



News You Can Use: Budget Accountability and Oversight

The City of Melrose budget is reviewed by multiple officials from local, state, and federal agencies, as well as by an independent outside auditing firm each year. These audits cover everything from the big picture of the entire operating budget and our long-term outlook to the small details of how we document and monitor expenditures.

How Does the Budget Come Together?

- Every spring, the mayor's office works with all city department heads to develop the upcoming fiscal year's budget. During that process, department heads review the prior year's budget for their department (some oversee multiple and year-to-date actual spending numbers. They identify needs for their departments and ways to deliver programs and services more efficiently, as well as possible cost-saving measures.
 - The School Department's budget, which makes up a large portion of the city's total operating budget, is compiled by the Superintendent and School and City finance staff and is reviewed through a series of public meetings held by the School Committee.
- After the internal department head review, the Mayor, the CFO, and the City finance team put together a complete, balanced budget proposal that includes the school budget.
- Per the City Charter, in May the Mayor, presents the City operating budget to the City Council for review and approval.
 - During that process, which lasts several weeks, the Council holds a series of budget hearings in which they go line by line for every department, through the City's budget.
 - Each department head appears before the Council to answer any questions.
 - The Council has the authority to amend the budget by reducing or rejecting any budget line item, but they may not increase the total amount of a budget line or move funds between lines.
 - Per state law, the City Council must approve a final budget before the new fiscal year begins on July 1.

What About Outside Review?

The City of Melrose's finances are regularly and carefully reviewed by a variety of different agencies and outside firms, and we must satisfy all these reviews in order to continue to operate without state oversight. The City is required both by state law and by City Charter to have an independent outside firm audit the city finances each and every year. The independent audit includes a thorough review of our

general operating budget, as well as our four enterprise funds (Water, Sewer, Ambulance and Mount Hood). The City Council is aware of this outside audit and approves the cost of hiring the outside auditing firm during each budget cycle.

After the independent audit is completed, the outside auditing firm sends an audit report directly to the Massachusetts Department of Revenue (DOR). We are also required to send our financial audit to the Massachusetts Department of Elementary and Secondary Education (DESE). In addition to state agencies, if we receive federal funding, for instance from the Federal Emergency Management Agency (FEMA), we provide documentation for their review as well.

These compliance checks examine a variety of financial factors including:

- That the city spends money according to the budget approved by the City Council in accordance with Massachusetts General Laws.
- That we have met all State and Federal compliance requirements; and
- That there were no improper expenditures.

Another outside agency also reviews our financial documents: Standard & Poor's, who determines the city's bond rating. Similar to a personal credit score for the city, the bond rating indicates our ability to manage our debt and our financial affairs. **Having a strong bond rating saves the city money because we are able to borrow at a lower interest rate.** This is especially important as we seek to bond the \$130M for the public safety buildings project as approved by voters in November 2023.

The City of Melrose's current bond rating is AA+, the highest in the city's history. When Standard & Poor's review the rating, they always note the city's **strong financial management**, including last year. They also look favorably on our reserve funds and our free cash balance. Because the City budgets conservatively, it pays dividends, as it enhances our financial position and assists in maintaining our strong bond rating.

In addition, the analysis of our financials by the state Department of Revenue, Division of Local Services **must be completed** to the agency's satisfaction before we are allowed to use our free cash or set our tax rate each year. Standard & Poor's thoroughly reviews our financials, **every time** we borrow money or refinance our existing debt.

All of these reviews, which occur every year, are done for one reason: To ensure that the City of Melrose is properly handling the taxpayers' money.