



Town of Wayland Massachusetts

Finance Committee

David Watkins (Chair)

Gordon Cliff

Nancy Funkhouser

Jen Gorke

Carol Martin

Klaus Shigley

George Uveges

Finance Committee

Minutes

October 24, 2016

Attendance: D. Watkins, G. Cliff, N. Funkhouser, J. Gorke, G. Uveges, K. Shigley, and B. Keveny (Finance Director).

Location: Selectman's Meeting Room in Town Building.

Call to Order: The meeting was called to order by Chair David Watkins in the selectman's meeting room at the Town Building at 7:00 pm. Mr. Watkins reviewed the agenda items to be discussed, indicated the meeting was being recorded by WayCam.

Public Comment: Mr. Watkins reviewed an email from Bill Steinberg regarding the appropriate debt levels of the Town and the use of free and capital cash to pay for Capital items. A discussion ensued regarding the topic.

Committee's Response to Public Comment: N/A

Report of the Finance Director: Mr. Keveny discussed the status of the FY 2016 financial report (CAFR) and that once finalized it would be presented to the Audit Committee and the Board of Selectman. He updated the committee on the DOR certification of "Free Cash" which is estimated to approximate \$4.6 to \$4.7 million and their position on the use of bond premiums from prior borrowings which, per the DOR, cannot be used to fund future capital projects but must be amortized over the life of the bond issue. Under The Municipal Modernization Act effective November 2016, future bond premiums can be used to fund capital items.

UniBank Presentation: Clark Rowell and Kristy Genga, representing UniBank, addressed the Committee to discuss Moody's bond rating methods and areas of concern as well as considerations that the Committee should be aware of. Topics discussed included:

- Moody's is concerned about the Town's use of free cash to fund operating expenses and the level of "unassigned cash reserves" as a % of the Town's budget. Over the last several years the amount of unrestricted cash reserves has decreased and the Town has forecasted that it will use \$1.5M of free cash in the next several years budget. UniBank recommended that we consider:

- Eliminating the use of free cash to fund operating expenses
- To pay for small capital items from cash capital rather than borrowings
- Use cash capital rather than borrowings to fund repetitive capital expenditures such as road repair.
- Mr. Rowell reviewed Moody's rating criteria regarding unassigned cash balance levels and the concern that the Town's level could be below the level required for the AAA rating. Mr. Rowell and Mr. Keveny will provide the committee a schedule reflecting the Town's unassigned cash balances as of June 30, 2016.
- The relationship of free cash used to fund operating expenses as compared to cash turn back from the prior year was discussed as it relates to the Moody's review. The consensus was that while the major concern was the trend in unassigned cash balance, Moody's preference is that free cash only be used to fund one time expenditures and not to fund operating expenses.
- Bond premiums - a discussion included the process of floating a bond issue, the setting of interest rates for the various tranches and that the rates set are tied to what works best to have a successful auction. The changes in the handling of bond premiums under existing and new law were discussed. Mr. Rowell recommended that in future Town meeting the debt approvals include authorization for a rollback of Bond principal to achieve the desired fund proceeds rather than the amount of debt to be raised to reflect the impact of bond premiums or discounts.

(Zoe Pierce, Town Treasurer, joined the meeting at 7:30PM)

- Ratio's used by Moody's – a discussion as to the rationale behind the various ratios used in the Moody's rating occurred. Response was that the levels have developed over time based on experience rather than an academic formula.
- Other ratios – Mr. Cliff inquired if the committee should be using some type of balance sheet formula to look at the amount of gross debt outstanding. Mr. Rowell agreed to work with the Town and see what balance sheet ratio might be appropriate.
- Ms. Pierce reviewed UniBank's role as the Town's financial advisor and that she and Mr. Keveny have the ultimate responsibility for the Town's debt management. She reviewed that UniBank is available to the Board of Selectman and the Finance committee to advise the Town and develop creative solutions to issues that may arise.
- The committee discussed that there are several potential very significant expenditures in the five year capital plan including the COA and Library. It was requested that UniBank provide the committee with several funding alternatives as well as providing funding scenarios of current capital recommendations including the use of cash capital.
- The Committee requested help in understanding and addressing the key Moody's issues and providing clarity on when enterprise fund debts get included in Moody's ratios and when they don't.

(UniBank, Ms. Pierce and Mr. Keveny left the meeting)

Debt policy: The draft of the debt policy was reviewed and Mr. Cliff and Mr. Shigley will consider the comments and prepare an updated draft for consideration.

(Ms. Funkhouser left the meeting)

Mission Statement: Ms. Gorke reviewed the proposed mission statement and after discussion Mr. Cliff moved and Mr. Watkins seconded that the Committee mission statement be as follows:

- “The mission of the Wayland Finance Committee is to recommend an operating budget and a capital spending plan that balances the demand and need for services with the ability of residents across a broad financial spectrum to afford these services. To fulfill this mission, the Wayland Finance Committee:”

(Note the Finance committee responsibilities will follow the aforementioned Mission statement)

The motion passed 5, 0, 0.

Finance committee responsibilities: Mr. Cliff lead a discussion regarding the Finance Committee’s responsibilities that would follow under the aforementioned mission statement. Mr. Uveges moved and Ms. Gorke seconded that the Committee’s responsibilities be as reflected in Exhibit 1 attached. The motion passed 5, 0, 0.

