

SUDBURY SELECT BOARD  
POLICES & PROCEDURES REVIEW  
SUBCOMMITTEE

THURSDAY APRIL 8, 2021  
12:00 PM OPEN SESSION

Please click the link below to join the virtual Select Board Subcommittee Meeting:

<https://us02web.zoom.us/j/89700231477>

For audio only, call the number below and enter the meeting ID on your telephone keypad.

Call In number: 978-639-3366 or 470 250 9358

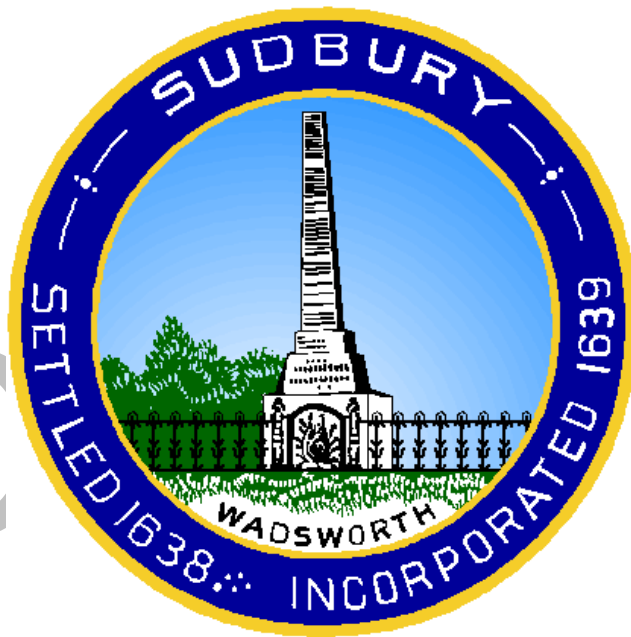
Meeting ID: 897 0023 1477

Item #	Time	Action	Item
	12:00 PM		CALL TO ORDER
1.			Reports from Subcommittee Members
2.			Citizen Comments for Items Not on the Agenda
3.			Discuss draft financial policy document questions and comments with Finance Director Dennis Keohane
5.			Review and approve Meeting Minutes
6.			Citizen Comments
7.			Upcoming agenda items/next meeting planning

*These agenda items are those reasonably anticipated by the subcommittee which may be discussed at the meeting. Not all items listed may in fact be discussed and other items not listed may also be brought up for discussion to the extent permitted by law.*

# Town of Sudbury, Massachusetts

## Financial Policies Manual



**Commented [BS1]:** Need to compare content with 2019 Draft (Dennis K and Melissa R)  
[https://1drv.ms/w/s!AmRy3D3ZZHrDg17TsUGR4r\\_UNzj?e=COB7t8](https://1drv.ms/w/s!AmRy3D3ZZHrDg17TsUGR4r_UNzj?e=COB7t8) which had the following sections:

1. Operating Budget Policy 2
2. Revenue Policy 2
3. Expenditure Policy 3
4. Risk Management Policy 4
5. Capital Budgeting and Planning Policy 4
6. Debt Management Policy 5
7. Protection of Credit Rating Policy 6
8. Free Cash Policy 6
9. Stabilization Fund

**Commented [BS2R1]:** from Dennis: to this doc vs. 2019 added Overlay section and OPEB section

## **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 Board of Selectmen, 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

**Commented [BS3]:** Charlie suggests the one-pager, Bridge letter, shows here are the targets, here's our progress on it, here's the plan.

DENNISQ: Dan asks the How, how are we going to replenish funds when we dip into it.

**Town of Sudbury, Massachusetts**  
Financial Policies Manual

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DRAFT

## 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 Board of Selectmen, 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 8-10 percent of the annual operating budget. These reserves are comprised of Stabilization funds + Free Cash target + Overlay funds. Adherence to this policy will help the Town withstand periods of decreased revenues and control spending during periods of increased revenues. There are multiple types of reserves, including free cash, stabilization funds, retained earnings, and overlay surplus.

#### A. 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 Board of Selectmen, 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 Board of Selectmen 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 percent of the annual budget. To achieve this, the Finance Director shall assist the Town Manager in proposing budgets with conservative revenue projections, and department heads shall carefully

**Commented [BS4]:** DENNISQ 8-10 where did target come from and how close are we now  
Stabilization funds (5%) + Free Cash (3%) + Overlay Surplus

**Commented [BS5R4]:** question: confirm DENOMINATOR 'operating budget'.

**Commented [BS6]:** DENNISQ: Who decided and how close have we been?  
From DoR recommendation  
Dennis states "it doesn't mean overtaxing by \$3M/yr"

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 appropriate any excess above 5 percent of the annual budget to reserves or to offset unfunded liabilities or pay down debt.

**Commented [BS7]:** DENNISQ: Unfunded liabilities (also perhaps debt service) ?

## B. 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 a special purpose stabilization fund for capital projects.

**Commented [BS8]:** DENNISQ: dare we get more specific/prescriptive about how to allocate free cash to various buckets as in the 2019 draft DennisMelissa policy 'circle of free cash'

**General Stabilization:** The Town will endeavor to maintain a minimum balance of 5 percent of the current operating 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 percent 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. Replenishment of the funds should be made annually at the Fall Town Meeting, or the earliest available meeting after Free Cash has been certified.

**Commented [BS9]:** DENNISQ: Where did this guideline come from? One-third at a time? E.g. one-third of balance, then another one-third of remaining balance if needed again?

## Special Purpose Stabilization

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 revenues. Such capital-related special purpose stabilization funds include: \*\*\* INCONSISTENT WITH SECTION FORECASTING THAT SAYS 2% \*\*\*

**Commented [BS10R9]:** Is more policy language needed to explain that regardless of how severe emergency need in any one fiscal year, max use 1/3 of stabilization fund. Is/should there be a policy about who to ask if need more? e.g the Fincom, special town meeting??

**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 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.

**Commented [BS11]:** DENNISQ: is this "all capital-related special purpose stabilization funds equal to 2% of prior year General Fund revenues" DLS statement inconsistent with your draft statement in Forecasting section Capital Stabilization Fund (target of 3% of operating budget) Language added by Bill and Jennifer from DLS Report page 7

- Circumstances for using Capitalization Stabilization Fund: Moderate-range capital expenditures... (e.g \$1M or less drawn) Given that the target balance of CSF is 2% of Gen Fund, could alternatively phrase as "capital expenditures of less than half of the CSF may be used"
- Replenishing:\*\*\*\* hot button topic, Capital funding.... any written policy about e.g. get to 2% then like the Gen Stabilization 5% policy... might we consider policy that each year top off the Capital Stab fund to get back to 2% ??\*\*\*\*\*

**Commented [BS12]:** DENNISQ: Define "moderate-range". Dollar threshold e.g. <\$1M. Percentage (to future-proof this policy...)

**Commented [BS13]:** DENNISQ: Replenishment policy??? Similar to General Stabilization Fund e.g. \$2M on a budget of \$100M. If one year you take \$800K, then next year replenish to get back to 2%

Turf Stabilization Fund ||s/remains separate from plain old Capital Stabilization Fund.  
See DLS recommendation A-2

**Commented [BS14]:** DENNISQ: Would you recommend keeping Turf Stabilization Fund separate from Capital Stabilization Fund (how many Special Purpose Stabilization Funds are ok?)

### C. 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 use in the Town's capital improvement plan or for any other one-time expense.

**Commented [BS15]:** DENNISQ: does the Board (of Assessors?) vote in fact restrict that the surplus can only be used for Town's capital improvement plan or for any other one-time expense. ?  
Shall we keep it simple here, strike last part of sentence. and BoA declares as 'Overlay Surplus' another policy section can define what that can be used for.

