction, reconstruction, alteration and enlargement or purchase of public buildings;
- for other public works or improvements of a permanent nature including broadband infrastructure;
- for the purchase of departmental equipment of a lasting character;
- for the payment of judgments;
- for economic development (including public-private partnerships involving capital improvements, loans and guarantees); and
- preliminary expenses associated with proposed public work or improvement of a permanent nature (including public buildings, water works, sewer systems, solid waste facilities and broadband infrastructure).

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Lapse of Appropriations RSA 32:7

All appropriations shall lapse at the end of the fiscal year and any unexpended portion thereof shall not be expended without further appropriation, ***unless:***

- Encumbered by legally-enforceable obligation;
- Placed in nonlapsing fund: e.g. capital reserve or trust;
- Appropriated to a capital reserve fund;
- Amount is raised through bonds or notes (then lapses upon completion of purpose);
- Money received from state, federal, or private grant (then nonlapsing for as long as program rules)
- Special warrant article:
  - Governing body can vote to encumber for one year; OR
  - Article was labeled as nonlapsing by meeting (specifies lapse, up to 5 years).

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BUDGET POLICY

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Budget Policy

The operating budget is the municipality's comprehensive plan which provides the desired level of services as defined by the municipality's priorities. In other words, a local government budget is a statement of policy and values.

- An annual budget provides an opportunity to monitor and adjust activities, as necessary.
- Governmental entities need to show compliance with legislative and resource requirements.
- Establishing an annual budget acknowledges those restrictions and shows compliance with them.
- Budgets also represent the embodiment of governing body policies and priorities.
- An annual budget provides spending authority.
- An annual budget provides the authority to levy taxes.

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Operating budget policies may address:

- Timelines
- Roles and responsibilities of the budget process
- Budget priorities
- Budgetary constraints
- Budget controls such as fund balance levels
- Provide predictability and stability in services
- Protect and preserve assets, resources and infrastructure
- Plan for fiscal issues and economic challenges
- Allow for citizen involvement

Budget Policy: Example

OVERVIEW

This policy establishes the general financial goals for the Town /City as they relate to the budget, taxation and quality of life for its residents. This framework is the basis on which all levels of Town/City government manage the budget and establish funding priorities within the limited revenues the Town has available to provide municipal services. This framework also outlines how policy will guide approved expenditures throughout the budget cycle and utilize budgetary resources in a fiscally sound manner.

ROLES AND RESPONSIBILITIES

The Governing Body is responsible for managing and monitoring the approved budget during the budget cycle and establishing the policies and internal controls surrounding all revenue and expenditures.

The Budget Committee (if applicable) is responsible for analyzing the expenditures of all of the Town Departments. The Budget Committee prepares and recommends the budget and the Special Warrant Articles for presentation to the Voters at the annual town meeting.

Practice Pointer: Describe the general role of Management/Department Heads/Elected & Appointed Officials

Budget Policy: Example Continued

PURPOSE

It is the policy of the governing body to manage a budget that accurately reflects the revenue and expenditure goals and objectives of the Town Government, and incorporate those goals, objectives, programs and projects which best serve the public good. The budget of the Town /City will be managed in accordance with the policies set forth below.

DEVELOPMENT OF PROCEDURES

The Governing Body goals are broad policy statements that outline the significant objectives of the Town. Budget objectives are policy statements summarizing the actions that are to be implemented in the budget through procedures developed to accompany this document. These procedures result from a prescribed process of economic and financial analysis developed by Management, Department Heads, Elected and Appointed Officials with support from the Finance Department. The procedure will include periodic financial reports, which are routinely reviewed by the Governing Body, the Budget Committee, Town Administrator, and Department Heads monitor progress against this analysis. The development and use of the Annual Town Report will also be included as an important part of the analysis and communication process.

Budget Policy: Example Continued

GUIDING PRINCIPLES

Sustainability of public services, responsibility and transparency in the management of public resources, and equity of financial burden to taxpayers and Town/City program and service users form the bases for the Town's financial management policies. The policy statements contained within this document provide the framework for which these policies are achieved.

GENERAL FINANCIAL GOALS (SAMPLE LANGUAGE-example 1)

1. To provide a financial base sufficient to sustain municipal services to maintain the social well-being and physical condition of the Town;

2. To be able to withstand local and regional economic downturns, changes in service requirements and respond to other changes affecting the Town and community;

3. To maintain an excellent credit rating in the financial community and to assure the taxpayers the Town of Wilton is maintained in a sound fiscal condition.

