Town of Medfield Financial Policies
Adopted: 7/31/2018
Revised:

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 adequately fund capital budgets necessary to maintain capital assets that support the provision of municipal services to the Town's residents and businesses.
- To maintain a high bond rating and an affordable level of debt over time.
- In pursuit of the above objectives, to take a long-term approach to budgeting that promotes stability in the tax burden over time, and that minimize the risk that short-term considerations will disrupt the Town's long-term planning and funding strategies.

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 no later than October 15 each year. Upon approval by the Board of Selectmen, 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 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, to include the introduction of new information systems, unless they are prepared to support the life cycle costs of that capital asset within their own Department budgets. In submitting the proposed 5-year

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capital budget to the Board of Selectmen, 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, (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 planned maintenance of existing equipment; (6) other items with a useful life of more than 5 years or costing more than $25,000.

Items should only be submitted for the capital budget if they are necessary to the provision of services approved by the Annual Town Meeting, 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 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 of the Director of Information Technology.

The 5-year capital budget shall include projected cost of any items approved for inclusion therein and projected funding source (i.e., tax levy, borrowing, Capital Stabilization Funds, Chapter 90 funds, departmental revolving funds, grant funds). No items shall be included on the 5-year capital budget without a projected 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. Items required to maintain capital assets that have <u>not</u> been accepted for support from the capital budget shall not be funded via the capital budget. In the case of an emergency that could not have been anticipated, if funds are available within the capital budget, those funds may be used to cover the emergency with the funds to be repaid through the department’s operating budget in future years.

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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 5 years by the Director of Facilities with the assistance and approval of the Permanent Planning and Building Committee, or at the completion of a building project under the supervision of the Permanent Planning and Building Committee. The Facilities Master Plan maintained by the Permanent Planning and Building Committee pursuant to Chapter 10-20I 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 Board of Selectmen for their approval. This submission will include an analysis of the impact the committee's recommendation will have on the town's long-term debt profile and the resulting projected debt services 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 Board of Selectmen have final responsibility for defining 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 Municipal Buildings Capital Stabilization Fund designated in Section H(B) below according to the terms of the town's Municipal Buildings Capital Stabilization Fund. No item shall be recommended for funding from the Municipal Buildings Capital Stabilization Fund unless approved for inclusion as part of the 20-year Capital Plan.

B. Municipal Buildings Capital Stabilization Fund

At the 2018 Annual Town Meeting, Town Meeting approved the creation of the Municipal Buildings Capital Stabilization Fund (the “Municipal Buildings Stabilization Fund”), which was subsequently funded by voters with a $1 million stabilization fund override.

The Municipal Buildings Stabilization Fund is authorized to fund expenses related to new construction, capital repairs, and improvements to municipal buildings and their structural and systemic components, 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 to the 20-year Capital Plan and as specifically appropriated as part of the 5-Year Capital Budget.

In 2018, Town Meeting and voters approved a stabilization fund override of $1 million to provide the first-year appropriation into the Municipal Buildings Stabilization Fund for fiscal year 2019. Each year thereafter, the Board of Selectmen are responsible for voting to appropriate funds into the Municipal Buildings Stabilization Fund. The stabilization fund override vote

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grants the Board of Selectmen the authority to increase the appropriation by a maximum of 2.5 percent per year. While it can be expected that the Board of Selectmen will appropriate the full 2.5 percent increase each year, there may be circumstances where the Board of Selectmen 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 Board of Selectmen 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 Board of Selectmen.

Before voting to approve an amount lower than the full amount of the designated levy limit approved by the voters, the Board of Selectmen 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 out of the Municipal Buildings 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 Capital Stabilization Fund will require 2/3 's approval by the voters at the Town Meeting at which this withdrawal is being requested.)

C. Capital Stabilization Fund

At the 2021 Annual Town Meeting, Town Meeting approved the creation of the Capital Stabilization Fund. The Capital Stabilization Fund is authorized to fund the expenses of capital projects 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.

Funds shall be appropriated into the Capital Stabilization Fund each year for capital projects. 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 increase the balance in the Capital Stabilization Fund so that it is sufficient to cover the Town’s annual cash outlay for capital.

