

FORECASTING



PURPOSE

To assess the range of choices available to town officials when determining how to allocate budget resources, this policy establishes guidelines for evaluating revenue sources and the requirement to determine an expenditure strategy as part of the annual budget process and longer-range fiscal planning.

APPLICABILITY

This policy applies to the Select Board and Finance Committee. It also applies to the job responsibilities of the Town Administrator, Finance Director, Carlisle Public Schools Superintendent, Carlisle Public Schools Business Manager, and all managers of revenue-generating departments.

POLICY

A. Revenue Guidelines

The Town will continually seek to diversify its revenue to improve the equity and stability of sources. Each year and whenever appropriate, the Town will reexamine existing revenues and explore potential new sources. A balance will be sought between elastic and inelastic revenues to minimize any adverse effects caused by inflation or other economic changes. Additionally, intergovernmental revenues (e.g., local aid, grants) will be reviewed annually in the fall to determine their short- and long-term stability to minimize detrimental impacts. The results of this analysis will be presented to Town Officials to start the budget goals process.

The Town will avoid using one-time revenues to fund ongoing or recurring operating expenditures. These one-time revenue sources can include, but are not limited to, free cash, overlay surplus, sale of municipal equipment, legal settlements, insurance proceeds, and gifts. Additionally, the Town hereby establishes the following priority order when appropriating one-time revenues:

- Meeting stabilization goals
- Funding town capital purchases and projects
- Funding the town's OPEB liability in excess of the town's OPEB funding strategy

Economic downturns or unanticipated fiscal stresses may compel reasonable exceptions to the use of one-time revenue. In such cases, the Finance Committee, in consultation with the Finance Director, can recommend to Town Meeting its use for operational appropriations. Such use will trigger the Finance Director to develop an action plan to avoid continued reliance on one-time revenues.

State laws impose further restrictions on how certain types of one-time revenues may be used. The Town will consult the following General Laws when the revenue source is:

- Sale of real estate: [M.G.L. c. 44, §63](#) and [M.G.L. c. 44, §63A](#)
- Gifts and grants: [M.G.L. c. 44, §53A](#) and [M.G.L. c. 53A½](#)

This policy further entails the following expectations regarding revenues:

- The Assessing Department will maintain property assessments for the purpose of taxation at full and fair market value as prescribed by state law.
- Town departments that charge fees shall review their fee schedules at least every two years and propose adjustments when needed to ensure coverage of service costs.
- The Building Department will notify the Finance Director of any moderate-to-large developments that could impact building permit volume.
- Department heads will strive to be informed of all available grants and other aid and will carefully consider any related restrictive covenants or matching requirements (both dollar and level-of-effort) to determine the cost-benefit of pursuing them.
- Revenue estimates will be adjusted throughout the budget cycle as more information becomes available.

B. Expenditure Guidelines

Annually, the Town will determine a particular budget approach for forecasting expenditures, either maintenance (level service), level funded, or one that adjusts expenditures by specified increase or decrease percentages (either across the board or by department). A maintenance budget projects the costs needed to maintain the current staffing level and mix of services into the future. A level-funded budget appropriates the same amount of money to each municipal department as in the prior year and is tantamount to a budget cut because inflation in mandated costs and other fixed expenses still must be covered.

C. Financial Forecast Guidelines

To determine the Town's operating capacity for each forthcoming fiscal year, the Town Administrator and Finance Director will annually create and provide the Select Board and Finance Committee with a detailed budget forecast. The Town Administrator and Finance Director shall also annually prepare a five-year financial projection of revenues and expenditures for all operating funds. These forecasts shall be used as planning tools in developing the following year's operating budget as well as the five-year capital improvement plan.

To ensure the Town's revenues are balanced and capable of supporting desired levels of services, forecasts for property taxes, local receipts, and state aid shall be conservative based on historical trend analyses and shall use generally accepted forecasting techniques and appropriate data. To avoid potential revenue deficits, estimates for local receipts (e.g., inspection fees, investment income, license fees) should generally not exceed 85 percent of the prior year's actual collections without firm evidence that higher revenues are achievable.

Additionally, the Town's forecast model should assume that:

- Current service levels will be maintained
- Property taxes (absent overrides) will grow at the limits of Proposition 2½
- New growth will be projected conservatively, considering the Town's three-year average by property class
- State net school spending requirements will be annually met or exceeded
- Local receipts and state aid will reflect economic cycles
- Historical trends in the growth of operating expenses and employee benefits
- Estimated cost-of-living adjustments of future contract settlements and compensation plan increases
- Debt service on existing debt will be paid and Capital Planning and Debt policies will be followed
- Annual pension contributions and appropriations to amortize its other postemployment benefit liabilities will continue
- Reserves will be built and maintained in compliance with its Financial Reserves policy

REFERENCES

[Chapter 218 of the Acts of 2016](#)

[M.G.L. c. 44, §63](#)

[M.G.L. c. 44, §63A](#)

[M.G.L. c. 44, §53A](#)

[M.G.L. c. 53A½](#)

[M.G.L. c. 44, §20](#)

Carlisle Debt
Management Policy
Carlisle Financial
Reserves Policy

Division of Local Services Best Practice: [Revenue and Expenditure Forecasting](#)
Division of Local Services Bulletin 2013-01B: [Bond Premiums and Debt Exclusions](#)
Government Finance Officers Association article: [Structuring the Revenue Forecasting Process](#)

EFFECTIVE DATE

This policy was adopted January 2023