

Annual and Special Town Meeting Supplemental Information Handout May 2 and 4, 2016

The following is a summary of proposed Annual and Special Town Meeting Actions, balances in funds proposed for utilization during Town Meeting, Article amendments Scriveners Errors and supplemental information to certain Articles. Also attached is the Town's Overall Financial Management Policies adopted by the Board of Selectmen.

Annual Town Meeting Articles that have Scrivener's Errors

Article 16

To see if the Town will vote to amend the Personnel Bylaw by deleting the entire Bylaw, with the exception of the wage and compensation schedule, and replacing the Bylaw with the following; or take any other action relative thereto.

CHAPTER 2

DUTIES AND RESPONSIBILITIES OF THE TOWN MANAGER AND BOARD OF SELECTMEN

(c) The Town Manager or his **or her** designee may promulgate and publish amendments to the classification and compensation plan, as well as personnel policies and procedures in order to carry out his/her responsibilities under the Town Charter and this Bylaw.

Article 34

To see if the Town will vote to authorize the Board of Selectmen to ~~accept~~ **convey** all or a portion of a certain parcel of land located at 1057 South Street, Map 109 Parcel 71, as shown on the current Assessor's Map, for affordable housing purposes; or take any action relative thereto.

Special Town Meeting Articles that have Scrivener's Errors

Article 7

Under the Executive Summary, first Sentence the term "Adopt and Island Program" should read "Adopt an Island Program".

Annual Town Meeting Articles that will be amended

(Deleted language shown with strikethrough and added in bold)

Article 4: To vote to amend the FY2017 General Fund Budget as follows:

General Fund Budget Classification	FY2017 TM REC	Amendment FY2017 TM REC
Unclassified		
Exempt Principal Maturing Debt	—3,096,234	3,639,299
Total Unclassified Budget	—16,391,982	16,935,047
Total Unclassified Budget Net Allocations	—15,545,209	16,088,274
Total Budget Before Transfers, Allocations and Offsets	101,058,213	101,601,278
Total Budget Before Transfers Net Allocations/Offsets	—99,449,171	99,992,236
ATM General Fund Budget	—99,697,945	100,241,010

Article 19

To see if the Town of Tewksbury will vote to appropriate and transfer from the Tewksbury Community Preservation Fund ~~Open Space Reserve~~ **Undesignated Fund Balance** the sum of \$12,000 for Bay Circuit Trail Wetland Boardwalks; pursuant to Massachusetts General Laws, Chapter 44B or any other enabling authority, said funds are to be expended under the direction of the Community Preservation Committee; or to take any other action thereon.

Article 20

To see if the Town of Tewksbury will vote to appropriate and transfer from the Tewksbury Community Preservation Fund ~~Open Space Reserve~~ **Undesignated Fund Balance** the sum of \$35,000 for Long Pond Water Quality Improvements; pursuant to Massachusetts General Laws, Chapter 44B or any other enabling authority, said funds are to be expended under the direction of the Community Preservation Committee; or to take any other action thereon.

Special Town Meeting Articles that will be amended

(Deleted language shown with strikethrough and added in bold)

Article 13

To see if the Town will vote to create a Water Enterprise Stabilization Fund in accordance with M.G.L. Ch. 40 Section 5B **for water related capital improvements, emergencies and one-time expenditures and the balance of such fund cannot exceed \$5,000,000**; or take any action relative thereto.

Article 14

To see if the Town will vote to transfer the sum ~~\$2,801,615~~ **\$1,801,615** from Water Enterprise Retained Earnings into the Water Enterprise Stabilization Fund; or take any action relative thereto.

Article 15

To see if the Town will vote to create a Sewer Enterprise Stabilization Fund in accordance with M.G.L. Ch. 40 Section 5B **for sewer related capital improvements, emergencies and one-time expenditures and the balance of such fund cannot exceed \$5,000,000**; or take any action relative thereto.

Article 16

To see if the Town will vote to transfer the sum ~~\$5,477,282~~ **\$3,700,000** from Sewer Enterprise Retained Earnings into the Sewer Enterprise Stabilization Fund; or take any action relative thereto.

Article 17

To see if the Town of Tewksbury will vote to appropriate and transfer from the Tewksbury Community Preservation Fund ~~Open Space Reserve~~ **Undesignated Fund Balance** the sum of \$38,000 for the completion of the Wamesit Indian Park Landscape Project; pursuant to Massachusetts General Laws, Chapter 44B or any other enabling authority. Said funds are to be expended under the direction of the Community Preservation Committee; or take any action relative thereto.

