

Tools & Tips for Building Capital & Operating Budgets

Ever wish you could brush up your budgeting skills and deepen your understanding of the process with the help of a trusted partner? Or you could learn more about the critical role of capital planning in your municipality's future but don't know how to implement it or take what you might have to the next level without a little bit of insider knowledge or guidance? Well, consider VLCT your new budget-best-friend.

This page is dedicated to providing those of you involved with municipal money matters with tips and tools to help grow your knowledge and skills base for successful budget building.

Webinar:

Muni Mornings + Money Matters: Tools & Tips for Capital and Operating Budgets

(August 28, 2025)

Recording: [Muni Mornings with Kathleen - 8.28.25](#)

Slide deck: [Muni Morning + Money Matters Slides](#)

Tools & Tips:

Budgeting:

Approach & Strategy:

NEW! VLCT Tool:

[Key Pillars of Our Budgeting Process \(08/25/2025\)](#)



Budget Timeline & Budget Cycle:

NEW! VLCT Tools:

[FY27 General Fund Budget Timeline Template \(Word \)](#)

[Budget Timeline with Dates](#)

[Budget Cycle Process Chart](#)

VLCT Resource: [VLCT's Municipal Calendar](#)

Analyze Last Year's Budget Results and Year-to-Date Reports

VLCT Tip: *Look at budget trends to be sure you are budgeting enough to cover actual expenses:*

- *Review last fiscal year end's preliminary budget results for fiscal year ending June 30 budgets and audited budget results (if available) for calendar year budgets.*
- *Review year-to-date budget results.*

Major Budget Drivers

NEW! VLCT Tools:

[Major Drivers Budget Worksheet Template \(08/25/2025\)](#)

[Retrieving Northeast CPI U from BLS.gov Website](#)

Major Drivers

- [Census Region : Northeast Information Office : U.S. Bureau of Labor Statistics](#)



- [Green Mountain Care Board Sets 2026 Health Insurance Rates Far Below Carriers' Requests](#). Key outcomes of the 2026 rate review:
 - BCBSVT (Individual Market): 9.6%
 - BCBSVT (Small Group Market): 4.4%
 - MVP (Individual Market): 1.3%
 - MVP (Small Group Market): 2.5%
 - [GMCB Press Release](#)
- Local Option Tax: Thanks in large part to the VLCT Advocacy Team, there was an upward revision to the local option tax withholding formula. Act 57 of 2025 changed the apportionment of Local Option Tax receipts for municipalities and the Payment in Lieu of Taxes (PILOT) Fund. Effective October 1, 2025, municipalities receive 75%, and the Pilot Fund receives 25%.

Other Tips:

- New Position? Adjust hire date to help phase in the budgetary impact.
- Minimum Wage for 2026 will be announced in early October on the Vermont Dept of Labor website, <https://labor.vermont.gov/>. The [minimum wage for 2025 is \\$14.01/hour](#). An increase in the Minimum Wage may impact payrates for other hourly workers as well.

Helpful Resources:

- VLCT: Tax Rate Calculator [Municipal Tax Rate Calculator](#)



- VLCT: Debt Capacity Calculator [Debt Capacity Calculator](#)
 - [VLCT's Model Accounting Auditing and Reporting Policy with Guidance](#)
 - [VLCT's Model Balanced Budget Policy](#)
 - [Vermont Municipal Compensation and Benefits Report](#)
 - [VLCT Model Social Services Appropriation Policy](#)
 - [Debt Service Impact on Tax Rate Spreadsheet \(08/25/2025\)](#)
 - Vermont Department of Taxes: [How to Adopt a Local Option Tax in Your Community](#). The Town of Hartford has a nice informational piece on their website, [Local Option Tax | Hartford, VT](#).
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Borrowing:

VLCT Resource: [When Can the Legislative Body Borrow Money Without Voter Approval?](#)

Other Resource: [Vermont Statute on Indebtedness](#)

Common Sources of Loans:

- Local/Regional Banks



- [Vermont Municipal Equipment Loan Fund](#) for the purchase of construction, fire, emergency, or heavy equipment or vehicles.
- [Vermont Bond Bank Pooled Loan Program](#). Program Requirements:
 - Require evidence of voter approval and authority
 - Legal opinion from local bond counsel. [Vermont Bond Bank Approved Legal Counsels](#)
 - Annual report for three years or three years of financial audits (preferred).
 - Minimum requirement for financial audit from last completed year. [VLCT Auditing Resources](#).
 - Term of financing and useful life of asset financed must align.

VLCT Tip: *The staff at the Vermont Bond Bank are knowledgeable and easy to work with and will support you every step of the way. HOWEVER, there are statutory requirements for holding a bond vote and documenting all steps in the bond approval process that MUST be met. Do it right the first time: contact an approved bond counsel early in the process of bringing your project to the voters for approval – you'll save money in the long run!*

Among a long list of procedural and documentation requirements, Bond Counsel will provide assistance with:

- **Notice of Intent to Bond:** Legislative body Declaration of Official Intent ("reimbursement resolution").
- **Necessity Resolution** adopted by legislative body of municipality authorizing improvements and submission of the proposition of incurring indebtedness therefor



to municipality at annual/special meeting.

- **Drafting the Article** for the Town Meeting Warning.
- **Public Notice Requirements** for Town consideration of bond vote. 24 V.S.A. § 1756: publishing the Warning in a newspaper once a week for three consecutive weeks on the same day of the week and posting the Warning in five public places.

