

	Policy Decision	Description	Comments
1	Name a second document for Action Plan (versus Policy doc)	"How to achieve targets Plan": For example: consider over time increasing the in-levy debt capacity. E.g. when there is capital that we might have historically considered paying with debt or capital exclusions, attempt to fit within the levy. FIRE STATION EXAMPLE...	
2	HOWTO: initially achieve Capital Stabilization Fund target balance	Map out in How to document, plan to get to 2% target. (Approach may include "wheel of free cash")	
3	overall reserves target	10-12 percent of prior year General Fund budget (Stabilization funds (5%) + Free Cash (3%) + Capital Stabilization Fund (2%))	
4	free cash target	year-to-year goal of maintaining free cash in the range of 3-5 percent of prior year General Fund budget	
5	acceptable uses of free cash	Town will limit its use of free cash to funding one-time expenditures (like capital projects or emergencies and other unanticipated expenditures)	
6	what to do with free cash in excess of max target	appropriate any excess above 5 % of the General Fund to reserves or to offset unfunded liabilities or to set aside for existing debt	
7	general Stabilization Fund target	5% of prior year general fund budget	
8	general Stabilization Fund withdrawal policy	If any necessary withdrawal drives the balance below the minimum level, the withdrawal should be limited to one-third of the general stabilization fund balance	
9	general Stabilization Fund replenishment policy	Replenishment of the funds should be made annually at the Fall Town Meeting, or the earliest available meeting after Free Cash has been certified.	
10	capital-related Special Purpose Stabilization Fund(s) target	2% of prior year General Fund budget (per DLS)	
11	Capital Stabilization Fund target	Capital Stabilization Fund (target of 2% of prior year general fund budget). Also we are recommending not using fund until target balance is achieved. If funds are used they should be replenished at the next Town Meeting as free cash allows.	
12	Close Melone Stabilization Fund and transfer to Capital Stabilization Fund	DLS recommendation "Close Melone Stabilization Fund"	

13	Limit the number of stabilization funds to small few that have clear but broadly defined purposes	does Turf fund fit this recommendation (clear but broadly defined?) and to what degree do we want to limit stabilization funds?	
14	Turf Stabilization Fund	Do we want to keep this? DLS recommendation to eliminate special purpose stabilization funds. Currently we put \$20K a year in (\$10K from field maintenance enterprise fund and \$10K from the general fund.)	
15	adopt Sale of Moveable property policy (to fix Vehicle Surplus bylaw problem)	Sale of moveable property: M.G.L. c. 44, § 53 *** DLS option... if we want to divert to Capital Stabilization, we could accept 4th para of ... M.G.L. c. 40 § 5B and specify a percentage of each sale (of moveable property e.g. Vehicles that will be dedicated, without further appropriation, to the capital stabilization fund.	
16	use of Overlay Surplus funds policy	treat like other one-time revenues for non-recurring expenses	
17	Annual Capital Spending (non-debt) target policy	target of 3% of prior year's General Fund budget [see DLS pg 22 terminology and targets]	
18	OPEB Trust Fund annual contribution policy	How to determine how much each year, considering 'catch up contributions' - we chose to not specify within Policies (consider for How To document)	
19	special one-time revenue to offset Debt policy	In policies, "set aside for existing debt" e.g. Sewataro. Can't 'pre-pay' in this year's debt payment, but can make conscious decision to set aside revenue and not to raise corresponding amount of funds from levy next year for next years payment	
20	special New growth revenue towards capital expenditures policy	New growth (residential or commercial) permanently adds to the tax base. The Town should attempt to dedicate 50 to 75% of all (commercial?) new growth levy amounts to capital expenditures or reserves. In talking to Dennis determined this was too aggressive. Changed to "The Town should endeavor to contribute any new growth in excess of 1 percent of prior year's general fund budget to capital expenditures or reserves."	

21	Policy on "Town departments that charge fees (Enterprise Funds and recreation programs...)"	Town departments that charge fees (Enterprise Funds and recreation programs, for example) shall annually review their fee schedules and propose adjustments when needed to ensure coverage of service costs and endeavor to generate retained earnings of 3-5% of prior year's enterprise fund budgets for asset replacement.	
22	Overlay Surplus transparency	At the annual Tax Classification Hearing, the Select Board shall request an update from the Board of Assessors on the balance of the overlay account	
23	Minimizing debt by maximizing use of available funds	Use available funds to the greatest extent possible to reduce the amount of borrowing on all debt-financed projects	
24	Long-term borrowing circumstances	Confine long-term borrowing to capital improvements and projects that cost at least \$100,000 and that have useful lifespans of at least ten years or whose lifespans will be prolonged by at least ten years.	
25	Debt exclusion circumstances	<p>Restrict debt exclusion borrowing to proposals which meet all three of these criteria:</p> <p>(1) useful life of 20 years or more;</p> <p>(2) estimated cost of the <b>principal payment in the first year</b> of the debt issuance must be greater than <b>1% of the prior year's general fund revenue</b>; and</p> <p>(3) the expenditure is either for town-owned land, buildings, or infrastructure or for a LSRHS capital assessment.</p>	<p>NOTE: is this too aspirational / infeasible? Might we make the notional 1% a value that the Select Board initially sets at lower bar, and increases as we gain more discipline and debt within the levy capacity? (Back of envelope: 1% of prior years general fund revenue is ~ \$1M. Only purchases of around \$20M or more would have first year Principal payment of &gt; \$1M. ?? So this would say Broadacres, Sewataro would not have qualified for a debt exclusion.)</p>
26	Debt within the levy	<p>The policy of the Select Board shall be to include sufficient debt capacity within the levy, such that capital items can be more predictably funded.</p> <p>As debt within the levy decreases annually, this amount shall be used for capital, future debt, or set aside for future capital.</p>	

27	Total debt service limit	1.Total debt service, including debt exclusions and any self-supporting debt, shall be limited to 10 percent of general fund revenues, with a target balance of 5-7 percent.	
28	Bond term limit 10 years except for...	The Town will limit bond maturities to no more than 10 years, except for major buildings, water and water facility projects, land acquisitions, and other purposes in accordance with the useful life borrowing limit guidelines published by the Division of Local Services (DLS).	
29	Debt re-funding options	Issue debt with optional call dates no later than 10 years from issue	
30	Annual Capital Spending Target	Annually, the minimum level of capital funding (spending) the town should target year to year should be equivalent to 6% of the prior year's general fund budget, (drawn equally from within-levy debt and cash capital sources).	
31	Requirement for adding item to CIB and CIP list	require a Capital Project Submission Sheet for every item listed on CIB (this year) and CIP (5 years plan)	
32	CIP inclusion / exclusion threshold	The CIP shall not include items that cost less than \$20,000 or have a useful life of less than 5 years. Items that do not meet this threshold should be included within the Town's operating budget.	

33	require potential funding sources including CPA eligibility be in the CIP (for each project submission)	<p>Alongside the CIP prioritization, potential Funding Sources shall be identified. Wherever possible, funding sources should be derived from 'cash capital' and within levy debt funding options. Funding sources for capital may include:</p> <ul style="list-style-type: none"> <li>-Community Preservation Act (CPA) funds (if eligible; Open Space, Recreation, Historic)</li> <li>-Town Manager's Capital Budget (items &lt;\$100K)</li> <li>-New growth dedicated to capital</li> <li>-Capital Stabilization Fund</li> <li>-Special-purpose stabilization funds</li> <li>-Free Cash</li> <li>-In-levy Debt</li> <li>-Dedicated revenue sources (i.e. Sewataro revenue share).</li> <li>-Capital Exclusion</li> <li>-Debt Exclusion</li> </ul>	
34	put maintenance and small, shorter life capital in Dept budget	The CIP shall not include items deemed to be departmental maintenance. Rather, such smaller, shorter life maintenance items should be included in departmental budgets	
35	do not include / itemize LSRHS capital in Sudbury CIP	LSRHS capital assets, while funded by Sudbury and Lincoln taxpayers, are not to be itemized in the Town of Sudbury Capital Improvement Plan. Rather, a single line item per year in each of the 5 and 15 year plans shall represent Sudbury's contribution to LSRHS's own independent capital plan (We did not choose to do this).	
36	Transparency of CIP edits	Annually, the 5 year capital improvement plan shall be posted and accessible for public view on town website for public review at all times, reflecting updates for any changes made. The Capital Project Submission Sheet for each project on the 5 year CIP shall be posted and linked from the CIP.	