III. Reserves and Free Cash

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A. Reserves

The goal of these reserve accounts is to permit the Town to maintain its level of services during an economic downturn and minimize tax increases during times of economic distress. In addition, strong reserve balances can positively impact the Town's credit rating and, consequently, its long-term cost to fund major projects.

The Town shall have a goal of maintaining reserves of 9-12% but no less than 7.5% of its total annual expenditures. Expenditures shall include General Fund expenditures in the proposed budget for the upcoming fiscal year, but shall exclude expenditures supported by the Enterprise Funds, Revolving Funds, and transfers to other funds. Reserves shall include funds available in Free Cash, other reserve accounts, and stabilization funds. The reserves shall be calculated after Town Meeting approves the new fiscal year budget in order to account for any transfers approved into or out of the reserves by the Town Meeting.

These reserves may be drawn below the minimum level when non-property tax revenue is projected to fall by more than 10% year over year, if approved by a vote of the Warrant Committee and Board of Selectmen. In no event shall the reserve accounts (including free cash) be permitted to fall below 2.5% of the Town's total annual expenditures.

Due to its dedicated source of funding through the override and due to restrictions on the use of funds in the Municipal Buildings Stabilization Fund, transfers into and out of the Municipal Buildings Stabilization Fund shall not be included in the General Fund expenditure calculation identified above, and the Town shall not include the balance in the Municipal Buildings Stabilization fund as a reserve for the purposes of calculating compliance with the Financial Policy.

In preparing the Annual Warrant Report, the Board of Selectmen will ask the Warrant Committee to determine whether the Warrant Committee's recommended budget and any alternative budget proposed in the Warrant Report are in compliance with the requirements in Section III of this Policy. The Annual Warrant Report will display the measure of compliance mentioned above to show whether any proposed budget included in the Annual Warrant Report, if adopted by Town Meeting, complies with these financial policies. If the Warrant Committee's budget does not comply with Section III of this Policy, the Warrant Committee and the Selectmen will include an explanation of why the budget is not compliant and the position of the Warrant Committee and the Selectmen as to why, or why not, the Town Meeting should adopt a budget that does not comply. If any alternative budget included in the Warrant Report does not comply with Section III of this Policy, the proponent of such alternative budget will be invited to include an explanation as why the Town Meeting should adopt a budget that does not comply, and the Warrant Committee and the Selectmen (if the Selectmen are not the proponent of the alternative budget), will be invited to include statements as to their respect positions on the alternative budget. Upon certification of the Free Cash by the Commonwealth of Massachusetts in or around December, the Board of Selectmen will confirm that the financial policies have been met for the prior fiscal year. That confirmation from the Board of Selectmen will also appear in the Annual Warrant Report in addition to being published on the Town Website. If the Town is

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not in compliance with the financial policies as of the certification of Free Cash, the Selectmen will include an explanation in the Warrant Report and on the Town Website explaining why.

B. Free Cash

The Town shall maintain a Free Cash balance of at least 2.5% of the General Fund expenditures, defined in section A, in the proposed budget for the upcoming fiscal year. As much as practicable, the Town will limit its use of Free Cash to funding one-time expenditures (like capital projects, snow and ice deficits, or emergencies) and may appropriate any excess above 2.5 percent of General Fund expenditures to build reserves or offset unfunded liabilities.

The Town shall not utilize a Free Cash projection unless the projection is approved by a vote of the Warrant Committee and Board of Selectmen and is based on revenues received by the Town at the date of the vote.

C. Enterprise Fund Retained Earnings

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. At a minimum, the policy shall require that each Enterprise Fund maintain a reserve amount of 20 percent of the Enterprise Fund's total budget, but the reserve target may be significantly higher if major infrastructure improvements are necessary. The reserves will be used to provide rate stabilization and to fund major capital projects.

D. Overlay

The Town uses the overlay account to offset unrealized revenue resulting from uncollected property taxes, abatements, and exemptions.

At the conclusion of each fiscal year, the Board of Assessors shall submit to the Town Administrator and the Town Accountant an update of the overlay account with data that includes, but is not limited to, the gross balance, potential abatement liabilities, and any transfers to surplus. If the balance exceeds the amount of potential liabilities, the Board of Selectmen may request that the Board of Assessors vote to declare those balances surplus and available for use by the Town to fund one-time expenses, or transfer to the Town's stabilization funds.