Financial Strategy: Mr. Shigley led a discussion on the Financial Strategy draft. Mr. Shigley will review the draft with Mr. Keveny and Ms. Balmer.

FY18 goals: Mr. Watkins led a discussion on the FY2018 goals for the finance Committee. Mr. Watkins will redraft based on the comments received.

Capital spending plan: Mr. Watkins led a discussion on the process of developing and submitting the capital plan for Town vote and the WRAP committee “Decision Criteria for Major Capital Projects” and the FinCom responsibilities in the process and how that process has changed this year.

Fin Com Schedule and Milestones: Mr. Watkins reviewed the FY 17 Schedule and Milestones.

Action List: The following items were added to the action list with the Town:

- Ms. Balmer will be requested to include in her recommended Capital plan the items forecasted in years 2 through 5, her current analysis is limited to FY 2018.
- Request that a FinCom representative be included in the search committee for the new school superintendent.
- Follow up with the Town on the attestation included on page 48 of the 2016 special town meeting warrant.

Adjourn: Mr. Cliff moved to adjourn at 9:35pm. Ms. Gorke seconded. Vote: 5, 0, 0 to adjourn.

Respectfully Submitted,

George Uveges

Documents:

Source: B. Keveny:

Agenda

Capital Budget schedule

Mr. Watkins

FY17 Schedule and Milestones

Items to be discussed at the Oct. 24, 2016 meeting.

Exhibit 1

Responsibilities

1. Assists town entities/officials on matters which have a significant financial component.
2. Prepares, submits, and presents the omnibus operating budget to Annual Town Meeting.
3. Prepares, submits, and presents a five-year capital improvement program to Annual Town Meeting.
4. Prepares and submits a "Report of the Finance Committee" to Annual Town Meeting and an Annual Report for the Annual Reports document.
5. Considers articles in the Town Meeting warrant and provides reports as it deems for the best of the Town.
6. Conducts a warrant article review to help ensure town officials and residents are informed about articles that are being considered at town meeting.
7. Approves (or denies) requests for transfers from the Reserve Fund.
8. Recommends whether to pursue debt exclusion (as deemed advisable).
9. Recommends whether to change the tax rate structure (as deemed advisable).
10. Reviews reports on current year receipts and expenditures vs. budget and recommends corrective actions (as deemed advisable).

Exhibit 1

Responsibilities

1. Assists town entities/officials on matters which have a significant financial component.
2. Prepares, submits, and presents the omnibus operating budget to Annual Town Meeting.
3. Prepares, submits, and presents a five-year capital improvement program to Annual Town Meeting.
4. Prepares and submits a "Report of the Finance Committee" to Annual Town Meeting and an Annual Report for the Annual Reports document.
5. Considers articles in the Town Meeting warrant and provides reports as it deems for the best of the Town.
6. Conducts a warrant article review to help ensure town officials and residents are informed about articles that are being considered at town meeting.
7. Approves (or denies) requests for transfers from the Reserve Fund.
8. Recommends whether to pursue debt exclusion (as deemed advisable).
9. Recommends whether to change the tax rate structure (as deemed advisable).
10. Reviews reports on current year receipts and expenditures vs. budget and recommends corrective actions (as deemed advisable).



 @waylandfincom

TOWN OF WAYLAND

41 COCHITUATE ROAD
WAYLAND, MASSACHUSETTS 01778

FINANCE COMMITTEE

GORDON CLIFF
NANCY FUNKHOUSER
JEN GORKE
CAROL MARTIN (Vice Chair)
KLAUS SHIGLEY
GEORGE UVEGES
DAVE WATKINS (Chair)

FINANCE COMMITTEE
Monday, October 24, 2016, 7:00 P.M.
Wayland Town Building

Proposed Agenda

*Note: Items may not be discussed in the order listed or at the specific time estimated.
Times are approximate. The meeting likely will be broadcast and videotaped for
later broadcast by WayCAM and may be recorded by others.*

- | | | |
|----------|------|---|
| 7:00 pm | 1.) | Review Agenda for the Public
Announcements Public Comment
Members' Response to Public Comment |
| 7:05 pm | 2.) | Report from Finance Director |
| 7:15 pm | 3.) | UniBank Presentation and Discussion
Discuss Moody's concerns, key financial issues, and what has been sited in past ratings
(Debt, Fund Balance)
Discuss recommendation on FY18 capital
Discuss funding for Library and COA and debt impact
Discussion and Possible Vote on Town Debt Policy |
| 8:15 pm | 4.) | Departmental CIP Discussions (members of some or all the following departments may be
attending) Recreation, DPW/Water Capital |
| 9:15 pm | 5.) | Discussion and Possible Vote of Mission Statement
Discussion and Possible Vote of Finance Committee's Responsibilities
Discussion and Possible Vote of Town Financial Strategy
Discussion and Possible Vote of Goals |
| 9:45 pm | 6.) | Review Issues & Actions List – Finance Chair |
| 9:50 pm | 7.) | Discuss Chair and Vice Chair's Update
Members' Reports, Concerns, and Topics and Schedule for Future Meetings
STM Article Status, CIP Prioritization |
| 9:55 pm | 8.) | Topics Not Reasonably Anticipated by the Chair 48 Hours in Advance of the Meeting, If Any |
| 9:57 pm | 9.) | Meeting Minutes - Review and vote to approve: 10/17 – Martin, 9/12-Uveges |
| 10:00 pm | 10.) | Adjourn Meeting |



