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.
   - A 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**
   - 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. **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 $500,000 per year in hotel tax. Special Legislation allows transferring funds into an open space and recreation account or use it for any other purpose. Continue to use for Open Space fund or Capital items or Open Space.

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.

**Proposed additions -**

- **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 15% +/- and invest $1,500,000 per year into water system improvements. **Town Council Voted to Authorize a $7.5 Million Bond for next five years. This is the second of three bonds that will be requested on a 15 year “rolling” basis**

- **Sewer Fees** will support $300,000 per year for infrastructure improvements

  Sewer fee rate will fund the annual operating budget, maintain a fund balance of 15% +/- and invest $300,000 per year into sewer system improvements. Keep $1,000,000 in fund balance. **Town Council voted to appropriate $400,000 for ongoing capital repairs.**

- **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.

**Ongoing**

- **Snow and Ice budget**

  Budget a five year rolling average. **Council voted to increased budget from $900,000 to $950,000 per year for FY 15.**

- **OPEB – Unfunded retiree Health Insurance Obligation**

  Commencing in FY 14 budget $400,000 in the annual budget and increase by $100,000 per year and annually transfer 10% of Free Cash to the OPEB Account. Trust Fund established.

  **Town Council voted as stated above**
Roads/sidewalks/infrastructure –
Appropriate $1,500,000 per year for infrastructure (roads, sidewalks, drainage, etc.) Source - Dedicated Override Question on November 2014 ballot

Current Stabilization Accounts (rounded)

a. General Stabilization Account – Current balance $4,900,000

b. Budget Stabilization Account – Current balance $1,300,000

c. Senior Center Second Floor - Current balance - $900,000 with a target of $900,000 and a construction date of 2015.

d. Replace Turf Fields – Current balance $455,000 with a target of $900,000 and a construction date of 2016. Continue on after project complete

e. Fire Engine – Current balance $275,000 with a target of $600,000 and a purchase date of 2018. Continue on after truck purchased

f. Public Works – Current balance is $276,000 - Holding until we have more information on the cost to repair the Lincoln Street Bridge over the Charles River.

g. OEBB – Current Balance of $1,000,000– Adding funds each year. A trust was created in November 2014

Other operating policies
Fraud Policy – On File
Fund Balance Policy – On file
Investment policy – On File
Purchase Order Policy – On File
Risk Assessment – working on

New Issues for future discussion

Storm water fees to support $ in improvements
Storm water fee for residential property will fund requirements on the EPA’s MS4 permit for personnel, consultants and operating and infrastructure expenses
Residential fee of per year. Commercial depends on EPA – RDA decision.
Awaiting EPA final rules prior to presenting this idea

Buildings Repairs and Maintenance
Establish Enterprise account and appropriate $200,000 per year. Source- Free Cash
FY 15 Annual Budget Message

Financial Policy Summary

While the budget process identifies issues and concerns that the Town will address on an annual basis, it also must do so based in a framework of sound financial management. The Town Council has adopted fiscal policies in the past and should continue to update and review them on a regular basis. Below is a summary of current policies:

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

Current status - No one time funds are being used to balance the budget

We have not addressed our GASB 45 obligation (post-retirement health insurance) although this year we have budgeted $400,000 to continue to fund the obligation of over $89 million (2013 actuarial study).

Compensation and benefits
- Budget with current revenues
- Compensate at market rates

Current status – We have nine municipal unions. Eight of the nine unions have collective bargaining agreements through June 30, 2015. The firefighters have yet to agree to a contract and the Fire Salary budget does not include raises for those employees. The wages settlement account anticipates the FF’s contract will be settled in FY15. Our employees are the most valuable asset in the organization and maintaining fair wages while trying to maintain services is always a challenge.

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

Current status – Future revenue projections are included in the budget. New growth and local receipts have been adjusted to reflect the trends in actual collections. Included in the projection are the enterprise funds direct and indirect charges that pay back the general fund for costs attributable to those funds. Again this year we are charging the water and sewer enterprise accounts for their OPEB obligation.

Financial Reserves
- Adequately fund and maintain reserves (Stabilization, Free Cash, Overlay Surplus)
- Maintain Stabilization account at $5 million 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 and non-recurring expenses.
Current status - the General Stabilization fund balance is just over $4.8 million dollars which is on target for the Town’s 5% of general fund revenue policy.

Long-Term Debt - Proposed
- Reserved for large capital projects.
- Net general fund debt service (non-excluded debt or funded from enterprise accounts) shall be targeted at 3.5% of recurring general fund revenue.

Current Status - The FY 15 budget calls for a general fund debt service of $7,591,000. According to the independent bond rating agency Standard and Poor’s, our debt level is moderate and manageable. Our debt plan will help to obtain our goal of improving the infrastructure of the Town without the need for debt exclusions (except schools) while maintaining a reasonable debt level. We were recently upgraded to AA+ one grade below the highest rating of AAA.
ARTICLE 4: RESOLUTION - TOWN MEETING SUPPORT TOWN OF CARVER FINANCIAL MANAGEMENT POLICIES
To see if the Town will vote to adopt the following nonbinding resolution: That Town Meeting is fully supportive of the Town of Carver’s Financial Management Policy as voted by the Board of Selectmen on February 11, 2014, as may be amended from time to time, including increasing the Town’s Stabilization Funds, and developing a financial plan to fully fund the Town’s unfunded debt obligations, a copy of which policies is available in the offices of the Town Clerk and Board of Selectmen, and published on the Town’s Web Site, and further, that the Town Administrator be encouraged to implement these policies, all with the goal of securing a AA+ bond rating, or take any other action related thereto.

BOARD OF SELECTMEN

INFORMATIONAL SUMMARY: With guidance from the Town Administrators Financial Planning Team, consisting of members from the Board of Selectmen, School Committee, Finance Committee, Capital Outlay Committee and the Superintendent, School Business Manager, Town Administrator and Town Accountant, the Town of Carver Financial Management Policy was developed and approved by the Board of Selectmen. This policy enables the Town to present to bonding agencies a comprehensive plan to address long-term debt, contribute recommended funds to the Town’s Stabilization Funds and to put the Town in the best possible financial condition to meet its current and future obligations. This Article is a Non-Binding resolution. As defined, a non-binding resolution is a statement passed by the governing body. It stands as a confirmation of the current position of Town Meeting on a particular issue. (Appendix A)

MOTION: I move that the Town adopt the non-binding resolution set forth in Article 4 of the Warrant and Appendix A of the Warrant.

(Majority Vote Required)

Recommendation: Bd. of Selectmen 4-0, Finance Committee 3-3