IV. OPEB

The Town shall continue to appropriate funds annually to the OPEB trust fund in an amount no less than $500,000 in the fiscal year after this policy is adopted, with the goal of increasing that contribution 5% annually thereafter. This target is subject to revisions based on changes to applicable accounting guidance and actuarial reports.

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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 undesignated to fund (or reserve against) the town's long-term liabilities, or to retire existing debt, or otherwise to reduce long-term, nonrecurring liabilities.

References and Attachments:

- Town of Medfield – Financial Policies Measure of Compliance
- Massachusetts Division of Local Services: Special Purpose Stabilization Funds
- Medfield 20 Year Municipal Facilities Evaluation and Capital Plan
- Bond Covenants (reviewing with bond counsel)

Adopted:

Board of Selectmen:

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Warrant Committee:

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Reserve Fund and Financial Policy Analysis						
	APPROVED	**APPROVED**	**ESTIMATED**	**ESTIMATED**	**ESTIMATED**	**ESTIMATED**
	1-Jul-19	1-Jul-20	1-Jul-21	1-Jul-22	1-Jul-23	1-Jul-24
Expenditures	FY 20	FY 21	FY 22	FY 23	FY 24	FY 25
Expenditures - **All Funds**	$67,923,991	$67,624,332	$72,914,534	$75,101,970	$77,355,029	$79,675,680
Less Revolving Funds	-$500,000	-$600,000	-$795,000	-$600,000	-$600,000	-$600,000
Less Enterprise Fund Allocated Costs	-$1,565,149	-$1,528,081	-$2,516,105	-$2,591,588	-$2,669,336	-$2,749,416
Less transfer to Municipal Buildings Stabilization Fund	-$1,025,000	-$1,050,625	-$1,076,891	-$1,103,813	-$1,131,408	-$1,159,693
Less transfer out of the Municipal Buildings Stabilization Fund	-$782,125	-$779,500	-$1,090,500	-$981,500	-$1,029,000	-$1,027,000
Less transfer for Capital Stabilization Fund / Revolving Fund Capital	-$85,000	-$106,895	-$970,326			
Less additional Free Cash transfer to Stabilization Fund			-$700,000			
Less Sales of Lots and Graves	-$33,600	-$43,200	-$58,650	-$43,200	-$43,200	-$43,200
Less PEG fees	-$145,357	-$162,713	-$206,992	-$300,000	-$300,000	-$300,000
General Fund Expenditures	$63,787,760	$63,353,318	$65,500,070	$69,481,869	$71,582,085	$73,796,370
Reserves						
MSBA Lump Sum Reimbursement Reserve Balance	$2,730,605	$1,587,070	$583,535			
Town Operating Budget Reserve Fund Balance	$150,000	$150,000	$150,000	$150,000	$150,000	$150,000
Stabilization Fund Balance (current balance, plus payment at ATM)	$1,608,822	$1,682,507	$2,390,062	$2,590,062	$2,790,062	$2,990,062
Free Cash Balance (after TM appropriations)	$1,272,340	$1,441,805	$1,654,232	$1,654,232	$1,654,232	$1,654,232
Sewer Betterments Paid in Advance Stabilization	$226,162.76	$40,991	$0			
Capital Stabilization Fund	$0.00	$0	$21,427	$21,427	$21,427	$21,427
MSBA Interest Reserve	$104,280.77	$176,260.20	$176,260.02	$176,260.02	$176,260.02	$176,260.02
Total Reserves:	$6,092,211	$5,078,634	$4,975,515	$4,591,980	$4,791,980	$4,991,980
Reserves as a % of General Fund Expenditures	9.55%	8.02%	7.60%	6.61%	6.69%	6.76%
Financial Policy Measure of Compliance						
Reserves required to meet 9%	$5,740,898	$5,701,799	$5,895,006	$6,253,368	$6,442,388	$6,641,673
Excess or Shortfall in reserves to meet 9%	$351,312.49	-$623,165.07	-$919,491.16	-$1,661,388.00	-$1,650,407.45	-$1,649,693.16
Reserves required to meet 7.5%	$4,784,082	$4,751,499	$4,912,505	$5,211,140	$5,368,656	$5,534,728
Excess or Shortfall in reserves to meet 7.5%	$1,308,128.89	$327,134.70	$63,009.89	-$619,159.97	-$576,676.18	-$542,747.60
*Free Cash Required by policy	$1,594,694	$1,583,833	$1,637,502	$1,737,047	$1,789,552	$1,844,909
Difference in Free Cash Balance vs. Req.	-$322,354	-$142,028	$16,730	-$82,815	-$135,320	-$190,677
Free Cash as a % of Expenditures	1.99%	2.28%	2.53%	2.38%	2.31%	2.24%
*Reserves: goal of 9-12% of expenditures, but not less than 7.5%						
*Free Cash: 2.5% of annual total expenditures						
Other Reserves						
Municipal Buildings Stabilization Fund Balance	$0.00	$254,639.00	$525,764.00			
Dale Street Project Reimbursements from MSBA	$44,023.00	$106,646.00				
Water Enterprise Fund Free Cash	$635,298.00	$794,333.00	$794,333.00			
Sewer Enterprise Fund Free Cash	$1,031,497.00	$774,399.00	$774,399.00			

