

Town of Franklin Fiscal Policies

- 1. Balanced Annual Operating Budget**
 - Annual costs funded from current revenues.
 - Do not defer current costs to future years.

- 2. Compensation and benefits**
 - Budget with current revenues.
 - Compensation of employees should be based on “market” and performance.

- 3. Revenues**
 - Estimate annual revenues and expenses and project for the following five years.
 - Maintain full and fair market value of property assessments.
 - Assure fees charged cover costs in accordance with the Chapter 82 of the Town Code.

- 4. Financial Reserves**
 - Adequately fund and maintain reserves.
 - 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.
 - General Stabilization account - A Stabilization account of \$5,000,000 or 5% of recurring general fund revenue (less debt exclusions and SBA reimbursement).
 - Budget Stabilization Account – Used to overcome short term budget issues.
 - Field Stabilization Account – Add \$150,000 each year.
 - Fire Engine Stabilization Account – Add \$100,000 each year.
 - Property and Projects Stabilization Account – Add \$100,000 each year.

- 5. Long Term Debt**
 - Reserved for large capital projects over \$1,000,000
 - Net general fund debt service (non debt excluded or funded from enterprise. revenue) should be up to 3.5% (target) of recurring general fund revenue.

- 6. Capital Improvement Program.**
 - A five-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 (over \$1,000,000)

7. Enterprise Accounts for Water, Sewer and Refuse

The water, sewer, and refuse 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. Further these funds pay for indirect costs that are carried in the general fund for accounting, pensions, health insurance, etc

8. Water fees will support a minimum of \$1,500,000 per year for infrastructure improvements.

Water fee rate will fund the annual operating budget, maintain a fund balance of approximately \$1,000,000 +/- and invest \$1,500,000 per year into water system improvements.

9. Sewer Fees will support \$400,000 per year for infrastructure improvements

Sewer fee rate will fund the annual operating budget, maintain a fund balance of \$1,000,000 and invest at least \$400,000 per year into sewer system improvements.

10. Refuse – Refuse fees will fund the annual operating cost. Fund balances in excess of \$100,000 will be used to smooth rate increases over time and accumulate to purchase replacement bins.

11. Snow and Ice budget

Budget a five year rolling average – discounting winters well above or below the normal range.

12. OPEB – Unfunded retiree Health Insurance Obligation

Commencing in FY 17 budget \$450,000 in the annual budget and increase by \$50,000 per year and annually transfer 10% of Free Cash to the OPEB Trust Fund.

13. 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 \$525,000 per year in hotel tax. Special Legislation allows transferring funds into an open space and recreation account or used it for any other purpose. **These funds should continue to be used for open space or capital and not used for the annual operating budget**

15. Ambulance receipts reserved

Reserve \$125,000 annually from ambulance receipts for the replacement for Ambulances.

Other fiscal policies

Fraud Policy – On File

Fund Balance Policy – On file

Investment policy – On File

Purchase Order Policy – On File

Risk Assessment – working on