TOWN OF MEDFIELD

FINANCIAL MANAGEMENT POLICIES AND OBJECTIVES

Original Adopted July 31, 2018

Revised and Adopted January 2022

Revised and Adopted _____ 2024

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Introduction

The Town of Medfield has an important responsibility to carefully account for public funds, to manage municipal finances wisely, and to plan and provide for the adequate funding of services and as required by laws, rules, or regulations, including the provision and maintenance of public facilities and improvements. The financial objectives and policies set forth by the Warrant Committee (WC) and Select Board (SB) in this document are intended to establish guidelines for the continued financial strength and stability of the Town of Medfield.

It is the policy of the Town of Medfield that financial management is conducted with the objectives of safeguarding public funds, protecting the Town's assets, and complying with financial standards and regulations.

To help ensure the Town's financial stewardship, an established program of managing the Town's finances becomes essential. To this end, the WC and SB seek policies and procedures that are financially prudent and, in the Town's best economic interests.

Objectives are broad, timeless statements of the financial position the Town seeks to attain. The Town of Medfield shall pursue the following objectives:

- To provide value to the residents of Medfield for their tax dollars by delivering quality services efficiently and cost effectively.
- To provide and maintain adequate financial resources necessary to sustain a sufficient level of municipal services, along with responding to changes in the economy, the priorities of government and non-government organizations, and other changes that may affect our financial position.
- To provide effective financial management within the Town that conforms to generally accepted accounting principles.
- To ensure public accountability in public financial management.
- To protect and enhance the Town's credit rating.
- To provide quality, essential public safety and education services at an efficient cost.
- To provide safeguards to ensure the quality and integrity of financial systems.
- To minimize the Town's financial risk and protect against unforeseen emergencies with available reserve funds.
- To protect and maintain the Town's capital assets.

To achieve the above objectives, the WC and SB have adopted the following financial policies. The WC and SB will review compliance and progress toward these stated financial policies on an annual basis. As part of that review, the Town Administrator will report on the status of the goals, particularly how the current reserve balances compare to stated goals. This will be called our "Scorecard".

- The WC and SB will review the Policies to see if updates are needed at least every three years.

Further, it is the intention of the WC and SB that these financial policies will serve as the Town's guiding financial principles. The Town will not diverge from the policies without a clear statement and analysis of the change(s).

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Definitions:

General Fund Reserve: A term that encompasses the "Warrant Committee's Reserve", "Free Cash", and "General Stabilization Fund" balances, as well as any other funds that are not set aside for a specific purpose.

General Fund Operating Expenditure Budget, net of debt service: The total general fund operational expenditures of the town, including shared fixed costs as well as school and town departments operating expenditures, and ***excluding*** debt service.

General Fund Operating Revenue, net of debt service: The total amount of general fund revenue of the town, including property tax levy, state aid, local receipts, enterprise fund offset, other available funds, and ***excluding*** both debt service and the amount for the Municipal Building Stabilization Fund override.

Overall Financial Policies

A. Accounting, Auditing and Financial Planning

1. The Town will prepare annual financial reports in accordance with Generally Accepted Accounting Principles (GAAP) as outlined by the Government Accounting Standards Board.

2. An annual audit will be performed by an independent public accounting firm. A report on the fairness of financial statements is the main element of the audit. The independent public accounting firm shall present to the SB after completion of the annual audit to report on the results.

3. The Town will maintain strong financial controls to ensure compliance with Town Meeting appropriations and state regulations.

4. The Town will strive to prepare quality financial reporting including clear financial statements, high quality, user friendly annual budget documents, and an Annual Comprehensive Annual Finance Report (ACAFR).

5. Each year, the Town Administrator in conjunction with the Superintendent of Schools will prepare annually a five-year financial projection of revenues and expenditures for all operating budget funds. This forecast shall be used as a planning tool in developing the following year's operating budget. The Town Administrator will provide the forecast to the SB, WC, and School Committee for use in their budget decision making. The forecast will be conservatively based on historical trend analyses and will use generally accepted forecasting techniques and appropriate data.

6. In preparing the Annual Warrant Report, the SB will ask the WC to determine whether the WC's recommended budget and any alternative budget proposed in the Warrant Report complies with the requirements of the financial policies in this document. The Annual Warrant Report will display the following:

(a) the measure of compliance mentioned above to show whether any proposed budget included in the Annual Warrant Report, if adopted by the Town Meeting, complies with these financial policies.

(b) If the WC's budget does not comply with the financial policies, the WC and the SB will include an explanation of why the budget is not compliant and the position of the WC and SB as to why each body believes the Town Meeting should or should not adopt a budget that does not comply.

(c) If any alternative budget included in the Warrant Report does not comply with the financial policies, the proponent of such alternative budget will be invited to include an explanation as to why the Town Meeting should adopt a budget that does not comply, and the WC and the SB (if the SB are not the proponent of the alternative budget), will be invited to include statements as to their respective positions on the alternative budget.

7. Upon DOR certification of Free Cash, the SB will confirm that the financial policies have been met for the prior fiscal year. That confirmation from the SB will appear in the Annual Warrant Report in addition to being published on the Town Website. If the Town, is not in compliance with the financial policies, the SB will include an explanation in the Warrant Report and on the town website along with what actions, if any, are being taken to bring the budget back into compliance for the upcoming fiscal year.

8. The Town shall strive to attain a strong and favorable credit rating. The Town's credit rating is a statement of its overall fiscal health as a government and as a community. The benefit of having a strong credit rating is realized in lower interest rate costs on the Town's long-term debt issues. The Town will strive to maintain a strong and favorable credit rating by practicing prudent financial management, strong budget control, good cash management and timely billing and collection.