[Vermont Statute on Notice of Meeting; Authorization \(for bonding](#)

Debt Management

VLCT Resource: [VLCT Model Debt Management Policy with Guidance.docx](#)

Vermont Bond Bank Resource: The Vermont Bond Bank regularly supports communities with customized debt capacity benchmark analysis (ken@vtbondagency.org).

NEW! VLCT Tool:

[Debt Service Impact on Tax Rate Spreadsheet \(08/25/2025\)](#)

Capital Budgeting:

Tip 1: Asset Management = Cost Savings:

Know what you own. Take care of it. Plan and budget *before* disaster strikes or it breaks.



Why do capital assets matter?

These assets make life safe and functional for residents. If they're not cared for, they can break down, cost more to fix later, or even risk public health and safety.

What often goes wrong?

Towns are under pressure to keep costs low and look only at the annual operating budget and put off maintenance and replacement. That makes things worse (and more expensive) in the long run. Think of costs now compared to last year and now looking pre-covid. Planning ahead allows the town to stay in the driver's seat of its fleet as opposed to disasters or accidents, forcing the town into a reactionary and expensive chain of events in order to deliver fundamental services.

What should Towns do?

- **Keep an inventory:** Know what you own, where it is, how old it is, and what condition it's in.
- **Set standards:** Decide what "good condition" looks like (roads rated by Pavement Index, bridges by inspection scores, etc.).
- **Update regularly:** Check condition every few years at least.
- **Plan ahead:** Build these needs into a multi-year capital plan and capital (annual) budget. Think life cycle cost, what will the cost of be to acquire, maintain and dispose of asset over its lifetime?
- **Fund maintenance:** Dedicate enough money each year for repair and replacement.



- **Report clearly:** At least every three years (ideally annually), give the selectboard and public an easy-to-read report on the condition of town assets and funding needs.

JUMPSTART: Much of the information needed to start capital planning comes from existing records:

- Insurance schedules
- The town plan or long-range planning documents
- Equipment logs and maintenance records
- Past capital project files

Start by gathering what's already documented. Fill in gaps with age estimates, condition assessments, and replacement costs. Over time, this builds a complete picture of your town's assets and priorities—without starting from scratch.

Tip 2: Policies that help, not hinder

A good policy should simplify, not complicate. Use fewer clear policies that cover essentials without adding red tape. The goal is transparency, continuity, and sound decision-making, not paperwork overload. You don't need multiple policies if one can cover the essentials with fewer policies.



Ex. VLCT Model Capital Program and Budget Policy:

One can include key asset management practices—like inventories, condition checks, and depreciation schedules—without creating a separate document/policy such as an asset management policy.

Keep it simple, clear, and consistent. A good policy promotes transparency, continuity, and sound decision-making, while helping new staff or boards understand how and why decisions are made.

JUMPSTART: Use an existing template or a neighboring town's policy and adapt it for your community!

NEW! VLCT Tools:

[Capital Improvement Plan 5 YR Summary](#) (Template - 08/25/2025)

[Capital Project Request](#) (Template - 08/25/2025)

[Model Asset Management Policy Insert](#) (to accompany existing VLCT Capital Program and Budget Policy as well as VLCT Debt Management Policy) (08-25-2025)

GFOA Template: [Asset Management Template](#)

Tip 3: Make the Budget Work for the Plan

Why does the capital budget matter?

A multi-year capital plan lays out the town's needs over 5–20 years. The capital budget is the annual piece—the projects and purchases actually funded this year. Together, they make sure today's spending fits into tomorrow's goals.



What often goes wrong?

Towns treat the capital plan and the budget as separate things, or skip the plan altogether. This results in reactionary spending—only fixing what breaks—rather than steady, affordable investment. Emergencies then drive the budget instead of priorities.

What should towns do?

- Dedicate funds each year for maintenance and replacement, not just new projects.
- Use the capital plan to guide what goes into the annual budget.
- Adjust for inflation and rising costs so estimates stay realistic.
- Report clearly on how projects connect to long-term goals and community needs.
- Balance short-term affordability with long-term savings—sometimes spending now prevents a much bigger bill later.

Think of it as the two of them working together.

The plan is the roadmap, and the annual budget is the next mile on the journey. Both are needed to keep the town in the driver's seat instead of reacting to emergencies and causing for higher costs.

Resources:

- **GFOA Best Practices:**
 - [GFOA document on what to include in a capital plan \(best practices\)](#)



GFOA Multi-Year Capital Planning (best practices)

- **What it is:** A 5–25 year roadmap for major assets (roads, water, buildings, equipment).
- **Why it matters:** Keeps services reliable, finances sustainable, and the community future-ready.
 - **Key parts:**
 - Identify needs using asset life cycles and growth plans
 - Estimate full project and long-term costs
 - Prioritize by safety, preservation, and growth
 - Match projects with sustainable funding
 - Consider environmental and community impacts
- [Regional Planning Commissions](#)
- [Municipal Planning Grants \(ACCD\)](#)
- **Appoint a CIP Committee.** Some towns (including North Hero and Cornwall) have appointed a CIP Committee.

Having a tough time getting started?

VLCT's Municipal Support Team is here to help! Government Finance Specialist Marguerite Ladd, mladd@vlct.org, and Municipal Operations Specialist Kathleen Ramsay, kramsay@vlct.org.

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