BACKGROUND INFORMATION VARIOUS ARTICLES

Article 4

The following chart is a summary of expenditures and revenues for Fiscal Years 2015, 2016 and 2017. Within the Uses of Funding section, the Appropriations include the budget and all other financial articles approved at previous Town Meetings and those being proposed. Cherry Sheet Offsets, Other Local Expenditures and State and County Charges are areas that need to be accounted for in addition to Town Meeting appropriations. The \$1,864,653.32 surplus in Fiscal Year 2015 became part of certified Free Cash. A portion was spent at previous Town Meetings and a portion transferred into the Stabilization Fund.

Figures Include the Proposed Amendment

Summary of Revenue and Expenditures

	Actual Budget FY2015	Approved Budget FY2016	Projection Budget FY2017	Inc/(Dec) Over FY2016
Uses of Funding (Amounts To Be Raised)				
Appropriations	101,895,906	102,966,083	100,241,010	(2,725,073)
Cherry Sheet Offsets	54,616	36,780	36,780	-
Other Local Expenditures	1,670,813	2,195,408	1,406,646	(788,762)
State and County Charges	1,648,314	1,554,026	1,709,429	155,403
Total Uses of Funding	105,269,649	106,752,297	103,393,865	(3,358,433)
Sources of Funding				
Property Taxes	71,444,252	75,017,836	78,028,304	3,010,468
State Estimated Revenues	15,860,172	16,211,338	16,211,338	-
Local Estimated Revenues	10,507,399	8,962,379	8,634,251	(328,128)
Other Available Funds	9,322,479	6,560,745	519,972	(6,040,773)
Total Sources of Funding	107,134,302	106,752,297	103,393,865	(3,358,433)
Surplus(deficit)	1,864,653.32	-	-	

General Fund Budget Classification

	FY2015 Expended	FY2016 Budgeted	FY2017 TM Rec	Budget Inc(Dec)
Budget Summary				
Total Town Budget Net Allocations	31,098,814	31,881,863	33,034,656	1,152,792
Total Exempt Town Debt	4,609,268	4,775,021	5,352,200	577,179
Total School Budget Net Allocations	48,325,450	50,991,664	52,674,267	1,682,603
Total Exempt School Debt	3,032,174	3,217,099	3,144,086	(73,013)
Shawsheen Tech	5,838,185	5,671,070	5,646,988	(24,082)
Essex North Shore Agricultural and Tech. School District	168,574	160,271	140,039	(20,232)
Total Budget Net Allocations/Offsets	93,072,465	96,696,989	99,992,236	3,295,247

Raise and Appropriation General Fund

Annual Town Meeting Article 4: FY17 General Fund

\$100,241,010

Raise and Appropriation Sewer Enterprise Fund

Annual Town Meeting Article 9: FY17 Sewer Enterprise Budget

\$5,953,255

Raise and Appropriation Water Enterprise Fund

Annual Town Meeting Article 10: FY17 Water Enterprise Budget

\$6,890,460

Transfer Retained Earning Sewer Enterprise Fund Special Town Meeting	
Sewer Enterprise Fund Retained Earnings Balance May 2016	\$6,105,282
<u>Special Town Meeting Article 12: Sewer projects, purchase and vehicle repair</u>	(\$628,000)
<u>Special Town Meeting Article 16: Transfer to Sewer Enterprise Stabilization Fund</u>	(\$3,700,000)
Remaining Balance:	\$1,777,282

Transfer Retained Earnings Water Enterprise Fund Special Town Meeting	
Water Enterprise Fund Retained Earnings Balance May 2016	\$3,354,615
<u>Special Town Meeting Article 11: Water projects and vehicle repair</u>	(\$553,000)
<u>Special Town Meeting Article 14: Transfer to Water Enterprise Stabilization Fund</u>	(\$1,801,615)
Remaining Balance:	\$1,000,000

Transfers Stabilization Fund Special Town Meeting	
Stabilization Fund Balance May 2016:	\$3,375,832
<u>Special Town Meeting Article 2: Purchase new Ladder Truck for Fire Department</u>	(\$975,000)
<u>Special Town Meeting Article 2: Elementary School(s) Feasibility Study</u>	(\$1,100,000)
Remaining Balance:	\$1,300,832