37	Continue CIAC?	or eliminate this step from policies: "The Town Manager will submit a capital program to the Capital Improvement Advisory Committee (CIAC). The proposed program will detail each capital project, the estimated cost, description and funding. **** POLICY DECISION – IF WE FOLLOW DLS TAB’S RECOMMENDATION TO DISCONTINUE CIAC FOR LEANER, CENTRALIZED PROCESS / EMPOWERED TOWN MANAGER... THEN CAN ELIMINATE THIS STEP OF SUBMITTING TO CIAC. ***"	
38	Deadlines	confirm Jan 31 for articles for CIB, Feb 5 bylaw to send to Fincom appropriate and compatible dates	
39	Prescriptive Use of Free Cash (Wheel of Free Cash)	Decided to keep out of Policies, more appropriate for How to Get There document	
40	Moveable property	Decided not to address in Policies, other than to list M.G.L. c. 40 § 5B with laws we comply with. *** DLS option... if we want to divert to Capital Stabilization, we could accept 4th para of ... M.G.L. c. 40 § 5B and specify a percentage of each sale (of moveable property e.g. Vehicles that will be dedicated, without further appropriation, to the capital stabilization fund.	
41	Capital Asset Inventory	Town Manager shall maintain an inventory of all 'capital assets" (see Financial Policies Draft Appendix for definition).	
42	Debt Schedule Length Policy	Removed policy of "The Town will attempt to maintain a long-term debt schedule so that at least 50 percent of outstanding principal will be paid within 10 years."	Changed to 3. For non-excluded debt the Town will generally choose terms less than 20 years and structure as level principal payments, so that over time the annual debt payment goes down, opening up capacity for future capital.

Section	Threshold/Target	Policy Value	Dennis Current Value
Financial RESERVES policy	maintain overall reserves in the level of [X-Y%] of the prior year General Fund budget	10-12%	
Financial RESERVES.B.Free Cash	maintaining its free cash in the range of [X-Y%] of the prior year's General Fund budget.	3-5%	
Financial RESERVES.B.Free Cash	should appropriate any free cash excess above [X%] of the General Fund budget to reserves, to offset unfunded liabilities, or to set aside for existing debt.	5%	
Financial RESERVES.C.Stabilization Fund (and FORECASTING.A.Revenue Guidelines)	endeavor to maintain a minimum balance of [X%] of the prior year's General Fund budget in its general stabilization fund	5%	
Financial RESERVES.C.Stabilization Fund	pay outright for moderate-range (under \$X) capital expenditures [through Capital Stabilization Fund]	\$1M	
Financial RESERVES.C.Stabilization Fund (and FORECASTING.A.Revenue Guidelines)	endeavor to achieve and maintain a combined target balance for all capital-related special purpose stabilization funds equal to [X%] of prior year General Fund budget	2%	
FORECASTING.A.Revenue Guidelines	Annual Capital Spending (non-debt; target of X% of prior year's General Fund budget	3%	
FORECASTING.A.Revenue Guidelines	endeavor to contribute any new growth in excess of X% of prior year's General Fund budget to capital expenditures or reserves	1%	
FORECASTING.A.Revenue Guidelines	endeavor to generate retained earnings of [X-Y%] of prior year's enterprise fund budgets for asset replacement	3-5%	
DEBT MANAGEMENT.A.Debt Financing	Confine long-term borrowing to capital improvements and projects that cost at least[\$X] and that have useful lifespans of at least [Y] years or whose lifespans will be prolonged by at least [Z] years.	\$100,000, ten years, ten years	
DEBT MANAGEMENT.A.Debt Financing	Restrict debt exclusion borrowing to proposals which meet all three of these criteria: (1) useful life of [X] years or more (2) estimated cost of the principal payment in the first year of the debt issuance greater than [Y%] of the prior year's General Fund revenue.	20 years, 1%	
DEBT MANAGEMENT.B.Debt Limits and Targets	Total annual debt service, including debt exclusions and any self-supporting debt, shall be limited to [X%] of General Fund revenues, with a reasonable range of [Y-Z%]	10%, 5-7%	
DEBT MANAGEMENT.B.Debt Limits and Targets	As dictated by state statute MGL ch 44 section 10, the Town's debt limit shall be [X%] of its most recent equalized valuation	5%	

DEBT MANAGEMENT.B.Debt Limits and Targets (and DEBT MANAGEMENT.A.Debt Financing)	endeavor to gradually and consistently pursue future debt issuances financed by within-levy dollars with a target of [X%] of prior year's General Fund budget	3%	
DEBT MANAGEMENT.C.Structure and Term of Debt	The Town will limit bond maturities to no more than [X years], except for major buildings, water and water facility projects, land acquisitions, and other purposes in accordance with the useful life borrowing limit guidelines published by the Division of Local Services (DLS).	10 years	
DEBT MANAGEMENT.C.Structure and Term of Debt	For non-excluded debt the Town will generally choose terms less than [X years] and structure as level principal payments, so that over time the annual debt payment goes down, opening up capacity for future capital	20 years	
DEBT MANAGEMENT.D.Bond Refunding	Issue debt with optional call dates no later than [X years] from issue	10 years	
DEBT MANAGEMENT.F.Reporting	The Finance Director, with the Town's financial advisor, will file the annual audit and official disclosure statement within [X days] of the end of the fiscal year	270 days	
CAPITAL ASSETS.Applicability (and CAPITAL ASSETS.A.Capital Improvement Plan)	In order to be included in Sudbury's Capital Improvement Program, Capital Assets must cost [\$X] or more and have a useful life of [Y or more years]. Items or improvements that do not meet this threshold should be included within the Town's operating budget. ////////////// The CIP shall not include items that cost less than [\$X] or have a useful life of less than [Y years]. Items that do not meet this threshold should be included within the Town's operating budget.	\$20,000, 5 years	
CAPITAL ASSETS.A.Capital Improvement Plan	Annually, the minimum level of capital spending the town should target year to year should be equivalent to [X%] of the prior year's General Fund budget, drawn [equally] from within-levy debt and cash capital sources. The [X%] target shall guide how much capital spending can be planned in each year of the CIP	6%, equally	
CAPITAL ASSETS.A.Capital Improvement Plan	Town Manager's Capital Budget (items < [\$X] )	\$100K	
CAPITAL ASSETS.A.Capital Improvement Plan	Town Manager's Capital Budget (items < [\$X] in a single year or < [\$Y] over multiple years, as per General Bylaws Section 2, Article XXV Capital Planning)	\$100K, \$200K	



Town of Sudbury  
 Select Board Financial Policies  
 Thresholds and Targets - Capital Expenditures  
 July 13, 2021

	2017	2018	2019	2020	2021	2022
<i>General Fund Budget (Budget)</i>	91,043,226	95,474,975	98,516,637	101,703,034	105,613,075	107,093,804
<i>Capital Expenditures:</i>						
Taxation (within Levy Limit)	404,000	413,190	428,322	800,000	-	202,180
Capital Exclusion	365,000	-	-	-	-	-
Free Cash	-	2,120,235	1,425,148	1,470,000	2,225,023	3,077,500
Debt (net of MSBA reimbursement)	2,021,658	1,847,283	1,494,858	1,504,658	1,870,679	2,433,239
<b>Total</b>	<b>2,790,658</b>	<b>4,380,708</b>	<b>3,348,328</b>	<b>3,774,658</b>	<b>4,095,702</b>	<b>5,712,919</b>
<i>Capital Expenditures % of Budget</i>						
Taxation (within Levy Limit)	0.44%	0.43%	0.43%	0.79%	0.00%	0.19%
Capital Exclusion	0.40%	0.00%	0.00%	0.00%	0.00%	0.00%
Free Cash	0.00%	2.22%	1.45%	1.45%	2.11%	2.87%
Debt (net of MSBA reimbursement)	2.22%	1.93%	1.52%	1.48%	1.77%	2.27%
<b>Total % of Operating Budget</b>	<b>3.07%</b>	<b>4.59%</b>	<b>3.40%</b>	<b>3.71%</b>	<b>3.88%</b>	<b>5.33%</b>
<b>Total Target (6%)</b>	<b>5,462,594</b>	<b>5,728,499</b>	<b>5,910,998</b>	<b>6,102,182</b>	<b>6,336,785</b>	<b>6,425,628</b>
<b>Total Excess/(Short)</b>	<b>(2,671,936)</b>	<b>(1,347,791)</b>	<b>(2,562,670)</b>	<b>(2,327,524)</b>	<b>(2,241,083)</b>	<b>(712,709)</b>
<b>Non-Debt Target (3%)</b>	<b>2,731,297</b>	<b>2,864,249</b>	<b>2,955,499</b>	<b>3,051,091</b>	<b>3,168,392</b>	<b>3,212,814</b>
<b>Non-Debt Excess/(Short)</b>	<b>(1,962,297)</b>	<b>(330,824)</b>	<b>(1,102,029)</b>	<b>(781,091)</b>	<b>(943,369)</b>	<b>66,866</b>
<b>Debt Target (3%)</b>	<b>2,731,297</b>	<b>2,864,249</b>	<b>2,955,499</b>	<b>3,051,091</b>	<b>3,168,392</b>	<b>3,212,814</b>
<b>Non-Debt Excess/(Short)</b>	<b>(709,639)</b>	<b>(1,016,966)</b>	<b>(1,460,641)</b>	<b>(1,546,433)</b>	<b>(1,297,713)</b>	<b>(779,575)</b>

Town of Sudbury  
 Select Board Financial Policies  
 Thresholds and Targets - Financial Reserves  
 July 13, 2021

