

Town of Medfield Financial Policies

(Adopted as of __/__/2018)

I. Purpose

To provide guidance to Town Departments, Boards, and Town Meeting in establishing annual budgets and long-term financial planning. The goals of the policies are as follows:

- To adopt an approach to financial planning, spending, and taxation that is consistent with the Town's long-term goals and plans. To protect against variations in Town revenues outside the control of the Town government and its residents to ensure adequate funding of necessary town services in times of economic distress.
- To minimize variations in the tax, water and sewer rates, and to spread the cost of providing needed services fairly across residents and businesses over time.
- To maintain adequate reserves that can be used in times of emergency to avoid cuts to necessary services and increased tax burdens in times of economic stress for citizens and the Town Government.
- Recognizing the need to invest and preserve the significant investment the Town has made in its capital facilities over the past fifteen years and will make over the next five years, the Town must fund adequately fund capital budgets necessary to provide essential municipal services to the Town's residents and businesses.
- To maintain a high bond rating and an affordable level of debt over time.
- To take a long-term approach to budgeting and to avoid the risk that short-term considerations will overwhelm the need for adequate long-term planning and funding.

II. Capital Expenditures

A. Capital Budget & Capital Building Plan

1. Capital Budget

Consistent with the Town Charter, the Town shall maintain a 5-year capital budget updated annually by the Capital Budget Committee after the Annual Town Meeting. The Capital Budget Committee shall submit a proposed Capital Budget to the Board of Selectmen and the School Committee. Upon approval by the Board of Selectmen and School Committee, the capital budget will be effective until a new capital budget is adopted. The 5-year capital budget will be reviewed annually by the Warrant Committee as part of its budget review process for each Town Meeting.

The Capital Budget Committee is responsible for analyzing proposed capital investments and making a recommendation to the Board of Selectmen and School Committee about which capital assets should be added, repaired, replaced, or updated and when that should be done. Departments should not acquire capital assets outside of the capital budgeting process defined herein. In submitting the proposed 5-year capital budget to the Board of Selectmen and the School Committee, the Capital Budget Committee shall provide a rationale for each proposed expenditure included within the 5-year capital budget.

The 5-year Capital Budget shall include all (1) building repairs, system upgrades, alterations, or improvements with a useful life of more than 5 years from the ; (2) road improvements; (3) vehicles; (4) information technology infrastructure; (5) Water & Sewer projects and infrastructure; (6) Any items with a useful life of more than 5 years and costing more than \$25,000.

Items should only be included in the capital budget if they are necessary to the provision of essential services approved by the Annual Town Meeting, and are considered replacements, repairs, or upgrades of existing capital assets. Any expansion of permanent capital assets, such as the addition of a new vehicle that increases the Town's total fleet, should be submitted separately to an Annual Town Meeting for approval.

The 5-year capital budget shall include projected cost of any items approved for inclusion therein and projected funding source (*i.e.*, general tax levy, debt exclusion, Capital Stabilization Fund, Chapter 90 funds, departmental revolving funds). No items shall be included on the 5 year capital budget without a project funding source.

For items to be funded by the general tax levy, the Capital Budget Committee shall recommend a consistent level of levy usage based on the Town's capital needs over the course of the 5-year capital plan in an effort to permit predictable operational budgets.

Items not included within the 5-year capital budget shall only be funded via the capital budget in the case of an emergency that could not have been anticipated at the time the most recent 5-year capital budget was adopted.

2. Capital Building Maintenance Plan

The town shall maintain a 20-year Capital Building Maintenance Plan ("20-Year Capital Plan") for building-related investments and repairs. The 20- year Capital Plan will assess whether it is preferable to address the issues identified therein by repair or replacement of the building. The plan will include estimates of the total cost of the proposed capital repairs, as well as an estimate of when those costs will be incurred. The 20-year Capital Plan shall be updated every 2 years by the Director of Facilities with the assistance and approval of the Permanent Planning and Building Committee. The Facilities Master Plan maintained by the Permanent Planning and Building Committee pursuant to Chapter 10-20-9 of the Code of the Town of Medfield may be incorporated into the 20-year Capital Plan.

