

# Town of Franklin

## Fiscal Policies 2024

Town of Franklin Fiscal policies should be reviewed at least every two years in order to maintain a competitive policy framework for good financial practices.

### 1. **Balanced Annual Operating Budget**

- Annual costs are funded from current revenue projections within the tax levy, local receipts and state aid.
- Do not defer current annual operating costs to future years by using one-time revenue sources

### 2. **Compensation and Benefits**

- Budget with current revenues.
- Compensation of employees should be based on the compensation and classification plan and employee performance.
- Benefits include health insurance, leave, disability and life insurance and/or other offerings by the Town.

### 3. **Revenues & Expenses**

- Annually estimate revenues and expenses through a five year fiscal forecast.
- Maintain full and fair market value of property assessments through the Board of Assessors.
- Assure fees charged cover costs in accordance with the Chapter 82 of the Town Code.

### 4. **Financial Reserves (adequately fund and maintain reserves)**

- The policy recognizes that adequate financial reserves are an important element in mitigating current and future risks, ensuring a stable tax rate, and maintaining an AAA Bond Rating. Maintaining this rating is an important goal of the community to reduce interest costs on borrowing.
- 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-recurring expenses.
- General Stabilization account - A Stabilization account of \$7,000,000 or 5% of recurring general fund revenue (less debt exclusions and SBA reimbursement).
- Budget Stabilization Fund –
  - i. Used to overcome short term operating budget shortfalls.
  - ii. Where legal, School revolving fund surpluses should be used for school budget shortfalls prior to authorization of a Budget Stabilization fund transfer to ensure the Town maintains a AAA Bond Rating. The School Department should maintain a minimum target of at least \$1 million in surpluses for unforeseen emergencies.
- Field Stabilization Account – Add \$150,000 each year.
- Fire Engine Stabilization Account – Add \$100,000 each year.
- Establish a Property Acquisition Stabilization Account for the purposes of non-Community Preservation Act related property acquisitions.

### 5. **Budget Stabilization Fund**

- a. Maintain a target floor of 2% of prior year fiscal operating revenue.
- b. This account is for one-time revenue sources of operating budget shortfalls.
- c. No more than 50% of fund balance can be spent in any fiscal year.

#### 6. 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% (target) of recurring general fund revenue.

#### 7. Capital Improvement Program (CIP)

- 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.

#### 8. Enterprise Accounts for Water, Sewer, Stormwater and Refuse

The water, sewer, stormwater and refuse budgets are supported entirely by fees. Changes to these budgets do not affect the general fund operating budget. At the end of the fiscal year excess funds are automatically closed to their respective account's fund balance. These funds also pay for indirect costs that are carried in the general fund for accounting, pensions, health insurance, and other related costs.

- a. **Water Fees** 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.
- b. **Sewer Fees** 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.
- c. **Stormwater Fees** will support the requirements in the MS4 Stormwater permit as issued by the federal Environmental Protection Agency (EPA).
- d. **Refuse Fees** will fund annual operating costs, and funds in excess of \$100,000 will be used to smooth rate increases over time and purchase replacement bins.

#### 9. Snow and Ice Budget

- The Town will use a five year rolling average to budget for snow and ice removal.
- Excess Snow & Ice revenues will be deposited into a Snow & Ice Stabilization Account with a maximum cap of \$1 million

#### 10. OPEB – Unfunded retiree Health Insurance Obligation

- Commencing in the FY19 budget allocate \$550,000 in the annual budget
- Increase by \$50,000 per year

- Transfer 10% of Free Cash to the OPEB Trust Fund annually.

#### **11. 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.
- These funds should be captured and reflected in the Town's local receipts revenues and continue to be used for public infrastructure.

#### **12. Marijuana Excise Tax Policy**

- These funds are the excise tax on the sales of recreational marijuana only.
- Funds from the collection of excise taxes on the sales of marijuana in the Town of Franklin shall be used for ongoing operating budget expenditures and will be reflected and captured in the Town's local receipts totals.

#### **13. Ambulance Receipts Reserved**

- The Town Council will look at the ambulance fees annually and adjust as needed to maintain a mid range market position when compared to other local hospital communities.
- The Town shall reserve \$150,000 annually from ambulance receipts to be used for the replacement of Ambulances.

#### **14. Roads/Sidewalks/Infrastructure**

- Starting in FY24 appropriate \$600,000 in the annual operating budget.
- Increase this appropriation by \$50,000 per year.
- Use Free Cash (\$500,000) for roads unless there is another capital need.

#### Other fiscal policies

Fraud Policy – On File

Fund Balance Policy – On file

Investment policy – On File

Purchase Order Policy – On File

Risk Assessment – [Complete December 2018](#)