	2017	2018	2019	2020	2021
<i>General Fund Budget (Budget)</i>	91,043,226	95,474,975	98,516,637	101,703,034	105,613,075
<i>Financial Reserves</i>					
General Stabilization	4,384,807	4,574,740	4,885,336	5,000,904	5,325,176
Capital Stabilization	100	100	250,100	250,100	500,100
Free Cash	3,074,985	2,793,163	2,012,070	3,833,030	4,249,754
Total	7,459,892	7,368,003	7,147,506	9,084,034	10,075,030
<i>Financial Reserves % of Prior Year Budget</i>					
General Stabilization	4.94%	5.02%	5.12%	5.08%	5.24%
Capital Stabilization	0.00%	0.00%	0.26%	0.25%	0.49%
Free Cash	3.47%	3.07%	2.11%	3.89%	4.18%
Total % of Operating Budget	8.41%	8.09%	7.49%	9.22%	9.91%
<i>Financial Reserves Targets</i>					
General Stabilization					
5% Target	4,435,600	4,552,161	4,773,749	4,925,832	5,085,152
Excess/(Short)	(50,793)	22,579	111,587	75,072	240,024
Capital Stabilization					
2% Target	1,774,240	1,820,865	1,909,500	1,970,333	2,034,061
Excess/(Short)	(1,774,140)	(1,820,765)	(1,659,400)	(1,720,233)	(1,533,961)
Free Cash					
Lower Threshold Target (3%)	2,661,360	2,731,297	2,864,249	2,955,499	3,051,091
Excess/(Short)	413,625	61,866	(852,179)	877,531	1,198,663
Lower Threshold Target (5%)	4,435,600	4,552,161	4,773,749	4,925,832	5,085,152
Excess/(Short)	(1,360,615)	(1,758,998)	(2,761,679)	(1,092,802)	(835,398)

*Total Financial Reserves*

Lower Threshold Target (10%)	8,871,200	9,104,323	9,547,498	9,851,664	10,170,303
Excess/(Short)	<u>(1,411,307)</u>	<u>(1,736,319)</u>	<u>(2,399,992)</u>	<u>(767,630)</u>	<u>(95,274)</u>
Upper Threshold Target (12%)	10,645,439	10,925,187	11,456,997	11,821,996	12,204,364
Excess/(Short)	<u>(3,185,547)</u>	<u>(3,557,184)</u>	<u>(4,309,491)</u>	<u>(2,737,963)</u>	<u>(2,129,334)</u>

Town of Sudbury  
 Select Board Financial Policies  
 Thresholds and Targets - Debt Within Levy  
 July 13, 2021

	2017	2018	2019	2020	2021	2022
<i>General Fund Budget (Budget)</i>	91,043,226	95,474,975	98,516,637	101,703,034	105,613,075	107,093,804
<i>Debt</i>						
Total Debt	3,627,425	3,453,050	3,100,625	3,110,425	3,476,446	2,433,239
Less: MSBA Reimbursement	(1,605,767)	(1,605,767)	(1,605,767)	(1,605,767)	(1,605,767)	-
Total Debt (net of MSBA Reimbursement)	2,021,658	1,847,283	1,494,858	1,504,658	1,870,679	2,433,239
Less: Excluded Debt	(1,787,169)	(1,670,954)	(1,325,469)	(1,320,997)	(1,705,018)	(2,182,313)
Debt within Levy Limit	234,489	176,329	169,389	183,661	165,661	250,926
<i>Debt % of Operating Budget</i>						
Total Debt	3.98%	3.62%	3.15%	3.06%	3.29%	2.27%
Less: Debt Exclusions	-1.96%	-1.75%	-1.35%	-1.30%	-1.61%	-2.04%
Less: MSBA Reimbursement	-1.76%	-1.68%	-1.63%	-1.58%	-1.52%	0.00%
Net Debt % of Operating Budget	0.26%	0.18%	0.17%	0.18%	0.16%	0.23%
<i>Debt Target (within Levy Limit)</i>						
Target (3%)	2,731,297	2,864,249	2,955,499	3,051,091	3,168,392	3,212,814
Excess/(Short)	2,496,808	2,687,920	2,786,110	2,867,430	3,002,731	2,961,888

Town of Sudbury  
 Select Board Financial Policies  
 Thresholds and Targets - Financial Reserves  
 July 13, 2021

	2017	2018	2019	2020	2021
<b>Enterprise Funds Budgets</b>					
Transfer Station	292,732	314,092	327,506	312,646	309,103
Pool	574,279	574,434	503,447	468,279	464,136
Recreation Field Maintenance	236,758	240,337	239,866	251,198	230,786
<i>Total Enterprise Funds Budget</i>	1,103,769	1,128,863	1,070,819	1,032,123	1,004,025
<b>Financial Reserves</b>					
Transfer Station (Free Cash)	170,654	195,822	214,756	189,892	189,424
Pool (Free Cash)	93,317	70,413	38,834	(3,315)	(77,394)
Recreation Field Maintenance (Free Cash)	34,475	37,347	50,367	15,831	(19,691)
<b>Total</b>	298,446	303,582	303,957	202,408	92,339
<b>Financial Reserves % of Prior Year Budget</b>					
Transfer Station	33.14%	66.89%	68.37%	57.98%	60.59%
Pool	16.14%	12.26%	6.76%	-0.66%	-16.53%
Recreation Field Maintenance	14.39%	15.77%	20.96%	6.60%	-7.84%
<b>Total % of Operating Budget</b>	22.40%	27.50%	26.93%	18.90%	8.95%
<b>Financial Reserves Targets</b>					
Transfer Station					
Lower Threshold Target (3%)	15,449	8,782	9,423	9,825	9,379
Excess/(Short)	155,205	187,040	205,333	180,067	180,045
Lower Threshold Target (5%)					
Lower Threshold Target (5%)	25,748	14,637	15,705	16,375	15,632
Excess/(Short)	144,906	181,185	199,051	173,517	173,792
Pool					
Lower Threshold Target (3%)	17,341	17,228	17,233	15,103	14,048
Excess/(Short)	75,976	53,185	21,601	(18,418)	(91,442)

Lower Threshold Target (5%)	28,902	28,714	28,722	25,172	23,414
Excess/(Short)	64,415	41,699	10,112	(28,487)	(100,808)

Recreation Field Maintenance

Lower Threshold Target (3%)	7,188	7,103	7,210	7,196	7,536
Excess/(Short)	27,287	30,244	43,157	8,635	(27,227)

Lower Threshold Target (5%)	11,979	11,838	12,017	11,993	12,560
Excess/(Short)	22,496	25,509	38,350	3,838	(32,251)

Policy Decision	Description	Comments
Name a second document for Action Plan 1 (versus Policy doc) HOWTO: initially achieve Capital Stabilization 2 Fund target balance	"How to achieve targets Plan": For example: consider over time increasing the in-levy debt capacity. E.g. when there is capital that we might have historically considered paying with debt or capital exclusions, attempt to fit within the levy. FIRE STATION EXAMPLE... Map out in How to document, plan to get to 2% target. (Approach may include "wheel of free cash")	
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general Stabilization Fund replenishment 9 policy capital-related Special Purpose Stabilization	Replenishment of the funds should be made annually at the Fall Town Meeting, or the earliest available meeting after Free Cash has been certified.	
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Limit the number of stabilization funds to small few that have clear but broadly defined 13 purposes	does Turf fund fit this recommendation (clear but broadly defined?) and to what degree do we want to limit stabilization funds? Do we want to keep this? DLS recommendation to eliminate special purpose stabilization funds. Currently we put \$20K a year in (\$10K from field maintenance enterprise fund and \$10K from the general fund.)	
14 Turf Stabilization Fund		

15 adopt Sale of Moveable property policy (to fix Vehicle Surplus bylaw problem)	Sale of moveable property: M.G.L. c. 44, § 53 *** DLS option... if we want to divert to Capital Stabilization, we could accept 4th para of ... M.G.L. c. 40 § 5B and specify a percentage of each sale (of moveable property e.g. Vehicles that will be dedicated, without further appropriation, to the capital stabilization fund.
16 use of Overlay Surplus funds policy Annual Capital Spending (non-debt) target 17 policy	treat like other one-time revenues for non-recurring expenses target of 3% of prior year's General Fund budget [see DLS pg 22 terminology and targets]
18 OPEB Trust Fund annual contribution policy	How to determine how much each year, considering 'catch up contributions' - we chose to not specify within Policies (consider for How To document)
19 special one-time revenue to offset Debt policy	In policies, "set aside for existing debt" e.g. Sewataro. Can't 'pre-pay' in this year's debt payment, but can make conscious decision to set aside revenue and not to raise corresponding amount of funds from levy next year for next years payment
20 special New growth revenue towards capital expenditures policy	New growth (residential or commercial) permanently adds to the tax base. The Town should attempt to dedicate 50 to 75% of all (commercial?) new growth levy amounts to capital expenditures or reserves. In talking to Dennis determined this was too aggressive. Changed to "The Town should endeavor to contribute any new growth in excess of 1 percent of prior year's general fund budget to capital expenditures or reserves."
21 Policy on "Town departments that charge fees (Enterprise Funds and recreation programs...)"	Town departments that charge fees (Enterprise Funds and recreation programs, for example) shall annually review their fee schedules and propose adjustments when needed to ensure coverage of service costs and endeavor to generate retained earnings of 3-5% of prior year's enterprise fund budgets for asset replacement.
22 Overlay Surplus transparency Minimizing debt by maximizing use of 23 available funds	At the annual Tax Classification Hearing, the Select Board shall request an update from the Board of Assessors on the balance of the overlay account Use available funds to the greatest extent possible to reduce the amount of borrowing on all debt-financed projects
24 Long-term borrowing circumstances	Confine long-term borrowing to capital improvements and projects that cost at least \$100,000 and that have useful lifespans of at least ten years or whose lifespans will be prolonged by at least ten years.



