

TO: Selectmen
FR: Tim Carroll, Executive Secretary
DT: December 17, 2013
RE: Current Financial Policies

This is a compilation of the existing practices that I have been acting under regarding our financial operations. It is an effort to put on paper the practices that have been guiding our financial operations.

DEBT Policy

To keep all debt service at a level of less than 10% of the town's annual operating budget.

Currently we are at 6.7% \$545,926

Please refer to Exhibit III attached.

Reserves & Liquidity Policy

To keep all unrestricted reserves at or above 15% of the town's annual operating budget.

Currently we are at 19.7% \$1.8 million

Revenue & Expenditure Assumptions

The Town Accountant prepares weekly expenditure warrants that are reviewed by the board of Selectmen before any expenditure is made.

The Town Accountant provides Budgeted to Actual expenditure reports to all departments and the Selectmen monthly. Selectmen and Department heads monitor these reports for deviations from their expected expenditures and service delivery.

The Town Accountant works with Town Treasurer to produce quarterly revenue reports to departments, Selectmen and Finance Advisory Committee for review. Department heads and Selectmen monitor for deviations from forecast revenues. Monthly attention is given to the seasonal operations that generate revenue during the May – October period. Tax payment revenue is tracked related to the billing period to monitor trends and collection performance.

Budget Amendments & Updates

Changes to town budgets require Town Meeting approval. Town Meeting is held annually in April.

Special Town Meetings are usually called near the end of September. However they are called on three weeks notice, whenever required.

Reserve Fund Transfers are authorized by the elected Finance Advisory Committee. This body meets as needed for "emergency or unforeseen" expenditures at the request of the Executive Secretary.

Budget Process

Cost of Living Allowance determined by Human Resource Board using CPI/u Boston data from the US Dept of Commerce report in October of each year.

Capital project requests submitted by town departments to the Executive Secretary in October.

Budget process reviewed and prepared for in November. Regional School Districts develop their budgets for certification in December. Results in preliminary assessments to the member towns based on a share of the budget and the October census data per town.

Budget worksheets and guidance documents are released by the second week in December. Departments develop budget requests and seek their committee's approval (if supervised by committee) in December.

All departmental budgets, regional budgets, and warrant articles involving the appropriation of funds are submitted to Town Accountant and Executive Secretary by December 31.

Proposed Zoning articles and articles not involving the appropriation of funds are submitted to the Executive Secretary by January 6.

Town Accountant & Executive Secretary assemble all budget and article requests for Budget Book.

Budget book includes 3 past years of expenditures for all budget lines, 3 years of revenues, staffing and payroll information, regional budget requests, supporting documentation, and reports on reserve balances.

The Board of Selectmen meets jointly with the Finance Advisory Committee to review all requests with the Executive Secretary and Town Accountant. Nine public hearings are conducted; at which department heads make their requests to the joint boards. At the final hearing the entire proposed budget and warrant is debated and acted upon.

FREE CASH

Free Cash is used for capital and special projects and non-recurring expenses.

Projects

To prevent permanent departmental budget growth, departments are encouraged to propose warrant articles for specific projects and equipment.

Capital Improvement Policies

See Exhibit II attached.

STABILIZATION – General

The town maintains a general stabilization fund for major capital projects. It was originally established in 1994 to fund the closure and capping of the town landfill and has been subsequently used to support

other major projects and to pave town roads. The town makes a minimum target contribution of \$25,000 each year, with \$50,000 contributions when possible.

STABILIZATION – Fire Department

The town maintains a stabilization fund for the replacement of fire apparatus that is over 25 years in age. It was established in 1996 and is funded at a level of approx. \$30,000 each year. The Fire Department operates two (2) Class-A Pumpers 1986 & 1997, one (1) Brush Breaker 2010, one (1) tanker 2013, and a utility vehicle. Apparatus is replaced after 25 years as needed. The utility vehicle is a second hand police vehicle.

OPEB Trust Fund

The town participated in two actuarial reports, joined a regional trust fund, and has a practice of contributing \$100,000 per year to this trust.

Ambulance Receipts Reserved For Appropriation

All revenue from the Tri-Town Ambulance is collected into this fund. On a calendar year basis, 80% of the revenue is applied to the operating budget of the ensuing fiscal year and 20% is held for capital purchases. The Tri-Town Ambulance operates three (3) licensed ambulances and two (2) paramedic cars. Ambulances cost \$200,000 and are replaced at 8 – 10 years of age. One of the three ambulances in service has been supplied by the Wampanoag Tribe of Gay Head (Aquinnah) under an agreement to provide EMS coverage to their tribal population. This has occurred twice and we plan to continue this relationship. Paramedic cars have been second-hand police vehicles transferred from the member towns. Currently one will be retired and replaced with a new purchase at \$30,000.

Waterways Improvement Fund

All vessel excise and seasonal mooring permit fees are deposited to this account. Annual revenue is approximately \$22,000. This fund is used for capital projects, such as to purchase a patrol boat, a harbor shack, and to perform ongoing maintenance to the town docks in the harbor.

Police Vehicles

The police department operates four (4) vehicles: Crown Victoria LTD 2006, Explorer 2010, Expedition 2011, and Explorer PI 2012. The LTD is for transporting traffic officers to the harbor front and the Explorer is the chief's car. Patrol vehicles are replaced as necessary after 3 years or 100,000 to 150,000 miles. Chief's car is replaced as necessary after five years. Vehicles are purchased out of Free-Cash or raise-and-appropriate and an over-ride, if necessary.

Highways

The town has 22 miles of roads. Approximately 18 are paved. The plan adopted in 1994 was to repave 1 mile of road a year. A combination of funding has been used in this order of preference: Chapter 90 state funds, state transportation bond proceeds, Free-Cash, Raise-and-Appropriate, Stabilization, and if ever necessary to achieve other town policy objectives, a municipal bond issuance.