@waylandfincom

TOWN OF WAYLAND

41 COCHITUATE ROAD
WAYLAND, MASSACHUSETTS 01778

FINANCE COMMITTEE

GORDON CLIFF
NANCY FUNKHOUSER
JEN GORKE
CAROL MARTIN (Vice Chair)
KLAUS SHIGLEY
GEORGE UVEGES
DAVE WATKINS (Chair)

FINANCE COMMITTEE FY17 Schedule & Milestones

Month	Su	Mo	Tu	We	Th	Fr	Sa	FinCom Activities	Milestone
	26	27	28	29	30	1	2		
	3	4	5	6	7	8	9		
Jul '16	10	11	12	13	14	15	16		7-15 FD prepares and submits budget schedule to departments and chairs
	17	18	19	20	21	22	23	<ul style="list-style-type: none"> Onboard new members Special Assignments Prepare FY18 goals and objectives Choose liaisons Set annual meetings schedule Make recommendations on the content of financial planning data, budget process and forms 	
	24	25	26	27	28	29	30		
	31	1	2	3	4	5	6	<ul style="list-style-type: none"> Review Fiscal Plan (model) Update email, phone of members Identify any large potential projects 	8-3 FD provides budget schedule, process and forms to department heads.
Aug	7	8	9	10	11	12	13		
	14	15	16	17	18	19	20		8-15 FD presents five-year budget plan and recommend draft budget guidelines
	21	22	23	24	25	26	27		8-24 Selectmen vote on August 15th to open warrant for Special Town Meeting on Wednesday, August 24, 2016 at 8:30 a.m. through Thursday, September 1, 2016 at 4:30 p.m. New requirement - Articles must include board, committee and petitioner comments.
	28	29	30	31	1	2	3	<ul style="list-style-type: none"> Adopt FY 18 Operating Budget guidelines Review Annual report 	8-29 Petitioners' Hearing for STM 9-2 Department heads submit capital plans and requests for new personnel
Sep	4	5	6	7	8	9	10	<ul style="list-style-type: none"> Work with department heads to review capital and personnel requests 	9-6 to 9-12 Town Administrator's budget review meetings for departments (Governance, General Government, Finance, Library, Planning & Natural Resources, Public Services, Public Safety, Community Services)

	11	12	13	14	15	16	17	<ul style="list-style-type: none"> Review preliminary year end numbers. Be prepared to discuss, develop and vote on budget guidelines for issuance in early October. Initiate 5-year Capital Plan deliverable Article workshop Review Mission, Responsibilities, Strategy Review Annual Report 	<p>9-1 Last day to submit articles for Special Town Meeting at 4:30 p.m. Petitioners' articles must be submitted to the Selectmen's office with at least 100 signatures.</p> <p>9-12 STM Article Hearing</p> <p>9-12 TA reviews capital plans and requests for personnel</p> <p>9-12 FD Provides orientation on duties to new finance committee members</p>
	18	19	20	21	22	23	24	<ul style="list-style-type: none"> Joint Meeting SC, BOS, FC Discuss Annual Report Discuss & Vote STM Articles Be prepared to discuss, develop and vote on budget guidelines for issuance in early October. 	<p>9-19 Deadline for submission of revised petitioner's and board and committee sponsors' comments on STM articles at 4:00 pm</p>
	25	26	27	28	29	30	1	<ul style="list-style-type: none"> Discuss and vote articles for STM Vote on any revisions to financial policies Discuss and vote Annual Report 	<p>9-20 BOS vote capital and personnel requests</p> <p>9-26 TA makes recommendations on all capital plans</p> <p>9-26 BOS votes recommendations on capital plans under its jurisdiction to finance committee with any comments</p> <p>9-30 Department heads get approval for capital projects and personnel</p>
Oct	2	3	4	5	6	7	8	<ul style="list-style-type: none"> Discuss and vote articles for STM Review Peer Towns 	<p>10-3 FD submits capital plans with recommendations of BOS, governing bodies, TA 10-3 Personnel requests are submitted to Personnel Board for review and recommendation</p> <p>10-5 Deadline for submission of Special Town Meeting article comments from Finance Committee</p>
	9	10	11	12	13	14	15		<p>10-14 Department heads submit draft departmental operating budgets with variances after approval by governing bodies</p> <p>10-14 STM Warrant to printer</p>
	16	17	18	19	20	21	22	<ul style="list-style-type: none"> Review Facilities Capital Plan Review Schools Capital Plan Review Fire Capital Plan Finalize Mission, Goals, Strategy, Responsibilities 	
	23	24	25	26	27	28	29	<ul style="list-style-type: none"> Debt Policy review with Financial Advisor DPW/Water Capital Plan Review 	<p>10-28 TA reviews all operating budgets</p>
	30	31	1	2	3	4	5		
Nov	6	7	8	9	10	11	12	<ul style="list-style-type: none"> Review Recreation Capital Plan Review IT Capital Plan Brief each other on liaison meetings and issues. Review and comment on warrant schedule with Selectmen/ and or the Town Administrator for ATM Review WRAP deliverable Review operating budget requests with Department Heads 	<p>11-9 For Fall Town Meeting be aware of article hearing (Post 2 days before at town building). Have Maryann DiNapoli contact proposer of article to alert to date/time. 11-7 TA makes recommendations on all operating budgets, except schools</p>
	13	14	15	16	17	18	19	<ul style="list-style-type: none"> Participate in STM 	STM