Transfer Free Cash Special Town Meeting	
FY16 Certified Free Cash Balance:	\$600,000
<u>Special Town Meeting Article 3: Snow and Ice</u>	(\$160,000)
<u>Special Town Meeting Article 4: One-Time Expenditures (Detailed Breakdown below)</u>	(\$349,873)
<u>Special Town Meeting Article 5: Visioning workshop (Detailed description below)</u>	(\$40,000)
<u>Special Town Meeting Article 6: Unpaid Bill Constellation Energy</u>	(\$50,126.05)
Remaining Balance:	0.95

Community Preservation Act	
CPA Undesignated Fund Balance:	\$968,774
CPA Open Reserve/Recreation Balance:	\$9,207
CPA Historic Reserve Balance:	\$395,600
CPA Housing Reserve Balance:	\$182,947

CPA Balances are prior to any action taken at May 2016 Town Meeting.

Transfer CPA Undesignated	
<u>Annual Town Meeting Article 19: Bay Circuit Trail Wetland Boardwalk</u>	(\$12,000)
<u>Annual Town Meeting Article 20: Long Pond Water Quality Improvements</u>	(\$35,000)
<u>Special Town Meeting Article 17: Wamesit Park Landscape Project</u>	(\$38,000)
Remaining Balance:	\$883,774

