



Town Financial Policies

Town of Boxborough, MA

Intent and Purpose

Policies designed to ensure the Town's sound financial condition and long-term sustainability.

This includes:

- Allowing management of Town finances through development of a balanced annual budget
- Ensuring funding for service needs for the Town
- Ensuring availability of funds for necessary short and long term reserves
- Planning for future Town needs and services
- Maintaining flexibility to respond to changes in the economy, new service challenges and emergencies
- Managing debt and maintaining a high bond rating
- Ensuring accurate and transparent financial information for Annual Town Meeting (ATM), Special Town Meeting (STM), and other decision making processes
- Meeting State and other statutory requirements

Contents

Intent and Purpose	1
Definitions	2
Budget Policy	4
Reserve and Reserve Fund Transfer (RFT) Policy.....	6
Budget Transfers Policy	7
Stabilization Fund Policy	8
Free Cash Policy	9
Overlay Reserve Fund Policy.....	10

Financial Policies

NEW DOCUMENT

Town Financial Policies – Approved by Select Board 6/26/2023

Page **1** of **14**

Other Post-Employment Benefits (OPEB).....	11
Capital Plan Policy.....	12
Debt Policy.....	13
Special/Revolving Funds Policy.....	14

Definitions

Appropriate definitions, with terms in ***bold italic***.

Capital Plan: A plan that identifies long term requirements, sources of financing and timing.

Capital Project: A project that improves or adds to the Town's tangible infrastructure

Debt Management Plan: A plan to allow prudent use of debt to meet spending requirements

Free Cash: Fund available for balancing future budgets and for meeting costs for Warrant Articles

General Fund: Manage all resource inflows and outflows that are not associated with Special Purpose Funds. The General Fund is managed within the Operating Budget set at Annual Town Meeting (ATM).

Other Post-Employment Benefits (OPEB): Benefits other than pensions that U.S. state and local governments provide to their retired employees

Reserve Fund: Fund established for extraordinary or unforeseen expenses

Special/Revolving Purpose Funds: Other sources of funds that are designed for needs outside of the Operating Budget

Stabilization Fund: Long term reserve to fund unexpected future expenses

Budget Policy

Description: The Select Board sets the annual budget policy guidance in October. The Town Administrator distributes an annual budget policy memorandum to Department Heads and Chairs of Boards, Committees and Commissions, after the Select Board has voted the budget policy guidance. Additionally, the Finance Committee sends an annual Point of View (POV) Memorandum at this time. The Operating Budget is assembled by the Town Administrator and Town Accountant from budget requests submitted by Department Heads and Chairs of Boards, Committees and Commissions in November. The budget is presented to the Select Board in December, then to the Finance Committee in January. The Total Budget is comprised of the Operating Budget, Warrant Articles presented at Annual Town Meeting (ATM) or Special Town meeting (STM), revenue sources and transfers between reserve funds.

Outflows

Operating Budget

- General Government - requirement by department (salary and other)
- Education – expected allocation to ABRSD and other schools (salary and other)
- Debt servicing requirement
- Pension and other benefits
- Risk Management (Insurance)
- Reserve fund requirement

Warrant Articles

- Capital Expenses
- Major and non-recurring expenses

Transfers

- Transfers to Free Cash and Stabilization Fund
- Transfers to Overlay Reserve

Inflows

- Expected Tax receipts
- Expected Local Receipts
- Estimated State Aid
- Transfers from Free Cash and Stabilization Fund

Budget guidelines

- The Total Budget must balance.

Financial Policies

NEW DOCUMENT

Town Financial Policies – Approved by Select Board 6/26/2023

Page **3** of **14**

- Capital spending requirements must be approved as warrant articles at ATM
- New position funding must be approved as warrant articles at ATM
- Reserve Fund should be funded at a level as specified in Reserve Fund Policy
- OPEB (Other Post Retirement Benefits) fund should be as specified in OPEB Policy

Finance Committee voted 1/31/23

Reserve and Reserve Fund Transfer (RFT) Policy

Description: The Reserve Fund is established and budgeted for extraordinary or unforeseen Operating Budget expenses or emergencies.

Policy: The Reserve Fund is budgeted at 0.6% of the Operating Budget (rounded to nearest \$1,000) unless a change is approved by unanimous vote of the Finance Committee.

Town departments, boards or committees may make a request for a Reserve Fund Transfer, using the Reserve Fund Transfer Request Form

The Finance Committee must approve all RFTs

Finance Committee approval will be based on the following criteria:

- RFT is for extraordinary or unforeseen expenses as determined by, and at the discretion of the Finance Committee.
- RFT does not counter Town Meeting by requesting for a purpose that Town Meeting has already explicitly voted against.
- RFT is for unpaid or future expenses. RFTs may not be used to reimburse an account for expenses that have already been paid.
- RFT is not for use to fund Warrant Articles.
- RFT is to be used only after department “Total other” or “Total Salary” are completely expended.

The Finance Committee will maintain a record of RFTs and status of the Reserve Fund.