DRAFT

## 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, School Superintendent, School Business Manager, Board of Selectmen, School 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 operating budget)
- Annual Capital Budget (target of 3% of operating budget):
- Capital Stabilization Fund (target of 3% of operating budget) \*\*\* INCONSISTENT WITH SECTION RESERVES THAT SAYS 2% \*\*\*
- OPEB Trust Fund
  - "until it is fully funded as actuarially determined" (from 2019 draft)
  - How to determine annual target contribution???
- Debt Service

\*\*\* POLICY CONSIDERATION \*\*\* 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.

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

**Commented [BS16]:** DENNISQ: clarify term 'Annual Capital Budget'. Does it mean: 'all the new capital in a given year', does it mean what DLS calls 'cash capital' on page 22? Does it mean CIB Capital Improvement Budget? Is it all capital expenditures including debt

**Commented [BS17]:** DENNISQ: Please explain. todo: clarify with Dennis Annual Capital Budget as a destination for free-cash ('one time revs'). The others Gen Stab, Capt Stab, OPEB are reserve funds.. Do we mean by bullet 2 in a great year spend less of Levy and instead use free cash towards that years capital needs within the budget?

**Commented [BS18]:** DENNISQ: DLS USES TERMINOLOGY "achieve and maintain... equal to 2% of prior year General Fund revenues". (Shall we adopt that term instead of 'operating budget' consistently throughout doc?

**Commented [BS19]:** DENNISQ: Establish and state annual contribution target (and ending condition)

**Commented [BS20]:** DENNISQ: has there ever been precedent scenario in Sudbury of paying off more than the required debt payment in a given year (i.e. prepaying)



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

\*\*\* DLS option... if we want to divert to Capital Stabilization, we could accept 4<sup>th</sup> 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.)

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 retain funds for asset replacement. \*\*\* Target retained earnings should be x% (2???) of prior year, blah blah.. (see DLS recommendation A-2 "Set a retained earnings target for any enterprise fund not subsidized by the general fund.")
- 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

**Commented [BS21]:** DENNISQ: are you cool with this?

**Commented [BS22]:** DENNISQ: Might policy endeavor to not just break even? Discuss 'service costs'? Some language from earlier 2019 draft with some of Bill's edits: Recreational user charges and fees will be set with the intent to recover approximately at a minimum 100% of total direct costs generated by revolving fund recreation programs, plus all indirect costs (including OPEB contributions) for Town employees, and reasonable offsetting revenue for investments in recreational facilities and fields.

•Enterprise fund (Transfer Station, Atkinson Pool and Recreation Field Maintenance) user charges and fees will be set to recover all direct costs and associated with the activities of these funds as well as the indirect costs of employees of these enterprises for health insurance and OPEB contributions.

**Commented [BS23]:** DENNISQ: Can fees be set so there is a contribution to capital expenses associated with the Enterprise  
Dennis: hope to generate retained earnings so you have a little extra.

Dennis notes 2 of the 3 enterprise funds haven't been self-sustaining. Transfer station has been sustaining, with some retained earnings.

Endeavor to retain funds for asset replacement

Definition of enterprise fund? Subsidized by levy or self sustaining. Currently enterprise funds covers cost of employees and benefits.

**Commented [BS24R23]:** Jennifer: should we have a section on Enterprise funds and Revolving funds?

**Commented [BS25R23]:** a policy section.... not just a 'definition;

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 percent 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

**Commented [BS26]:** DENNISQ: exactly when do Board of Assessors meet during 'budget process' to make this determination? Please clarify e.g. between months of August-October???

**Commented [BS27]:** DENNISQ: again, when during the year does the Excess Overlay determination happen? (our goal is to have an overall timeline of budget process...)

- 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. At the beginning of the budget cycle, the Select Board shall request an annual 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.

**Commented [BS28]:** DENNISQ: Section Financial Reserves C. says at end of fiscal year... when exactly does vote to certify Overlay SURPLUS occur in process? this statement 'shall' implies it is required to happen, and required to notify Town Mgr and Fin Dir. Note the Financial Reserves policy section has language about timing 'at conclusion of fiscal year'; ensure this is consistent / not duplicative

**Commented [BS29]:** DENNISQ: verify Town Meeting (and only Town Meeting) is the only way to use Overlay Surplus funds during fiscal year.

**Commented [BS30]:** For reference: 4 or 5 prioritized bullets in the Forecasting policy re: treatment of one-time revenues) state: "Additionally, the Town hereby establishes the following priority order when appropriating one-time revenues:

General Stabilization Fund (maintenance of 5% of operating budget)  
Annual Capital Budget (target of 3% of operating budget)  
Capital Stabilization Fund (target of 3% of operating budget)  
OPEB Trust Fund  
Debt Service "

**Commented [BS31]:** For reference: "for use in the Town's capital improvement plan or for any other one-time expense" is what the Financial Reserves policy (re: overlay surplus") states...

## 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.

**Commented [BS32]:** does "Debt" (types of debt?) beg for a fuller definition?

**Commented [BS33R32]:** explain somewhere debt within the levy versus debt outside the levy (Debt Exclusion, right?)

**Commented [BS34R32]:** TALK TO DENNIS re: DLS recommendation regarding 'Debt within the Levy' (debt that is not excluded from the limits of Prop 2 1/2)

### APPLICABILITY

This policy applies to the Town Manager, Select Board, 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.

**Commented [BS35]:** DENNISQ: should we reference a specific MGL ?

**Commented [BS36]:** DENNISQ: confirm - if debt obligations shall only be issued to construct, reconstruct, purchase capital assets... QUESTION: what about the debt (low interest loan from state) used to fund CWMP which is a STUDY?

**Commented [BS37R36]:** is "Issue" debt obligations and operative word? i.e. the town can issue debt obligation by soliciting bids to sell bonds... different from borrowing from the state...

#### 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).

**Commented [BS38]:** DENNISQ: explain this statement

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 to the greatest extent possible to reduce the amount of borrowing on all debt-financed projects.
3. 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.
4. \*\*\*\* DLS SUGGESTION: Restrict debt exclusion borrowing to proposals which meet all three of these criteria:
  - a. (1) useful life of 20 years or more;
  - b. (2) estimated cost of the principal payment in the first year of the debt issuance must be greater than 1% of the prior year's general fund revenue; and
  - a-c. (3) the expenditure is either for town-owned land, buildings, or infrastructure or for a LSRHS capital assessment.

**Commented [BS39]:** DENNISQ: Your opinion? Language taken from DLS report page 5 Section A-1 DLS recommendation is for Debt EXCLUSION (outside the levy) criteria to be even more restrictive than general long-term borrowing criteria.

Is criteria (2) unreasonable, too restrictive? 1% of prior years general fund revenue is ~ \$1M. Only purchases of \$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.

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

3-6. \*\*\* NEEDS WORDSMITHING\*\*\* 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. We want to have a bucket in the levy such that as debt service for past items expires, there is automatically cap space for the upcoming capital item requirements.

## 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 percent of general fund revenues, with a target balance of 5-7 percent.
2. As dictated by state statute MGL ch 44 section 10, the Town's debt limit shall be five percent of its most recent equalized valuation.
- 2-3. Per DLS Recommendation, 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.

## C. Structure and Term of Debt

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

1. The Town will attempt to maintain a long-term debt schedule so that at least 50 percent of outstanding principal will be paid within ten years.
2. 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.
3. 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).
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.
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.

**Commented [BS40]:** DLS recommendation was: "objective to gradually and consistently pursue future debt issuances financed by within-levy dollars and set a debt service target range to be achieved and maintained."

**Commented [BS41]:** DENNISQ: why 10% did we make up the number 10 percent or did this come from some reference?

**Commented [BS42]:** DENNISQ: what is our actual percentage in past few years?

**Commented [BS43]:** DENNISQ: did we make up the 5-7 percent target? or is it from some outside recommendation or reference?