Further detailed information certain Annual Town Meeting Articles

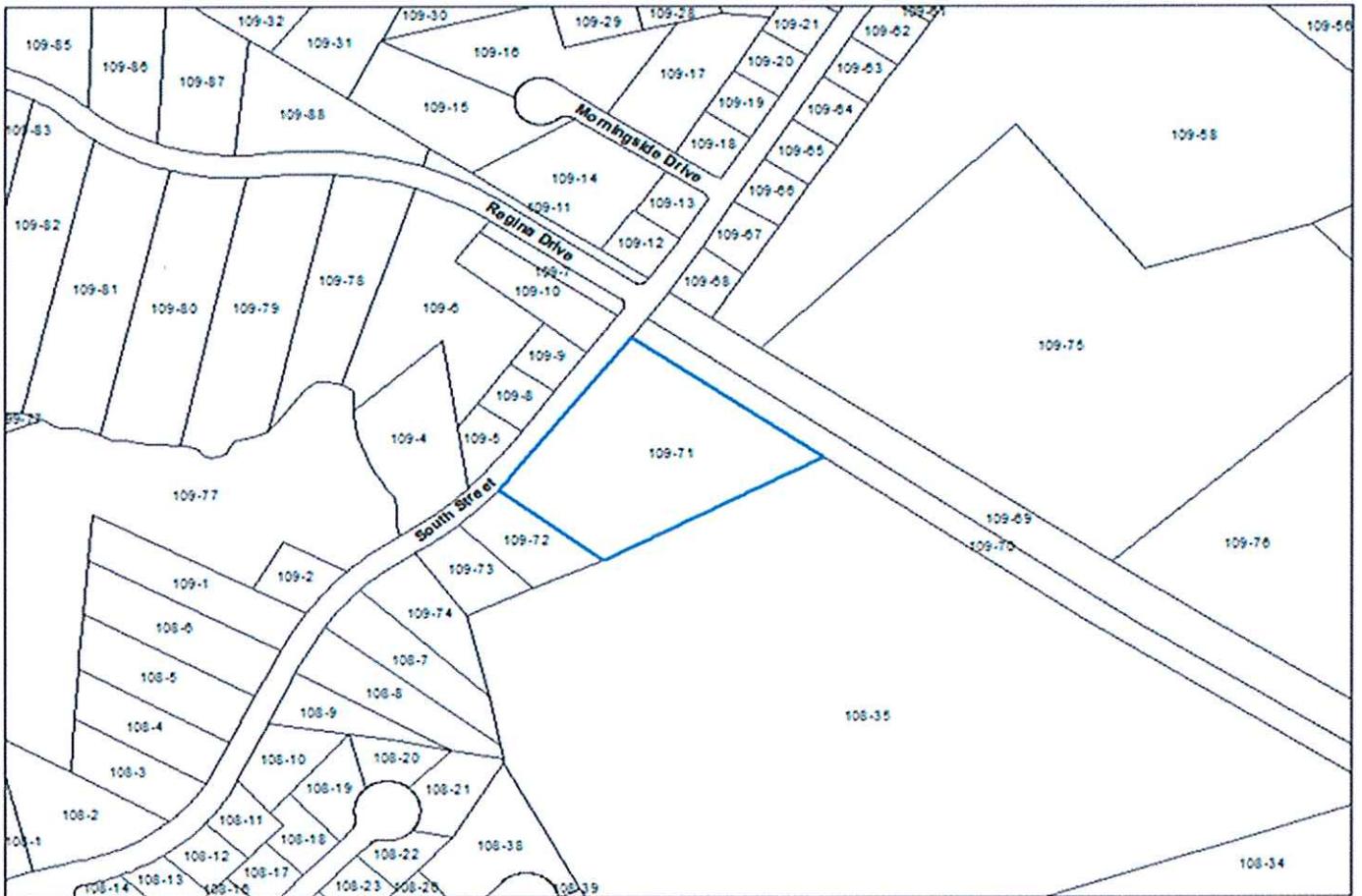
Annual Town Meeting Article 16

The proposed Personnel By-Law does not contain substantive changes to existing responsibilities of the Town Manager, Board of Selectmen and Town Meeting, but represents an effort to reconcile the By-Law with the Town’s Charter as well as state law. More specifically, in 1986, and as subsequently amended, the Town adopted its Charter to establish a town manager-form of government.

The proposed Personnel By-Law reconciles the responsibilities set forth in the existing Charter into a single By-Law governing personnel relations. It seeks to create more transparency by expressly setting forth the responsibilities of the Town Manager, as they currently exist, with respect to the establishment of a wage and classification plan, personnel policies and procedures. The By-Law also expressly states that the Town Meeting will be consulted and its approval sought when wage or similar changes require appropriation of funds. The goal is to allow for a more streamlined process when updating and changing non-union personnel rules and regulations and changes can only be made with the approval of the Board of Selectmen. The Personnel By-Law affects approximately 49 employees and this amendment is consistent with how we administer and change collective bargaining agreements.

Annual Town Meeting 34 Map for South Street parcel

1057 South Street: Map 109 Lot 71



Further detailed information certain Special Town Meeting Articles

Special Town Meeting Article 1

The following is a breakdown of the Line-Item funds will be transferred from:

School Health Insurance \$244,000:

There is a projected surplus since the estimated number of employees to enroll into certain plans was less than anticipated.

Town Manager Unclassified: Health Insurance \$40,000:

There is a projected surplus since the estimated number of employees to enroll into certain plans was less than anticipated.

Town Manager Unclassified; Property and Liability Insurance \$87,021:

There is a surplus since the actual premium was less than projected.

Library Salary; Full-Time Salaries \$26,000:

There is a surplus in this account since employees who decided to leave the Library made a higher salary than those who replaced them.

The following is a breakdown of the Line-Item fund will be transferred to:

School Operating \$222,000:

\$96,000 will be used for a new boiler at the North Street School; \$100,000 is for Special Education Pupil Contracted Services; \$4,000 Special Education Assistive Technology; \$22,000 Building Maintenance Contracted Services.

School Unemployment \$22,000:

There is a projected deficit since the number of employees collecting unemployment exceeded the budget projection.

Board of Selectmen Operating; Professional Services \$20,000:

Funds are for Labor Counsel costs for the remainder of the Fiscal Year

Administrative Service Operating; Medical \$1,000:

The Account has a projected deficit since the number of pre-employment physicals exceeded the budget projection.

Administrative Service Operating; \$10,000:

There was a higher than normal amount of postage this fiscal year due to health insurance and the Affordable Care Act mailings.

Town Hall Operating; Utilities \$20,000:

The cost of utilities is higher than projected since offices moved back into Town Hall

Town Manager Unclassified; Street Lights \$15,000:

The cost of operating street lights is projected to exceed the budget

Fire Operating; Repairs and Maintenance \$19,728:

Repairs to Fire vehicles, specifically, the ladder truck and ambulance has caused the budget to be in deficit.

Fire Operating: Ambulance Billing \$12,400:

This fund is projected to be in deficit since the amount for billing exceeds the Fiscal year projection and the company is paid based upon a percentage of what is billed.

Community Events \$6,000:

Funds will be used to assist with the cost of the Memorial Day Parade

COA Operating: Communications \$1,600:

Funds will pay for the new phone system in the Senior Center for the remainder for this Fiscal Year.

