

# Finance Committee Policy on One-Time Revenues:

---

It is the primary goal of the Dartmouth Finance Committee to ensure that budgets are fiscally responsible and sustainable; unfortunately, the recent trend has been toward a growing budget gap. A 2007 Massachusetts Department of Revenue audit of the town's finances pointed to a number of root causes which we seek to address in order to move toward a sustainable long-term financial outlook for the community.

The largest problem area has been the trend of increasing reliance on one-time revenues to pay for recurrent operating budgets. These onetime revenues have included transfers from the stabilization fund, transfers from enterprise funds, sales of assets, special state "pothole" appropriations and department turn-backs (unexpended money) from prior operating budgets. When these one-time sources of revenue were applied to recurring operating budgets, budgets increased beyond the amount of recurring revenue. This required that leaner budgets be adopted, which in turn reduced the size of the turn backs. The effect snowballed until the gap was critical.

The practice has also placed Dartmouth in a situation where our cash reserves are dangerously low. Any unexpected expense could not be absorbed without borrowing. A responsible cash reserve in the stabilization fund also improves the town's ability to borrow money at favorable rates and allows it to self-insure for a number of unexpected occurrences—allowing it to carry higher insurance deductibles and consequently lower insurance premiums.

To stabilize the budget, the Finance Committee unanimously recommends the following policies:

1. One-time revenues should only be applied to: Capital improvements, property acquisitions, contributions to the stabilization fund and single year casualties.
2. Budgets established in the spring town meeting should be considered to be "fully funded." As a general rule, there should be no supplemental appropriations to departmental operating budgets in the fall town meeting.
3. Departmental turn-backs available in the fall town meeting should be deposited in the stabilization fund or applied to single year payments of capital improvements. These purchases should not take on debt schedules that require future appropriations beyond what can be funded from the recurring revenue stream.

It is in nobody's interest to grow budgets at an unsustainable rate—as we have seen, failure to maintain this financial discipline will quickly lead to painful decisions. Even by adhering to these recommendations, the rate of increase in some expense categories will place strains on future budgets; but Dartmouth will be in a better position to meet these challenges if it maintains a disciplined approach to the budget process.