**Commented [BS44]:** the state statute is "under MGL ch 44 section 10" (as mentioned in municipal glossary from DLS 2020)

**Commented [BS45]:** total outstanding debt must be less than the debt limit. Debt limit = .05 \* EQV.

**Commented [BS46]:** DENNISQ: confirm: does "long term debt schedule" refer to each a) individual project? each debt obligation? b)(individual loan or bond)? or to the c) cumulative total outstanding principal across all debt obligations projected out over next 10 years? We guess you mean (a)

**Commented [BS47]:** DENNISQ: Is this good to keep as is? Can we adhere? where did this come from? 50 percent of outstanding principal paid within 10 years" a DLS recommendation? did Sudbury make it up? other towns have this?

**Commented [BS48]:** DENNISQ: please explain. Bill and Jennifer not clear what this means

**Commented [BS49]:** DENNISQ: is this boilerplate language from somewhere? please explain for us in laypersons terms.

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.

**Commented [BS50]:** DENNISQ: please explain 'net premium and accrued interest' in this context? Is this just saying reduce the amount we refund (refinance) by the amount we've already paid off thus far on the original debt?

#### 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.

**Commented [BS51]:** file it with whom?

## 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 fund, 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.

**Commented [BS52]:** DENNISQ: OPEB is acknowledged as underfunded. How is 'the Town's retirement fund' funded? Are there employee contributions? Is the retirement fund 'fully funded' (is there a guaranteed pension amount?)

### 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.

See additional details in the Town of Sudbury Investment Policy document as well as the Town of Sudbury CPA Investment Policy document.

**Commented [BS53]:** hyperlink to the document on town website

**Commented [BS54]:** hyperlink to the document on town website



## 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, School Committee, and Finance Committee. Note: The Lincoln-Sudbury Regional High School is not subject to this policy; it has its own policy.

**Commented [BS55]:** DENNISQ: LSRHS Committee is not subject to this policy?

### POLICY

#### A. Capital Improvement Plan

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.

\*\*\* DLS RECOMMENDATION\*\*\* 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 revenue, (drawn equally from within-levy debt and cash capital sources).

**Commented [BS56]:** DENNISQ: opinion on feasibility of this DLS recommendation?

The target shall guide how much of the CIP should be included in a given annual budget.

1. The Town Manager shall establish criteria to determine capital asset prioritization. [ See DLS list of example criteria page 9 DLS report... DLS suggests Select Board establish criteria including but not limited to:
  - mitigation of safety hazards
  - legal compliance
  - operating cost reduction
  - service or efficiency improvement
  - availability of outside funding sources
  - conformance to asset replacement schedule
  - 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. [DLS: notwithstanding 1-5 'urgency' score that Dept Heads assigned, there wasn't a clear prioritization...]
  - DLS: expand the information captured on Capital Project Submission Sheets

**Commented [BS57]:** DENNISQ: please explain what is the currently used criteria for determining capital asset prioritization.

- Require a Capital Project Submission Sheet for every item listed on CIB (this year and CIP (5 years plan)).

**Commented [BS58]:** DENNISQ: this happen now?

3. 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.

4. 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 )
- \*\*\* POLICY New growth dedicated to capital (e.g. 50-75% of all New Growth, or 100% of Commercial New Growth) \*\*\*\*
- Capital Stabilization Fund
  - Special-purpose stabilization funds??? (e.g. from Revenue generating assets like former Gravel Pit or Sewataro revenue share)
- Free Cash
- In-levy Debt aka Nonexcluded Debt [DLS target 3% of General Fund]
- Capital Exclusion [DLS recommends very RESTRICTIVE circumstances for Debt exclusion...]
- Debt Exclusion [DLS recommends very RESTRICTIVE circumstances for Debt exclusion...]

**Commented [BS59]:** DENNISQ: Would acquiring Open Space ever be in the Capital Improvement Plan??

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

6. DLS: put maintenance in Department budgets... <--- this would be a significant policy change Rather, such smaller, shorter life maintenance items should be included in Departmental budget capital line item. [DECISION: adopt this DLS section B-1 recommendation of putting in Dept budget???:]

2-7. DLS: Note: 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.

**Commented [BS60]:** Todo: wordsmith not just capital <20K, 5yrs, but also ALL maintenance...

**Commented [BS61]:** DENNISQ: good idea?

## 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.

**Commented [BS62]:** DENNISQ: what is the Risk Management Program (besides holding insurance policies...) who is the Risk Manager... (Town Manager?) does Risk Management flow down to various accountable departments

## C. Reporting

1. The 5 year capital improvement plan shall be posted on town website for public review at all times. Updates to the plan shall be tracked (change history). Capital Improvement Budget Request Form (or Capital Project Submission Sheet) for each project on the 5 year CIP shall be posted and linked to from the CIP on the website.

4.2. 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 ABOLISH CIAC FOR LEANER, CENTRALIZED PROCESS / EMPOWERED TOWN MANAGER... THEN CAN ELIMINATE THIS STEP OF SUBMITTING TO CIAC. \*\*\*

**Commented [BS63]:** submit annually? the one-year CIB capital plan?

**Commented [BS64]:** worthy of Select Board discussion - to affirm need/value of CIAC committee? (DLS said reconsider the bylaw that states CIAC's composition... is it an extra level we don't need)

2.3. The Town Manager shall submit Town Meeting articles for the CIB by January 31<sup>st</sup>.

3.4. The Select Board shall report all requests for capital appropriations to the Finance Committee on or before February 5. (Bylaws Article IV Section 5).

4.5. The Town Manager will present the CIB for approval at the Annual Town Meeting (generally the 1<sup>st</sup> Monday in May).

DRAFT

## **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.

**Commented [BS65]:** DENNISQ: How is the liability measured? What metric should be tracked to inform whether we are contributing enough?

### **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.

**Commented [BS66]:** two years (standard?)

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.

**Commented [BS67]:** DENNISQ: roughly how to determine if (current balance and annual contribution) will be sufficient as a function of when, how many retirees roll on and off

#### 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.

**Commented [BS68]:** DENNISQ: How to determine policy of how much to contribute annually to OPEB Trust Fund? Like what? How much to contribute each year? E.g. are we aiming for 70% of future need? How far off are we? Is there a metric/rule of thumb for 'usual' contribution level, distinct from 'catch up' contributions?

**Commented [BS69]:** DENNISQ: should we aspire to require that contribution must be from the Levy each year or leave flexible

## Appendices

### Appendix A: Definition of Capital

**Commented [BS70]:** proposed definition from 1/5/2021 Select Board discussion brought by Jennifer

#### Proposal for 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.

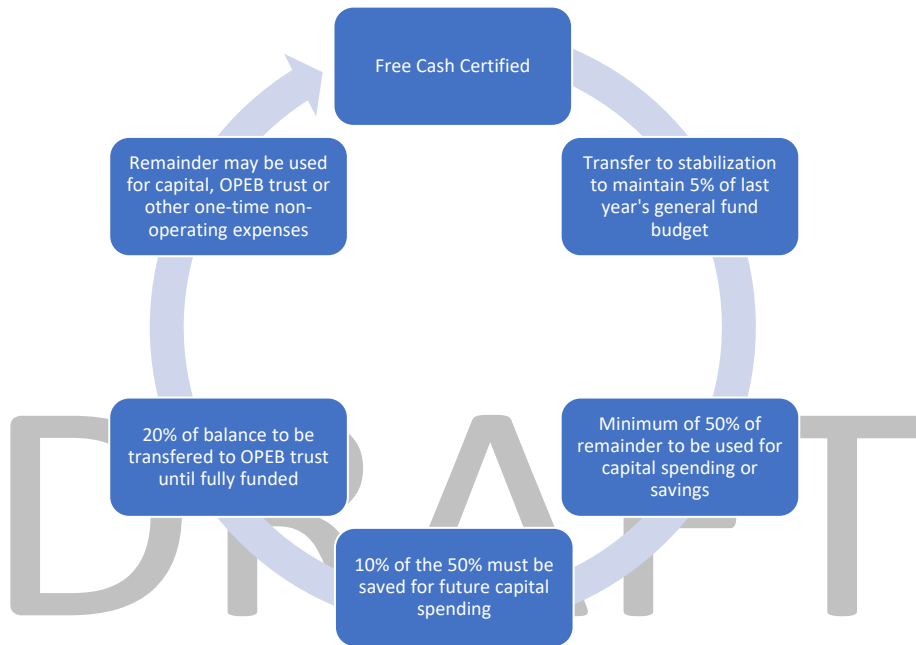
To consider: Capital maintenance costs should be budgeted within department-level capital line items instead of being included in the Capital Improvement Program.