COA Operating: Repairs and Maintenance \$1,293:

Funds will be used to repair the Emergency Generator at the Senior Center

Veterans Operating: Veteran's Aid \$20,000:

Funds are needed to cover the projected costs of Veteran's Benefits for the remainder of the Fiscal Year

Library Capital Outlay \$26,000:

Funds will purchase two new Self-Check Out machines at the Library

Special Town Meeting Article 4 Description of items to be funded:

Video Replay \$10,000:

This is a system we would like to purchase in order to replay meetings on a local access channel. Currently, we only have the ability to broadcast the meetings live. This would give the community more chances to view what they might have missed.

Phone System \$50,534:

The telephone systems at both the Wynn and the Ryan Schools are outdated and the one at the Ryan School is currently broken. If approved both schools would be receiving the Avaya IP Office System, including voicemail for all lines and unified messaging.

Ella Fleming School Repairs \$21,100:

At Special in May 2012, \$275,000 was appropriated from CPA funds for rehabilitation of the Ella Fleming School. Since that time an architect reviewed the building and developed bid specifications that included new windows, siding repairs, roofing, exterior painting, removal of basement entries in rear of the building and removal of a ramp. The project was bid and additional funds are needed to complete the entire scope of work; specifically installation of new windows.

Wing-Plow Assembly and controls \$35,000:

DPW Truck # 51, an existing Class B, 10-wheel dump truck, will be outfitted with a wing plow, adding approximately (8-10') additional feet to the truck's front mounted ten foot plow path. This vehicle will be assigned to plow main arterials and secondary collectors, which will enable the vehicle to plow the full width of the street lane in one pass as opposed to two. The extra width of the plow path will help to maximize the efficiency of the vehicle, by minimizing time needed to open the roadway from curb to curb. In addition, during post-storm cleanup and widening operations the wing-plow is more effective cutback snow banks with little interference and blocking of driveways.

Ford-550 Dump w/toolbox and plow \$75,000:

Much of the Highway Division's work is completed by smaller crews, requiring heavy duty, smaller sized dump trucks. However, the Highway Division only has (1) F-550 model truck in its inventory, which is mostly assigned to pull the hot-box patching potholes and other maintenance tasks. The addition of the F-550 will be assigned to catch-basin repair and other construction activities; while providing the division

manager greater flexibility in sizing crews and daily work assignments. This sized vehicle can and will be used in all aspects of Highway Division work.

Dump body (uni-body) \$20,000:

Replace the uni-body dump on Truck #53 (2005 Mack) with a standard dump body and purchase a separate slide-in mounted sander unit. Truck #53 is the most severely damaged of the uni-body dump trucks in the DPW inventory and will be scheduled for replacement first. The uni-body dumps are problematic due to their construction. The construction of a uni-body has the sanding unit built into the truck's dump body, eliminating the need for a separate "slide-in" sander unit. Although good in concept, salt residues are captured within the steel frameworks causing the steel hoppers, framework and fittings to deteriorate. The annual cost and time spent to repair and make-ready for winter operations exceeds the traditional approach that allows the sander and the truck to be separated at the end of the winter season. The body's condition, on truck #53 is compromised by salt and deterioration and should be replaced; as will the other uni-body vehicles the Town owns. By initiating the replacement cycle for the (3) vehicles now, the effect will be to save operational costs and shop time maintaining equipment that has provided 10+ years of service, but has not met expectations.

6-Yard sander \$15,000:

Replacing the uni-body on Truck #53 (outlined above) will eliminate a sanding unit. Therefore a traditional slide in 6-yard sander is needed to maintain an inventory of (12) sanders.

Replace Ford F350 Highway \$18,000:

Truck #2 serves as the Division Supervisor's vehicle and was damaged in an accident. The Town's Insurance provider totaled the vehicle and provided recovery funds (\$17,095), which will also be used to replace this vehicle.

Service Box and Electrical Repairs/Installation, Livingston Fields \$22,275:

Funds will be used for upgrades to electric wiring at Livingston Street Recreation Fields with a focus on Memorial Field, Tennis and Basketball courts and Skate Park and other locations if funds are available.

Recreation Center and Patio Improvements \$7,064:

Funds will be used to fix the concrete patio area in back of the Recreation Center which has large cracks and frost heaves. Funds will also repair gas piping and heating within the Recreation building itself and any other repairs needed if funds are available.

Command Vehicle \$51,000:

The Fire Department would purchase a Ford Expedition or equivalent vehicle. The Expedition is large enough to transport the equipment that is needed by the Captains in performing their duties. Purchase would include new emergency and safety lighting and onboard computer and related fire officer operational equipment. The current vehicle is a 2011 Ford Expedition. Electrical and front-end driveline issues have been ongoing maintenance concerns. This vehicle experiences heavy usage by the officer in charge. It's all terrain capability is used to access remote areas of Town during inclement weather and it is used to tow the Department's rescue boat as needed.

