

Budget Guidelines for the Town of Hanover Board of Selectmen

Adopted by the Board of Selectmen: December 7, 2015

Introduction:

The Board of Selectmen's primary responsibility as it relates to the fiscal management of the Town is to bring to Town Meeting each year a proposed budget for discussion and hopefully adoption.

Over the years the Board of Selectmen has been guided by a set of beliefs and objectives that have informed its decision making and are summarized below.

Definitions:

Grand List: Total assessed value of all taxable property in the Town of Hanover

Tax Levy: Total revenues raised from taxes

Tax Rate: $\text{Tax Levy} \div (\text{Grand List}/1000)$

Individual Tax Bill: $\text{Tax Rate} \times \text{Individual Assessed Value}$

State Downshifting: Downshifting occurs when the State no longer shares revenues (i.e. rooms and meals tax), and /or no longer shares costs (i.e. retirement funding) as they have historically. Downshifting either lowers revenues or increases costs to the Town.

Consumer Price Index (CPI): An economic indicator published by the US government which measures the change in the cost of a hypothetical basket of goods (food, clothing, gas, electricity, insurance, etc.) consumed by the average household.

Municipal Cost Index (MCI): An economic indicator published by *American City and County* which measures the change in the cost of providing services to residents of municipalities and counties; to include the costs of labor, materials, and contracted services.

Objectives and Beliefs:

1. *Our primary budget objective is to balance the needs/desires of our citizens with their willingness and ability to pay.*

Discussion: Given the unique service provided by a municipal government, pegging projected increases to standard market indexes is problematic. Truly, the development of a municipal budget is more an art than a science. In addition to considering the CPI and the MCI as context for setting the targeted tax rate change for the proposed budget year, The Board of Selectmen will also heavily weigh the following factors:

- Anticipated change in Grand List
 - Anticipated impacts on the local property tax from the State's downshifting of its budget responsibilities
 - Projects of high community priority to be taken on in the upcoming budget year(s)
 - Known increases in employee wages and benefits previously negotiated as part of the collective bargaining process
2. *We appreciate Town staff as professionals and valued partners and want to provide a climate and culture that will attract and retain the best.*

Discussion: Our goal is to pay in approximately the 75th percentile for towns of our size and complexity along with competitive benefits and a positive, long term work environment. We believe that this will allow the Town to attract and retain the best.

3. *Before funding new initiatives, our goal is to maintain a high level of current services and to provide them cost effectively.*

Discussion: Town staff is continually looking at ways to save money. Examples include implementing energy efficiency improvements and selectively contracting out some services (e.g. recycling) while bringing others in house (e.g. downtown trash pickup and highway line painting) . Hanover citizens expect a very high level of services (bare pavement plowing, rapid public safety response, paramedic-level EMS services, full range of recreational programs, etc.) which need to be met before new initiatives are funded.

4. *Our goal is to adequately fund long term liabilities.*

Discussion: We do not kick the can down the road. In difficult budget years, the least painful short term ways to balance a budget are to underfund ongoing operations (e.g. road paving) or to inadequately fund capital and / or operating reserves. Not adequately funding current operations inevitably costs more in the long run. Good fiscal management requires that we adequately fund capital reserves to meet future capital liabilities and operating reserves to meet unexpected expenses or shortfalls in revenues.

5. *The Board of Selectmen does not use operating reserves to manage the tax rate.*

Discussion: Our reserve management guideline is intended to assure this.

6. *The Town invests for the long-term.*

Discussion: We would prefer to do a project right rather than cheaply. This is reflected in our willingness to fund projects over several years so that there is adequate money to do the job well. Examples of investing for the long-term include the development of Dresden Village, the rebuilding of Reservoir Road after the flood, and bike lanes on Park Street.

7. The Board of Selectmen believes that spending by the Town on new initiatives can generate significant value to the tax payers.

Discussion: Spending requests come from many sources: Affordable Housing, Conservation Commission, Sustainable Hanover, Planning Board, and Recreation Department to name a few.

Recent examples of initiatives that the Board of Selectmen believes have added significantly to our collective quality of life (standard of living) or reduced future expenses include:

- The Richard W. Black Community and Senior Center;
- Howe Library expansion of facility and hours;
- Dresden Village improvements;
- Bike Lanes on North and South Park Street;
- Properly rebuilding Reservoir Road so that it hopefully will not wash out with every big storm;
- Etna Library/Hayes Farm Park project;
- Sustainable Hanover initiatives;
- Contributions to the Three Party Agreement that led to new and renovated schools.

These projects could not have been accomplished without some incremental spending beyond bare bones budgets.

8. We recognize that all of the above objectives may not be achievable in any given year.

Discussion: In years when not all of the above objectives are able to be met, the Board of Selectmen will address any deviation from these guidelines during the Budget Public Hearing process and at Town Meeting.

9. The Town will pass through State downshifting to the taxpayer.

Discussion: The State, without a broad based tax, has limited ways to deal with State budget issues such as the underfunded State retirement system. The State has solved its problem by downshifting, and thus, in essence, tapping into a broad based tax at the local level.

Downshifting has been a very effective strategy for the State and we can expect even more in the future. Absorbing State downshifting is unsustainable to the Town and would quickly lead to a significant reduction of Town services.

The Town is sensitive to this added expense to the taxpayer. In years when down shifting is the most severe, the Board of Selectmen will do as much as is reasonable to limit the impact.