		NOTE: is this too aspirational / infeasible? Might we make the notional 1% a value that the Select Board initially sets at lower bar, and increases as we gain more discipline and debt within the levy capacity? (Back of envelope: 1% of prior years general fund revenue is ~ \$1M. Only purchases of around \$20M or more would have first year Principal payment of > \$1M. ?? So this would say Broadacres, Sewataro would not have qualified for a debt exclusion.)
25 Debt exclusion circumstances	<p>Restrict debt exclusion borrowing to proposals which meet all three of these criteria:</p> <p>(1) useful life of 20 years or more;</p> <p>(2) estimated cost of the <b>principal payment in the first year</b> of the debt issuance must be greater than <b>1% of the prior year's general fund revenue</b> ; and</p> <p>(3) the expenditure is either for town-owned land, buildings, or infrastructure or for a LSRHS capital assessment.</p> <p>The policy of the Select Board shall be to include sufficient debt capacity within the levy, such that capital items can be more predictably funded.</p>	
26 Debt within the levy	<p>As debt within the levy decreases annually, this amount shall be used for capital, future debt, or set aside for future capital.</p> <p>1.Total debt service, including debt exclusions and any self-supporting debt, shall be limited to 10 percent of general fund revenues, with a target balance of 5-7 percent.</p>	
27 Total debt service limit	<p>The Town will limit bond maturities to no more than 10 years, except for major buildings, water and water facility projects, land acquisitions, and other purposes in accordance with the useful life borrowing limit guidelines published by the Division of Local Services (DLS).</p>	
28 Bond term limit 10 years except for...		
29 Debt re-funding options	Issue debt with optional call dates no later than 10 years from issue	
30 Annual Capital Spending Target	Annually, the minimum level of capital funding (spending) the town should target year to year should be equivalent to 6% of the prior year's general fund budget, (drawn equally from within-levy debt and cash capital sources).	
31 Requirement for adding item to CIB and CIP list	require a Capital Project Submission Sheet for every item listed on CIB (this year) and CIP (5 years plan)	
32 CIP inclusion / exclusion threshold	The CIP shall not include items that cost less than \$20,000 or have a useful life of less than 5 years. Items that do not meet this threshold should be included within the Town's operating budget.	

Alongside the CIP prioritization, potential Funding Sources shall be identified. Wherever possible, funding sources should be derived from 'cash capital' and within levy debt funding options. Funding sources for capital may include:

- Community Preservation Act (CPA) funds (if eligible; Open Space, Recreation, Historic)
- Town Manager's Capital Budget (items <\$100K)
- New growth dedicated to capital
- Capital Stabilization Fund
- Special-purpose stabilization funds
- Free Cash
- In-levy Debt
- Dedicated revenue sources (i.e. Sewataro revenue share).
- Capital Exclusion
- Debt Exclusion

require potential funding sources including CPA eligibility be in the CIP (for each project submission)

33

The CIP shall not include items deemed to be departmental maintenance. Rather, such smaller, shorter life maintenance items should be included in departmental budgets

put maintenance and small, shorter life capital in Dept budget

34

LSRHS capital assets, while funded by Sudbury and Lincoln taxpayers, are not to be itemized in the Town of Sudbury Capital Improvement Plan. Rather, a single line item per year in each of the 5 and 15 year plans shall represent Sudbury's contribution to LSRHS's own independent capital plan (We did not choose to do this).

do not include / itemize LSRHS capital in Sudbury CIP

35

Annually, the 5 year capital improvement plan shall be posted and accessible for public view on town website for public review at all times, reflecting updates for any changes made. The Capital Project Submission Sheet for each project on the 5 year CIP shall be posted and linked from the CIP.

36 Transparency of CIP edits

or eliminate this step from policies: "The Town Manager will submit a capital program to the Capital Improvement Advisory Committee (CIAC). The proposed program will detail each capital project, the estimated cost, description and funding. \*\*\*\* POLICY DECISION – IF WE FOLLOW DLS TAB'S RECOMMENDATION TO DISCONTINUE CIAC FOR LEANER, CENTRALIZED PROCESS / EMPOWERED TOWN MANAGER... THEN CAN ELIMINATE THIS STEP OF SUBMITTING TO CIAC. \*\*\*"

37 Continue CIAC?

38 Deadlines	confirm Jan 31 for articles for CIB, Feb 5 bylaw to send to Fincom appropriate and compatible dates	
39 Prescriptive Use of Free Cash (Wheel of Free Cash)	Decided to keep out of Policies, more appropriate for How to Get There document Decided not to address in Policies, other than to list M.G.L. c. 40 § 5B with laws we comply with. *** DLS option... if we want to divert to Capital Stabilization, we could accept 4th para of ... M.G.L. c. 40 § 5B and specify a percentage of each sale (of moveable property e.g. Vehicles that will be dedicated, without further appropriation, to the capital stabilization fund.	
40 Moveable property	Town Manager shall maintain an inventory of all 'capital assets" (see Financial Policies Draft Appendix for definition).	
41 Capital Asset Inventory	Removed policy of "The Town will attempt to maintain a long-term debt schedule so that at least 50 percent of outstanding principal will be paid within 10 years."	Changed to 3. For non-excluded debt the Town will generally choose terms less than 20 years and structure as level principal payments, so that over time the annual debt payment goes down, opening up capacity for future capital.
42 Debt Schedule Length Policy		

Section	Threshold/Target	Policy Value	Dennis Current Value
Financial RESERVES policy	maintain overall reserves in the level of [X-Y%] of the prior year General Fund budget	10-12%	9.91%
Financial RESERVES.B.Free Cash	maintaining its free cash in the range of [X-Y%] of the prior year's General Fund budget.	3-5%	4.18%
Financial RESERVES.B.Free Cash	should appropriate any free cash excess above [X%] of the General Fund budget to reserves, to offset unfunded liabilities, or to set aside for existing debt.	5%	
Financial RESERVES.C.Stabilization Fund (and FORECASTING.A.Revenue Guidelines)	endeavor to maintain a minimum balance of [X%] of the prior year's General Fund budget in its general stabilization fund	5%	5.24%
Financial RESERVES.C.Stabilization Fund	pay outright for moderate-range (under \$X) capital expenditures [through Capital Stabilization Fund]	\$1M	
Financial RESERVES.C.Stabilization Fund (and FORECASTING.A.Revenue Guidelines)	endeavor to achieve and maintain a combined target balance for all capital-related special purpose stabilization funds equal to [X%] of prior year General Fund budget	2%	0.49%
FORECASTING.A.Revenue Guidelines	Annual Capital Spending (non-debt; target of X% of prior year's General Fund budget	3%	3.06%
FORECASTING.A.Revenue Guidelines	endeavor to contribute any new growth in excess of X% of prior year's General Fund budget to capital expenditures or reserves	1%	
FORECASTING.A.Revenue Guidelines	endeavor to generate retained earnings of [X-Y%] of prior year's enterprise fund budgets for asset replacement	3-5%	8.95%
DEBT MANAGEMENT.A.Debt Financing	Confine long-term borrowing to capital improvements and projects that cost at least[\$X] and that have useful lifespans of at least [Y] years or whose lifespans will be prolonged by at least [Z] years.	\$100,000, ten years, ten years	
DEBT MANAGEMENT.A.Debt Financing	Restrict debt exclusion borrowing to proposals which meet all three of these criteria: (1) useful life of [X] years or more (2) estimated cost of the principal payment in the first year of the debt issuance greater than [Y%] of the prior year's General Fund revenue.	20 years, 1%	
DEBT MANAGEMENT.B.Debt Limits and Targets	Total annual debt service, including debt exclusions and any self-supporting debt, shall be limited to [X%] of General Fund revenues, with a reasonable range of [Y-2%]	10%, 5-7%	2.27%
DEBT MANAGEMENT.B.Debt Limits and Targets	As dictated by state statute MGL ch 44 section 10, the Town's debt limit shall be [X%] of its most recent equalized valuation	5%	
DEBT MANAGEMENT.B.Debt Limits and Targets (and DEBT MANAGEMENT.A.Debt Financing)	endeavor to gradually and consistently pursue future debt issuances financed by within-levy dollars with a target of [X%] of prior year's General Fund budget	3%	0.23%
DEBT MANAGEMENT.C.Structure and Term of Debt	The Town will limit bond maturities to no more than [X years], except for major buildings, water and water facility projects, land acquisitions, and other purposes in accordance with the useful life borrowing limit guidelines published by the Division of Local Services (DLS).	10 years	
DEBT MANAGEMENT.C.Structure and Term of Debt	For non-excluded debt the Town will generally choose terms less than [X years] and structure as level principal payments, so that over time the annual debt payment goes down, opening up capacity for future capital	20 years	
DEBT MANAGEMENT.D.Bond Refunding	Issue debt with optional call dates no later than [X years] from issue	10 years	
DEBT MANAGEMENT.F.Reporting	The Finance Director, with the Town's financial advisor, will file the annual audit and official disclosure statement within [X days] of the end of the fiscal year	270 days	
CAPITAL ASSETS.Applicability (and CAPITAL ASSETS.A.Capital Improvement Plan)	In order to be included in Sudbury's Capital Improvement Program, Capital Assets must cost [\$X] or more and have a useful life of [Y or more years]. Items or improvements that do not meet this threshold should be included within the Town's operating budget. // The CIP shall not include items that cost less than [\$X] or have a useful life of less than [Y years]. Items that do not meet this threshold should be included within the Town's operating budget.	\$20,000, 5 years	
CAPITAL ASSETS.A.Capital Improvement Plan	Annually, the minimum level of capital spending the town should target year to year should be equivalent to [X%] of the prior year's General Fund budget, drawn [equally] from within-levy debt and cash capital sources. The [X%] target shall guide how much capital spending can be planned in each year of the CIP	6%, equally	5.33%
CAPITAL ASSETS.A.Capital Improvement Plan	Town Manager's Capital Budget (items < [\$X] )	\$100K	
CAPITAL ASSETS.A.Capital Improvement Plan	Town Manager's Capital Budget (items < [\$X] in a single year or < [\$Y] over multiple years, as per General Bylaws Section 2, Article XXV Capital Planning)	\$100K, \$200K	