### Appendix B: Enterprise Fund Definition

Definition of enterprise fund? Subsidized by levy or self sustaining. Currently enterprise funds covers cost of employees and benefits.

## **BACKUP MATERIAL**

Free Cash Flow Chart (from 'BOS Financial Policies 2019 mmranddkfinpolicies')



**Commented [BS71]:** Is it desired/valuable to codify a "Wheel of Free Cash" policy like this? The draft section earlier lists in some prioritized order what to consider using free cash for. Do we want rules like this to enforce discipline and reduce arbitrariness?

Observations of FY22 proposed Free Cash use:

Free Cash Certified 4.2M

Transfer to Gen Stabilization 281K

50% of remainder: would be ~ 2M...

Capital Spending ~3.137M (2.887M spend + 250K save)

Of which 250K for future (to Capital Stabilization Fund)

2M Capital Articles (1.987M)

900K TM Capital Budget

\$0 towards OPEB (i.e. no free cash catchup contributions)

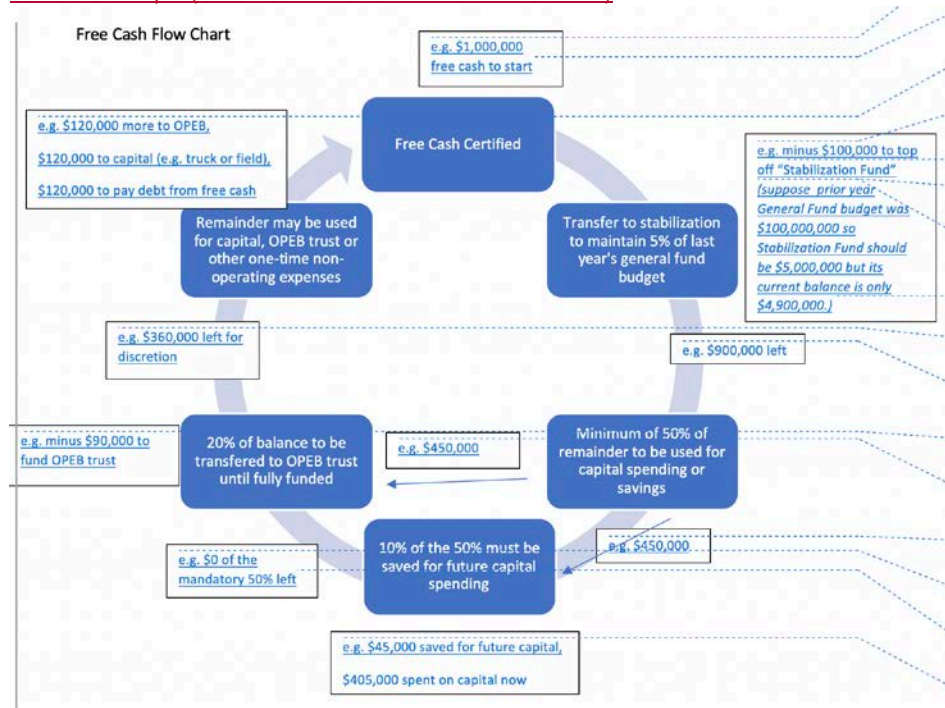
\$150K other one-time non operating (Eversource)

\$681K leftover

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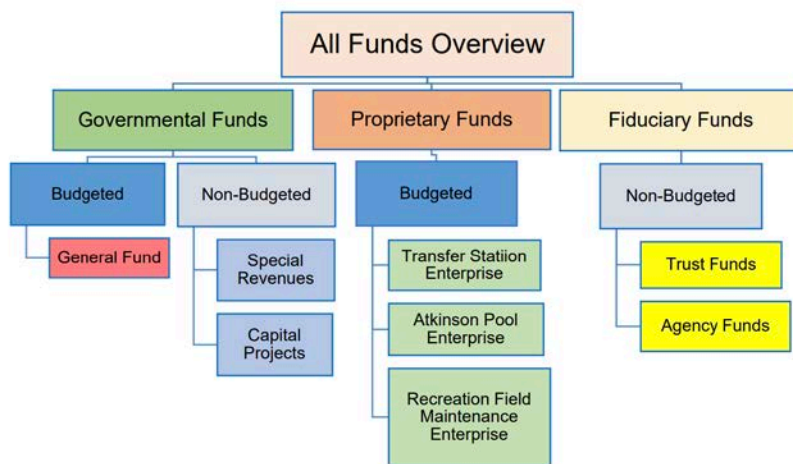
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Notional Example (Schineller annotations in November 2019)



All Funds Overview

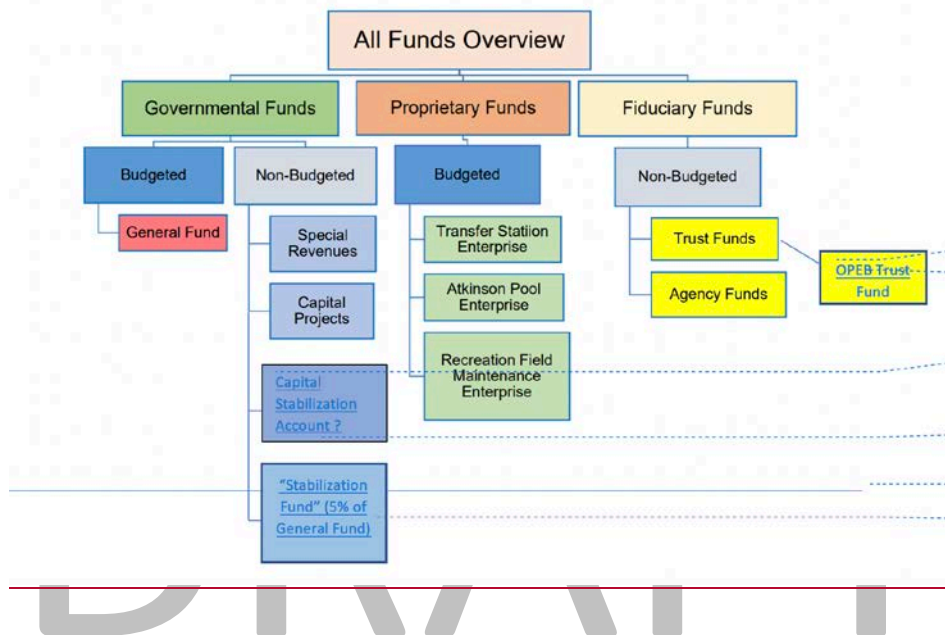
Diagram from the Town Manager's FY2020 Budget