	20	21	22	23	24	25	26	<ul style="list-style-type: none"> ▪ Schools Capital Plan Review ▪ Review Fire Capital Plan ▪ Review Police/Dispatch Capital Plan ▪ Review recap sheets with Assessors to review for tax rate (review split rate strategy with BOS) ▪ Present Tax recap to BOS - attend BOS meeting (one rep) 	11-21 Tax Classification Hearing
	27	28	29	30	1	2	3		11-28 Approve draft FY 18 Capital Plan
Dec	4	5	6	7	8	9	10	<ul style="list-style-type: none"> ▪ Adopt five-year capital plan ▪ Work with Selectmen and Town Administrator to manage the ATM article process. ▪ Distribute and assign ATM articles ▪ Set meeting schedule for December 2016 through June 2017 ▪ Set schedule for budget presentations by Departments ▪ Finalize Capital Plan Development 	
	11	12	13	14	15	16	17	<ul style="list-style-type: none"> ▪ Personnel Board makes recommendations on personnel requests ▪ Board of Selectmen and Finance committee meet with Audit Committee to hear FY 17 presentation from Auditors 	12-12 Personnel Board makes recommendations on all personnel requests to Finance Committee 12-12 BOS votes operating budgets 12-12 Superintendent submits budget
	18	19	20	21	22	23	24		
	25	26	27	28	29	30	31		
Jan '17	1	2	3	4	5	6	7	<ul style="list-style-type: none"> ▪ Continue to assign and re-assign articles. ▪ Participate in Article hearings (post/contact) ▪ Start writing Finance Report for Warrant (chair) ▪ Review departmental budgets 	
	8	9	10	11	12	13	14		1-9 Selectmen vote any remaining warrant articles it will propose
	15	16	17	18	19	20	21	<ul style="list-style-type: none"> • Finance Committee approves letter to Board of Selectmen requesting debt exclusion ballot question (if any) 	1-17 Deadline for submission of warrant articles at 4:30 p.m. (per Town Code Sec. 36-3) No article, other than one submitted by the Moderator, Town Clerk, or the requisite number of petitioners, shall be inserted in the warrant for any Town meeting unless so voted by a board, commission, committee, or other governmental body of the Town of Wayland by 4:30 p.m. on the date fixed by the Board of Selectmen for closing of the warrant for such meeting. (Town Code 36-3C)
	22	23	24	25	26	27	28		

	29	30	31	1	2	3	4	<ul style="list-style-type: none"> Finance Committee ATM Article Hearing Adopt Preliminary FY18 Omnibus Budget Finance Committee presents debt exclusion recommendation to Selectmen (if any proposed – N/A) 	2-3 Deadline for submission of sponsor's report and petitioners' comments to Finance Committee
Feb	5	6	7	8	9	10	11	<ul style="list-style-type: none"> Vote budgets (early in month) Perform article presentations and vote Participate in Budget hearing Attend BoS meeting for votes on debt exclusion/override if necessary Hold Debt Exclusion/Override public forum, if necessary (with BoS) Finish Finance Report by month's end-share for FinCom comments etc. 	
	12	13	14	15	16	17	18	<ul style="list-style-type: none"> Adopt Draft FY18 Omnibus Budget 	2-13 Selectmen determine final (numbered) order of ATM warrant articles
	19	20	21	22	23	24	25		2-22 Deadline: Finance Committee article comments (with supporting charts and appendices) and Planning Board articles due to Board of Selectmen Town Administrator and Executive Secretary
	26	27	28	1	2	3	4	<ul style="list-style-type: none"> Detailed review of draft warrant 	
Mar	5	6	7	8	9	10	11	<ul style="list-style-type: none"> Finish article presentations/votes Review controversial articles/budget votes/prepare for ATM Prepare oral report for Town Meeting ATM warrant goes to print 	
	12	13	14	15	16	17	18		3-13 Final copy of Warrant delivered to Selectmen, Moderator, Finance Committee, Town Clerk, Town Counsel and Finance Director
	19	20	21	22	23	24	25		
	26	27	28	29	30	31	1	<ul style="list-style-type: none"> Participate in Warrant Hearing with BOS 	3-27 Selectmen conduct ATM Warrant Hearing at 7:00 p.m.; Finance Committee make presentation on any debt exclusion ballot questions 3-31 Prepare and print final errata sheets, Moderator's instructions to Town Clerk, tellers, and Planning Board reports (if necessary) for distribution at Town Meeting
Apr	2	3	4	5	6	7	8		ATM
	9	10	11	12	13	14	15		
	16	17	18	19	20	21	22		
	23	24	25	26	27	28	29	<ul style="list-style-type: none"> FY19 Planning 	
May	30	1	2	3	4	5	6		
	7	8	9	10	11	12	13		
	14	15	16	17	18	19	20		

Wayland Finance Committee Mission Statement

The mission of the Wayland Finance Committee is to ensure a town operating budget and a capital spending plan that balances the demand and need for services and infrastructure with the ability of residents across a broad financial spectrum to afford these services. To fulfill this mission, the Finance Committee defines a financial strategy for the Town, recommends a fiscally responsible operating budget and capital spending plan in accordance with that strategy, and provides factual and relevant information to residents so they can make informed decisions at Town meeting.

FY18 Goals:

Goal: Establish guidelines for operating budgets, capital projects, headcount.

Objective: Manage debt service policy to 10% and trend downward.