This is the combined amount. The Pool and Field Maintenance Funds had NEGATIVE Free Cash (fund deficits).

Section	Threshold/Target	Policy Value	Dennis Current Value
Financial RESERVES policy	maintain overall reserves in the level of [X-Y%] of the prior year General Fund budget	10-12%	9.91%
Financial RESERVES.B.Free Cash	maintaining its free cash in the range of [X-Y%] of the prior year's General Fund budget.	3-5%	4.18%
Financial RESERVES.C.Stabilization Fund (and FORECASTING.A.Revenue Guidelines)	endeavor to maintain a minimum balance of [X%] of the prior year's General Fund budget in its general stabilization fund	5%	5.24%
Financial RESERVES.C.Stabilization Fund (and FORECASTING.A.Revenue Guidelines)	endeavor to achieve and maintain a combined target balance for all capital-related special purpose stabilization funds equal to [X%] of prior year General Fund budget	2%	0.49%
FORECASTING.A.Revenue Guidelines	Annual Capital Spending (non-debt; target of X% of prior year's General Fund budget	3%	3.06%
FORECASTING.A.Revenue Guidelines	endeavor to generate retained earnings of [X-Y%] of prior year's enterprise fund budgets for asset replacement	3-5%	8.95%
DEBT MANAGEMENT.B.Debt Limits and Targets	Total annual debt service, including debt exclusions and any self-supporting debt, shall be limited to [X%] of General Fund revenues, with a reasonable range of [Y-Z%]	10%, 5-7%	2.27%
DEBT MANAGEMENT.B.Debt Limits and Targets (and DEBT MANAGEMENT.A.Debt Financing)	endeavor to gradually and consistently pursue future debt issuances financed by within-levy dollars with a target of [X%] of prior year's General Fund budget	3%	0.23%
CAPITAL ASSETS.A.Capital Improvement Plan	Annually, the minimum level of capital spending the town should target year to year should be equivalent to [X%] of the prior year's General Fund budget, drawn [equally] from within-levy debt and cash capital sources. The [X%] target shall guide how much capital spending can be planned in each year of the CIP	6%, equally	5.33%

This is the combined amount. The Pool and Field Maintenance Funds had NEGATIVE Free Cash (fund deficits).

*Town of Sudbury, Massachusetts*  
Financial Policies Manual  
**DRAFT** July 2, 2021



## **Introduction**

The Town of Sudbury is committed to safeguarding public funds, protecting local assets, and complying with financial standards and regulations. To that end, this manual of financial policies provides guidance for local planning and decision making. The policies as a whole are intended to outline objectives, provide formal direction, and define authority to help ensure sound fiscal stewardship and management practices. Each is a living document that should be reviewed periodically and updated as necessary.

With these policies, the Town of Sudbury, through its [Select Board](#), Town Manager, and employees, commits to the following objectives:

- Sustaining a consistent level of service and value for residents
- Safeguarding financial integrity and minimizing risk through a system of internal controls
- Ensuring the quality and maintenance of capital assets ([see Appendix A for definition of capital assets](#))
- Conforming to general law, uniform professional standards, and municipal best practices
- Protecting and enhancing the town's credit rating
- [Promoting transparency and public disclosure](#)
- [Revisiting and reviewing the policies every three years to assess thresholds and targets.](#)

# **Town of Sudbury, Massachusetts**

## **Financial Policies Manual**

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# FINANCIAL RESERVES

## PURPOSE

To help the Town stabilize finances and maintain operations during difficult economic periods, this policy establishes prudent practices for appropriating to and expending reserve funds. With well-planned sustainability, Sudbury can use its reserves to finance emergencies and other unforeseen needs, to hold money for specific future purposes, or in limited instances, to serve as revenue sources for the annual budget. Reserve balances and policies can also positively impact the Town's credit rating and consequently its long-term cost to fund major projects.

## APPLICABILITY

This policy pertains to short- and long-range budget decision making and applies to the Select Board, Sudbury Public School Committee, and Town Manager in those duties. It also applies to the related job duties of the Finance Director, the Town Accountant, the Board of Assessors, and the Finance Committee.

## POLICY

The Town of Sudbury commits to building and maintaining its reserves so as to have budgetary flexibility for unexpected events and significant disruptions in revenue-expenditure patterns and to provide a source of available funds for future capital expenditures. **The Town will strive to maintain overall reserves in the level of 10-12% of the prior year General Fund budget.** These reserves are comprised of the general stabilization fund, special purpose stabilization funds and free cash target. Adherence to this policy will help the Town withstand periods of decreased revenues and control spending during periods of increased revenues. Other types of reserves include retained earnings and overlay surplus.

### A. Protection of Credit Rating

Maintenance of the highest-level credit rating possible is important to the continued financial health of Sudbury as it reduces the costs of issuing debt. Credit rating firms consider management practices to be very important factors. Poor management practices can inadvertently jeopardize the financial health of a local government. To be proactive in assuring the Town of Sudbury does not engage in these practices, the Select Board of the Town of Sudbury has adopted the following credit rating protection policies. The Town will not rely on reserves to sustain operating budgets. Use of such reserves will be limited to helping the Town deal with short-term or emerging financial stress. In the subsequent year, the Town will either reduce spending to within the limits of recurring revenues or seek approval for additional revenues from the voters of the Town. The Town will not defer current costs, such as pension or benefit costs, to a future date.

### A.B. Free Cash

The Division of Local Services (DLS) defines free cash as “the remaining, unrestricted funds from operations of the previous fiscal year, including unexpended free cash from the previous year.” DLS must certify free cash before the Town can appropriate it in the new year.

By August 15th each year, the Town Accountant shall submit to DLS a year-end balance sheet, free cash checklist, and year-end reporting checklist. Once DLS certifies free cash, the Town Accountant will provide copies of the certified balance to the Select Board, Town Manager, and Finance Director.

Each spring, the Town Manager shall include the Town's free cash balance in the proposed budget submitted to the Select Board and Finance Committee for the ensuing fiscal year, along with details on the proposed uses of and/or retention level of free cash. Any proposed use of free cash for capital equipment or improvements shall be consistent with needs identified in the Town's capital improvement program.

The Town shall set a year-to-year goal of maintaining its free cash in the range of 3-5% of the prior year's General Fund budget. To achieve this, the Finance Director shall assist the Town Manager in proposing budgets with conservative revenue projections, and department heads shall carefully manage their appropriations to produce excess income and budget turn backs. Further, budget decision makers will avoid fully depleting the Town's free cash in any year, so that the succeeding year's calculation can begin with a positive balance. Moreover, as much as practicable, the Town will limit its use of free cash to funding one-time expenditures (like capital projects or emergencies and other unanticipated expenditures) and will should appropriate any free cash excess above 5% of the General Fund budget to reserves, to offset unfunded liabilities, or to set aside for existing debt.