Budget Policy: Example Continued

GENERAL GOALS : (SAMPLE LANGUAGE- example 2)

- Protect and preserve the public's investment in Town assets
- Protect and preserve the Town 's credit rating
- Provide for predictability and stability in Town resources
- Provide for transparency and accountability in Town financial management
- Plan for and mitigate looming fiscal issues and challenges
- Comply with State, Federal and local legal and reporting

FISCAL INTEGREITY STATEMENT- Example

The Town/City will maintain the fiscal integrity of its operating and capital improvement budgets which provide services and maintain public facilities, roads and utilities. It is the Town's intent to maximize the level of public goods and services while minimizing the level of debt. During the fiscal year, budgetary control will be maintained by frequent review of departmental appropriation balances through regular financial reporting and analysis.

Additional Policy Considerations

GENERAL MANAGEMENT STATEMENT- EXAMPLE

This policy and the accompanying procedures adopted by the Town /City provide the framework for overall fiscal planning and management of all town resources. The policies set forth guidelines for both current and long-range planning activities. The policies and procedures will be reviewed annually by the Town Administrator or designee for adherence and relevance and provide standards against which current budgetary performance can be measured and proposals for future programs evaluated.

Additional Policy Considerations

REFERENCE TO APPLICIBLE TOWN/CITY FINANCIAL POLICIES

The Town's financial policies are organized around several key areas of financial operations, all relating to the budget and taxation. These include:

1. Operating Budget Management
2. Revenue & Cash Management
3. Expenditure / Purchasing Management
4. Investment Management
5. Debt Management
6. Fund Balance Policy& Management
7. Accounting, Auditing, Financial Reporting Policies & Management
8. Capital Planning Policies
9. Internal Control Polices & Management

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BUDGET PROCEDURES

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Budget Procedure-Example

DECISION MAKING GUIDANCE – SAMPLE LANGUAGE

This procedure serves to guide the manner in which the budget allocates, manages and controls financial resources available to the Town/City. This policy contains goals that the Town/City seeks to achieve in its decision-making. However, since fiscal conditions and circumstances continually shift and change in response to operating needs, it may not be practical or always desirable to continually achieve goals set forth in policy. Therefore, these procedures are intended to guide financial decision making and may not be fully achieved within any given budget period and shall be reviewed in the early stages of budget development and on an annual and ongoing basis and reported to the Governing Body.

Budget Procedure-Example

OPERATING BUDGET PROCEDURE OVERVIEW

The Municipal Budget process is prescribed by NH RSA Chapter 32 & 33. This procedure serves to reinforce financial policy and account for both current and long-range planning activities. The policies and procedures associated with the budget process should be reviewed annually for adherence and relevance and provide standards against which current budgetary performance can be measured and proposals for future programs evaluated.

APPROACH TO THE ANNUAL BUDGET- IDENTIFY A BUDGET APPROACH

A budget approach should be considered at the onset of budget development to provide a systematic tool to produce quantifiable results which conform to the Town's overall financial goals. Typically, a community uses a hybrid approach, utilizing several framework styles to build the budget.

KEY CONCEPTS FOR EFFECTIVE BUDGETING

Government budgets are countercyclical:

- ❖Demand for public services often increases when the economy slows or inflation rises.
- ❖Examining fiscal capacity or fiscal condition prior to the budget process can assist both decisionmakers and stakeholder in the development of local policy priorities.

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ESTABLISH A BASELINE FOR BUDGET DEVELOPMENT

Communicated through Procedure and/or Annual Budget Guidance

- **Level- Services Budget**
  - Delivers in the upcoming year the same services that were delivered the previous year.
  - Allows the local government to analyze the cost of delivering the same service year over year.
    - Can be challenging to project increases to goods and services.
    - May not respond to changing needs and priorities.
- **Level- Funding Budget**
  - Allocates the same amount of money each year.
  - Does not necessarily deliver level services.
    - Due to rising costs automatically creates service cuts.
    - Decreases in revenues also results in cuts.
    - Tends to be Inflexible.

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Rethinking Budget Development

A budget is a political instrument that: weighs policy priorities against available public resources; is a statement of policy and values.

Traditional Budget Method:

- **Incremental and line-item budgeting** uses last year's budget becomes next year's budget with changes around the margin.
- Useful during times of economic stability.
- May cause local governments to be slow to adapt to changing conditions.