DRAFT

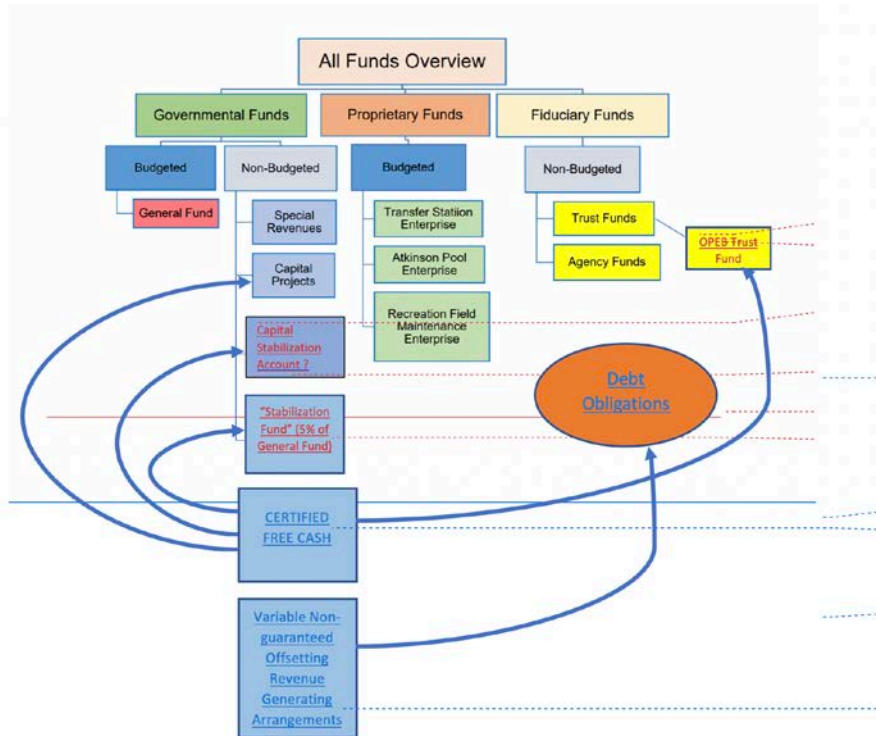


All Funds Overview (marked up by Schineller in Nov 2019 to try to show other funds: Capital Stabilization Account, Stabilization Fund, and OPEB Trust Fund)



All Funds Overview (notionally marked up by Schineller in Nov 2019 to try to flow of Free Cash and Offsetting Revenue (e.g. Sewataro?) flow into other funds, and Debt Obligations )

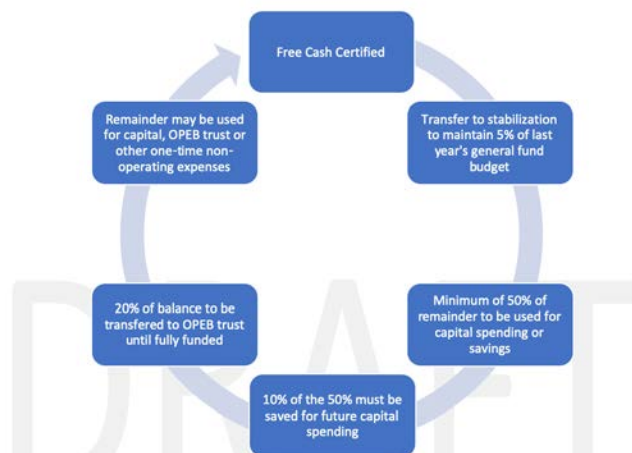
**Commented [BS72]:** Would we like to codify what to do with income from Revenue Generating Assets like Sewataro? Put into a special 'Stabilization Fund' dedicated to some purpose (analogy=Melone Stabilization Fund from gravel sales). Put towards offsetting debt?



## Questions for Dennis

1. Opinion on policy for replenishing Capital Stabilization Fund after we withdraw from it?
2. The Town will strive to maintain overall reserves in the level of 8-10 percent of the annual operating budget. These reserves are comprised of Stabilization funds + Free Cash target + Overlay funds.
  - a. Please comment on where 8-10 percent target came from:
    - i. Has this always been our policy?
    - ii. Is it consistent with DLS recommendation (pg 6)?: “A 5% minimum target for the general stabilization fund is reasonable only if there are also targets for other reserves, such that the total combined reserves target equates to 10 to 12% of the prior year’s general fund budget (i.e., the total operating budget minus CPA and enterprise funds). Here, “total combined reserves” refers to the total of free cash and the town’s general and special purpose stabilizations funds all together.”
  - b. Please confirm ‘overall reserves’ = Stabilization funds + Free Cash target + Overlay funds. Anything else?
3. year-to-year goal of maintaining its free cash in the range of 3-5 percent of the annual budget
  - a. where did 3-5% target come from?
4. “Town will limit its use of free cash to funding one-time expenditures (like capital projects or emergencies and other unanticipated expenditures) and will appropriate any excess above 5 percent of the annual budget to reserves or to offset unfunded liabilities”
  - a. Please confirm interpretation: is this saying 5 percent is the MAX free cash to leave around, therefore automatically put anything above 5 percent towards...?
  - b. i.e. by “offset unfunded liabilities” (OPEB etc?)
  - c. might we also put towards paying down Debt?
5. Do you recommend prescriptive “Wheel of Free Cash” be included in Financial Policies?

Free Cash Flow Chart (from 'BOS Financial Policies 2019 mmranddkfinpolicies')



a.

6. 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. Replenishment of the funds should be made annually at the Fall Town Meeting, or the earliest available meeting after Free Cash has been certified.
  - a. Please elaborate on this.
  - b. Where did this guideline come from?
  - c. One-third at a time? E.g. one-third of balance, then another one-third of remaining balance if needed again?
  - d. Is more policy language needed to explain that regardless of how severe emergency need in any one fiscal year, max use 1/3 of stabilization fund. Is/should there be a policy about who to ask if need more? e.g the Fincom, special town meeting?
7. Please reconcile DLS statement (page 7) "all capital-related special purpose stabilization funds equal to 2% of prior year General Fund revenues" against your draft statement in Forecasting section A bullet 3 "Capital Stabilization Fund (target of 3% of operating budget)"
  - a. which one do you recommend?
  - b. how to reconcile language?
8. Capital Stabilization acceptable expenditures
  - a. "Moderate range capital expenditures" – how to define?
  - b. Would you recommend a more concrete policy such as:
    - i. (e.g \$1M or less drawn)
    - ii. Given that the target balance of CSF is 2% of Gen Fund, could alternatively phrase as "capital expenditures of less than half of the CSF may be used"
9. Capital Stabilization – achieving and maintaining/replenish target balance
  - a. Please opine on how to go about initially achieving target balance
    - i. Should such approach be documented inside Fin Policies?
      1. (or keep out, into separate Howto doc...?)
  - b. Replenishment policy
    - i. Please suggest written policy (as with general Stabilization Fund?) for Replenishing Capital Stabilization Fund
      1. Once achieved
      2. As we progress towards the target balance and perhaps cheat and take from it along the way
10. Special Purpose Stabilization Funds
  - a. Would you recommend keeping Turf Stabilization Fund separate from Capital Stabilization Fund? (How many Special Purpose Stabilization Funds are ok?)
11. Overlay Surplus (financial reserves)
  - a. Please recommend clear consistent language concerning timing of Overlay Surplus. Compare the following:
    - i. Conclusion of each fiscal year (in section C. Overlay Surplus)
    - ii. Overlay Surplus section (silent on timing)

- b. Who if anybody (the Board (of Assessors?) own vote?) restricts what the Overlay surplus can be used for? "Town's capital improvement plan or for any other one-time expense."
12. Re: "Annual Capital Budget (target of 3% of operating budget)"
  - a. Please reconcile this term and target versus how DLS breaks down on pg 22 of DLS report

To have a successful CIP requires a community to develop its annual budgets with the intent of ensuring the due allocation of funds toward capital investment. Given the wide scope of services Sudbury provides and its access to low borrowing rates, we advise that the minimum level of capital funding the town should seek to achieve and then maintain year to year should be equivalent to 6% of the prior year's general fund revenue, drawn equally from within-levy debt and cash capital sources. Beyond this minimum target, the town should seek to further enhance its capital investment by supplementing it with other revenue streams, such as the CPA program, state and federal grants, donations as they are offered, and so on. The table below shows the gaps between the town's recent capital investment totals and the recommended targets.