#### B-C. Stabilization Funds

A stabilization fund is a reserve account allowed by state law to set aside monies to be available for future spending purposes, including emergencies or capital expenditures, although it may be appropriated for any lawful purpose. Prior to the adoption of this policy, the Town established and appropriated to a general stabilization fund and special purpose stabilization funds for capital projects.

**General Stabilization:** The Town will endeavor to maintain a minimum balance of 5% of the prior year's General Fund budget in its general stabilization fund. Withdrawals from general stabilization should only be used to mitigate emergencies or other unanticipated events that cannot be supported by current General Fund appropriations. When possible, withdrawals of funds should be limited to the amount available above the 5% minimum reserve target level. If any necessary withdrawal drives the balance below the minimum level, the withdrawal should be limited to one-third of the general stabilization fund balance at a time, endeavoring to never fully deplete it. Replenishment of the funds should be made annually at the Fall Town Meeting, or the earliest available meeting after free cash has been certified.

#### Special Purpose Stabilization Funds

**Capital Stabilization:** The Town will appropriate annually to the capital stabilization fund so that over time it achieves a target balance sufficient to cover the Town's cash outlay for capital. Doing so enables the Town to pay outright for moderate-range (under \$1M) capital expenditures and thereby preserve debt capacity for major, higher-dollar

purchases or projects. This approach balances debt with pay-as-you-go practices and protects against unforeseen costs. The Town should endeavor to achieve and maintain a combined target balance for all capital-related special purpose stabilization funds equal to 2% of prior year General Fund budget.

Withdrawals from the Capital Stabilization Fund should be avoided until the target balance has been achieved. Once achieved, funds should be replenished annually at the Fall Town Meeting, or the earliest available meeting after free cash has been certified (subject to free cash availability).

**Turf Stabilization:** The Town maintains a special purpose fund to offset the cost of periodic replacement of designated town-owned turf fields. As originally created, this fund applies to the Cutting Field but could be expanded to other fields in the future.

#### G.D. Overlay Surplus

The overlay is a reserve the Town uses to offset unrealized revenues resulting from property tax abatements and exemptions. Sudbury officials will prudently manage the overlay in accordance with the Town's Overlay policy to avoid the need to raise overlay deficits in the tax levy. At the conclusion of each fiscal year, the Board of Assessors shall submit to the Town Manager and Finance Director an update of the overlay reserve 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 Town Manager may request that the Board of Assessors vote to declare those balances surplus, available for one-time expenditures (as with free cash).

# FORECASTING

## PURPOSE

To assess the range of choices available to budget decision makers when determining how to allocate resources, this policy establishes guidelines for evaluating revenue sources and the requirement to determine an expenditure strategy as part of the annual budget process and longer-range fiscal planning. Forecasting helps local officials understand the long-range implications of pending near-term decisions.

## APPLICABILITY

This policy applies to the Town Manager as the Town's chief budget decision maker. It also applies to the job responsibilities of the Finance Director, Sudbury Public Schools Superintendent, Sudbury Public Schools Business Manager, Select Board, Sudbury Public Schools Committee, and Finance Committee.

## POLICY

### A. Revenue Guidelines

The Town will continually seek to diversify its revenue to improve the equity and stability of sources. Each year and whenever appropriate, the Town will reexamine existing revenues and explore potential new sources. A balance will be sought between elastic and inelastic revenues to minimize any adverse effects caused by inflation or other economic changes. Additionally, intergovernmental revenues (e.g., local aid, grants) will be reviewed annually to determine their short- and long-term stability in order to minimize detrimental impacts.

The Town will generally avoid using one-time revenues to fund ongoing or recurring operating expenditures. These one-time revenue sources can include, but are not limited to, free cash, bond premiums, overlay surplus, sale of municipal equipment, legal settlements, insurance proceeds, and gifts. Additionally, the Town hereby establishes the following priority order when appropriating one-time revenues:

- General Stabilization Fund (maintenance of 5% of prior year's General Fund budget)
- Annual Capital Spending (non-debt; target of 3% of prior year's General Fund budget)
- Capital Stabilization Fund (target of 2% of prior year's General Fund budget)
- OPEB Trust Fund
- Existing debt

New growth (residential or commercial) permanently adds to the tax base. The Town should endeavor to contribute any new growth in excess of 1% of prior year's General Fund budget to capital expenditures or reserves.

Economic downturns or unanticipated fiscal stresses may compel reasonable exceptions to the use of one-time revenue. In such cases, the Town Manager, in consultation with the Finance Director, can recommend its use for operational appropriations. Such use will trigger the Town Manager to develop a plan to avoid continued reliance on one-time revenues.

State laws impose further restrictions on how certain types of one-time revenues may be used. The Town will consult the following General Laws when the revenue source is:

- Sale of real estate: [M.G.L. c. 44, §63](#) and [M.G.L. c. 44, §63A](#)
- Gifts and grants: [M.G.L. c. 44, §53A](#) and [M.G.L. c. 53A½](#)
- Bond proceeds: [M.G.L. c. 44, §20](#)
- Sale of moveable property: [M.G.L. c. 44, § 53](#)

This policy further entails the following expectations regarding revenues:

- The Assessing Department will maintain property assessments for the purpose of taxation at full and fair market value as prescribed by state law.
- Town departments that charge fees (Enterprise Funds and recreation programs, for example) shall annually review their fee schedules and propose adjustments when needed to ensure coverage of service [costs and endeavor to generate retained earnings of 3-5% of prior year's enterprise fund budgets for asset replacement.](#)
- The Building Department will notify the Finance Director of any moderate-to-large developments that could impact building permit volume.
- Department heads will strive to be informed of all available grants and other aid and will carefully consider any related restrictive covenants or matching requirements (both dollar and level-of-effort) to determine the cost-benefit of pursuing them.
- Revenue estimates will be adjusted throughout the budget cycle as more information becomes available.

#### B. Expenditure Guidelines

Annually, the Town will determine a particular budget approach for forecasting expenditures, either maintenance (level service), level funded, or one that adjusts expenditures by specified increase or decrease percentages (either across the board or by department). A maintenance budget projects the costs needed to maintain the current staffing level and mix of services into the future. A level funded budget appropriates the same amount of money to each municipal department as in the prior year and is tantamount to a budget cut because inflation in mandated costs and other fixed expenses still must be covered.

#### C. Financial Forecast Guidelines

To determine the Town's operating capacity for each forthcoming fiscal year, the Finance Director will annually create and provide the Town Manager with a detailed budget forecast. The Finance Director shall also annually prepare a three-year financial projection of revenues and expenditures for all operating funds.

These forecasts shall be used as planning tools in developing the following year's operating budget as well as the five-year capital improvement plan.

To ensure the Town's revenues are balanced and capable of supporting desired levels of services, forecasts for property taxes, local receipts, and state aid shall be conservative based on historical trend analyses and shall use generally accepted forecasting techniques and appropriate data. To avoid potential revenue deficits, estimates for local receipts (e.g., inspection fees, investment income, license fees) should generally not exceed 90% of the prior year's actual collections without firm evidence that higher revenues are achievable.

Additionally, the forecast model should assume that:

- The Town will maintain its current level of services.
- Property taxes (absent overrides) will grow within the limits of Proposition 2½.
- New growth will be projected conservatively, considering the Town's three-year average by property class.
- The Town will annually meet or exceed the state's net school spending requirements.
- Local receipts and state aid will reflect economic cycles.
- The Town will pay the service on existing debt and adhere to its Debt Management policy.
- The Town will make its annual pension contributions and continue appropriating to its other postemployment benefits trust fund.
- The Town will build and maintain reserves in compliance with its Financial Reserves policy.

# OVERLAY

## PURPOSE

To set guidelines for determining the annual overlay amount in the Town's budget and for deciding whether any overlay balance can be certified as surplus.

The allowance for abatements and exemptions, commonly referred to as the overlay, is an account whose purpose is to offset anticipated abatements and exemptions of committed real and personal property taxes. Effective December 7, 2016, the Municipal Modernization Act ([Chapter 218 of the Acts of 2016](#)) provides for a single overlay account. Previously, a community had to maintain separate overlay reserves for each fiscal year and could not use the surplus from one year to cover another year's deficit without a multistep process involving the assessors, accounting officer, and local legislative body. However, the Act allows all existing overlay balances to be transferred to a single account. Although this policy treats overlay as a single account, to continue historical information and facilitate reconciliations, the Town may elect to maintain subsidiary ledgers by levy year for overlay balances.

## APPLICABILITY

This policy applies to the job duties of the Board of Assessors, Director of Assessing, Town Manager, and Finance Director.