Objective: Manage operating budget increases to 2.5%.

Objective: Manage additional capital spending and resulting borrowing to not exceed \$5 million.

Objective: Manage headcount to FY17 Levels.

Goal: Implement process and procedure for the ongoing review and oversight of municipal budgets and department operations, and reporting.

Objective: Include school budget in quarterly operating budget review.

Objective: Include as part of capital planning process a 2-year capital plan and a 5-year potential plan and publish results in the warrant.

Objective: Complete and close capital budget by 12/15/2016.

Objective: Complete and close operating budget by 2/5/2016.

Objective: Follow and adhere to bylaws.

Objective: Provide method for public access and distribution of meeting information.

Responsibilities

The primary responsibilities of the Wayland Finance Committee are to:

1. Assist town entities/officials on matters which have a significant financial component.
2. Prepare, submit, and present the omnibus operating budget to Annual Town Meeting.
3. Prepare, submit, and present a five-year capital improvement program to Annual Town Meeting.
4. Prepare and submit a "Report of the Finance Committee" to Annual Town Meeting and an Annual Report for the Annual Reports document.
5. Consider articles in the Town Meeting warrant and provide reports as it deems for the best of the Town.
6. Conduct a warrant article review to help ensure town officials and residents are informed about articles that are being considered at town meeting.
7. Approve (or deny) requests for transfers from the Reserve Fund.
8. Recommend whether to pursue a debt exclusion (as deemed advisable).
9. Recommend whether to change the tax rate structure (as deemed advisable).
10. Review reports on current year receipts and expenditures vs. budget and recommend corrective actions (as deemed advisable).

Wayland Finance Policy

The Financial Policy is intended to be used by the Board of Selectmen and other executive bodies in preparing budgets, by the Finance Committee in reviewing and recommending budgets, and by Town Meeting in evaluating and approving budgets.

Best Practices. The Town is committed to follow best practice as it relates to the preparation of financial statements for town governments.

This will include the annual issuance of the “Comprehensive Annual Financial Report”. This report is prepared in conformity with GAAP principles and subject to an independent audit. The independent auditor opines on the fair presentation of the financial statements as well as the quality of internal controls and compliance with statutes.

Best practices also include a commitment to accurately forecasting revenue and expenditures, with periodic revisions to reflect emerging events. Good data management practices are indispensable for maintaining a balanced budget. In general it is good practice to match operating revenues to operating expenditures over time. It is bad practice to consistently cover operating expenses with debt or one-time windfalls.

Commitment to Financial Strength and Flexibility. The Town is committed to adopting financial strategies that will enable it to remain financially strong and flexible so as to pay its debts, continue to provide essential services and maintain appropriate infrastructure through even severe economic cycles, which can result in a decline of the tax base or higher unemployment rates with resultant higher tax delinquencies.

An objective and independent measure of whether a town meets the objective of being fiscally strong and flexible is the coveted Aaa credit rating. The Town is currently Aaa-rated by Moody’s and it desires to maintain that rating, which among other things results in lower borrowing costs.

Other measures of financial strength and flexibility, consistent with Aaa ratings, include:

- **Flexibility to raise revenues.**
In Massachusetts our revenue raising potential is constrained by Proposition 2 ½ which limits the increase in property taxes unless overridden by a majority vote at a Town election. In addition, the property tax rate is established as part of the budget cycle and cannot be increased to offset unanticipated expenses that happen during the cycle. These constraints on our flexibility argue for staying below our levy limit to provide a cushion if unforeseen events should mandate an increase in property tax revenue.
- **Flexibility to lower expenses.**
Many of our expenses are in the nature of fixed costs which limit our flexibility for lowering expenses, at least in the short term. As a result, we need to maintain adequate levels of General Fund balances, free cash and other reserves to meet existing obligations as well as providing liquidity for unanticipated obligations.
- **Predictability of revenue and expenditures.**
Most of our revenue comes from the property tax levy, which is highly (but not completely) predictable. E.G. Tax delinquencies increased 1% during the 2008 recession and the unemployment rate increased by over 3% from before and after the recession. Other revenue

sources are also fairly predictable, but less so than the tax levy. This argues for keeping our fixed costs, like debt service expenditures, within prudent norms.

Our expenditures are also highly (but not completely) predictable. Pensions and health benefits as a share of total expenditure have been going up. Heavy winters, natural disasters, unsettled labor contracts, and pending litigation can also cause unexpected expenses. So, to better ensure our ability to weather these variations in expenditures we need to maintain adequate levels of General Fund balances, free cash assets and other reserves.

Prudent Capital Planning. Capital assets, which are assets that have an extended useful life, are funded with debt whose term matches the anticipated useful life of the asset being funded. This has the virtue of charging the expense of an asset equitably to the generation of taxpayers who derive its benefits. The total debt burden, which includes the unfunded liability for pensions, is a measure of the Town's financial leverage and must be managed prudently. Excessive leverage increases costs and limits future flexibility. Each year, the Town develops a five year capital improvement plan to better ensure that debt limit constraints are prudently managed.

As a general rule, our goal is to manage the variables that are in our control at levels sufficient to maintain a Aaa rating.

In the pages that follow, we attempt to quantify and elaborate on the metrics which are discussed in this overview. Three principal area are discussed: financial management, capital planning and debt management.

