

MAC's Top Budgeting Tips for Next Fiscal Year

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Are you ready to budget for the next fiscal year? Here are some tips to help you plan.

- 1. Keep long-term goals in mind when developing your budget.** Be aware of future needs and be sure the budget incorporates a way to reach those goals. Your budget is NOT just a one-year commitment: your annual budgets should be the vehicle to finance your Town Plan and Capital Improvement Program goals along with the municipality's annual operations. If you continually defer these costs, you will most certainly pay for them down the road with higher maintenance, repairs, or exorbitant financing costs. Careful capital investment planning and funding should continue through a crisis. Temporarily suspending funding, rebalancing project loads, or refinancing debt are ways to relieve some fiscal stress in a given year. Just be sure you have a catch-up plan in place for future budgets.
- 2. Historical data tells a story and needs to be analyzed for trends and used in forecasting.** This is particularly important when there is uncertainty about future revenues and expenses. DO NOT use the old incremental budgeting method (adding a percentage increase to the current budget). It's a poor practice and can lead to disaster. Look at the past 3 to 5 years of revenues and expenses and factor in any information you have about what the future may hold for each of your major line items (taxes, salaries, benefits, etc.). Be conservative with revenues and consider eliminating any lower priority programs or costs.
- 3. Collective bargaining agreements and other multiple-year contractual arrangements (leases, consulting, any professional services) matter.** Understand your contracts thoroughly and brainstorm options for cutting costs. You may be able to renegotiate some lease or service agreements depending on contract language and

vendor flexibility. Union contracts are a bit more challenging. Read the contracts carefully and determine where you may have some wiggle room. A discussion with bargaining unit representatives may yield positive results if they are faced with unpalatable consequences but are treated fairly and with respect.

If you have questions about how to approach developing your next proposed budget, please contact MAC's Government Finance Specialist, Sarah Macy, at smacy@vlct.org

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