B. General Fund

1. The annual budget should be prepared such that all current operating expenditures will be paid with current operating revenue. The Town should strive to not fund ongoing operating expenditures with non -recurring revenue sources, such as free cash. Operating expenses shall be supported by ongoing recurring revenue sources, (i.e., property taxes, state aid, local receipts and fees). The WC after reviewing projected ongoing recurring revenue and shared fixed costs, shall provide upfront omnibus budget guidance within the Prop 2 ½ framework to all budget makers.

   It is expected that the aggregate school and town departments initial submitted budget will fall within this guidance. If department needs cannot be met within this aggregate guidance, departments shall submit a second budget proposal requesting a Prop 2 ½ override along with appropriate explanations. If there are significant changes to key assumptions this may result in subsequent increases or decreases in the WC aggregate budget guidance provided to departments.

   Budgets shall be designed to be structurally balanced, as required by law, with on-going or recurring expenses supported by on-going or recurring revenues. **Particular attention shall be given to sustainability of staffing levels.**

2. The annual operating budget shall include an appropriation to an operating reserve fund. This account, the WC's Reserve, shall be used to fund any unforeseen and extraordinary expenses that occur during the fiscal year, as authorized by MGL Chapter 40, Section 6.

   This reserve fund may only be utilized by a majority vote of the WC. The minimum annual appropriation to this account should be .2% - .3% of the total General Fund Operating Expenditure Budget, net of debt service. The appropriations and transfers into this reserve fund are limited to 5% of the preceding fiscal years tax levy.

3. The Town will maintain adequate free cash in the General Fund by seeking to refrain from using the available fund balance. Specifically, the Town shall strive to maintain free cash at 3% of the General Fund Operating Expenditure Budgets, net of debt service.

4. Free Cash in excess of the 3% goal reserve shall not be used to fund ongoing operating expenditures or budget shortfalls. Free cash in excess of the goal amount should be used to:

   - Fund the long-term OPEB liability.
   - Fund the Capital Stabilization Fund and capital projects.
   - Build stabilization reserves to the goal targets.
   - Fund non-recurring unforeseen expenditures, such as unusually high snow and ice costs.
   - Fund one-time miscellaneous Town Meeting articles.

C. Revenue

1. The Town will follow an aggressive and equitable policy of collecting revenues.
2. The Town will utilize all available tools to collect revenues including tax title process, title liens, and motor vehicle flagging procedures.
3. The Town will consider the use of service charges as a means of financing services not equitably supported through the existing tax structure (i.e, transfer station fees).
4. The Town shall review all charges for services and other revenues on a regular on-going basis at least every three years. Charges shall be adjusted as necessary to respond to changes in the cost of providing services. The SB may set specific cost recovery goals for individual departments or services as appropriate.
5. The Town will strive to maintain a commercial tax base to supplement residential tax revenues.
6. ***One-Time Revenue*** **-** The Town will thoroughly analyze any unexpected and unusual one-time revenue sources before appropriation. One-time revenue sources include items such as unusually high receipts, unanticipated state funds, legal settlements, etc..

   - These funds shall first be considered for use toward meeting reserve level goals and capital needs before being utilized for funding general fund operating budget needs.

   Consideration shall be given to:

   - Capital Budget

- Capital Stabilization Fund
- General Stabilization Fund
- Elementary School Tax Mitigation Stabilization Fund
- OPEB Trust Fund

7. ***Recurring Revenue*** - The Town will thoroughly analyze any new, recurring revenue sources before appropriation. New, recurring revenue sources include significant new growth, or other permanent revenue sources such as a new fee.

- The net recurring revenue, after any designated allocations, such as associated increases in Town or School costs, shall first be considered toward meeting reserve level goals and capital needs before being utilized for funding general fund operating budget needs.

  Consideration shall be given to:

  - Capital Budget
  - Capital Stabilization Fund
  - General Stabilization Fund
  - Elementary School Tax Mitigation Stabilization Fund
  - OPEB Trust Fund

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Original Adopted July 31, 2018

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Endorsement of Overall Financial Policies:

Eileen Murphy, SB Chair	**Gustave Murby, SB Member**	**Osler Peterson, SB Member**
Stephen Callahan, Co-Chair WC	**Robert Sliney, Co-Chair WC**	**Edward Vozzella, WC member**
Jillian Rafter, WC member	**Brent Nelson, WC member**	**Peter Michelson, WC member**

Emily McCabe, WC member	**Peter Saladino, WC member**	**Ashley Leduc, WC member**

Reserves Policy

The Town of Medfield will maintain a level of reserves that protects the Town from emergency financial conditions that require financial flexibility, contribute to sufficient liquidity to pay all Town expenses without short-term borrowing, and contribute to maintaining a high credit rating. To provide adequate levels of reserves to protect the Town's financial condition in the long term, the Town of Medfield has adopted the following financial reserve policies.

D. General Reserves

The Town will maintain adequate reserve funds to help protect the Town from unforeseen, extraordinary emergencies. Prudent stewardship of the Town requires such planning and protection for the Town's financial health.

Reserve funds will be maintained as part of long-term goals to keep the Town's credit rating healthy. The Town's reserves are a major factor in the Town's bond rating. A sudden decline in reserve amounts could result in a decline in bond rating and potential increases in the costs of borrowing.

The Town shall strive to maintain General Reserve Accounts (defined as the WC's Reserve, General Stabilization Fund and Free Cash) at a minimum balance of 8% of General Fund Operating Expenditure Budget, net of debt service with a target goal of 10%. This total reserve goal should be maintained at .2 -.3% in the WC's Reserve, 3% in free cash and 5-7% in the General Stabilization Fund.

Funds shall be allocated each year in the budget process to replace any use of General Reserve Accounts during the preceding fiscal year to maintain the overall balance of the General Reserve Accounts at 8-10% of the General Fund Operating Expenditure Budget, net of debt service.