Decision Criteria for Major Capital Projects

1. **Public Safety – Project addresses an immediate, continual safety hazard or public health and/or safety need**
2. **Compliance with Mandates or Other Legal Requirements –**
 - a. Project required for compliance with local, state or federal laws/regulations;
 - b. Project required by court order, judgment [or inter-municipal agreement]
3. **Stated Community Goals & Policies –**
 - a. Project conforms to adopted program, policy or plan
 - b. Asset preservation
 - c. Required to maintain acceptable level of service
 - d. More efficient/improved standard of service
4. **Public Perception of Need –**
 - a. Sustained change in demographics
 - b. Improve sustainability of the environment
 - c. Services/open spaces that make a community desirable
 - d. Beneficial impact on real estate values

Debt Policy

DEBT AMORTIZATION

General Fund debt (all debt not including excluded debt, CPA-funded debt and enterprise debt) is to be amortized with equal or declining annual payments of principal and is to be fifty percent retired within ten years.

Enterprise debt may be amortized using equal annual payments of principal and interest and may be amortized over a term reflecting the economic useful life of the asset funded.

Excluded debt may be amortized using equal annual payments of principal and interest and may be amortized to "fit" (or to be wrapped around) current outside-the-levy-limit debt service.

CPA-funded debt may be amortized using equal annual payments of principal and interest.

FUNDING OF CAPITAL PROJECTS AND ACQUISITIONS FROM THE OPERATING BUDGET

In general, it is the intent of the Town to fund with current revenues, Free Cash or Stabilization Fund funds, and not from the issuance of debt, all capital projects and capital acquisitions of \$100,000 or less, or with useful lives of three years or less.

DEBT SERVICE

General Fund debt service (all debt service not including debt service for excluded debt, CPA-funded debt and enterprise debt) should not exceed six percent of the Operating Budget.

General Fund debt service should not be less than two percent of the Operating Budget. If General Fund debt service does fall below two percent, that difference between the two percent target and the actual debt service shall be used for pay-as-you-go capital or shall be appropriated to the Stabilization Fund or to unfunded OPEB liability.

Enterprise debt service should be paid entirely from enterprise service revenues.

Total debt service, including all General Fund debt, excluded debt, enterprise debt and CPA funded debt, should not exceed ten percent of the Operating Budget

CAPITAL IMPROVEMENT PROGRAM

The Town Administrator shall annually prepare and present to the Board of Selectmen a five-year capital plan, to be approved by the Board.

The Capital Improvement Program shall identify the source of funding for every project or acquisition included in the Program.

The Finance Committee shall review the plan and make recommendations on the Program to Annual Town Meeting.

The Permanent Building Committee will review the Program and make recommendations with respect to all building-related projects contained in the Program over \$100,000.

LEASE-PURCHASE AGREEMENTS

For the purpose of these policies, lease-purchase agreements shall be considered debt and are subject to the requirements of the policies.

REVENUE AND EXPENDITURE PROJECTIONS

The Town Administrator shall annually prepare and present to the Board of Selectmen five-year revenue and expenditures projections, to be approved by the Board.

The revenue and expenditure projections shall incorporate into the projections the funding requirements cited in the approved Capital Improvement Program.

RESERVES

The Town intends to maintain funds in Free Cash and Stabilization Funds equal to at least 10 percent, but not more than 15 percent of the operating budget.

Free Cash and Stabilization Funds are to be used exclusively for one-time expenditures and pay-as-you-go capital projects and acquisitions. Special Stabilization Funds shall be established and used for funding specific capital projects and capital acquisitions as determined by the Board of Selectmen.

Enterprise Fund Retained Earnings are to be used primarily for one-time expenditures and pay-as-you-go capital projects and acquisitions. However, with the approval of the Board of Selectmen, Enterprise Fund Retaining Earnings can be used for rate stabilization purposes, as necessitated by a major capital project.

COMMUNITY PRESERVATION FUND

Community Preservation Funds intended to pay debt service shall not exceed seventy-five percent of the amount allowed for debt service for the particular purpose funded.

PERFORMANCE REVIEW

Budgeted and actual revenues and expenditures shall be monitored at least monthly by the Town Finance Director and shall be reviewed with the Town Administrator.

Variances from budgeted amounts shall be reviewed with the Town Administrator and, as deemed appropriate by the Town Administrator, with the Board of Selectmen and the Finance Committee.

Investments shall be monitored at least quarterly by the Treasurer and shall be reviewed with the Town Administrator at least semi-annually or on an as-needed basis.

OTHER POST-EMPLOYMENT BENEFITS (OPEB) TRUST

Each annual appropriation to fund the OPEB liability (and, thus, not including the current OPEB expenses) shall not be less than the amount appropriated in the prior fiscal year unless the Town has adopted a proper funding plan.

The Enterprise Funds must appropriate contributions to their respective share of the OPEB liability in increasing amounts so that the Annual Required Contribution is reached by fiscal year_____.

The General Fund must appropriate contributions to its respective share of the OPEB liability in increasing amounts so that the Annual Required Contribution is reached by fiscal year

INVESTMENT POLICY

The investment policy shall be the incorporation of the General Laws allowed investments.

The balance invested in any one financial institution shall not exceed \$5,000,000, without the approval of the Town Administrator, and shall be either fully collateralized or secured through the FDIC or DIF.

