

TOWN OF FAIRHAVEN

FINANCIAL MANAGEMENT REVIEW UPDATE

AUGUST 2022



DLS

DIVISION OF LOCAL SERVICES
MA DEPARTMENT OF REVENUE

PREPARED BY:

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DLS

DIVISION OF LOCAL SERVICES
MA DEPARTMENT OF REVENUE

Geoffrey E. Snyder
Commissioner of Revenue

Sean R. Cronin
Senior Deputy Commissioner

August 18, 2022

Select Board
Town Hall
40 Center Street
Fairhaven, MA 02719

Dear Board Members:

I am pleased to present the enclosed Financial Management Review Update for the Town of Fairhaven. It is my hope that our guidance provides direction and serves as a resource for local officials as we work together to build better government for our citizens.

If you have any questions regarding the report, please contact Zack Blake, Technical Assistance Bureau Chief, at (617) 626-2358 or blakez@dor.state.ma.us.

Sincerely,

A handwritten signature in black ink, appearing to read "Sean Cronin".

Sean R. Cronin
Senior Deputy Commissioner

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INTRODUCTION

At the request of the select board, the Division of Local Services (DLS) Financial Management Resource Bureau (FMRB) assessed Fairhaven's implementation of recommendations from our 2012 Financial Management Review and provided new recommendations based on current observations. As part of this update, we conducted interviews with the select board, finance committee, town administrator, finance director/treasurer/collector, accountant, assessor, and information technology director. We reviewed various documents, including the town bylaws, special acts, outside audits, credit rating reports, and other financial records. Throughout this project, we also consulted with the Division of Local Services' Bureau of Accounts (BOA), Bureau of Local Assessment (BLA), and Bureau of Municipal Finance Law (BMFL).

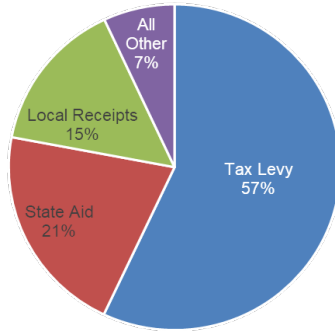
Fairhaven is located on the southern coast of Massachusetts, bordered by New Bedford on the west and Mattapoisett on the east. The town has a long maritime history and was a center of the shipbuilding and whaling industries in the 18th and 19th centuries. Modern-day Fairhaven ranges from dense business and residential areas to rural and agricultural locales along with vibrant seaside attractions. In addition, Fairhaven is the site of the corporate headquarters of the Acushnet Company (parent company of golf equipment brands Titleist, FootJoy, and Pinnacle), a major regional employment center.

The town's economic conditions have not changed dramatically since our original report in 2012. The city's unemployment rate was about 6% in 2020, an improvement from the 8.4% rate in 2012. However, that rate was likely the result of the economic downturn associated with the start of the Covid-19 pandemic in 2020. In 2019, the town had a record low unemployment rate of 3.3%, the lowest in the past 20 years. Despite lower unemployment, the 2023 per capita income of \$32,597 lags the state average of \$48,696 by \$16,099, more than double the gap from 2012 (\$23,399 versus the state average of \$31,265). Similarly, while Fairhaven's Equalized Valuation (EQV) per capita has increased to \$155,891 from \$127,934 in 2012, there is still a sizeable gap of \$86,240 compared to the state average of \$242,131, which is slightly wider than the 2012 gap of \$83,481. Essentially, while unemployment may have seen some improvement in 10 years, per capita income and property valuation continue to lag the rest of the state.

