

Policy #52

FINANCIAL MANAGEMENT PRINCIPLES

PART 1: GENERAL

Section 1: To protect the town's financial stability, to ensure the availability of adequate financial resources in times of emergency, to capitalize on high bond ratings (and thus low interest rates), it is essential that guiding principles regarding the town's financial management be adopted and adhered to in the preparation and implementation of the town's operating and capital budgets.

PART 2: GUIDING PRINCIPLES

Section 1: Reserves and one-time revenues will be used only for capital or other non-recurring expenses.

Section 2: The Town will strive to maintain unappropriated free cash at a minimum of 1% of revenues, and unappropriated free cash should never be less than ½ % of revenues.

Section 3: The stabilization fund should, at a minimum, be at a level equal to 2% of revenues, and should be increased with surplus funds whenever possible.

Section 4: Revenue estimates should be realistic, yet conservative, to minimize the potential of shortfalls in the subsequent year's operating budgets and corresponding impacts on free cash.

Section 5: State aid forecasts will be based on best available sources, with the most likely source being the Massachusetts Municipal Association, however, other sources may be taken into consideration including but not limited to the Governor's budget, the House budget and the Massachusetts Taxpayers Foundation forecasts.

Section 6: The undesignated fund balance should be maintained at a level equal to 5% of total revenues.

Section 7: Existing reserves should be enhanced whenever possible.

Section 8: Whenever practical, capital funding should be done only in the fall after free cash has been certified.

Section 9: Whenever practical, the issuance of expensive short-term Tax Anticipation Notes should be avoided by applying these financial management principles.

Section 10: Carefully monitor capital project schedules to minimize borrowing costs while optimizing investment opportunities.

Section 11: Balances in prior Town Meeting funding articles shall be reviewed annually and excess balances shall be closed out to free cash.

PART 3: IMPLEMENTATION OF PRINCIPLES

Section 1: If financial conditions warrant actions that are in contradiction to these principles, the Board of Selectmen and/or Town Administrator will acknowledge such actions to the Town Meeting and the reasons therefore.

Adopted by Board of Selectmen 2/23/04
Approved by Finance Committee 2/5/04
Approved by School Committee 3/4/04 with
the addition of the phrase "Whenever possible," at the beginning of Part 2, Section 1.