General Stabilization Fund (MGL Chapter 40, Section 5B)

General stabilization reserve funds shall be used for opportunities to achieve long-term cost saving, or planned capital investments and related debt service. General stabilization funds can also be used to provide for temporary financing for unanticipated or unforeseen extraordinary needs of an emergency; for example, costs related to a natural disaster or calamity, an unexpected significant drop in revenue such as State Aid, an unexpected liability created by Federal or State legislation, immediate public safety or health needs. Reserves will not be used to fund recurring budget items.

- Funds can remain in this account from year to year, and interest earned remains with the account.
- Funds designated to this account cannot be used for purposes other than those for which the account is established and any withdrawal of funds from the general stabilization fund will require a 2/3 vote by the voters at the Town Meeting.

Funds shall be allocated from General Stabilization fund reserves only after an analysis and utilization plan has been prepared by the Town Administrator and presented to the SB. The analysis shall provide sufficient evidence to establish that the remaining balance is adequate to offset potential downturns in revenue sources and provide a sufficient cash balance for daily financial needs; and that conditions exist in future years that will allow for replenishment of the general stabilization reserve fund.

SPECIAL PURPOSE STABILIZATION FUNDS, RESERVES AND ACCOUNTS

The Town shall maintain special purpose stabilization funds, reserve funds and/or accounts to accomplish funding for a particular purpose, to offset unanticipated costs related to expenditures or the appropriation is restricted to a particular use. The following is a summary of such special purpose stabilization funds, reserve funds and/or accounts and related explanation and policy. Approval for withdrawal of funds from special purpose stabilization funds requires a majority vote by the voters at the Town Meeting.

1. Pension Reserve Fund (MGL Chapter 40, Section 5D)

Funds have been appropriated and invested in the Pension Reserve Fund for the sole purpose of offsetting costs of the Norfolk County Retirement System (NCRS) assessments. The Pension Reserve Fund was first established in 1978 and funded with $10,000. Additional contributions were invested over a 40-year period. Given the current balance in the Pension Reserve Fund and the current projected short time frame remaining for full funding of the Norfolk County Retirement System liability, the Town does not expect to make future appropriations into the Pension Reserve Fund.

The WC shall recommend a yearly amount of funds to be transferred from this Pension Reserve Fund to help offset yearly pension assessments. The WC's recommendation shall consider the following:

- Current balance in the Pension Reserve Fund and projected future balances with reinvested income.
- The projected period to full funding of the NCRS liability (As of June 2024, the current projection for full funding is the end of fiscal year 2029).
- Projections of NCRS yearly assessments through both the full funding date and thereafter.
- Maintaining a prudent balance in the Pension Reserve Fund after full funding date to offset potential unpredicted fluctuations in future assessments.

Any recommended amount of funds to be transferred from the Pension Reserve Fund must be approved each fiscal year by the Public Employee Retirement Administration Commission (PERAC) prior to Town Meeting approval.

2. Municipal Building Capital Stabilization Fund (MGL, Chapter 40, Section 5B)

The Town shall maintain a 20-Year Capital Building Maintenance Plan ("20 -Year Capital Plan") for building-related investments and repairs. See ***Appendix A*** for further details on the procedures for the town's Capital Expenditures, including the Municipal Building Capital Stabilization Fund (the "Municipal Building Stabilization Fund).

The Municipal Building Stabilization Fund is a special purpose stabilization fund. It is authorized to fund capital expenditures related to new construction, capital repairs, and improvements to municipal buildings and their structural and systemic components, thereof. 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 to the 20-year Capital Plan and as specifically appropriated as part of the 5-Year Municipal Building Capital Budget.

Funds shall be transferred to the Municipal Building Stabilization Fund annually from a dedicated revenue source of property tax override originally approved in 2018 in the amount of $1,000,000. The SB annually considers a 2.5% increase in the original levy amount. To date, the SB has voted unanimously to increase the levy each year by 2.5%.

The Capital Budget Committee annually updates a 5-year capital plan, reviews all municipal building capital requests, recommends and votes on specific projects for funding from the Municipal Building Stabilization Fund.

To the extent permitted by law, the Town may authorize borrowings with funds to be paid from the Municipal Building Stabilization Fund so long as there are adequate funds to make the annual debt service.

3. Capital Stabilization Fund (Non-Buildings) (MGL, Chapter 40, Section 5B)

The Capital Stabilization Fund is a special purpose stabilization fund established by the annual town meeting in 2021. The fund is authorized to provide financial support for the expenses of capital projects (non-buildings) and the debt service related to capital projects, including equipment, vehicles, repairs to equipment and vehicles, public works improvements, and other non-municipal building and non-school building capital projects. See ***Appendix A*** for further details on procedures for Capital Expenditures, including operation of the Capital Stabilization Fund.

Each year, the Capital Budget Committee reviews and updates the 5-Year Capital Budget and recommends and votes on specific capital items to be funded by the Capital Stabilization Fund. Items not included within the 5-year Capital Budget shall only be funded from the Capital Stabilization Fund in the case of emergency that could not have been anticipated at the time the most recent 5-year Capital Budget was adopted.

The Capital Stabilization Fund does not have a dedicated source of funding and to date has been funded by transfers from free cash. Some capital projects recently have been funded with American Rescue Plan Act (ARPA) funds; however, these funds will expire in fiscal year 2026.

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 to the 5-Year Capital Budget. Over time, the Town shall have a goal of increasing the balance in the Capital Stabilization Fund so that it is sufficient to cover the Town's annual cash outlay for capital (assumed to be equal to the average yearly appropriations over the prior three – five fiscal years). Maintaining a sufficient balance in the Capital Stabilization Fund should allow the Capital Budget Committee to exercise greater flexibility in responding to significant planned capital items and unexpected or emergency requests. Further, it is acknowledged that achieving this goal may necessitate the Capital Budget Committee to consider delay of certain capital requests by departments.