Other Budget Methods to consider:

- **Zero-base budgeting-** builds a budget from the ground up, starting from zero.
- **Priority-based budgeting** model which is based on building the budget around the community's priorities.
  - Includes accountability elements that connect the investment of public funds to the delivery of public good.
- **Performance Budgeting- Budgeting for Outcomes**.
  - Uses Performance measures include inputs (resources used), outputs (program activities), efficiency measures (ratio of inputs to outputs), and outcomes (the actual results of programs and services).

Or a combination of all of the above.

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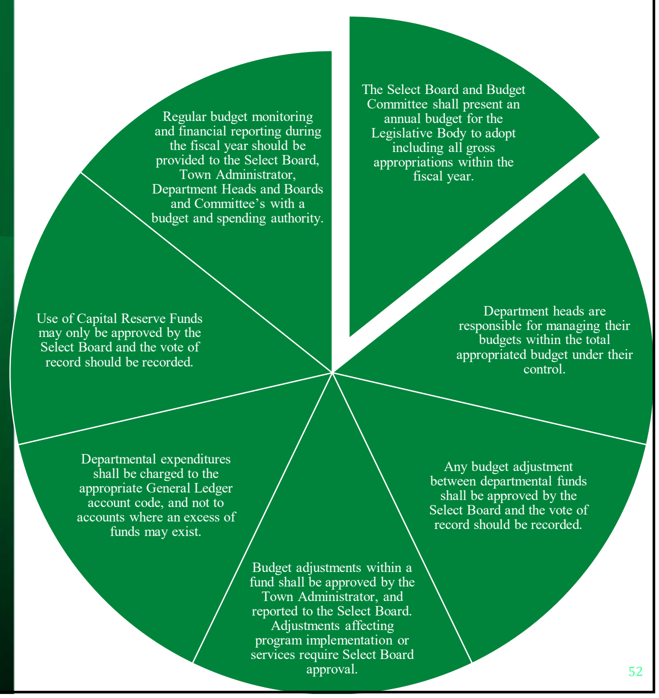
GENERAL BUDGET PROCEDURES- SAMPLE



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OPERATING BUDGET DEVELOPMENT PROCEDURE-EXAMPLE

The budget should be a performance, financing and spending plan agreed to by the Governing Body and the Legislative Body. It should contain information and data regarding expected revenues, expected expenditures and expected performance.

A. The Town Administrator or designee will prepare and present the annual budget preparation calendar to Select Board, Budget Committee and staff by the DATE each year. This calendar should include the DRA Traditional Town meeting Timeline to adhere to all NH RSA's. https://www.revenue.nh.gov/mun-prop/municipal/documents/Town-timeline-march
B. Annually, the Town Administrator or designee will prepare and refine written policies and goals to guide the preparation of performance, financing and spending plans for the Town budget. Adopted budgets will comply with the adopted budget and financial policies and Select Board priorities.
C. As a comprehensive financial plan, the budget should provide the following critical elements:
D. Incorporates a long-term perspective,
E. Establishes linkages to broad organizational goals,
F. Focuses budget decisions on results and outcomes,
G. Involves and promotes effective communication with stakeholders, and
H. Provide incentives to government management and employees.

The Town will focus on fiscal responsibility by using a service classification system to determine priority.

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Rank and Prioritize Expenditures

- Create a predetermined clear, objective set of criteria to evaluate all projects, programs and services.
- Promote procedural justice in the allocation of limited resources.
- Ensure existing assets are maintained before embarking on new initiatives.
- Consideration if there is a current asset/program/service that is in the budget but no longer fits the needs of the community then it could be retired/discontinued, and resources re-directed.

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- **Establish a Priority Order**:
- **Need vs Want**
  - Required by law
  - Public health & safety
  - Improves productivity / services/ achievement
  - Support Strategic plans, CIP Plans, goals, policies
  - Reduces operating costs
  - Improves obsolete facility
  - Directly benefits local economic base
  - Social, cultural, historic or aesthetic value
- **Aggregate Need Ranking** - based on 'three pillars' of assessment:
- Equity
- Facility Condition/Service Outcome
- Capacity Utilization -Greater need = higher priority
- Option: to define a formal point system / score card

Expenditures- Ranking Policy Priorities

Using a CIP Model

Scoring Scale

0	1	2	3
The project does not align with any progress indicators or strategies outlined in the strategic plan	The project aligns with one (1) progress indicator or strategy outlined in the strategic plan	The project aligns with two (2) progress indicators or strategies outlined in the strategic plan	The project aligns with three (3) progress indicators or strategies outlined in the strategic plan

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REVIEW REVENUE ANAYSIS AND FORECAST

Typically, governments build budgets around projections of future revenue.

