

TOWN OF BOURNE FINANCIAL MANAGEMENT POLICIES & GUIDELINES

INTRODUCTION

The following financial management policies and guidelines set forth the board framework for overall planning and management of the Town of Bourne's financial resources. The policies are intended to be advisory in nature and serve as a point of reference for all policy-makers, administrators and advisors. It is fully understood that Town Meeting retains the full right to appropriate funds and incur debt at levels it deems appropriate, subject to statutory limits such as Proposition 2 1/2.

The policies are designed to ensure the Town's sound financial condition now and in the future. Sound financial condition may be defined as:

- Cash Solvency: The ability to pay bills in a timely fashion
- Budgetary Solvency: The ability to annually balance the budget
- Long- Term Solvency: The ability to pay future costs
- Service Level Solvency: The ability provide needed services
- Infrastructure Solvency The ability to maintain infrastructure

It is equally important that the Town maintain flexibility in its finances to ensure that the Town is positioned to react and respond to changes in the economy and new service challenges without measurable financial stress.

BUDGET GUIDELINES

The Town defines a balanced budget as a budget in which revenues are greater than or equal to expenditures. The Commonwealth of Massachusetts requires all municipalities to present a balanced budget each year as a basic budgetary constraint intended to ensure that a government does not spend beyond its means and its use of resources for operating purposes does not exceed available resources over a defined period of time.

General Fund Operating Budget (GFOB) is defined as the operating budget (Town, Schools, Shared Costs and Debt Service). It does not include general articles, off-budget expenses, Enterprise Funds or Capital.

FISCAL RESERVES GUIDELINES

The Town's accumulation of prudent reserves is critically important to the fiscal health of the community for many reasons. Reserves are a resource to sustain a community during an economic downturn and may provide for cash flow needs until major revenues are received, reducing or eliminating the need for short-term borrowing. Rating agencies and investors also view reserves favorably as evidence of the community's financial flexibility.

The Town will endeavor to establish and maintain the following reserve levels:

- A. Free Cash: To have a certified Free Cash balance of at least 5% the current Fiscal Year General Fund Operating Budget at the beginning of each Fiscal Year. The Free Cash Balance will be maintained at 5% of the General Fund Operating Budget during the Fiscal Year.
- B. Stabilization Fund: To maintain a long term Stabilization Fund for unforeseen emergency expenses and capital projects in accordance with Mass. General Laws Chapter 40 Section 5B. To maintain a Stabilization Fund balance of at least 6% of the General Fund Operating Budget. The Town may appropriate funds from the Stabilization Fund for any lawful purpose with a two-thirds vote of Town Meeting.
- C. Capital Stabilization Fund: To maintain a Capital Stabilization Fund for large capital items and to support the annual capital plan. Once the Stabilization Fund reaches 6% of the General Fund Operating Budget funds may be accumulated in the Capital Stabilization Fund
- D. ISWM Stabilization Fund: Funds set aside to cushion the impact on the Operating Budget after the landfill closes.
- E. Employer Health Insurance Trust Fund: It shall be the policy of the Town of Bourne to hold a reserve in the Health and Dental dedicated fund an amount to be less than four (4) months of average costs of Health and Dental assessments including all administrative fees. Additionally, at no time shall the fund hold less than one million six hundred thousand dollars (\$1,600,000) in reserves at the close of any fiscal year. The Town Administrator shall report the status of the Trust Fund to the Board of Selectman in February of each year and make the necessary adjustments in conjunction with the Town Finance

Director. Should an appropriation be necessary, the Town Administrator shall bring forth an article for a Special or Annual Town Meeting for approval by the Board of Selectmen.