## POLICY

### A. Annual Overlay

Each year, the Board of Assessors shall vote in an open meeting to authorize a contribution to the overlay account as part of the budget process and to raise it without appropriation on the Town's Tax Recap Sheet. The Principal Assessor will propose this annual overlay amount to the Board of Assessors based on the following:

- Current balance in the overlay account
- Five-year average of granted abatements and exemptions
- Potential abatement liability in cases pending before, or on appeal from, the Appellate Tax Board (ATB)
- Timing of the next certification review by the Division of Local Services (scheduled every five years under the Municipal Modernization Act) The Board of Assessors shall notify the Finance Director of the amount of overlay voted

### B. Excess Overlay

Annually, the Finance Director and Director of Assessing will conduct an analysis to see if there is any excess in the overlay account by factoring the following:

- Current balance in the overlay account after reconciling with the Town Accountant's records

- Balance of the property tax receivables, which represents the total real and personal property taxes still outstanding for all levy years
- Estimated amount of potential abatements, including any cases subject to ATB hearings or other litigation

Upon determining any excess in the overlay account, the Principal Assessor shall present the analysis to the Board of Assessors for its review.

### C. Overlay Surplus

If there is an excess balance in the overlay account, the Board of Assessors shall formally vote in an open meeting to certify the amount to transfer to overlay surplus and shall notify the Town Manager and Finance Director in writing of its vote. If the Town Manager makes a written request for a determination of overlay surplus, the Board of Assessors shall vote on the matter within the next 10 days and notify the Town Manager and Finance Director of the result in writing. In advance of At the annual Tax Classification Hearing, the Select Board shall request an update from the Board of Assessors on the balance of the overlay account.

After being certified, Town Meeting may appropriate overlay surplus for any lawful purpose until the end of the fiscal year. However, the appropriation should be as prescribed in the Town's Forecasting policy (re: treatment of one-time revenues) and its Financial Reserves policy (re: overlay surplus). Overlay surplus not appropriated by year-end closes to the General Fund's undesignated fund balance.



# DEBT MANAGEMENT

## PURPOSE

To provide for the appropriate issuance and responsible use of debt, this policy defines the parameters and provisions governing debt management. Policy adherence will help the Town to responsibly address capital needs, provide flexibility in current and future operating budgets, control borrowing, and maintain capital investment capacity. This policy is also intended to maintain and enhance the town's bond rating so as to achieve long-term interest savings.

## APPLICABILITY

This policy applies to the Town Manager, Select Board, Sudbury Public School Committee, and Finance Committee in their budget decision making and in the Finance Director's debt reporting. It also applies to the Finance Director's budget analysis duties. Additionally, in the role as Treasurer/Collector, the statutory responsibilities associated with debt management.

## POLICY

Under the requirements of federal and state laws, the Town may periodically issue debt obligations to finance the construction, reconstruction, or acquisition of infrastructure and other assets or to refinance existing debt. The Town will issue and manage debt obligations in such a manner as to obtain the best long-term financial advantage and will limit the amount of debt to minimize the impact on taxpayers. Debt obligations, which include general obligation bonds, revenue bonds, bond anticipation notes, lease/purchase agreements, and any other debt obligations permitted to be issued under Massachusetts law, shall only be issued to construct, reconstruct, or purchase capital assets that cannot be acquired with current revenues.

### A. Debt Financing

Debt may be financed either within the levy, or beyond the levy (a debt exclusion which requires a Proposition 2 ½ voter referendum).

In financing with debt, the Town will:

1. Issue long-term debt only for objects or purposes authorized by state law and only when the financing sources have been clearly identified.
2. Use available funds as appropriate to the greatest extent possible to reduce the amount of borrowing on all debt-financed projects.
3. Confine long-term (QUESTION) borrowing to capital improvements and projects that cost at least \$100,000 and that have useful lifespans of at least ten years or whose lifespans will be prolonged by at least ten years.
4. Restrict debt exclusion borrowing to proposals which meet all three of these criteria:
  - (1) useful life of 20 years or more
  - (2) estimated cost of the principal payment in the first year of the debt issuance be greater than 1% of the prior year's General Fund revenue. This criterion applies after target level for in-levy debt of 3% is initially achieved, as per Section B. Debt Limits and Targets Item 3.

(3) the expenditure is either for town-owned land, buildings, or infrastructure or for a LSRHS capital assessment.

5. Refrain from using debt to fund any recurring purpose, such as current operating and maintenance expenditures.

6. The policy of the Select Board shall be to include sufficient debt capacity within the levy, such that capital items can be more predictably funded.

~~3.7.~~ As debt within the levy decreases annually, this amount shall be used for capital, future debt, or set aside for future capital.

## B. Debt Limits and Targets

The Town will adhere to these debt parameters:

1. Total annual debt service, including debt exclusions and any self-supporting debt, shall be limited to 10% of General Fund revenues, with a reasonable range a target of 5-7%.

2. As dictated by state statute MGL ch 44 section 10, the Town's debt limit shall be 5% of its most recent equalized valuation.

~~2.3.~~ The Town shall endeavor to gradually and consistently pursue future debt issuances financed by within-levy dollars with a target of 3% of prior year's General Fund budget.

## C. Structure and Term of Debt

The following shall be the Town's guidelines on debt terms and structure:

1. The term of any debt shall not exceed the expected useful life of the capital asset being financed and in no case shall it exceed the maximum allowed by law.

2. The Town will limit bond maturities to no more than 10 years, except for major buildings, water and water facility projects, land acquisitions, and other purposes in accordance with the useful life borrowing limit guidelines published by the Division of Local Services (DLS).

~~2.3.~~ For non-excluded debt the Town will generally choose terms less than 20 years and structure as level principal payments, so that over time the annual debt payment goes down, opening up capacity for future capital.

~~3.4.~~ Any vote to authorize borrowing will include authorization to reduce the amount of the borrowing by the amount of the net premium and accrued interest.

~~4.5.~~ The Town will work closely with its financial advisor to follow federal regulations and set time frames for spending borrowed funds to avoid committing arbitrage, paying rebates, fines and penalties to the federal government, and jeopardizing any debt issuance's tax-exempt status.

## D. Bond Refunding

To achieve potential debt service savings on long-term debt through bond refunding, the Town will:

1. Issue debt with optional call dates no later than 10 years from issue.

2. Analyze potential refunding opportunities on outstanding debt as interest rates change.
3. Use any net premium and accrued interest to reduce the amount of the refunding.
4. Work with the Town's financial advisor to determine the optimal time and structure for bond refunding.

#### E. Protection of Bond Rating

To protect its bond rating, the Town will:

1. Maintain good communications with bond rating agencies, bond counsel, banks, financial advisors, and others involved in debt issuance and management.
2. Follow a policy of full disclosure on every financial report and bond prospectus, including data on total outstanding debt per capita, as a percentage of per capita personal income, and as a percentage of total assessed property value.
3. The Town will not rely on reserves to sustain operating deficits. Use of such reserves will be limited to helping the Town deal with short-term or emerging financial stress, but then the Town will either reduce spending to within the limits of recurring revenues, or seek approval for additional revenues from the voters of the Town.
4. The Town will not defer current costs to a future date. This includes costs such as pension costs or benefits costs. From time to time, the State offers municipalities the option of deferring payments to their pension system, or other costs, as a short-term way of balancing a fiscal year's budget. However, it is the intention of the Town of Sudbury not to rely on these options.
5. The Town will follow the policies as outlined in this policy statement.

#### F. Reporting

1. The Town's Annual Town Report, Town Manager's Budget Request and Annual Town Meeting Warrant will give comprehensive summaries of the debt obligations of the Town.
2. The Finance Director will include an indebtedness summary as part of a report on receipts and expenditures in Sudbury's Annual Town Report.
3. The Finance Director, with the Town's financial advisor, will file the annual audit and official disclosure statement within 270 days of the end of the fiscal year.

# INVESTMENTS

## PURPOSE

To ensure the Town's public funds achieve the highest possible, reasonably available rates of return while following prudent standards associated with safety, liquidity, and yield, this policy establishes investment guidelines and responsibilities. It is further designed to comply with the Governmental Accounting Standards Board's recommendation that each community disclose its key policies affecting cash deposits and other long-term investments to ensure they are managed prudently and not subject to extraordinary risk.

## APPLICABILITY

This policy pertains to short-term operating funds, including general funds, special revenue funds, bond proceeds, capital project funds, and to all accounts designated as long-term (e.g., trusts, stabilization funds, other postemployment benefits trust fund (OPEB), and others the Town may set aside for long-term use, including scholarship and perpetual care funds). It does not pertain to the Town's retirement fund, which is managed by the Middlesex County Retirement Board. This policy applies to the Finance Director, in the role as Treasurer, his or her designee(s), and any advisors or other professionals in their responsibilities for investing and managing Town funds.

## POLICY

The Finance Director shall invest funds in a manner that meets the Town's daily operating cash flow requirements and conforms to state statutes governing public funds while also adhering to generally accepted diversification, collateralization, and the prudent investment principles regarding safety, liquidity, and yield. The Finance Director will report investment performance to the Select Board each August. Additionally, they will report any deviation from the investment policy to the Select Board. (Other language from JD?) check language from JD and ask Dennis if this is reasonable.