Once approved by the Permanent Planning and Building Committee, the 20-year Capital plan will be submitted to the Board of Selectmen and the School Committee for their approval. While the Director of Facilities and the Permanent Planning and Building Committee will recommend which items should be included in the 20-Year Capital Plan, the Selectmen and the School Committee have final responsibility for determining which items are designated for inclusion in the 20-year Capital Plan.

It is the intention of this Policy that expenses included in the 20-Year Capital Plan will be paid out of the Capital Stabilization Fund designated in Section II(B) below according to the

terms of the Capital Stabilization Fund created by the 2018 Annual Town Meeting. No item shall be recommended for funding from the Capital Stabilization Fund unless approved for inclusion as part of the 20-year Capital Plan.

B. Capital Stabilization Fund

Consistent with the provisions of the Municipal Modernization Act, and subject to the approval of Town Meeting, there shall be established a Capital Stabilization Fund.

To limit the costs of borrowing, to take advantage of long-term capital planning, to spread the cost of maintaining the Town's buildings equitably over time, and ensure the availability of funds to cover expected and predictable capital expenses, Town shall fund its capital building expenses identified in its 20-year Capital Plan from its Capital Stabilization Fund. Given the unpredictability of interest rates over the course of the next 20 years, to avoid the need for serial debt exclusion votes, and to limit the impact on operating budgets providing needed services, the Town will fund as much of its capital expenses, in the first instance, from the tax levy rather than long-term borrowing via debt exclusion. The Capital Stabilization Fund shall draw upon the revenues generated by an operating override adopted as of __/__/__ for that purpose.

The Stabilization fund will be utilized for expenses related to the design, construction, and implementation of capital building and maintenance projects as defined in the Municipal Facilities Evaluation and Capital Plan developed by the Director of Facilities, and thereafter in the 20-year Capital Plan described in Section II(A)(2). It is not the intention of this fund that the full amount be spent in any one year, but that funds accumulate for use according the 20-year Capital Plan and as specifically appropriated as part of the 5-Year Capital Budget.

The Board of Selectmen shall annually appropriate to the Capital Stabilization Fund the full amount of the dedicated tax levy limit directed by the voters to the Capital Stabilization Fund unless:

- A lower annual amount is sufficient to fund the then-current 20-year Capital Plan; or
- An alternative source of funding (debt exclusion, federal or state grant, sale of town land) has been identified to fund all or a portion of the 20-year Capital Plan.

Before voting to approve an amount lower than the full amount of the designated levy limit approved by the voters, the Board of Selectmen agrees that it will provide notice to, or consult with, the School Committee, Permanent Planning & Building Committee, Capital Budget Committee, and Warrant Committee of its intent to do so and provide those committees the opportunity to be heard before holding a final vote on appropriating a lower amount than that approved by the voters.

An article will be placed on each Annual Town Meeting Warrant to appropriate the funds necessary from the Capital Stabilization Fund, subject to availability, to fund those repairs identified in the 20-year Capital Plan and approved for inclusion in the 5-year capital budget for that year.

III. Reserves and Free Cash

The town shall have a goal of maintaining reserves of 9-12% but no less than 7.5% of its total annual expenditures in free cash or other reserve accounts or stabilization funds not limited to specific purposes. The goal of these reserve accounts is to permit the town to maintain its level of services during an economic downturn without seeking to burden taxpayers with a tax increase during times of economic distress.

These reserves may be drawn below the minimum level when non-property tax revenue is reduced by more than 10% year over year. But in no event shall the reserve accounts (including free cash) be permitted to fall below 2.5% of the Town's total annual expenditures .

The Town shall maintain a free cash balance equal to at least 2.5% of its total annual expenditures approved at the most recent Town Meeting.

IV. OPEB

The Town shall continue to appropriate funds annually to the OPEB trust fund in an amount no less than \$425,000 in the fiscal year after this policy is adopted, with the goal of increasing that contribution 10% annually thereafter. This target is subject to revisions based on changes to applicable accounting guidance and actuarial reports.

V. Proceeds from the Sale of Town Land

To the extent permitted by law, the proceeds of any sales of town land or other assets shall be deposited in a reserve, stabilization, trust, or other fund designated to fund (or reserve against) the town's long-term liabilities, or otherwise to reduce long-term, nonrecurring liabilities.

Adopted:

Board of Selectmen

Date:

School Committee:

Date:

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