- F. Overlay Reserve: To establish an annual Overlay Reserve for abatements and exemptions at an appropriate level based on an analysis of historical data and specific circumstances such as a property revaluation project. The Board of Assessors will recommend annually in December the amount required to be kept in the Overlay Reserve for next Fiscal Year.
- G. Reserve Fund: To budget an annual Reserve Fund under the authority of the Finance Committee for unexpected and unforeseen budget needs of at least 0.5% of the General Fund Operating Budget
- H. OPEB Trust Fund: To maintain an OPEB Trust Fund to accumulate funds for Other than Pension Post-employment benefits. The long term goal for the Trust Fund is to fully fund the OPEB Liability.

Use of Reserves: To the maximum extent possible, the Town shall only appropriate reserves as follows:

Free Cash, Stabilization Fund and Overlay Surplus: funds in excess of reserve policies established for each may be used for one-time, non-recurring expenses such as capital projects and equipment, emergency expenses and to fund the OPEB Trust Fund.

Capital Stabilization Fund will be used to support the annual capital budget and to fund large capital expenditures.

Free Cash: The Town should strive to appropriate no more than 50% of the Free Cash Balance that is in excess of the 5% policy as an operating revenue with a majority vote of Town Meeting.

It is understood that at times, reserves may have to be used to support the operating budget due to state aid reductions or other revenue and/or expenditure challenges. Any time that the use of reserves is necessary in a fiscal year to maintain an adequate level of essential services and the reserve fund balances fall below established guidelines the Town should strategically plan on reducing and then eliminating the use of reserves in the

coming fiscal years and should develop a plan to bring reserves to recommended guideline levels within two fiscal years.

FINANCIAL PLANNING & MONITORING GUIDELINES

Long-term financial forecasting and constant monitoring of current revenue and expenditure trends are vitally important to maintain quality service levels and fiscal discipline. As a result, it is the policy of the Town to undertake the following:

- A. Multi-Year Financial Forecasting: Establish and maintain an on-going financial planning model that projects revenues and expenses over the next five (5) years by using five (5) years of historical data and other fiscal trend analysis.
- B. Monitor and Track Current Year Financial Activities: Constantly monitor revenue and expenditure activities and publish periodic reports for policy- makers, administrators and department heads. To meet this objective, the Town should implement improved financial management systems to create the required revenue and expenditure reports, reduce duplication of effort, and maximize productivity of finance department staff.
- C. Revolving Funds
- D. Waterways Fund

CAPITAL PLANNING & DEBT SERVICE MANAGEMENT GUIDELINE

The Town's willingness and ability to address its capital needs (infrastructure, facilities, equipment, etc.) is very important to the community's quality of life and fiscal stability. At the same time, the Town must maintain a sound debt structure and debt ratio to ensure that all debt obligations will be satisfied without sacrificing the quality of on-going operations and/or burdening future generations with large debt obligations. To that end, it is the policy of the Town to undertake the following:

- A. Capital Improvement Plan: The Town shall establish and maintain a five (5) year capital improvements plan, to update the plan annually, to develop capital financing strategies consistent with these policies, and

to integrate any new operating costs associated with capital projects into the annual operating budget. The Town should capitalize expenditures of at least \$20,000 and having a useful life of more than five years.

- B. Debt Service Guidelines: The Town will budget 3 - 5% of the general fund annual operating budget (excluding debt service) on debt service for capital maintenance and equipment costs. This amount does not include the debt for Community Preservation, Enterprise funds, debt exclusions and self-supported debt.
- C. Debt Maturity Guidelines: The Town will strive to limit the average maturity of its debt to five (5) to ten (10) years. By adopting a conservative maturity schedule, the Town will not only reduce interest costs on its bonds but also recognize that capital needs will continue to be identified and recommended.
- D. Alternative Financing Strategies: The Town will continually pursue opportunities to acquire capital by means other than conventional borrowing such as grants and low-and no-interest loans programs such as MWPA T and Farmers Home.
- E. Cash Flow: The Town will prepare and update cash flow statements for each bonded project to borrow only those funds necessary, and to schedule debt payments over the course of the fiscal year.
- F. Reconciliation & Record keeping: The Town will periodically reconcile debt- related records of the Finance Director with the Town Treasurer, and will annually determine if any unissued bond authorizations needed to be rescinded at Annual Town Meeting.
- G. Internal Borrowing: The Town will utilize the option of internal borrowing when fiscally prudent to do so.
- H. Debt Issuance: The Town will work closely with its Financial Advisor and Bond Counsel to ensure that all legal requirements are met and that the lowest possible interest rate can be obtained. To that end, the Town Administrator, Finance Director and Town Treasurer will prepare and present a financial presentation to rating agencies in advance of a permanent bond issue, and every effort will be made to secure as high a bond rating as possible.