*General Fund Capital Investment  
vs. Target Funding Levels, FY2018-FY2020*

	FY2018	FY2019	FY2020	
Prior Year General Fund Revenues:	94,025,172	100,052,644	102,000,958	
Capital Funding Sources				Targets
Excluded Debt	3,297,860	2,945,115	2,935,815	Excluded Debt
% of prior year revenues	3.51%	2.94%	2.88%	no target
Nonexcluded Debt	155,190	155,510	154,610	Nonexcluded Debt
% of prior year revenues	0.17%	0.16%	0.15%	3%
Free Cash +	1,962,000	1,426,500	570,000	
Tax Levy	413,190	422,000	745,000	Cash Capital
Cash Capital Total	2,375,190	1,848,500	1,315,000	3%
% of prior year revenues	2.53%	1.85%	1.29%	
Capital Total	5,828,240	4,949,125	4,405,425	Capital Total
% of prior year revenues	6.20%	4.95%	4.32%	6%

- i.
  - b. Please opine/confirm your intention about allocating one-time revenues to 4 or 5 bullets.
    - i. Are these in priority order?
    - ii. Three of these are RESERVE funds. (Gen Stab, Cap Stab, OPEB)
    - iii. "Annual Capital Budget" represents this year EXPENDITURES
    - iv. Correct?
13. Allocating "one-time revenues" to prepay Debt
  - a. Would we ever do this, have we ever done this? paying off more than the required debt payment in a given year (i.e. prepaying)
  - b. i.e. Sewaturo variable revenue share, using to offset its Debt payments
14. Allocating New Growth revenues towards capital
  - a. DLS recommendation on page 23
  - b. PROPOSED policy in Forecasting/Revenue guidelines section: 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.
  - c. QUESTION: if we formalized such policy for New Growth, how would this impact our current budgeting approach? (any unintended negative consequence?)
15. Vehicle surplus -> Moveable property MGL to divert to Capital Stabilization..

- a. Do you recommend doing this? (we propose in section Forecasting, Revenue Guidelines)
  - b. Pg 21 of DLS discussion...
  - c. To retain these revenues for future purchases of the same types of assets, the select board could sponsor a warrant article to accept the fourth paragraph of M.G.L. c. 40 § 5B and specify a percentage of each sale that will be dedicated, without further appropriation, to the capital stabilization fund.
- 16. "Town departments that charge fees (Enterprise Funds and recreation programs, for example...")
  - a. Discuss reasonable goal on cost recovery
  - b. Recall this conversation at Jan 23, 2021 Select Board mtg:
    - i. Can fees be set so there is a contribution to capital expenses associated with the Enterprise?
    - ii. Dennis: hope to generate retained earnings so you have a little extra.
    - iii. Dennis notes 2 of the 3 enterprise funds haven't been self-sustaining. Transfer station has been sustaining, with some retained earnings.
    - iv. Endeavor to retain funds for asset replacement
    - v. Definition of enterprise fund? Subsidized by levy or self-sustaining? Currently enterprise funds cover cost of employees and benefits.
- 17. Overlay Contribution
  - a. Re: "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"
  - b. WHEN does the BofA meet as part of the budget process to authorize contribution to the overlay account? (Can the Financial Policies be more specific on what month range/deadline?)
- 18. Excess Overlay
  - a. Re: "Annually, the Finance Director and Director of Assessing will conduct an analysis to see if there is any excess in the overlay account"
    - i. WHEN does/should this analysis happen?
- 19. Overlay Surplus timing
  - a. Re: the Board of Assessors shall formally vote in an open meeting to certify the amount to transfer to overlay surplus.
    - i. WHEN exactly does vote to certify Overlay SURPLUS occur in process? this statement 'shall' implies it is required to happen and required to notify Town Mgr and Fin Dir.
  - b. Re: a Proposed Select Board policy: "At the beginning of the budget cycle, the Select Board shall request an annual update from the Board of Assessors on the balance of the overlay account."

- i. WHEN exactly would you recommend this request and determination occur?
- 20. Overlay Surplus appropriation
  - a. verify Town Meeting (and only Town Meeting) is the only way to use Overlay Surplus funds during fiscal year (e.g. not the FinCom, or SelectBoard by their own vote...)
- 21. re: "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. Question 1: should we reference a specific MGL?
  - b. Question 2: confirm that "issue debt" only for capital is distinct from allowing Town to 'take on debt' through other borrowing programs like the state CWMP low-interest loan?
- 22. Re: "Issue long-term debt only for objects or purposes authorized by state law and only when the financing sources have been clearly identified"
  - a. Pls explain this statement. (is it obvious e.g. can't Issue a bond if you don't know potential bidders?)
- 23. Re: DLS recommendation of restrictive criteria for Debt Exclusions
  - a. DLS (aspirational?) suggested criteria was: "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 must be greater than 1% of the prior year's general fund revenue; and (3) the expenditure is either for town-owned land, buildings, or infrastructure or for a LSRHS capital assessment."
  - b. Your opinion? Is criteria (2) unreasonable, too restrictive? 1% of prior years general fund revenue is ~ \$1M. Only purchases of \$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
- 24. Re: "*Total **annual** 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*"
  - a. We added 'annual'. Correct?
  - b. Why 10%? Did we make up the number 10 percent or did this come from some reference?
  - c. what is our actual percentage in past few years?
- 25. Re: "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."
  - a. Is 3% good?
- 26. re: "The Town will attempt to maintain a long-term debt schedule so that at least 50 percent of outstanding principal will be paid within ten years."
  - a. Clarify 'long-term debt schedule'
  - b. Is this 50% of outstanding principal paid within 10 years good policy?
- 27. Re: "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"
  - a. Please explain.

28. Re: "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"
- a. Confirm this is just boilerplate language from somewhere? Don't worry about it?
29. Re: "Issue debt with optional call dates no later than 10 years from issue"
- a. Pls explain in layman's terms. Do you agree?
30. Re: "Use any net premium and accrued interest to reduce the amount of the refunding."
- a. Pls explain in layman's terms. Do you agree?
31. Re: "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."
- a. File with whom? (assume it's obvious...)
32. Re: "The Town's retirement fund"
- a. OPEB is acknowledged as underfunded. How is 'the Town's retirement fund' funded? Are there employee contributions? Is the retirement fund 'fully funded' (is there a guaranteed pension amount?)
33. Re: "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, School Committee, and Finance Committee"
- a. Confirm LSRHS is not subject to this policy?
34. Proposed "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 revenue, (drawn equally from within-levy debt and cash capital sources)."
- a. Your opinion? How feasible, aggressive?
35. Re: "The Town Manager shall establish criteria to determine capital asset prioritization"
- a. Please identify the currently used criteria
  - b. DLS suggests: "DLS suggests Select Board est criteria including but not limited to:
  - c. - mitigation of safety hazards
  - d. - legal compliance
  - e. - operating cost reduction
  - f. - service or efficiency improvement
  - g. - availability of outside funding sources
  - h. - conformance to asset replacement schedule
  - i. - enhancement of quality of life"
  - j. QUESTION: what do you think of this list? Useful? Any value added to the doc?
36. Require a Capital Project Submission Sheet for every item listed on CIB (this year) and CIP (5 years plan).
- a. Does this happen now? Are items making it onto the CIB and CIP spreadsheet that don't have accompanying submission sheet filed?
37. Would acquiring Open Space ever be in the Capital Improvement Plan?