4. Elementary School Tax Mitigation Stabilization Fund (MGL Chapter 40, Section 5B)

The Elementary School Tax Mitigation Stabilization Fund was established by the annual town meeting in 2024 with a transfer from free cash of $900,000. This is a special purpose stabilization fund for the purpose of offsetting debt service payments for the excluded debt notes and/or bonds to be issued for the proposed new Elementary School Project in order to reduce the need to raise these funds through the annual tax levy in future years.

The Town's goal for this fund is to identify at least $4 -$5 million of future tax relief to be utilized during the first three fiscal years after the debt issuance for the school project. The SB shall annually identify additional sources of funding including the proceeds from existing and future land sales. The Town Administrator shall annually report progress towards this goal in the Town Score Card.

5. Special Education Reserve Fund (MGL, Chapter 40, Section 13E)

The Special Education Reserve Fund is a special purpose reserve fund established in 2024. This reserve fund is to be utilized to pay for unanticipated or unbudgeted costs of special education, out of district tuition, or transportation.

The Special Education Reserve Fund was initially funded with a transfer of $200,000 from free cash. Starting in FY 2026, future funding shall come from a dedicated revenue source related to the Annual Medicare Reimbursement received by the school district.

Reserve fund balances will be invested by the Treasurer with interest earned becoming part of the reserve fund.

Use of funds for special education expenses shall be subject to the following policies and procedures:

- The Medfield school district shall first apply for extraordinary relief from the Special Education Circuit Breaker managed by the MA Department of Elementary and Secondary Education (DESE) and a copy of this application shall be made available to the School Committee and SB.
- If the circuit breaker funds are denied or otherwise made not available to the Town of Medfield, the use of this reserve fund can then be requested by the school district but can only be expended after a majority vote of the School Committee and a majority vote of the SB.
- Per the statute, the balance in this reserve fund cannot exceed two percent (2%) of the annual net school spending of the school district.

6. Proceeds from the Sale of Town Assets

Proceeds from Sale or Other Disposal of Real Estate (MGL Chapter 44, Section 63)

The net proceeds (after payment of any outstanding indebtedness incurred in the acquisition of such real estate) from the sale or other disposal of real estate greater than $500 shall be deposited into a separate account called "Receipts reserved for appropriation".

The Town is permitted to use any such net proceeds for any of the following purposes:

- any purpose or purposes for which the town is authorized to incur debt for a period of five years or more.
- Applied to the payment of indebtedness incurred to purchase land, or interest in land.
- Applied to the payment to construct or enlarge buildings, including the cost of original equipment or furnishings of the buildings or enlargements.
- ***Exception***: To the extent the proceeds from the sale or other disposal of real estate includes a sale greater than $500 of any park land of the Town, such proceeds shall be used only for the acquisition of land for park purposes or for capital improvements to park land.

- To the extent permitted by law, the Town shall prioritize the use of land net proceeds from the sale or other disposal of real estate as follows:

    - First towards reducing the cost, borrowing or related tax impact of any significant new building or construction project in the 20-Year Capital Plan.
    - Secondly, towards reducing the cost, borrowing or related tax impact of any item in the 5-Year Capital Budget.

Proceeds from the sale of other Town assets (non-real estate)

Pursuant to Town bylaw, town boards, committees, officers and departments may dispose of personal property having a value of less than $10,000 belonging to the Town with the approval of the SB when the property is no longer needed by the Town.

For surplus property valued at $10,000 or more, the chief procurement officer shall dispose of the property in accordance with MGL Chapter 30B by sealed bids, or by public auction, including online auction.

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Revised and Adopted January 2022

Revised and Adopted September 2024

Endorsement of Reserve Policy:

Eileen Murphy, SB Chair	**Gustave Murby, SB Member**	**Osler Peterson, SB Member**
Stephen Callahan, Co-Chair WC	**Robert Sliney, Co-Chair WC**	**Edward Vozzella, WC member**
Jillian Rafter, WC member	**Brent Nelson, WC member**	**Peter Michelson, WC member**

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Emily McCabe, WC member | Peter Saladino, WC member | Ashley Leduc, WC member

Post Employment Benefits Policy

1. Pension

The Contributory Retirement System is a defined benefit program that is governed by Massachusetts General Laws, Ch. 32 and is regulated by the PERAC, a state entity responsible for the oversight, guidance, monitoring, and regulation of the public pension systems in Massachusetts. Funding for this system covers the costs of employees who are part of the Norfolk County Retirement System, which does not include teachers, as their pensions are funded by the state through the Massachusetts Teachers Retirement System.

Norfolk County Retirement System

The Town is required to annually appropriate sufficient funds to cover the annual assessment received from the Norfolk County Retirement System. Norfolk County is required by the state to have a funding schedule and assess the annual required contribution (ARC) to the Town.

- The current Pension system is required by State law to be fully funded by 2031.
- Currently (August 2024), the latest anticipated date for full funding of the Pension system is the end of fiscal year 2029.
- The Town should continue to inform residents of the status of the pension liability, including the anticipated date of fully funding and the amount of anticipated budget savings.

2. Other Post Employment Benefits (OPEB)

OPEB is the cost of providing health care and other non-pension benefits for retirees.

The Town shall continue its practice of having an independent actuary prepare biennial valuations, which are in compliance with the Government Accounting Standards Board (GASB) and Massachusetts law.

While there is no legal requirement to fund OPEB liability, the Town should strive to move toward fully funding the Annual Required Contribution (ARC), ultimately developing a funding schedule that fully funds OPEB liability.

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The Town has established an OPEB Liability Trust Fund. This Trust Fund is an irrevocable trust, and its assets can only be used to fund the OPEB liability for retiree health insurance benefits. The establishment of the trust allows the Town to make contributions to fund the OPEB liability.

Funds can be saved in this account from year to year, and interest earned remains with the account.

The Town shall strive to appropriate from Free Cash no less than $551,250 per year to the OPEB Liability Trust Fund until the date of full funding for the Norfolk County Retirement System

The Town shall strive in fiscal years after full funding of the Norfolk County Retirement System to increase the annual appropriation to the OPEB Liability Trust Fund by 5% each subsequent year and include such appropriation as part of the general fund's annual operating budget each year thereafter.