2 All-Terrain Vehicles and Trailer \$24,900:

Funds will provide the Police Department with two new all-terrain police vehicles that will replace the two 2005 Kawasaki all-terrain vehicles that are currently used in all NEMLEC communities for off-road searches for dangerous and missing persons. The cost is attributed to the price of the vehicles and the purchase and transfer of all necessary equipment (radios, lights, helmets, etc.) The funds provided will also purchase an enclosed trailer for transport and includes trading the current ATVs.

Special Town Meeting Article 5

This Article funds a new and innovative approach to setting goals and priorities for the Town. The idea is to have a town-wide visioning workshop. A consultant will facilitate a series of workshops that seek residents' input and ideas for setting priorities for the Town's future instead of leaving it up to public officials. The hope is to engage and energize residents to get involved in shaping the town's future and laying out the road map. The Board of Selectmen's role will be to set up a citizens committee to drive the entire process. Visioning Projects are conducted by communities to engage the public in discussions about high level goals for a community. The public participation process should be rigorous and maximize outreach efforts. The results of a well-constructed visioning project could lead to goals across all departments/ boards/ committees and commissions in a community. Most master plan processes begin with a vision component to assist in setting goals for elements of a master plan. In Massachusetts, the elements of a master plan are found in MGL Chapter 41. These elements primarily focus on land use related issues. Many communities are using visioning projects such as the one being recommended to establish goals in areas that may include land use, but go further in reach and scope of a comprehensive view of where a community sees itself in the future. Additional topics could include the structure/ responsiveness of local government, strengthening the civic culture of a community, and the education system. These are just a few examples of how a visioning project can reach beyond a master plan. In the end, a visioning project is only as good as what is put into it. A well thought out scope, a well-run public participation component, a commitment by community leaders to adhere to and advance the results can make a visioning project a very powerful path to the shared common future for a community.

Special Town Meeting Articles 13-16

These Articles are all related to the creation of Special Purpose Stabilization Funds for Water and Sewer Enterprise Funds and transferring retained earnings into each. The intent of these articles is to set up Stabilization Funds for each of the Enterprise Funds in order to set aside funds for future one-time expenditures and capital projects, similar to the General Fund Stabilization Fund. Also the creation of the Funds gives more control to Town Meeting since the use of the funds are a 2/3 vote instead of the majority vote for the use of Retained Earnings. There is a cap of the amount transferred into all these type of funds and it is 10% of the previous year tax levy which would only allow \$7.1 million to be transferred in without Department of Revenue approval. When adding the amount transferred into the General Fund Stabilization Fund in October and the amount originally planned for the two proposed Enterprise Funds we will exceed that amount. That is the reason Articles 14 and 16 are being amended and Articles 13 and 15 are also being amended to cap the fund balance and add more specificity to the fund purpose. All interest earned on the investment of Stabilization Funds belongs to the funds, and interest rates are historically higher for these types of funds.

According to the Massachusetts Department of Revenue special purpose stabilization fund:

- The creation of special purpose stabilization funds provides a response to resident concerns about the absence of long-term planning in Municipal Government. If considered thoughtfully and implemented prudently, they offer a strategic mechanism that can help a community to effectively plan for future costs (Like pipe repair, leaks, replacement, etc.);
- Encourages a community to think long-term. Programs to replace vehicles, maintain buildings and improve roads require an evaluation of all assets, formulation of a replacement or repair schedule, and calculation of long-term projected costs;
- Helps a community save money. If the \$400,000 purchase price of fire truck were borrowed over 15 years, interest payments could add around \$150,000 to the total cost, depending on interest rates. Even if this additional cost would have a nominal tax rate impact, it can instead be a savings or expended elsewhere;
- Helps a community manage debt. A plan to accumulate cash over time and pay outright for a moderate-range capital expenditure helps preserve debt capacity for major, high-dollar purchases or

projects. An approach that balances debt with pay-as-you-go practices, and protects against unforeseen costs is viewed in a positive light by credit rating agencies.

- Builds resident confidence in government. Special purpose stabilization funds directly address resident concerns and provide assurance that money appropriated for a particular purpose will be used for that purpose and will not be diverted.

