

# **Town of Franklin**

## **Fiscal Policies 2022**

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 revenues.
- Do not defer current annual operating 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-recurring 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 – AAdd \$100,000 each year.

### **5. Budget Stabilization**

- a. Maintain a target floor of 2% of prior year fiscal operating revenue (approximately \$2M-\$2.5M)
- b. Fund is for a one-time revenue source 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 3.5% (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 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.

- 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.
- 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.
- 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.

## 9. Snow and Ice budget

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

## 10. 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.

## 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.
- These are separate funds outside of the Host Community Agreement impact fee revenue.
- 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 be used for ongoing operating budget expenditures and will be reflected and captured in the Town's local receipts totals.

**13. Ambulance receipts reserved**

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

**14. 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.

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](#)

Current Balances (rounded) 1/12/22

General Stabilization Account - \$6,644,294

Budget Stabilization Account – \$1,044,030

Turf Fields Stabilization Account – \$639,113

Fire Engine Stabilization Account – \$16,929

Property, Projects and Facilities Stabilization Account – \$291,562

Open Space – \$2,545,027

OPEB Trust Fund – \$10,269,491

Ambulance receipts reserved – 184,000