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 adequately fund capital budgets necessary to maintain capital assets that support the provision of municipal services to the Town's residents and businesses.
- To maintain a high bond rating and an affordable level of debt over time.
- In pursuit of the above objectives, to take a long-term approach to budgeting that promotes stability in the tax burden over time, and that minimize the risk that short-term considerations will disrupt the town's long-term planning and funding strategies.

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, to include the introduction of new information systems, unless they are prepared to support the life cycle costs of that capital asset within their own Department budgets. 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, (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 planned maintenance of existing equipment; (6) other items with a useful life of more than 5 years or costing more than $25,000.

Items should only be submitted for the capital budget if they are necessary to the provision of services approved by the Annual Town Meeting, and, generally, are considered replacements, repairs, or non-major (i.e., not requiring Permanent 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 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 of the Director of Information Technology.

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 projected 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 for capital assets that have been accepted for support from the 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 <u>not</u> been accepted for support from the capital budget shall not be funded via the capital budget. In the case of an emergency that could not have been anticipated, if funds are available within the capital budget, those funds may be borrowed to cover that emergency by the department owning the capital

asset, with the loan to be paid back through that department's budget over an agreed-to time frame.

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 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 Board of Selectmen and the School Committee for their approval. This submission will include an analysis of the impact the committee's recommendation will have on the town's long-term debt profile and the resulting projected debt services 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 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 town's Capital Stabilization Fund. 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.

The Stabilization fund will be utilized for expenses related to the design and maintenance, 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 are responsible for appropriating funds to the Capital Stabilization Fund within the dedicated tax levy limit directed by the voters for the Capital Stabilization Fund. While it can be expected that the Board of Selectmen will appropriate the full levy limit authorized by the voters each year, there may be circumstances where the Board of

Selectmen 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 Capital Stabilization Fund each year, the Board of Selectmen 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 Board of Selectmen.

Before voting to approve an amount lower than the full amount of the designated levy limit approved by the voters, the Board of Selectmen 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. (NOTE: Approval for withdrawal of these funds from the Capital Stabilization Fund will require 2/3's approval by the voters at the Town Meeting at which this withdrawal is being requested.)

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 in the proposed budget for the upcoming fiscal year equal to at least 2.5% of its total annual budget approved at Town Meeting for the current fiscal year.

IV. OPEB

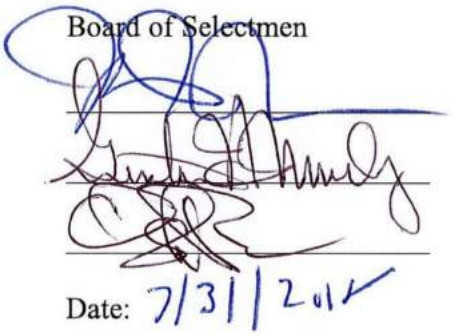
The Town shall continue to appropriate funds annually to the OPEB trust fund in an amount no less than $425,000 in the fiscal year after this policy is adopted, with the goal of increasing that contribution 10% annually thereafter. This target is subject to revisions based on changes to applicable accounting 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 to retire existing debt, or otherwise to reduce long-term, nonrecurring liabilities.

Adopted:

Board of Selectmen



Date: 7/31/2014

School Committee:

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Date:

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