With the support of Town Meeting the following is a retrospective on accomplishments since FY2010

Town Hall and Annex has been open 5 days a week to the public, and staff added;

Police Department added 6 sworn Officers: 4 to the Department and 2 to the Schools. Consistently have purchased 4 cruisers, and have updated computer systems and safety equipment;

Fire Department added 5 employees which included Operational Deputy, Fire Protection Officer, purchased 3 Fire Trucks, 3 Ambulances, safety equipment, South Station has been open and leases have been paid and removed from the budget;

Senior Center was reopened 5 days a week, clerical staff and full-time outreach worker added; less dependence on revolving fund;

Library will restore Sunday hours in FY17, staff has been added; book and subscriptions have increased 57,800 since 2010;

DPW Administration changed a part-time Clerical position to Full-time, Assistant Superintendent was added; Engineering added (2) Project Managers and (1) Permit Tech; Highway: (1) HMEO and 1 SHMEO and another HMEO if the FY2017 budget is approved; Fleet added (1) Maintenance Mechanic; new equipment and vehicles have been purchased and all leases have been paid and removed from the budget.

Veteran's Budget for benefits has increased from \$121,150 to \$350,650 greatly limiting the annual budget deficits that occurred;

In 2010 the per pupil expenditure for education was \$10,926 and in 2015 it increased to \$14.663;

Removed Free Cash as Operating Revenue;

Bond Rating increased twice from AA- in 2010 to AA in 2013 and AA+ in 2016;

In FY13 started to annually set aside \$600,000 from Free Cash for Snow and Ice Deficits;

In FY14 started to annually set aside \$350,000 for OPEB Unfunded Liability, current balance in the Trust Fund is \$1,089,091.73;

Added over \$7.9 million to the Stabilization Fund since FY2012, increasing the balance from \$254,810 in 2010 and its current balance of \$3,375,832;

Since 2011 spent over \$4.722 million from the Stabilization Fund on Town and School one-time expenditures;

Since 2012 spent over \$3.37 million from the Free Cash on Town and School one-time expenditures;

Since FY13 the Town has annually funded \$25,000 for a Senior Tax Relief Program;

Since FY13 all equipment leases have been paid totaling \$511,773 saving over 50,000 in interest costs;

Designated a Green Community in 2011 and received \$585,038 in Grant funding;

Town has regionalized Animal Control;

With the help of Community Preservation Act Funds the Town Hall was renovated, Ella Fleming School will be renovated, installed new Town and School playgrounds, funded rehabilitation of open space and high school fields, installed new fencing at town and school fields and installed new tennis courts at the high school.

Town of Tewksbury Overall Financial Management Policies

Introduction

The following financial principles set forth the broad framework for overall fiscal planning and management of the Town of Tewksbury's resources. In addition, these principles address both current activities and long-term planning. The principles are intended to be advisory in nature and serve as a point of reference for all policy-makers, managers 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 of course to statutory limits such as Proposition 2 ½. The principles outlined in this policy 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 to provide needed and desired services

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

Definitions

Fund Balance – The difference between assets and liabilities reported in a governmental fund. Also known as fund equity.

Undesignated Fund Balance – Monies in the various government funds as of June 30 that are neither encumbered nor reserved, and are therefore available for expenditure once certified as part of free cash.

Stabilization Fund – A fund designed to accumulate amounts for capital and other future spending purposes, although it may be appropriated for any lawful purpose (MGL Ch. 40 §5B). Communities may establish one or more stabilization funds for different purposes and may appropriate into them in any year an amount not to exceed ten percent of the prior year's tax levy. The total of all stabilization fund balances shall not exceed ten percent of the community's equalized value, and any interest shall be added to and become a part of the funds. A two-thirds vote of town meeting or city council is required to establish, amend the purpose of, or appropriate money into or from the stabilization fund.

Free Cash (Also Budgetary Fund Balance) – Remaining, unrestricted funds from operations of Policy Statements the previous fiscal year including unexpended free cash from the previous year, actual receipts in excess of revenue estimates shown on the tax recapitulation sheet, and unspent amounts in budget line-items. Unpaid property taxes and certain deficits reduce the amount that can be certified as free cash. The calculation of free cash is based on the balance sheet as of June 30, which is submitted by the community's auditor, accountant, or comptroller. Important: free cash is not available for appropriation until certified by the Director of Accounts.

Overlay Surplus – Any balance in the overlay account of a given year in excess of the amount remaining to be collected or abated can be transferred into this account. Within ten days of a written request by the chief executive officer of a city or town, the assessors must provide a certification of the excess amount of overlay available to transfer, if any. Overlay surplus may be appropriated for any lawful purpose. At the end of each fiscal year, unused overlay surplus is "closed" to surplus revenue; in other words, it becomes a part of free cash.