38. Re: proposed "DLS: put maintenance in Department budgets... <--- this would be a significant policy change Rather, such smaller, shorter life maintenance items should be included in Departmental budget capital line item. [DECISION: adopt this DLS section B-1 recommendation of putting in Dept budget???: clearly define what items included in capital plan]"
- a. How radical would this be? Do department budgets currently have line items that cover ALL items under \$20K or 5 years?
  - b. Department Budgets per DLS recommendation, should have capital line items for these smaller, shorter life maintenance items...
  - c. QUESTION: do we currently have such a line item per department budget?
  - d. Type of expense e.g. maintenance and anticipated replacement. Maintenance (not huge unanticipated maintenance...) is recommended by DLS to go in Dept OPERATING budgets.
  - e. Replacement of trucks (<100K?), ambulances/firetrucks <\$1M
39. Re: proposed "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"
- a. Opinion? Good idea?
40. Risk Management Program
- a. What is the Risk Management Program (besides holding insurance policies...) who is the Risk Manager? (Town Manager?) Does Risk Management flow down to various accountable departments
41. Continuation of CIAC
- a. Eliminate this step? "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."
  - b. \*\*\*\* POLICY DECISION – IF WE FOLLOW DLS TAB'S RECOMMENDATION TO ABOLISH CIAC FOR LEANER, CENTRALIZED PROCESS / EMPOWERED TOWN MANAGER... THEN CAN ELIMINATE THIS STEP OF SUBMITTING TO CIAC. \*\*\*
  - c. Opinion
42. OPEB Trust Fund
- a. How to determine policy of how much to contribute annually to OPEB Trust Fund? Roughly how to determine if (current balance and annual contribution) will be sufficient as a function of when, how many retirees roll on and off?
  - b. Consider phrase "until it is fully funded as actuarially determined" (from 2019 draft)?
  - c. Do you have a trend chart of fund balance, contributions per year, withdrawals per year and forecast future liabilities(withdrawals) in future years?
  - d. How is the liability measured? What metric should be tracked to inform whether we are contributing enough?

- e. How to determine policy of how much to contribute annually to OPEB Trust Fund? Like what? How much to contribute each year? E.g. are we aiming for 70% of future need? How far off are we? Is there a metric/rule of thumb for 'usual' contribution level, distinct from 'catch up' contributions?

TODO	Language	Alternate
Name a second document for Action Plan 1 (versus Policy doc)	HOW TO GET THERE PLAN: 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 overall reserves target	8-10 percent of annual operating budget	Stabilization funds (5%) + Free Cash (3%) + Overlay Surplus
3 free cash target	year-to-year goal of maintaining free cash in the range of 3-5 percent of the annual budget	
4 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)	
what to do with free cash in excess of max 5 target	appropriate any excess above 5 percent of the annual budget to reserves or to offset unfunded liabilities	
6 general Stabilization Fund target		5%
7 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	
general Stabilization Fund replenishment 8 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.	
capital-related Special Purpose Stabilization 9 Fund(s) target	2% of prior year General Fund revenues (per DLS)	
10 Capital Stabilization Fund target	Capital Stabilization Fund (target of 3% of operating budget) [in Dennis Forecasting section]	DLS says: "all capital-related special purpose stabilization funds equal to 2% of prior year General Fund revenues"
Close Melone Stabilization Fund and transfer 11 to Capital Stabilization Fund	DLS recommendation "Close Melone Stabilization Fund"	
Limit the number of stabilization funds to small few that have clear but broadly defined 12 purposes	does Turf fund fit this recommendation (clear but broadly defined?) and to what degree do we want to limit stabilization funds?	
adopt Sale of Moveable property policy (to fix 13 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.	
HOWTO: initially achieve Capital Stabilization 14 Fund target balance		
15 use of Overlay Surplus funds policy	for use in the Town's capital improvement plan or for any other one-time expense	
16 Annual Capital Budget target policy	Annual Capital Budget (target of 3% of operating budget) [versus DLS pg 22 terminology and targets]	
17 OPEB Trust Fund annual contribution policy	How to determine how much each year, considering 'catch up contributions' - when we would aim to be 'fully funded as actuarially determined?' Should we aspire to require that contribution must be from the Levy each year or leave flexible?	
18 special one-time revenue to offset Debt policy	a. Would we ever do this, have we ever done this? paying off more than the required debt payment in a given year (i.e. prepaying) b.i.e. Sewataro variable revenue share, using to offset its debt payments	
special New growth revenue towards capital 19 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.	
Policy on "Town departments that charge fees 20 (Enterprise Funds and recreation programs...)"	policy on cost recovery goals	
21 Overlay Surplus transparency	the Select Board shall request an annual update from the Board of Assessors on the balance of the overlay account	

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	
22	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.	
23	Long-term borrowing circumstances	NOTE: is this too aspirational / infeasible? Might we make the notional 1% a value that the SelectBoard 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.)
24	Debt exclusion circumstances	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 <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 (3) the expenditure is either for town-owned land, buildings, or infrastructure or for a LSRHS capital assessment.  NOTE: is this too aspirational / infeasible? Might we make the notional 1% a value that the SelectBoard 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 within the levy	6.*** NEEDS WORDSMITHING*** 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. We want to have a bucket in the levy such that as debt service for past items expires, there is automatically cap space for the upcoming capital item requirements  NOTE: is this too aspirational / infeasible? Might we make the notional 1% a value that the SelectBoard 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. )
26	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.  NOTE: is this too aspirational / infeasible? Might we make the notional 1% a value that the SelectBoard 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. )

27 Long-term debt schedule payment timing	<p>"The Town will attempt to maintain a long-term debt schedule so that at least 50 percent of outstanding principal will be paid within ten years."</p> <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...	Issue debt with optional call dates no later than 10 years from issue
29 Debt re-funding options	
30 Annual Capital Spending Target	<p>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 revenue, (drawn equally from within-levy debt and cash capital sources).</p>
31 bar for adding item to CIB and CIP list	<p>require a Capital Project Submission Sheet for every item listed on CIB (this year) and CIP (5 years plan)</p> <p>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.</p>
32 CIP inclusion / exclusion threshold	<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>-*** POLICY New growth dedicated to capital (e.g. 50-75% of all New Growth, or 100% of Commercial New Growth) ****</li> <li>-Capital Stabilization Fund</li> <li>Special-purpose stabilization funds??? (e.g. from Revenue generating assets like former Gravel Pit or Sewataro revenue share)</li> <li>-Free Cash</li> <li>-In-levy Debt aka Nonexcluded Debt [DLS target 3% of General Fund]</li> <li>-Capital Exclusion [DLS recommends very RESTRICTIVE circumstances for Debt exclusion...]</li> <li>-Debt Exclusion [DLS recommends very RESTRICTIVE circumstances for Debt exclusion...]</li> </ul>
33 require potential funding sources including CPA eligibility be in the CIP (for each project submission)	
34 put maintenance and small, shorter life capital in Dept budget	<p>see DLS page 11 section B-1</p> <p>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</p>
34 do not include / itemize LSRHS capital in Sudbury CIP	
35 Transparency of CIP edits	<p>The 5 year capital improvement plan shall be posted on town website for public review at all times. Updates to the plan shall be tracked (change history). Capital Improvement Budget Request Form (or Capital Project Submission Sheet) for each project on the 5 year CIP shall be posted and linked to from the CIP on the website 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 ABOLISH CIAC FOR LEANER, CENTRALIZED PROCESS / EMPOWERED TOWN MANAGER... THEN CAN ELIMINATE THIS STEP OF SUBMITTING TO CIAC. ****"</p>
36 Continue CIAC?	are Jan 31 for articles for CIB, and the Feb 5 bylaw to send to Fincom
37 Deadlines	appropriate and compatible dates

Prescriptive Use of Free Cash (Wheel of Free  
38 Cash)

Does Board wish to include in Financial Policies a prescriptive use of  
free cash policy (wheel of free cash) with targets for each prioritized  
category of spending

definition / what's included

annual operating budget

prior year's general fund budget

total operating budget

total combined reserves

overall reserves

annual capital budget

cash capital

CIB Capital Improvement Budget

annual this year

CIP Capital Improvement Plan

5 year = this year CIB and next 4 years

General Fund's undesignated fund balance

in context of Overlay Surplus destination

Debt Exclusion

Debt 'Within the Levy'

non-excluded debt

self-supporting debt

general fund revenues

'general fund revenues' --- is that the same as what we call the total annual budget=total revenue? e.g. percentage of FY21 \$106.635M