- I. Capital Budget: The annual Capital Budget for Town and Schools includes direct cash expenditures, interest and principal of new bonds and debt service on prior bonded expenditures and will be maintained at 3% - 5% of the general fund operating budget. This amount does not include the debt for Community Preservation, Enterprise funds, debt exclusions and self-supported debt.

POST EMPLOYMENT BENEFIT LIABILITIES

PENSION LIABILITIES: The Town will fund pension liabilities on a pay as you go basis and will annually fund the recommended payments to the County Pension Fund and Mass. Teachers Retirement Fund.

OPEB (OTHER THAN PENSION POST EMPLOYMENT BENEFITS) LIABILITIES: The Town will fund OPEB Liabilities on a pay as you go basis and will strive to set aside annually 5% of the Normal Cost ARC (Annual Required Contribution) for the future OPEB Liability for current Active employees into the OPEB Trust Fund.

REVENUE ENHANCEMENT GUIDELINES

To continue to maintain a reasonable level of services to its citizens and meet all future financial obligations, the Town will proactively seek new revenue sources in the following manners:

- A. Property Valuations: In addition to the mandated three (3) year property revaluation, the Town will perform interim valuation updates to keep pace with the real estate market and void wide swings in assessed values. In addition, the Town will regularly inspect properties to ensure up-to-date property data and identify additional sources of "new growth" revenue.
- B. Receivables: The Town will rapidly move all unpaid taxes into Tax Title when authorized by law, and will increase collection rates by increasing the use of a deputy collector and by attaching Town payments to vendors who also owe taxes to the Town.
- C. Foreclosure Properties: The Town will aggressively auction off foreclosed properties that are not reserved for town use, conservation or affordable housing purposes.

- D. Non- Tax Revenue: The Town will annually review and analyze fees and charges such as Licenses, Permits, Fees, etc. to determine if they are appropriate and comparable.

INVESTMENTS GUIDELINES: (Refer to Town of Bourne Investment Policy for full guidelines)

Massachusetts law requires that public funds be invested at the highest possible rate of interest reasonably available, taking into account 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 Town business.

POLICY ENDORSEMENTS

Approved:



Town Administrator

Dated: 9/15/15



Chairman, Board of Selectmen

Dated: 09/15/2015



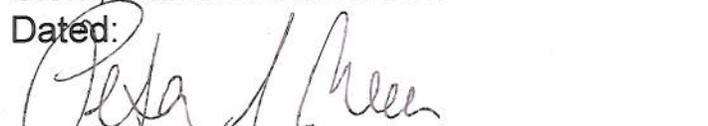
Vice Chairman, Board of Selectmen

Dated: 9-15-15



Clerk, Board of Selectmen

Dated:



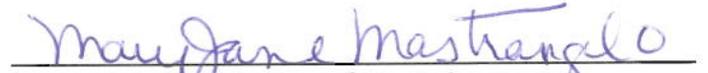
Board of Selectmen

Dated: 9/15/15



Board of Selectmen

Dated:



Chairman, Finance Committee

Dated: 9/14/15



Finance Director

Dated: 9/14/15



Town Treasurer

Dated:

POLICY ENDORSEMENTS

Approved:

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