TOWN OF CARVER

Financial Management Policies

Adopted 2/11/14 and Approved by Town Meeting 6/16/14
Revised/Approved 5/13/14, 3/3/15, 5/3/16, 4/24/17, 5/15/18, 5/7/19, 6/4/19, 9/26/19, 11/15/22

Introduction

Recognizing the importance of sound financial planning for the long-term financial sustainability of Carver, the following policies set forth the broad framework for overall fiscal management of taxpayers' resources. These polices address both current activities and long-term planning designed to ensure the Town's sound financial condition now and for future generations. These policies are intended to serve as direction for all policy-makers, administrators and advisors. The codification of these principles demonstrates our resolve to affirm to the taxpayers that Carver will conduct business in a financially responsible manner.

Town Meeting retains its full authority to appropriate funds and incur debt at levels it deems appropriate, subject to statutory limits such as Proposition 2 ½. It is equally important that the Town maintain flexibility in its finances to ensure that the Town is in a position to react and respond to changes in the economy and new service challenges without measurable financial stress.

Financial Objective

It is the Financial Objective of the Select Board to demonstrate sound fiscal management of Carver's taxpayer resources through earning the highest possible bond rating that includes developing a sustainable town-wide budget based on a 10 year forecast that provides the level of service we can afford within our known projected revenues.

Policy Statements

1. The Town Administrator shall annually prepare a sustainable balanced budget with a 10 year forecast with the goal towards obtaining and securing the highest possible bond rating. The comprehensive Budget Message shall include a detailed examination of trends in tax levy, "new growth", local receipts, state aid, and other available funds.

2. The town will avoid all budgetary procedures that balance current expenditures at the expense of meeting future year's expenses, such as postponing expenditures, accruing future years' revenues, rolling over short-term debt.

3. Ongoing operating costs shall be funded by ongoing operating revenue sources only. This protects the Town from fluctuating service levels and avoids concern when one-time revenues are reduced or removed. In addition:

a. Fund balances (stabilization / non-recurring revenue) are to only be used for one-time expenditures such as capital projects, new initiatives, long-term existing liabilities, and unexpected or extraordinary one-time expenses.

b. New operating costs associated with capital projects should be funded through the operating budget but reflected in the capital improvement plan.

c. All new services, equipment, and personnel proposals shall include a full life-cycle cost analysis prior to budget approval.

d. Use of grants and not to fund operational costs as there is no guarantee the Town will fund future operational liabilities once grants expire resulting in potential layoff's and similar liabilities.

e. The annual unrestricted fund balance shall not be considered in balancing the current year budget. Once certified, however, the "Free Cash" from the prior year shall be available to deposit in the Capital Stabilization Fund that can fund one-time expenses.

f. Tax Agreements for personal property (ex: solar farms) depreciate over time and are considered one-time sources of funding as they are not reoccurring given they have a defined termination date per their agreement. Funding from these "Tax Agreements" will be allocated equally into three categories, first is for unfunded liability (pension and OPEB), second to a sinking capital stabilization fund for a new middle high school, and third to offset operational funding to the "Capital and Debt Stabilization Fund".

4. The Town will maintain a General Stabilization Fund as its main financial reserve in the event of an emergency or extraordinary need. It shall strive to maintain a balance in the General Stabilization Fund of 7.5% of its town's annual revenue at all times. If the fund falls below 7.5% the town will transfer future free cash or other one-time money to refund the General Stabilization Fund.

5. With the creation of a capital and debt stabilization fund, Carver will transfer one-time revenue, new personal property revenue compounded into a fund to pay for internal debt service and one-time capital projects through a 2/3 vote of town meeting. The Town will work to program and maintain 10% of its annual revenue for infrastructure investment annually into the capital and debt stabilization fund. This will include payment for all internal debt and funding the capital and debt stabilization fund. Debt roll-off will be reallocated to a capital stabilization fund. The Town should strive to issue debt for shorter periods than the maximum allowable.

6. The School Superintendent under the direction of the School Committee and the Town Administrator under the direction of the Select Board are directed by the adoption of these policies to explore any and all opportunities to reduce duplications of services that provide either more efficient and effective services to residents and/or reduce expenditures. This direction includes creating town-wide departments that are jointly managed by the School Superintendent and the Town Administrator.

7. New revenue shall be allocated after fixed and shared costs in the following manner: 69.68% shall be allocated to the schools and 30.31% shall be allocated to general town services as agreed to unanimously by the Select Board and School Committee on September 26, 2019.

8. In order to assure long-term solvency, it shall be the objective of the annual budget to meet the actuarial annual required contribution (ARC) necessary to fully fund the Town's future pension, health care, and other post-retirement benefits. The Select Board will continue to actively identify solutions and begin to fund other post-employment benefits (OPEB) – unfunded liability is currently valued at $43,010,056 for FY17. In addition, by adoption of these polices labor and management are encouraged to explore opportunities to equally share in health care benefits.

9. The Town will identify options to reduce levy limit below the 2.5% once AA+ Bond Rating or higher is achieved and unfunded liabilities of the Town are funded.

10. Prior to the close of the warrant for each annual town meeting, the Town Administrator and Finance Director shall review all open articles in which there remains funds to ascertain whether the remaining funds can be moved from the article(s) to offset deficiencies or be applied to the next fiscal year town budget.

Annually the Town Administrator shall include a statement in the comprehensive Annual Budget Message identifying Carver's progress toward meeting the above goals. In addition, the Finance Committee shall include a similar statement in their Annual Report to Town Meeting