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Endorsement of Post Employment Benefits Policy:

Eileen Murphy, SB Chair	**Gustave Murby, SB Member**	**Osler Peterson, SB Member**
Stephen Callahan, Co-Chair WC	**Robert Sliney, Co-Chair WC**	**Edward Vozzella, WC member**
Jillian Rafter, WC member	**Brent Nelson, WC member**	**Peter Michelson, WC member**
Emily McCabe, WC member	**Peter Saladino, WC member**	**Ashley Leduc, WC member**

Debt Policy

Long-term debt should be issued only for capital projects or assets that have a long useful life. It should be issued to pay for the cost of significant infrastructure and capital projects, such as school remodeling, road construction, building construction, and land purchases. Long term debt should not be issued for recurring, small capital purchases with a useful life of less than five years.

The Town should strive for rapid debt repayment schedules consistent with the useful life of the capital asset. The Town shall not have debt repayment schedules longer than the useful life of the capital asset. This ensures cost savings to the community and seeks to avoid trapping future generations with large debt obligations. This policy recognizes that capital needs continue, and that new debt will continue to be identified and issued.

Long-term debt should not be incurred without a clear identification of its financing sources. Long term debt is generally utilized to fund capital projects that have a long useful life and are relatively expensive. Because of the debt service costs and annual appropriations necessary to retire this debt, there should be clear knowledge and commitment of revenue sources available to pay these costs without competing with operating budgets for limited resources. Debt issued on behalf of the Water and Sewer Enterprise Funds shall be supported by water and sewer rate charges.

General Fund non-exempt debt service should not exceed .5% of annual General Fund Operating Revenues, net of debt service to provide appropriate funding for other Town services. Total General Fund debt service, (defined as both exempt and non-exempt debt service), should be maintained at no greater than 10-12% of the annual General Fund Operating Revenues, net of debt service to balance total debt costs and tax implications with other services. If above 12%, the Town Administrator and Treasurer should develop a plan to bring the debt service costs to the target range as soon as possible.

The Town shall follow a policy of full disclosure on all bond offerings and financial prospectus.

Original Adopted July 31, 2018

Revised and Adopted January 2022

Revised and Adopted September 2024

Endorsement of Debt Policy:

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Eileen Murphy, SB Chair	**Gustave Murby, SB Member**	**Osler Peterson, SB Member**
Stephen Callahan, Co-Chair WC	**Robert Sliney, Co-Chair WC**	**Edward Vozzella, WC member**
Jillian Rafter, WC member	**Brent Nelson, WC member**	**Peter Michelson, WC member**
Emily McCabe, WC member	**Peter Saladino, WC member**	**Ashley Leduc, WC member**

Capital Planning, Capital Budget for Buildings and Non-Buildings Policies

The Town will maintain its physical assets at a level adequate to protect the Town's capital investments and to minimize future maintenance and replacement costs. The Town's physical resources are a major component of the Town's overall financial assets and represent a significant investment of public funds. As such, the Town must adequately maintain and update its capital assets.

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 (for building and non-building capital items) to the SB no later than October 15th each year. Upon approval by the SB, the Capital Budget will be effective until a new Capital Budget is adopted. The Capital Budget and 5-year Capital Budget will be reviewed annually by the WC as part of its budget review process for each Town Meeting.

See ***Appendix A*** for further details on the procedures and policies for Capital Expenditures.

The Town shall regularly invest in capital assets and equipment on an ongoing basis. Annual delays in reinvesting in the Town's capital assets and equipment can often lead to delaying major problems that result in larger investments of financial resources to correct. The SB will continue to stress the importance of capital reinvestment and will carefully balance the financing of capital with annual operating expenses.

The funding source for capital projects must be identified and analyzed before any long-term bonded capital project is recommended. Funding sources for capital projects must be analyzed to balance the limited resources available within Proposition 2 ½.

Capital projects funding should also be reviewed in relation to the impact on property tax limitation. Projects funded with current tax revenues should identify the impact on the annual operating budget. Projects funded with long-term debt and not exempted from Proposition 2 ½ should identify impact on annual operating budgets. Projects funded with long-term debt and exempted from Proposition 2 ½ should identify impact on annual tax rate and/or tax bill (debt exclusion).

The annual operating cost of a proposed capital project, as well as debt service costs, will be identified before any long-term bonded capital project is recommended. Capital projects may increase future expenses, decrease future expenses or may be cost-neutral. The funding of capital projects may fall within available revenue (taxes or fees) or new revenue sources (debt or capital exclusions). It is

important to project the impact that the proposed capital project has on the operating budget so that operating budget funding sources can also be identified, or new funding sources identified. Future operating and maintenance costs for all new capital facilities will be estimated.

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Endorsement of Capital Planning and Capital Budget for Buildings and Non-Buildings Policies:

Eileen Murphy, SB Chair	**Gustave Murby, SB Member**	**Osler Peterson, SB Member**
Stephen Callahan, Co-Chair WC	**Robert Sliney, Co-Chair WC**	**Edward Vozzella, WC member**
Jillian Rafter, WC member	**Brent Nelson, WC member**	**Peter Michelson, WC member**
Emily McCabe, WC member	**Peter Saladino, WC member**	**Ashley Leduc, WC member**

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Other Policies

G. Water and Sewer Enterprise Funds

The Board of Water and Sewerage shall adopt a written Reserves and Retained Earnings policy for the Water Enterprise Fund and the Sewer Enterprise Fund.