Section	Sub-Section	Recommendation	Adopt Yes/No	Bylaw/Town Meeting/Policy	Delivery date	Owner/Manager	Resources
A. Financial Policies	A-1	Adopt a full-scope Annual Budget policy		Policy			
A. Financial Policies	A-2	Adopt a consolidated Reserves policy and set prudent target levels		Policy			
A. Financial Policies	A-3	Set a year-to-year debt funding target within the general fund budget		Policy			
A. Financial Policies	A-4	Clearly define what projects are included in the capital plan		Policy			
A. Financial Policies	A-5	Establish an ordered list for prioritizing capital projects		Policy			
B. Capital Planning Procedures	B-1	Budget for maintenance costs within department-level capital line items					
B. Capital Planning Procedures	B-2	Remove LSRHS from the town's capital plan					
B. Capital Planning Procedures	B-3	Expand the information captured on capital project submission sheets					
B. Capital Planning Procedures	B-4	Reconsider the Capital Planning bylaw		Bylaw			
C. Funding Strategies	C-1	Align the capital plan with funding schemes that do not rely on exclusions					
C. Funding Strategies	C-2	Continue to build reserves in capital-related special purpose stabilization funds					
C. Funding Strategies	C-3	Close the Melone fund and transfer its balance to the capital stabilization fund		Town Meeting			
C. Funding Strategies	C-4	Close the surplus vehicles revolving fund		Town Meeting			
D. Capital Forecast	Capital Funding Targets	Utilize a Capital Targets Tool and link to financial forecast					
D. Capital Forecast	New Growth	Dedicate 50-75% of all new growth levy amounts to capital expenditures or reserves					
D. Capital Forecast	Stabilization Fund Override	Stabilization fund override to build balance in the capital stabilization fund		Town Meeting			

Sources:

[Link to DLS Report April 2020: https://s3-us-west-2.amazonaws.com/cdn.sudbury.ma.us/wp-content/uploads/sites/260/2020/08/Sudbury\\_Capital\\_Report\\_DLS.pdf?version=77abcf91caf53f28a00d8a3f2095](https://s3-us-west-2.amazonaws.com/cdn.sudbury.ma.us/wp-content/uploads/sites/260/2020/08/Sudbury_Capital_Report_DLS.pdf?version=77abcf91caf53f28a00d8a3f2095)

[Link to DLS Capital Targets Workbook: https://sudbury.sharefile.com/share/view/sdef47ec7fcb48a38](https://sudbury.sharefile.com/share/view/sdef47ec7fcb48a38)

[Link to Community Compact Cabinet Reports: https://www.mass.gov/service-details/community-compact-cabinet-reports](https://www.mass.gov/service-details/community-compact-cabinet-reports)

[Link to S&P Report June 2020: https://www.mass.gov/service-details/community-compact-cabinet-report](https://www.mass.gov/service-details/community-compact-cabinet-report)

[Link to SFPCCP Jan 2019: https://sudbury.ma.us/sfpccf/sfpccf\\_01222019\\_bos\\_presentation/](https://sudbury.ma.us/sfpccf/sfpccf_01222019_bos_presentation/)



Sub-Section		Recommendation	Goal	12/8/2020	1/5/2021 (where in Draft Fin Policies?)
A-1		Adopt a full-scope Annual Budget policy		Enterprise funds policies	Intent is to generate retained earnings, goal is not to breakeven every year. section FORECASTING, A. Revenue Guidelines
A-2		Adopt a consolidated Reserves policy and set prudent target levels	Establish a goal of endeavoring to realize annual free cash certifications equivalent to 3-5% of prior year general fund revenues.		Is 3-5% of the annual budget a good number? section FINANCIAL RESERVES, A.
A-2		Adopt a consolidated Reserves policy and set prudent target levels	Achieve and maintain a combined target balance for all capital-related special purpose stabilization funds equal to 2% of prior year general fund revenues.	Long range target - 3%	Melone (\$1.1), capital stabilization (\$500k) and field/turf stabilization
A-2		Adopt a consolidated Reserves policy and set prudent target levels	Spell out the specific appropriate usages for each type of reserve.		section FINANCIAL RESERVES, B. Stabilization Funds, Special Purpose Stabilization Funds (2% of prior year general fund revenues) Yes. Section FINANCIAL RESERVES, needs review
A-2		Adopt a consolidated Reserves policy and set prudent target levels	Set a retained earnings target for any enterprise fund not subsidized by the general fund.		Consolidate special reserve funds to capital stabilization fund? Section FORECASTING, A. Revenue Guidelines. Language about Enterprise funds, setting fees...
A-2		Adopt a consolidated Reserves policy and set prudent target levels	Include a statement tht the select board will request an annual update from the Board of Assessors on the balance of the overlay account.	Yes	Section OVERLAY C. Overlay Surplus
			Ensure that the new policy has provisions that state the objective to gradually and consistently pursue future debt issuances financed by within-levy dollars and set a debt service target range to be achieved and maintained.		
A-3		Set a year-to-year debt funding target within the general fund budget		Template sets limits but doesn't address how.	section DEBT MANAGEMENT B. 3. (Target within levy...)
A-4		Clearly define what projects are included in the capital plan		Define capital	section CAPITAL ASSETS, A. Capital Improvement Plan
A-5		Establish an ordered list for prioritizing capital projects			section CAPITAL ASSETS, A. 2

Sub-Section	Recommendation	Goal	added to Financial Policies?
B-1	Budget for maintenance costs within department-level capital line items	Not all depts have budget built in. Town Manager's capital budget as a source.	section Capital Assets, A. Capital Improvement Plan, numbered list #6
B-2	Remove LSRHS from the town's capital plan	Contracts, maintenance, 3rd party user fees, understand capital plan/asset sheet	section Capital Assets, A. Capital Improvement Plan, numbered list #7
B-3	Expand the information captured on capital project submission sheets	Yes	section Capital Assets, A. #2 (expand submission sheet) and C. #1 (publish submission sheets on website for 5 year CIP)
B-4	Reconsider the Capital Planning bylaw	CIAC	section Capital Assets, C #2 (policy decision to eliminate step of submitting CIP to CIAC)

Sub-Section	Recommendation	Goal	12/8/2020	Where in Financial Policies?
C-1	Align the capital plan with funding schemes that do not rely on exclusions		Yes	a few places: section Capital Assets A. #4 (Funding Sources), ALSO section Debt Management A. (Debt Financing) #3
C-2	Continue to build reserves in capital-related special purpose stabilization funds		Yes	section Financial Reserves B. (Special Purpose Stabilization). IMPORTANT: we wish to address not just policy to Build reserves to some target, but also policy on when to use the CSF as a source (define 'moderate' expenditures...) and statement about replenishing to the target.
C-3	Close the Melone fund and transfer its balance to the capital stabilization fund		Town meeting vote	doesn't belong in Policies. But section Financial Reserves B. Stabilization Funds / Special Purpose Stabilization funds does center on just a 'Capital Stabilization Fund' (plus a Turf stabilization trust???) Regarding shifting the Melone balance to Capital Stabilization Fund in May 2021... Select Board voted to postpone.
C-4	Close the surplus vehicles revolving fund		Yes - TM 2021, % of sale to capital stabilization fund (p. 21)	Select Board did not sponsor recommended article at TM 2021 so this is still a todo. Section Forecasting A Revenues (added statement about 'moveable property'), and
C preamble	*CPA		Not controlled/predictable by Town	Section Capital Assets, A Capital Improvement Plan #4, mention CPA as a potential Funding Source

Sub-Section	Recommendation	Goal	Where in Financial Policies?
Capital Funding Targets	Utilize a Capital Targets Tool and link to financial forecast	Future?	not a Policy thing... Section Capital Assets, A. Capital Improvement Plan (leading paragraphs)
Capital Funding Targets	Adopt capital Targets... minimum level of capital funding(spending) per year 6% prior year's ge Future?		
New Growth	Dedicate 50-75% of all new growth levy amounts to capital expenditures or reserves	Informal	Section Forecasting A. Revenue Guidelines... after one-time revenues...Section Capital Assets, A. Capital Improvement Plan #4 (Funding Source
Stabilization Fund Override	Stabilization fund override to build balance in the capital stabilization fund		not a Policy thing... more the HOW TO GET THERE