Net Assets Unrestricted (formerly Retained Earnings) – An equity account reflecting the accumulated earnings of an enterprise fund that may be used to fund capital improvements, to reimburse the general fund for prior year subsidies, to reduce user charges and to provide for enterprise revenue deficits (operating loss).

Recurring Revenue Source – A source of money used to support municipal expenditures, which by its nature can be relied upon, at some level, in future years.

Non-Recurring Revenue Source – A one-time source of money available to a city or town. By its nature, a non-recurring revenue source cannot be relied upon in future years. Therefore, such funds should not be used for operating or other expenses that continue from year-to-year.

Policy Statements:

1. The Town Manager shall annually prepare a balanced budget and comprehensive Budget Message as required by state law town charter and by-laws.
2. Budgets will be established, and funds managed, using “generally accepted” accounting principles.
3. Finances will be managed to maintain financial stability over the long term.
4. Maintain facilities and provide services at a level that will ensure the public well-being and the safety of residents.
5. The town will avoid budgetary procedures that balance current expenditures at the expense of meeting future year’s expenses, such as postponing expenditures, accruing future years’ revenues, or rolling over short-term debt.
6. Ongoing operating costs will be funded by ongoing operating revenue sources. This protects the Town from fluctuating service levels and avoids concern when one-time revenues are reduced or removed. In addition:
 - a. Fund Balances such as Certified Free Cash, Stabilization Fund, Overlay Surplus and Water and Sewer Net Assets Unrestricted (formerly Retained Earnings) should be used only for one-time expenditures such as capital improvements, capital equipment and unexpected or extraordinary expenses. In all cases, use of Fund Balances should be avoided for routine and recurring operational expenses.
 - b. Annually, after Free Cash Certification:
 - At least \$600,000 will be set aside for potential snow and ice deficit
 - At least \$350,000 will be set aside to be transferred into the Other Post-Employment Benefits Trust Fund
 - At least 25% of the remaining certified free cash will be used to fund the capital budget and one-time capital expenditures;
 - At least 25% of the remaining certified free cash will be placed in to the Stabilization Fund;
 - c. New operating costs associated with capital projects should be funded through the operating budget but reflected in the capital improvement plan.

Fiscal conditions may affect the implementation of this policy. The allocations stated in this policy do not mean that additional funds cannot be allocated to the Stabilization Fund from Free Cash. It means that these are minimum amounts recommended for the certified Free Cash.

7. The Town will maintain a Stabilization Fund as its main financial reserve in the event of an emergency or extraordinary need and to be used to fund on-time expenses, capital projects or capital equipment. It shall be the goal of the town to achieve and maintain a balance in the Stabilization Fund of 3% to 5% of its operating budget.

8. Enterprise Funds pursuant to MGL Chapter 40, Section 39, shall be designed to generate sufficient revenues to support the full cost (direct and indirect) of operations and debt and provide debt service coverage, if applicable, and to ensure adequate and appropriate levels of working capital. Fees should be reviewed annually in relation to the cost of providing the service. Ongoing routine, preventive maintenance should be funded on a pay-as-you go basis. The term of debt for enterprise funds generally shall not exceed the useful life of the asset and in no case shall the term exceed thirty years. All enterprise funds shall maintain a reserve of Net Assets Unrestricted which is at a minimum from 3% to 5% of its operating budget.

9. Debt service payable, when taking into consideration debt, exempt from Proposition 2 ½ and financed directly with additional taxes, on an annual basis should be no more than 10% or less than 2% of the annual operating budget. The Town should strive to issue debt for shorter periods than the maximum allowable when the statutory limit exceeds 10 years. The requirements for debt financing shall be an expenditure of at least \$25,000 and a useful life in excess of five (5) years. The term of long-term debt generally shall not exceed the expected useful life of the capital asset being financed and, in no case, shall it exceed twenty years. Long-term debt should not be incurred without a clear identification of its financing sources. The General Fund Non-exempt Debt Service shall not exceed 10 percent of General Fund Revenues. Excess appropriated bond issues shall remain in the Capital Projects Fund at the end of a project completion until appropriated out by Town Meeting vote. Betterments may be assessed on all capital projects where applicable. The Town will attempt to maintain a long-term debt schedule so that at least 50 percent of outstanding principal will be paid within ten years.