The Water and Sewer Enterprise Funds shall maintain adequate working capital to finance operations. In the absence of retained earnings, operations would require the use of General Fund revenue which would reduce General Fund resources available for investment. To avoid the use of General Fund revenue as working capital for the water and sewer operations, and to accommodate rate stabilization, fluctuations in revenue due to consumption variations, and to fund capital projects, retained earnings shall be maintained at an appropriate level. At a minimum, the policy shall require that each Enterprise Fund maintain a reserve amount of 20 percent of the Enterprise Fund's total annual budget (operating and capital). The Board of Water and Sewerage shall strive to balance the increase in the reserves for projected capital improvements while stabilizing water and sewer rates and avoiding large fluctuations.

Betterments, while not part of the Water and Sewer Enterprise funds, may be assessed for sewer extensions. Sewer projects that are extensions on the existing system will be assessed to the property owner according to the betterment formula for sewer projects. When specific benefits accrue to property owner(s), betterments will be assessed in accordance with state statutes and local policies. This funding source will contribute all, or a portion of the costs associated with the capital projects.

Water and Sewer main replacements should be scheduled to avoid major increases in water and sewer rates. The current water and sewer enterprise funds are established as self-supporting on a cash basis. Revenues are planned to cover operating budgets, indirect and overhead costs, and debt service payments. Water and Sewer long-term debt schedules should be closely monitored to ensure that new debt replaces completed debt instead of additional debt.

H. Gifts, Grants, and Other Funds

All grants shall be managed to comply with the laws, regulations and guidance of the grantor.

All gifts and donations shall be managed and expended according to the wishes and instructions of the donor and shall be in compliance with applicable state laws and regulations.

All user fees and revolving funds shall be managed in compliance with applicable state laws and regulations. User fees will be set to generate only the revenue needed to recover the allowable costs of the programs.

All gifts, grants, and fees shall be evaluated for suitability and consistency with Town policies. They shall also be formally approved and accepted by the SB and/or School Committee.

Any gifts with conditions determined to be unsuitable for the Town will not be accepted.

I . Overlay (MGL c. 59, Section 25)

The Town uses the overlay account to fund abatements and exemptions and senior tax work off of committed real and personal property taxes for any fiscal year. The overlay amount is determined by the Board of Assessors and is raised in the tax rate without appropriation. At the conclusion of each fiscal year, the Board of Assessors shall submit to the Town Administrator and Town Accountant an update of the overlay account with data that includes, but is not limited to, the gross balance, potential liabilities, and any transfers to surplus. When excess overlay is determined, it can be transferred by vote of the Board of Assessors to a Fund Balance Reserved for Overlay Released by the Assessors for Expenditures (overlay surplus). Overlay surplus must be appropriated by the legislative body for any lawful purpose until the end of the fiscal year, i.e., June 30. Such appropriations shall be for one-time expenses, or transfer to the Town's stabilization funds. Overlay surplus not appropriated by year-end is closed to Free Cash.

Original Adopted July 31, 2018

Revised and Adopted January 2022

Revised and Adopted _____ 2024

Endorsement of Other Policies:

_____	_____	_____
Eileen Murphy, SB Chair	**Gustave Murby, SB Member**	**Osler Peterson, SB Member**
_____	_____	_____
Stephen Callahan, Co-Chair WC	**Robert Sliney, Co-Chair WC**	**Edward Vozzella, WC member**
_____	_____	_____
Jillian Rafter, WC member	**Brent Nelson, WC member**	**Peter Michelson, WC member**
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Investment Policy

K. Investment Policy

Disbursement, collection, and deposit of all funds will be managed to ensure protection and safeguard of funds, and adequate cash flow to meet the Town's needs of operations.

The Town will strive to maximize the return on its portfolio, with the primary objectives of safety of principal, liquidity of funds and maximum yield.

The Treasurer shall maintain policies and procedures covering permissible investment securities, diversification, and the investment of trust funds, bond proceeds and arbitrage regulations.

I. The Investment of General Funds, Special Revenue Funds, Enterprise Funds, and Capital Projects Funds

A. Scope

This section of the policy applies to short term operating funds such as general funds, special revenue funds, enterprise funds, and capital project funds. Appendix B will deal with trust funds, bond proceeds, and any other funds with special circumstances such as stabilization funds. The Norfolk County Retirement Board is responsible for the investment of employee's contributory pension funds.

B. Objectives

Massachusetts General Laws, Chapter 44, section 55B requires the municipal treasurer to invest all public funds except those required to be kept uninvested for purposes of immediate distribution. Modern banking systems enable the public treasurer to maintain even these funds in interest bearing form until the date of disbursement order clears through the banking system.

The state law further requires that invested funds are to be placed at the highest possible rate of interest reasonably available, taking account of safety, liquidity and yield. Therefore, these guidelines are intended to further the objective of securing the highest return that is consistent with safety of principal while meeting the daily cash requirements for the operation of the entity's business.

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- ***Safety*** of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital through the mitigation of credit risk and interest rate risk. These risks shall be mitigated by the diversification and prudent selection of investment instruments, and choice depository. Credit risk is the risk of loss due to the failure of the security issuer or backer. Interest rate risk that the market value of the security will fall due to changes in general interest rates.

- **Liquidity** is the next most important objective. The overall investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. Since all possible cash demands cannot be anticipated, the treasurer shall carry out investment activities in a manner that provides for meeting unusual cash demands without the liquidation of investments that could result in forfeiture of accrued interest earnings, and loss of principal in some cases.

- **Yield** is the third, and last objective. Investments shall be undertaken so as to achieve a fair market average rate of return, taking into account safety and liquidity constraints as well as all legal requirements.

C. Authorization

The Treasurer has authority to invest municipal funds, subject to the statutes of the Commonwealth.

D. Ethics

The Town Treasurer shall refrain from any personal activity that may conflict with the proper execution of the investment program or which could impair or appear to impair ability to make impartial investment decisions. Said individual shall disclose to the Town Administrator any material financial interest in financial institutions that do business with the Town. They shall also disclose any large personal financial investment positions or loans that could be related to the performance of the Town's investments.

