

Town of Franklin

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Budget Subcommittee Meeting
Municipal Building
2nd Floor Conference Room 205
355 East Central Street
Franklin, MA 02038

February 13, 2019
6:15 PM

REVISED

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TOWN OF FRANKLIN
TOWN CLERK

Agenda

1. Fiscal Policies Review & Update
2. FY19 Capital Budget Approved at the last meeting --
 - a. We will look at available funds in April after snow and ice season to return to the capital committee.
3. FY19 Budget update --
 - a. A few accounts may be short funds, including Fire.
 - b. Curbside trash budget will be short due to recycling trends in China.
4. FY20 Preliminary Projection & Beyond Budget Overview --
 - a. Discussion about the current and future "gap" and structural deficit for FY 21 and beyond.

This is a meeting of the Franklin Town Council Sub-Committee; under the Open Meeting Law, this subcommittee is a separate "public body" from the Town Council. Therefore, unless the Town Council has separately noticed and posted its own meeting, Councilors who are not members of this subcommittee will not be permitted to speak or otherwise actively participate @ this meeting, although they may attend and observe. This prohibition is necessary to avoid the potential for an Open Meeting Law Violation.

Town of Franklin Fiscal Policies 2019

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 **\$6,000,000** 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 – **Starting in FY20, add \$100,000 each year from capital funds**
 - Open Space – **Starting in FY20, add \$100,000 from capital funds per year up to \$2,000,000**

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 recurring capital items and smaller one time purchases or projects.

- Bonds will be used for large capital projects (over \$1,000,000) unless it can be paid off in under 5 years.

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

- A five year rolling average – discounting winters well above or below the normal range.

12. OPEB – Unfunded retiree Health Insurance Obligation

- Commencing in FY 19 budget \$550,000 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 \$575,000 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.

14. Marijuana Excise Tax Policy

- These funds are the excise tax on the sales of recreational marijuana only.
- Funds will fluctuate based on market forces each year.

- Funds from the collection of excise taxes on the sales of marijuana in the Town of Franklin shall only be used for the following purposes:
 - i. One-time capital expenditures
 - ii. Town and School buildings
 - iii. Public infrastructure, such as roads, town parking lots and engineering and design of public infrastructure
 - iv. Open space purchases and recreation investments
- Funds shall not be used for ongoing operating budget expenditures.

15. Ambulance receipts reserved

- Reserve \$135,000 annually from ambulance receipts for the replacement for Ambulances.

16. Roads/sidewalks/infrastructure

- Starting in FY 19 appropriate \$600,000 in the annual operating budget. Increase by \$50,000 per year. Further use Free Cash (\$500,000) and Hotel Tax funds (\$575,000) for roads unless there is another capital need.

17. Open Space Account Increase fund to **\$2,000,000** in preparation for potential land purchases.

Other fiscal policies

Fraud Policy – On File
 Fund Balance Policy – On file
 Investment policy – On File
 Purchase Order Policy – On File
 Risk Assessment – Complete Dec 2018

Current Balances (rounded) 12/1/18

General Stabilization Account - \$6,000,000
 Budget Stabilization Account – \$377,000
 Turf Fields Stabilization Account – \$158,000
 Fire Engine Stabilization Account – \$105,000
 Property, Projects and Facilities Stabilization Account – \$264,000
 Open Space – \$1,109,000
 OPEB Trust Fund- \$4,410,000 - Unfunded obligation \$75,000,000
 Ambulance receipts reserved – 184,000