

# Fiscal Policies

## 1. **Balanced Budget**

- Annual costs funded from current revenues.
- Do not defer current costs to future years.

## 2. **Compensation and benefits**

- Budget with current revenues
- Compensate in accordance with Section 25 of the Town By-laws.

## 3. **Revenues**

- Estimate annual revenues in detail and project for the following three years.
- Maintain full and fair market value of property assessments.
- Assure fees charged cover costs incurred.

## 4. **Financial Reserves –**

- Adequately fund and maintain reserves (Stabilization, Free Cash, Overlay Surplus)
- A minimum Stabilization account of \$5,000,000 or 5% of recurring general fund revenue (less debt exclusions and SBA reimbursement).
- Short-term revenue surpluses shall fund non-recurring projects.
- Free Cash will be used to fund the capital budget and for unforeseen expenses.
- Overlay surplus will be used for capital budgets or non-reoccurring expenses

## 5. **Long Term Debt - Proposed**

- Reserved for large capital projects.
- Net general fund debt service (non debt excluded or funded from special revenue) shall be 4% of recurring general fund revenue.

## 6. **Capital Improvement Program.**

- A six-year plan updated annually shall be maintained.
- Budget operating costs associated with CIP projects.
- Delaying maintenance on existing assets results in higher costs in future years.
- Postponing improvements to buildings/infrastructure results in higher costs.
- Free Cash, Overlay Surplus, and short-term revenues shall be used for the reoccurring capital items and smaller one time purchases or projects.
- Bonds will be used for large capital projects.

## 7. **Hotel /Motel Tax**

The Town receives a 6% room tax from each hotel room rented. The amount of funds collected each year is directly related to the number of rooms rented. Generally the Town receives approximately \$425,000 per year in hotel tax revenue.

The Town filed special legislation that was approved, to earmark all of the revenue from this source to be used for the purchase of open space and recreation land or the construction of recreation facilities. The Town Council may choose to borrow funds and use the receipts to pay for the debt or pay cash for smaller purchases or construction projects. These funds can be deposited into the open space fund, be used for one-time non-recurring expenses, or for any other purposes as the Town Council deems appropriate.

## **8. Special Revenue Accounts**

The water, sewer, and trash budgets are supported entirely by fees. This means that any changes to these budgets do not affect the general fund budget. If there are any excess funds at the end of the fiscal year, they are automatically closed to their respective account's fund balance.

### **Other Fiscal Policies**

Fraud Policy

Investment Policy

Purchase Order Policy