Finance Committee voted 06/06/2023

This policy revokes and replaces all previous policies on this topic including the policy titled ‘Reserve Fund Transfer Policy’ Finance Committee voted 11/16/2021, Moderator approved 11/16/2021

Budget Transfers Policy

Description: Budget Transfers are reallocation of funds, allocated in the Operating Budget, between Departments and between “Total Other” and “Total Salary” within the same department.

Policy:

Under the direction of the Town Administrator, Budget Transfers may be made after May 1st of a financial year, in accordance with Massachusetts General Law.

The Finance Committee will review and vote to approve all budget transfers.

The Select Board will review and vote to approve all budget transfers.

The Finance Committee will maintain a record of Budget Transfers.

Reviewed by Finance Committee 06/06/2023

Financial Policies

NEW DOCUMENT

Town Financial Policies – Approved by Select Board 6/26/2023

Page 6 of 14

Stabilization Fund Policy

Description: The Stabilization Fund is a strategic reserve

Policy: The Stabilization Fund is budgeted at a minimum of 5 % of the Operating Budget.

If the balance falls below 5% at the end of the fiscal year, then Free Cash may be used to bring the amount up to 5% as part of the budgeting process.

Transfers from the Stabilization Fund require a 2/3 majority vote at ATM or STM

Reviewed by Finance Committee 06/06/2023

Free Cash Policy

Description: Free Cash is a fund built from unspent budget surpluses from previous years, funds added as part of the budgeting process, and other funds received by the Town. Free cash is available for balancing future budgets and for meeting costs for Warrant Articles. Available Free Cash is certified by the State in the Fall of each year, for the previous fiscal year.

Policy: Free Cash should be maintained at a minimum of 5% of the total Operating Budget

Reviewed by Finance Committee 06/06/23

Overlay Reserve Fund Policy

Description: An account established annually to fund anticipated property tax abatements, exemptions and uncollected taxes in that year. The Overlay Reserve fund is decided based on expected real estate tax abatements and within guidelines set by the State.

Policy: The overlay amount is determined by the Town Assessor and may be raised in the tax rate without appropriation.

Reviewed by Finance Committee 06/06/2023

Other Post-Employment Benefits (OPEB)

Description: Other Post-Employment Benefits (OPEB) are benefits other than pensions that federal, state and local governments provide to their retired employees.

These benefits include health care benefits, but also may include life insurance, disability, and other services.

Policy: The policy is to fund OPEB to a minimum of \$50,000 a year.

Reviewed by Finance Committee 06/06/2023

This policy revokes and replaces all previous policies on this topic including the policy titled Other Post-Employment Benefits Fund. Finance Committee voted. Moderator approved. Undated

Capital Plan Policy

Description: A Capital Item is any item or project that improves or adds to the Town's tangible infrastructure, costs \$5,000 or more in total, regardless of funding source. Examples of capital items include:

- Construction of new buildings
- Major renovation of, or additions to, existing buildings
- Land acquisition or major land improvements
- Street, sidewalk, or parking lot reconstruction and resurfacing
- Water system construction and rehabilitation
- Sewer and storm drain construction and rehabilitation
- Major vehicle or equipment acquisition and/or refurbishment
- Planning, feasibility studies, and design for potential capital projects

Policy: The Town will maintain a 5 year rolling Capital Improvement Plan (CIP) to include capital items, expected costs and timing

Capital improvement items must be approved as articles at ATM or STM.

A five member Capital Budget Committee was established by the Select Board under its approved Charter V1.0 on 6/26/2023.

Reviewed by Finance Committee 06/06/23

Debt Policy

Description: The Town will fund Capital Projects through the use of Bond financing.

Policy:

New Bonds will be raised with a minimum amount per bond depending on bond origination costs.

Bond Anticipatory Notes (BANs) will be used for short term debt requirements.

Debt financing will be reserved for capital projects and expenditures.

Bond maturities for Town issued debt shall not exceed the anticipated useful life of the item funded.

Reviewed by Finance Committee 06/06/2023

Special/Revolving Funds Policy

Description: Special Funds are funds outside of the Operating Budget that are available to the Town for specific purposes.

Policy: Special Funds will be periodically reviewed by the Finance Committee.

Recommendations for changes in the management of special funds will be evaluated under the direction of the Town Administrator and reported to the Finance Committee and Select Board.

Reviewed by Finance Committee 06/06/2023

Town Financial Policies approved and signed by:

Select Board Chair:	<u><i>Kristen Hilberg</i></u>	Date:	<u>08/15/2023</u>
Finance Committee Chair:	<u><i>Muna E Naylor</i></u>	Date:	<u>08/16/2023</u>
Town Administrator:	<u><i>Michael C. Johns</i></u>	Date:	<u>08/15/2023</u>
Town Accountant:	<u><i>Kelli Donat-Brian</i></u>	Date:	<u>09/14/2023</u>
Town Treasurer-Collector:	<u><i>Nanni Quansah</i></u>	Date:	<u>08/30/2023</u>
Town Assessor:	<u><i>Joseph Smith</i></u>	Date:	<u>08/15/2023</u>