E. Stabilization Funds

This paragraph shall apply to all general and special purpose stabilization funds of the Town. The total of all Stabilization Funds shall not exceed ten percent of the equalized valuation.

Any interest shall be added to and become a part of the fund. The Treasurer may invest the funds according to the prudent investor rule set forth in Chapter 203C of the General Laws.

Stabilization funds can be expended only upon a majority vote of the Town Meeting. Therefore, the investment goals are preservation of capital with foreseeable liquidity horizons.

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F. Other Post Employment Benefits Liability Trust Fund

The OPEB Trust Fund was established by vote of the annual Town Meeting of 2014 in accordance with section 20 of Chapter 32B of the General Laws. The OPEB Trust Fund shall be invested and reinvested by the Treasurer consistent with the prudent investor rule set forth in Chapter 203C of the General Laws.

The OPEB Trust Fund is intended to ensure the long-term availability of funding of benefits. Current benefit expenditures are not paid from the OPEB Trust Fund. Therefore, the investment goals are long-term preservation and appreciation of capital.

In FY 2017 (7-1-2016), the Town Treasurer, with approval of the SB, transferred investment funding in the OPEB Trust to the Massachusetts Pension Reserves Investment Management Board (PRIM), particularly the State Retiree Benefit Trust Fund (SRBTF). This investment vehicle, allowed by Massachusetts law, allows the funds to earn a greater investment return. The investments match the long-term nature of these funds.

G. Reporting Requirements

On an annual basis at fiscal year end a report containing the following information will be prepared by the Treasurer and distributed to the Chief Executive Officer, Town Administrator, and WC, as appropriate. The report will include the following information, as a minimum requirement:

- A listing of the individual accounts and individual securities held at the end of the reporting period.
- A listing of the short-term investment portfolio by security type and maturity to ensure compliance with the diversification and maturity requirements.
- For the general fund operating account, a summary of monthly receipts, expenditures and income earned shall be reported.
- The Treasurer shall include in the report a brief statement about the general market and economic conditions and other factors that may affect the Town's cash position.
- The report should demonstrate the degree of compliance with the tenets set forth in the Investment Policy.

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Original Adopted July 31, 2018

Revised and Adopted January 2022

Revised and Adopted _____ 2024

Endorsement of Investment Policies:

Eileen Murphy, SB Chair	**Gustave Murby, SB Member**	**Osler Peterson, SB Member**
Stephen Callahan, Co-Chair WC	**Robert Sliney, Co-Chair WC**	**Edward Vozzella, WC member**

Jillian Rafter, WC member	**Brent Nelson, WC member**	**Peter Michelson, WC member**
Emily McCabe, WC member	**Peter Saladino, WC member**	**Ashley Leduc, WC member**

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APPENDIX A – PROCEDURES AND POLICIES FOR CAPITAL EXPENDITURES

Capital Budget Committee

The Capital Budget Committee is responsible for analyzing proposed capital investments and making a recommendation to the SB 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, including the introduction of new information systems, unless they are prepared to support the life cycle costs of those capital assets within their own Department budgets expense line. In submitting the proposed 5-year Capital Budget to the SB, the Capital Budget Committee shall provide a rationale and its priority relative to other requests for each proposed expenditure included.

A. Capital Budget & Capital Building Plan

1. 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, (2) road improvements planned to be funded through Chapter 90 funds; (3) vehicle replacements and old vehicle dispositions; (4) information technology infrastructure; (5) Water & Sewer projects and infrastructure, excluding routine maintenance of existing equipment; and (6) other items with a useful life of more than 5 years or costing more than $15,000.

The 5-year Capital budget shall include the projected cost of any items approved for inclusion therein and projected funding source (i.e., tax levy, borrowing, Capital Stabilization (non-buildings) Funds, Chapter 90 funds, departmental revolving funds, grant funds). No item shall be included in the 5-year Capital Budget without a projected funding source. All capital items to be purchased shall be included in the 5-year Capital Budget, regardless of funding source.

Items should only be submitted for the 5-year Capital Budget if they are necessary to the provision of services , and generally, are considered replacements, repairs, or non-major (i.e., not requiring Permanent Planning and Building Committee review) upgrades of existing capital assets.

Any department that wishes to acquire new capital assets that qualify as items that could be included in the 5-year Capital Budget, and, that want those new assets to be maintained as part of the capital budget must submit a request before acquiring those assets to formally include them in the list of capital assets supported by the 5-year Capital Budget. Requests for new capital assets should be accompanied by (1) an explanation of the expected carrying costs, replacement costs, and a timetable for replacement; (2) an explanation of which departments or personnel will be involved in maintaining those assets; (3) an explanation of the resources, currently in place within the department, to cover the routine maintenance of those assets; and (4) confirmation of the information provided by the maintaining department, along with acknowledgement of the responsibilities the maintaining department is accepting to care for the capital asset after it is acquired. For example, no department should ask to acquire an additional vehicle as part of its capital budget request without review and approval by the DPW Director. By way of further example, no department should acquire additional information technology programs, hardware, or other assets without review and approval by the Director of Information Technology.

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APPENDIX A – PROCEDURES AND POLICIES FOR CAPITAL EXPENDITURES, (Continued)

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. Items required to maintain capital assets that have not been accepted for support from the capital budget shall not be funded via the capital budget.

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, an estimate of when those costs will be incurred, and prioritize the proposed capital repairs. The 20-year Capital Plan shall be updated every 5 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 10-2-1 of the Code of the Town of Medfield shall 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 SB and the School Committee for their approval. This submission will include an analysis by the Permanent Planning and Building Committee of the impact the committee's recommendation will have on the Town's long-term debt profile and the resulting projected debt service costs that will entail. 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 SB and the School Committee have final responsibility for defining which items are designated for inclusion in the 20-year Capital Plan and their priority.