When costs grow faster than expected, officials may have to revise those plans and/or shortchange certain priorities.

- Anticipates resource availability;
- Guides decisions around expanding services to the community, changing the salaries and benefits of public employees, and adjusting tax rates;
- Gauges financial sustainability of existing policies and programs;
- Provides warning about potential imbalances in the government's financial future;
- Generates data for discussion about what the fiscal future might look like and what actions can be taken.
- *"In the absence of a formal forecast, a common assumption is that the future will not be much different than the past – an assumption that could be seriously flawed." GFOA*

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MUNICIPAL REVENUE ESTIMATES

Are actual revenues tracking equal to or above estimates in the current budget cycle?

- ✓ What is the tax collection rate compared to prior years?
- ✓ What percentage of tax-payers are self-pay vs. escrow?
- ✓ What is the tax and utility delinquency rate compared to prior years?
- ✓ Are you receiving an increased number of foreclosure notices?
- ✓ Are you receiving an unusually high number of abatement applications?
- ✓ Have home sales slowed or increased in your municipality or district?
- ✓ Is motor vehicle registration revenue tracking at or above plan?
- ✓ When was the last time fees were reviewed across all departments to align with cost recovery goals?

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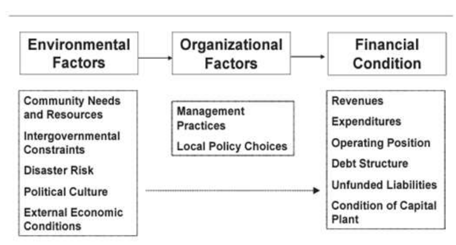
UNDERSTANDING THE FISCAL CONDITION

After Revenue has been Analyzed and Forecasted But *Before* Expenditures can be determined-

Fiscal Capacity is affected by a combination of environmental, fiscal and organizational factors, including decisions and actions of the governing board.

Local governments and School Districts can take a comprehensive approach that focuses on both external and internal fiscal indicators that are easy to measure, evaluate and understand.

Use a financial indicator system that is comprehensive enough to match the complexity of your government (cities and counties might have a very different fiscal indicator system than rural towns) to produces regular, reliable reports for decision making.



Source: Adapted from Evaluating Financial Condition: A Handbook for Local Governments. ICMA, 2003

Environmental factors include measures of community needs and resources such as population, property value and poverty, and economic factors such as inflation, personal income and employment.

NH Community Profiles

MEDIAN HOUSEHOLD INCOME (MHI) IN PAST 12 MONTHS (IN 2020 INFLATION-ADJUSTED DOLLARS) By City /Town : https://www.des.nh.gov/sites/g/files/ehbemt341/files/documents/2020-01/mhi-table.pdf

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EXPENDITURE ANAYLSIS – *Options to Measure Inflation*

Local governments are under considerable pressure to relate their spending and taxation levels to cost inflation for transparency. In developing the budget, apply the indices that work best as a predictor – the use of different indices depending on the expenditure category may be necessary.

Consumer Price Index (CPI). Often used in setting cost-of-living adjustments (COLAs)

The Employment Cost Index (ECI) details the changes in the costs of labor for businesses in the United States. This index, readily available each quarter, is used to monitor inflation by measuring changes in labor costs for wages and salaries. Information is provided by the U.S. Bureau of Labor Statistics.

The Producer Price Index (PPI) measures the price changes of commodities at different stages of processing.

The Gross Domestic Product (GDP) deflator, mostly used in national accounts, is designed to reflect current expenditure patterns in an economy, and therefore focuses on new domestically produced final goods and services.

The Construction Price Index (CPI), used by the U.S. Department of Commerce, reflects the changes in the cost of construction materials and skilled and unskilled labor. It is a composite derived from separate indices for construction of commercial facilities, residential housing, utilities and highways.

The Education Price Index (EPI) for elementary and secondary school spending, compares current salary grids for teachers with a base year, and uses selected sub-indices from the CPI and the Industry Product Price Index as proxies for price increases for non-salary items purchased by school boards.

The Municipal Cost Index (MCI), published by the American City and County magazine, estimates the rate of inflation for purchases by American municipalities. The MCI is a composite index, a weighted average of more detailed price indices measuring consumer price cost fluctuations (using the CPI), industrial commodity wholesale prices (using the PPI), and construction contract costs (using the Construction Price Index).