See additional details in the Town of Sudbury Investment Policy (TODO: ADD DOC TO WEBSITE AND LINK) document as well as the Town of Sudbury CPA Investment Policy document.

# CAPITAL ASSETS

## PURPOSE

To ensure Sudbury's capital assets can cost-effectively sustain the town's desired service levels into the future.

## APPLICABILITY

This policy applies to the Town Manager as the Town's chief budget decision maker. It also applies to the job responsibilities of the Finance Director, School Superintendent, School Business Manager, [Select Board](#), [Sudbury Public School Committee](#), and Finance Committee.

[Capital Assets are defined as the community-owned collection of significant, long-lasting, and expensive real and personal property used in the operation of government, including land and land improvements; infrastructure, such as roads, bridges, water and sewer lines; easements; buildings and building improvements; vehicles, machinery and equipment. In order to be included in Sudbury's Capital Improvement Program, Capital Assets must cost \\$20,000 or more and have a useful life of 5 or more years. Items or improvements that do not meet this threshold should be included within the Town's operating budget.](#)

## POLICY

### A. Capital Improvement Plan

[The Town Manager shall maintain an inventory of all Town 'capital assets' \(defined in Appendix A\), their age, value, and condition. The Town Manager will update and adopt annually a five-year capital improvement plan \("CIP"\), including the upcoming annual capital improvement budget \("CIB"\) and a four-year projection of capital needs and expenditures, which details the estimated cost, description and anticipated funding sources for capital projects. The CIP should govern projects undertaken either to build, buy, expand or replace a long-life asset or to an asset's condition beyond its original state of quality, efficiency, or useful life expectation.](#)

[Annually, the minimum level of capital spending the town should target year to year should be equivalent to 6% of the prior year's General Fund budget, drawn equally from within-levy debt and cash capital sources.](#)

[The 6% target shall guide how much capital spending can be planned in each year of the CIP.](#)

1. The Town Manager shall establish criteria to determine capital asset prioritization, including but not limited to:
  - [mitigation of safety hazards](#)
  - [legal compliance](#)
  - [ADA compliance \(Americans with Disabilities Act\)](#)
  - [operating cost reduction](#)
  - [service or efficiency improvement](#)
  - [availability of outside funding sources](#)

- conformance to asset replacement schedule
- contributing to execution of Master Plan
- enhancement of quality of life

2. The Town Manager shall consult with Department Heads annually regarding the composition and prioritization of the capital plan and create an ordered list sorted by urgency score, with appropriate justification (identifying criteria and which department it supports).

2-3. A Capital Project Submission Sheet shall be required for every item listed on the five-year CIP.

4. The CIP shall not include items that cost less than \$20,000 or have a useful life of less than 5 years. Items that do not meet this threshold should be included within the Town's operating budget.

5. Alongside the CIP prioritization, potential Funding Sources shall be identified. Wherever possible, funding sources should be derived from 'cash capital' and within levy debt funding options. Funding sources for capital may include:

- Community Preservation Act (CPA) funds (if eligible; Open Space, Recreation, Historic)
- Town Manager's Capital Budget (items <\$100K)
- New growth dedicated to capital
- Capital Stabilization Fund
- Special-purpose stabilization funds
- Free Cash
- In-levy Debt
- Dedicated revenue sources (i.e. Sewataro revenue share).
- Capital Exclusion
- Debt Exclusion
- Grants

6. The Town will emphasize preventive maintenance as a cost-effective approach to infrastructure maintenance. Exhausted capital goods will be replaced as necessary.

7. The CIP shall not include items deemed to be departmental maintenance. Rather, such smaller, shorter life maintenance items should be included in departmental budgets.

3-8. Annually, the Town shall request LSRHS's 5 and 15 year capital plans. The Town's obligation per the LSRHS agreement shall be factored into the Town CIP.

## B. Risk Management

1. The Town will maintain an effective risk management program that provides adequate coverage, minimizes losses, and reduces costs.
2. The Town will annually work with the Town's insurance carrier to update all listings of Town owned assets and the value and condition of such covered assets.

## C. Reporting

1. Annually by December 31st, the 5 year capital improvement plan shall be posted and accessible for public view on town website for public review at all times, reflecting

updates for any changes made. The Capital Project Submission Sheet for each project on the 5 year CIP shall be posted and linked from the CIP.

- 4.2. The Town Manager will submit a capital program annually to the Capital Improvement Advisory Committee (CIAC). The proposed program will detail each capital project, the estimated cost, description and funding.
- 2.3. The Town Manager shall submit Town Meeting articles for the CIB by January 31<sup>st</sup>.
4. The Select Board shall report all requests for capital appropriations to the Finance Committee on or before February 5. (Bylaws Article IV Section 5).
- 3.5. The Town Manager shall coordinate the timely distribution of the CIB, CIP, and associated Capital Project Submission Sheets to the Select Board, CIAC, and Finance Committee and other stakeholders. They will also solicit and coordinate receipt of questions in advance of a joint meeting of the above-mentioned boards, committees, and commissions. This joint meeting shall occur on or before March 1.
- 4.6. The Town Manager will present the CIB for approval at the Annual Town Meeting (generally the 1<sup>st</sup> Monday in May).

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## ***OTHER POSTEMPLOYMENT BENEFITS LIABILITY (OPEB)***

### **PURPOSE**

To provide the basis for a responsible plan for meeting the Town's obligation to provide other postemployment benefits (OPEBs) to eligible current and future retirees. This policy provides guidelines designed to ensure OPEB sustainability and achieve generational equity among those called upon to financially support OPEBs, thereby avoiding transferring costs into the future.

### **APPLICABILITY**

This policy encompasses OPEB-related budget decisions, accounting, financial reporting, and investment.

### **BACKGROUND**

In addition to salaries, the Town of Sudbury compensates employees in a variety of other forms. Many earn benefits over their years of service that they will not receive until after retirement. A pension is one such earned benefit. Another is a set of retirement insurance plans for health, dental, and life. These are collectively referred to as other postemployment benefits or OPEBs.

OPEBs represent a significant liability for the Town that must be properly measured, reported, and planned for financially. As part of a long-range plan to fund this obligation, the Town established an OPEB Trust Fund, which allows for long-term asset investment at higher rates of return than those realized by general operating funds.

### **POLICY**

The Town of Sudbury is committed to funding the long-term cost of the benefits promised its employees. To do so, the Town will accumulate resources for future benefit payments in a disciplined, methodical manner during the active service life of employees. The Town will also periodically assess strategies to mitigate its OPEB liability. This involves evaluating the structure of offered benefits and their cost drivers while at the same time avoiding benefit reductions that would place undue burdens on employees or risk making the Town an uncompetitive employer.

#### **A. Accounting and Reporting**

The Finance Director will obtain actuarial analyses of the Town's OPEB liability every two years and will annually report the Town's OPEB obligations in financial statements that comply with the current guidelines of the Governmental Accounting Standards Board.

The Town Auditor shall ensure that the Town's independent audit firm reviews compliance with the provisions of this policy as part of its annual audits.

#### **B. Mitigation**

On an ongoing basis, the Town will assess healthcare cost containment measures and evaluate strategies to mitigate its OPEB liability. The Finance Director shall monitor proposed laws



affecting OPEBs and Medicare and analyze their impacts. The Human Resources Director shall regularly audit the group insurance and retiree rolls and drop any participants found to be ineligible based on work hours, active Medicare status, or other factors.

### C. Funding

To address the OPEB liability, decision makers shall analyze a variety of funding strategies and subsequently implement them as appropriate with the intention of fully funding the obligation. The Town shall derive funding to invest in the OPEB trust from taxation, free cash, and any other legal form.

## Appendices

### Appendix A: Definition of Capital

#### Sudbury Capital Asset "Definition"

~~Capital Assets are the community-owned collection of significant, long-lasting, and expensive real and personal property used in the operation of government, including land and land improvements; infrastructure, such as roads, bridges, water and sewer lines; easements; buildings and building improvements; vehicles, machinery and equipment. In order to be included in Sudbury's Capital Improvement Program, Capital Assets must cost \$20,000 or more and have a useful life of 5 or more years. Items or improvements that do not meet this threshold should be included within the Town's operating budget.~~ CAPITAL DEFINITION MOVED TO CAPITAL SECTION

### CREDIT POLICY Appendix B: Protection of Credit Rating Policy

~~Maintenance of the highest-level credit rating possible is important to the continued financial health of Sudbury as it reduces the costs of issuing debt. Credit rating firms consider management practices to be very important factors. Poor management practices can inadvertently jeopardize the financial health of a local government. To be proactive in assuring the Town of Sudbury does not engage in these practices, the Select Board of the Town of Sudbury has adopted the following credit rating protection policies. The Town will not rely on reserves to sustain operating budgets. Use of such reserves will be limited to helping the Town deal with short-term or emerging financial stress. In the subsequent year, the Town will either reduce spending to within the limits of recurring revenues or seek approval for additional revenues from the voters of the Town. The Town will not defer current costs, such as pension or benefit costs, to a future date.~~ MOVED TO RESERVES SECTION