It is the intention of this policy that capital expenditures included in the 20-Year Capital Plan will be paid out of the Municipal Buildings Stabilization Fund designated in Section (B) below according to the terms of the Town's Municipal Buildings Stabilization Fund. No item shall be recommended for funding from the Municipal Buildings Stabilization Fund unless approved for inclusion as part of the 20-year Capital Plan.

B. The Municipal Building Stabilization Fund

The Municipal Building Stabilization Fund is a special purpose stabilization fund. It is authorized to fund capital expenditures related to new construction, capital repairs, and improvements to municipal buildings and their structural and systemic components, as defined in the 2017 Municipal Facilities Evaluation and Capital Plan developed by the Director of Facilities, and thereafter in the 20-year Capital Plan described in Section (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 to the 20-year Capital Plan and as specifically appropriated as part of the 5-Year Capital Budget.

APPENDIX A – PROCEDURES AND POLICIES FOR CAPITAL EXPENDITURES, (Continued)

At the 2018 Annual Town Meeting, Town Meeting approved the creation of the Municipal Buildings Stabilization Fund, which was subsequently funded by voters with a $1 million stabilization fund override. Each year thereafter, the SB are responsible for voting to appropriate funds into the Municipal Buildings Stabilization Fund. The stabilization fund override vote grants the SB the authority to increase the appropriation by a maximum of 2.5 percent per year. While it can be expected that the SB will appropriate the full 2.5 percent increase each year, there may be circumstances where the SB will decide to appropriate less than the full authorized amount for the fund. This situation could apply when:

- 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.

In exercising its discretion over the amount of funds to be appropriated to the Municipal Buildings Stabilization Fund each year, the SB will need to keep in mind that, under the provisions of a Stabilization Fund override, any reduction in funding from the limit authorized by the voters in an override vote results in a permanent reduction in the limit of funding that is authorized going forward from the year the lower amount is appropriated by the SB.

Before voting to approve an amount lower than the full amount of the designated levy limit approved by the voters, the SB will provide notice to, or consult with, the School Committee, Permanent Planning & Building Committee, Capital Budget Committee, and WC 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 out of the Municipal Building Stabilization Fund, subject to availability, to fund the projects identified in the 20-year Capital Plan and approved for inclusion in the 5-year Capital Budget for that year. (NOTE: Approval for withdrawal of these funds from the Municipal Buildings Stabilization Fund will require a majority vote by the voters at the Town Meeting at which this withdrawal is being requested.)

C. Capital Stabilization (non-buildings) Fund

At the 2021 Annual Town Meeting, the Town Meeting approved the creation of the Capital Stabilization Fund. The Capital Stabilization Fund is authorized to fund the expenses of the capital projects and the debt service related to capital projects, including equipment, vehicles, repairs to equipment and vehicles, public works improvements, and other non-building capital projects. Items not included within the 5-year Capital Budget shall only be funded from the Capital Stabilization Fund in the case of an emergency that could not have been anticipated at the time the most recent 5-year Capital Budget was adopted.

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APPENDIX A – PROCEDURES AND POLICIES FOR CAPITAL EXPENDITURES, (Continued)

Each year, the Capital Budget shall be funded by the Capital Stabilization Fund. 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 to the 5-year Capital Budget. Over time, the Town shall have a goal of increasing the balance in the Capital Stabilization Fund so that it is sufficient to cover the Town's annual cash outlay for capital. (NOTE: Approval for withdrawal of these funds from the Capital Stabilization Fund will require a majority approval by the voters at the Town Meeting at which this withdrawal is being requested.)

Original Adopted July 31, 2018

Revised and Adopted January 2022

Revised and Adopted _____2024

Endorsement of Procedures and Policies for Capital Expenditures:

Eileen Murphy, SB Chair	**Gustave Murby, SB Member**	**Osler Peterson, SB Member**
Stephen Callahan, Co-Chair WC	**Robert Sliney, Co-Chair WC**	**Edward Vozzella, WC member**
Jillian Rafter, WC member	**Brent Nelson, WC member**	**Peter Michelson, WC member**
Emily McCabe, WC member	**Peter Saladino, WC member**	**Ashley Leduc, WC member**

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FINANCIAL MANAGEMENT POLICY AND OBJECTIVES SCORE CARD (DRAFT)

POLICY	TARGET OR REQUIREMENT	FY 2025 BUDGET
The **minimum annual appropriation** of the Warrant Committee's Reserve should be x% of the total General Fund Operating Expenditure Budget	0.20%-0.30%	0.23%
The appropriations and transfers into the Warrant Committee's Reserve are limited by 5.0% of the preceeding years tax levy	<5.00%	0.32%
The Town shall strive to maintain free cash at x% of the General Fund Operating Expenditure Budgets, net of debt service	3.00%	2.67%
The Town shall strive to maintain General Stabilization Fund at a minimum balance of x% of the General Fund Operating Expenditure Budget	5%-7%	5.24%
The Town shall strive to maintain General Reserve Accounts (WC Reserve, Free Cash and General Stabilization Fund) at a minimum balance of x% of the General Fund Operating Expenditure Budget	8.00%-10.0%	8.04%
The Balance in the Special Education Reserve Fund cannot exceed 2% of the annual net school spending of the school district	$927,757	$200,000
General Fund non-exempt debt service should not exceed x% of annual General Fund Operating Revenues	<0.50%	0.37%
Total General Fund debt service, should be maintained at no greater than x% of the annual General Fund Operating Revenues	<10.00%-12.00%	3.68%
Pro-forma Estimated FY 27 total general fund debt service (assuming additonal $5.5 million debt service from new school) as a % of the **projected FY 2027** annual General Fund Operating Revenues	<10.00%-12.00%	10.12%
The Town shall strive to maintain the Capital Stabilization Fund at a minimum balance equal to average yearly appropriations over the prior 3-5 years.	$1,057,333	$862,244
The Town shall identify approx. $4-$5 million in future tax relief to be utilized in first three fiscal years after debt issuance for the elementary school project	$4-$5 million	$1,350,000