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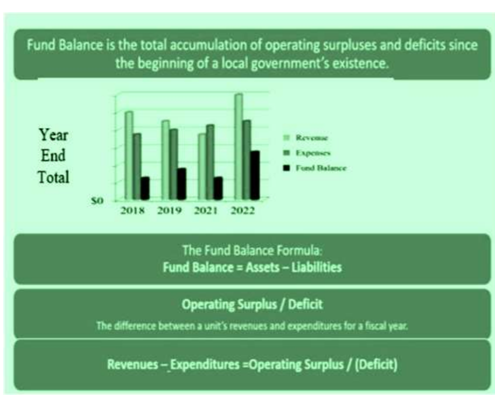
FUND BALANCE

The natural revenue cycle within a local government is directly tied to fund balance reserves allows for the prudent management of financial resources throughout the year.

When cash flow is under stress, a municipality may issue short term debt to cover the gap, requiring an interest cost to maintain steady operations and introducing risk.

Adequate fund balance negates that need, saving resources that would otherwise be spent on servicing the cost of that debt.

A strong fund balance will allow the municipality to meet cash flow needs, complete scheduled projects, and provide a contingency in the case of an emergency or disruption in revenues.



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Permissible Forms of Advocacy

- All questions are fair at the budgetary public hearing
- Before the meeting:
  - Handouts from Governing Body/ Budget Committee sessions with simplified messages
  - Post on website
  - Press releases
  - Discuss at other public meetings/hearings

NHMA

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Voters' Guides – Tricky Area

- Who should prepare such a guide?
- Will the select board use the town's bulk mailing permit to allow budget committee to communicate by mail?
- Where is the line where taxpayer's dollars are used to advocate for one group against the interests of another group?
- What if the material is simply inaccurate, or intentionally misleading?

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Shepherding the Budget

Hold community forums/zoom/coffee hour, etc., explaining the high-level budget changes being considered in collaboration with the governing bodies.

- Post clarifying information on website
- Talk with people in town/make a point to attend town events to encourage feedback and participation at the budget hearing through deliberative session.
- At the budget hearing /deliberative session:
- Variety of tools to capture interest:
  - narrative, charts, pictures, etc.
- If using non-tax money, highlight that!
  - State Aid/Federal and State Grants
- How will spending money now save money later?
- Estimated the tax impact;
- Create a budget highlights document that explains simply the objective of each warrant article.
- SB 2 towns – between deliberative session and election day
- Be available to answer questions
- Remind voter's that if they don't cast an official ballot, their viewpoint will not be counted

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The Voters Make the Decisions

This audience (voters) is different

Will have less time consider the details

- Diverse levels of experience
- Diverse interests and priorities
- Some are already with you, some already against
  - Your target is the third group – the ones you can educate
- In the end, it is their collective will that must be determined and implemented

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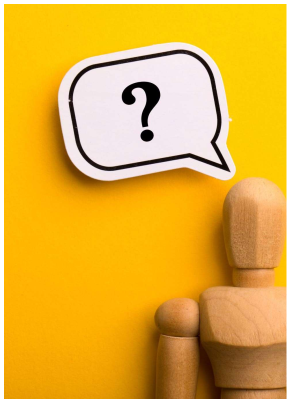

The Aftermath

- Then….time to start again!
- Lessons learned for next year:
  - Do you need to emphasize different things?
  - Plan/ Present differently?
  - Did you anticipate the important questions and have persuasive and complete answers?
- How to keep the voters/budget committee/staff informed during the remainder of the year?

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For examples of other budget committees (both official and advisory) and the information they publish for the voter's please reference the following town websites and the sample voter guides attached.

~ Barrington NH created an electronic Budget Binder and includes budget presentation: 2025 Budget | Barrington NH

~ Hopkinton, NH -Selectboard in collaboration with the Budget Committee presents the following Documents: 2025 Town Budget Information | Hopkinton NH

~ Goffstown, NH publishes the Official Budget Committee timeline with all corresponding presentations: TOWN-BUDGET-PRESENTATION-TO-BUDGET-COMMITTEE-111924

~ Stratham, NH - Advisory Budget Committee- Joint Presentation with the Select Board to the Voters - transmittal_to_bac_-_2025_preliminary_budget_materials_12-24-2024.pdf

~ Salem, NH Voter Guide: 2025-Voters-Guide---March-11-2025---Final

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Questions?

Thank You!

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