Alternative Policy for Debt

TOWN OF WAYLAND Debt Management Policy

Purpose:

- To establish criteria for the issuance of debt obligations so as not to exceed prudent levels of indebtedness,
 - To provide integration by linking debt management recommendations with the Town's Capital Improvement Program, which addresses infrastructure needs through a planned program of future spending and financing,
 - To transmit a message to investors, rating agencies, and others of our commitment to sound financial management, and
 - To state guiding principles and practices related to debt management.
1. A capital item should be \$25,000 or greater to issue debt to finance the item.
 2. Debt should not be issued for a term longer than the expected useful life of the asset.
 3. The 10-year average of annual debt service as a percent of general fund expenditures (defined as the simple average of the ratio calculated each year for the most recent four historical years and the current year - based on appropriated amounts in each year - and the projection each year for the five future years covered by the Capital Improvement Program) should generally be less than 10%. Consideration should be given to expected capital improvement needs in the five years beyond those covered in the Capital Improvement Program, particularly if large expenditures in those years are considered to be likely.
 4. We should pursue a debt exclusion for all individual capital projects that are greater than \$1,000,000, unless we believe that doing so is unnecessary.
 5. Capital items with an expected useful life less than 3 years (e.g., police cruisers, school laptops) should be included in the operating budget.
 6. Passenger vehicles and small ticket equipment with an expected useful life of 3 or more years should be financed with cash capital or free cash (not by issuing debt).
 7. Debt management recommendations should place appropriate emphasis on maintaining a high debt rating.

Capital Project Revised Funding Summary-10/24/16

Borrowing- General Fund	3,002,714.00
Cash Capital	1,175,000
Free Cash	347,128
Ambulance Fund	445,000
School Budget - FY 18	216,466
DPW Budget- FY 18	145,000
Surplus Capital Projects- (FC + CC)	49,009
Surplus Bonds	212,683
CPA Fund	530,000
Recreation Beach Account FY 17	40,000
Recreation 53E 1/2 Fund FY-18	100,000
Recreation Stabilization	205,000
	<hr/> 6,468,000
Water Borrowing	1,850,000
Water Capital	225,000
	<hr/> 2,075,000
Total Capital Funding	8,543,000

Total Borrowing	
Town projects	3,002,714
Water Fund	1,850,000
	<hr/> Total 4,852,714
Total Taxation	
Cash Capital	1,175,000
School Budget - FY 18	216,466
DPW Budget- FY 18	145,000
	<hr/> Total 1,536,466
Total other sources	
Free Cash	347,128
Ambulance Fund	445,000
Surplus Capital Projects- (FC + CC)	49,009
Surplus Bonds	212,683
CPA Fund	530,000
Recreation Beach Account FY 17	40,000
Recreation 53E 1/2 Fund FY-18	100,000
Recreation Stabilization	205,000
	<hr/> Total 1,928,820
Water Capital	225,000
	<hr/> Total 8,543,000

Town Administrator Recommended Capital Budget- Revised 10/24/16				Borrowing	Bond Premium	Cash Capital	Free Cash	Ambulance Fund	School GF Budget	DPW Budget	Water Capital	Surplus Cap CC or FC	Surplus Bonds Closed Funds	CPA Funds	Recreation 53E 1/2 & 53D	Recreation Stabilization	
GENERAL FUND																	
Department	Description	Capital Budget	Recommended Projects	Funding Sources													
DPW	Town wide road reconstruction	1,610,000.00	700,000.00	Cash Capital	-	700,000.00	-	-	-	-	-	-	-	-	-	-	-
DPW	Cemetery road construction	185,000.00	185,000.00	Free Cash / Closeouts	-	-	132,128.00	-	-	-	-	-	-	-	-	-	-
DPW	Transfer Station Road Mitigation	2,300,000.00	2,200,000.00	Borrow / Bond Premium	2,200,000.00	-	-	-	-	-	-	-	-	-	-	-	-
DPW	Equipment Replacement- Tractor H-6	190,000.00	190,000.00	Cash Capital	-	190,000.00	-	-	-	-	-	-	-	-	-	-	-
DPW	Equipment Replacement- Dump H-13	250,000.00	-	Not Recommended	-	-	-	-	-	-	-	-	-	-	-	-	-
DPW	Equipment Replacement- Dump Truck H-4	95,000.00	95,000.00	Cash Capital	-	95,000.00	-	-	-	-	-	-	-	-	-	-	-
DPW	Equipment Replacement- Light Dump Truck	95,000.00	-	Not Recommended	-	-	-	-	-	-	-	-	-	-	-	-	-
DPW	Equipment Replacement- Snow Melter	500,000.00	-	Not Recommended	-	-	-	-	-	-	-	-	-	-	-	-	-
DPW	Small Equipment-schedule	70,000.00	70,000.00	DPW FY 18 budget	-	-	-	-	-	70,000.00	-	-	-	-	-	-	-
DPW	DPW / Rec- Field Renovation / Irrigation	100,000.00	100,000.00	Recreation 53E 1/2-FY 18	-	-	-	-	-	-	-	-	-	-	-	100,000.00	-
DPW	DPW / Rec- HS JV Baseball	50,000.00	50,000.00	Cash Capital	-	50,000.00	-	-	-	-	-	-	-	-	-	-	-
DPW	DPW / Rec- MOU Capital Maintenance	75,000.00	75,000.00	DPW FY 18 budget	-	-	-	-	-	75,000.00	-	-	-	-	-	-	-
Surveyor	Hybrid robotic total station	30,000.00	30,000.00	Cash Capital	-	30,000.00	-	-	-	-	-	-	-	-	-	-	-
Facilities	Fire Station # 2 Renovations	75,000.00	75,000.00	Ambulance Fund	-	-	-	75,000.00	-	-	-	-	-	-	-	-	-
Facilities	Town Building New Windows	100,000.00	100,000.00	Borrow	100,000.00	-	-	-	-	-	-	-	-	-	-	-	-
Facilities	Interior Renovation of Town Building	375,000.00	375,000.00	Borrow	233,723.00	-	-	-	-	-	-	-	-	-	-	-	-
Facilities	TB mechanical / electrical improvement	218,000.00	218,000.00	Borrow	218,000.00	-	-	-	-	-	-	-	-	-	-	-	-
Facilities	Vehicles - Motor pool	50,000.00	50,000.00	Cash Capital	-	50,000.00	-	-	-	-	-	-	-	-	-	-	-
Fire	Fire Vehicle	65,000.00	65,000.00	Ambulance Fund	-	-	-	65,000.00	-	-	-	-	-	-	-	-	-
Fire	Ambulance	305,000.00	305,000.00	Ambulance Fund	-	-	-	305,000.00	-	-	-	-	-	-	-	-	-
Recreation	Oxbow Meadows Site Construction	300,000.00	300,000.00	CPA	-	-	-	-	-	-	-	-	-	300,000.00	-	-	-
Recreation	Dudley Woods Walking Trails	50,000.00	50,000.00	CPA	-	-	-	-	-	-	-	-	-	50,000.00	-	-	-
Recreation	Town Beach Improvements	40,000.00	40,000.00	FY17 Beach Account	-	-	-	-	-	-	-	-	-	-	40,000.00	-	-
Recreation	Alpine Field Design and Bids	25,000.00	25,000.00	Recreation Stabilization	-	-	-	-	-	-	-	-	-	-	-	-	25,000.00
Recreation	Greenways Study	30,000.00	30,000.00	Recreation Stabilization	-	-	-	-	-	-	-	-	-	-	-	-	30,000.00
Recreation	Middle School 207 / 195 Study	150,000.00	150,000.00	Recreation Stabilization	-	-	-	-	-	-	-	-	-	-	-	-	150,000.00
High School IT	School-High School Network Upgrade	215,000.00	215,000.00	Free Cash	-	-	215,000.00	-	-	-	-	-	-	-	-	-	-
Various schools	School- Audio Visual Equipment	120,000.00	120,000.00	School Budget	-	-	-	-	120,000.00	-	-	-	-	-	-	-	-
Happy Hollow	Floor Tile	35,000.00	-	Move to FY 19 / Sch Op	-	-	-	-	-	-	-	-	-	-	-	-	-
Claypit School	Phone upgrade	50,000.00	50,000.00	School Budget	-	-	-	-	50,000.00	-	-	-	-	-	-	-	-
Middle School	Tile Replacement	150,000.00	150,000.00	Borrow	100,991.00	-	-	-	-	-	-	-	49,009.00	-	-	-	-
Loker School	Tile Replacement	50,000.00	-	Move to FY 19 / Sch Op	-	-	-	-	-	-	-	-	-	-	-	-	-
High School	Stadium Repairs	150,000.00	150,000.00	Borrow	150,000.00	-	-	-	-	-	-	-	-	-	-	-	-
High School	Tennis Court Renovation	180,000.00	180,000.00	CPA	-	-	-	-	-	-	-	-	-	180,000.00	-	-	-
Happy Hollow	Food Service Equipment	60,000.00	60,000.00	Free Cash	-	60,000.00	-	-	-	-	-	-	-	-	-	-	-
Various locations	Custodian Equipment	30,000.00	30,000.00	School Budget	-	-	-	-	30,000.00	-	-	-	-	-	-	-	-
Middle School	Furniture Replacement	35,000.00	35,000.00	School Budget	-	-	-	-	16,466.00	-	-	-	18,534.00	-	-	-	-
Total General Fund		8,408,000.00	6,468,000.00		3,002,714.00	-	1,175,000.00	347,128.00	445,000.00	216,466.00	145,000.00	-	49,009.00	212,683.00	530,000.00	140,000.00	205,000.00
WATER FUND																	
Department	Description	Budget															
Water Fund	Water Meter Replacement & Reading System	1,150,000.00	1,150,000.00	Borrow	1,150,000.00	-	-	-	-	-	-	-	-	-	-	-	-
Water Fund	Water Mains	700,000.00	700,000.00	Borrow	700,000.00	-	-	-	-	-	-	-	-	-	-	-	-
Water Fund	Well Cleaning	65,000.00	65,000.00	Water Capital	-	-	-	-	-	65,000.00	-	-	-	-	-	-	-
Water Fund	Water Tank Study	50,000.00	50,000.00	Water Capital	-	-	-	-	-	50,000.00	-	-	-	-	-	-	-
Water Fund	Pilot Study Manganese- Campbell Well	110,000.00	110,000.00	Water Capital	-	-	-	-	-	110,000.00	-	-	-	-	-	-	-
Total Water Fund		2,075,000.00	2,075,000.00		1,850,000.00	-	-	-	-	225,000.00	-	-	-	-	-	-	-
Total Fiscal 2018 requested budget		10,483,000.00	8,543,000.00		4,852,714.00	-	1,175,000.00	347,128.00	445,000.00	216,466.00	145,000.00	225,000.00	49,009.00	212,683.00	530,000.00	140,000.00	205,000.00