Fairhaven's FY2022 total revenue was about \$65 million, including \$55.2 million in general fund revenue, \$9 million in enterprise fund receipts, and about \$835k in community preservation act surcharges. General fund revenue is made up primarily of the tax levy (57%), state aid (21%), and

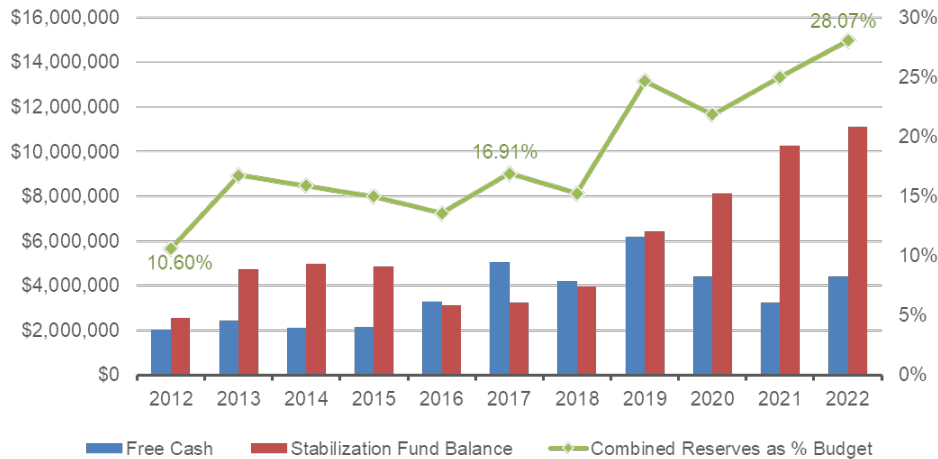
local receipts (15%). Other sources of revenue and available funds account for about 7% of total general fund revenue.

FY2022 General Fund Revenue



Over the past decade, Fairhaven has built up substantial financial reserves, maintaining consistently high levels of free cash and increasing its stabilization fund balance significantly. Healthy reserves are a key indicator for ratings agencies, which in turn can reduce the cost of borrowing for the town. In part because of its ample reserves (as well as for good financial management), Fairhaven received a bond rating of Aa+ from Standard and Poor’s when it refinanced debt from a prior borrowing in September 2021. Maintaining ample reserves and a good rating will be helpful in the future as well, especially since the town is currently evaluating options for constructing a combined fire/police public safety facility that it will need to fund with debt.

Reserves as a Percentage of Budget



Fiscal Year	Budget	Free Cash	Free Cash as % Budget	Stabilization Fund Balance	Stabilization Fund as % Budget	Combined Reserves	Combined Reserves as % Budget
2012	\$ 43,242,276	\$ 2,013,301	4.66%	\$ 2,570,795	5.95%	\$ 4,584,096	10.60%
2013	\$ 42,971,915	\$ 2,448,733	5.70%	\$ 4,750,620	11.06%	\$ 7,199,353	16.75%
2014	\$ 44,549,614	\$ 2,115,828	4.75%	\$ 4,953,577	11.12%	\$ 7,069,405	15.87%
2015	\$ 46,889,884	\$ 2,162,682	4.61%	\$ 4,862,029	10.37%	\$ 7,024,711	14.98%
2016	\$ 47,219,300	\$ 3,286,979	6.96%	\$ 3,130,563	6.63%	\$ 6,417,542	13.59%
2017	\$ 49,216,313	\$ 5,068,586	10.30%	\$ 3,254,710	6.61%	\$ 8,323,296	16.91%
2018	\$ 53,408,692	\$ 4,194,238	7.85%	\$ 3,953,770	7.40%	\$ 8,148,008	15.26%
2019	\$ 51,189,530	\$ 6,187,488	12.09%	\$ 6,431,728	12.56%	\$ 12,619,216	24.65%
2020	\$ 57,202,702	\$ 4,393,392	7.68%	\$ 8,114,944	14.19%	\$ 12,508,336	21.87%
2021	\$ 53,993,124	\$ 3,222,371	5.97%	\$ 10,273,403	19.03%	\$ 13,495,774	25.00%
2022	\$ 55,232,999	\$ 4,411,068	7.99%	\$ 11,094,632	20.09%	\$ 15,505,700	28.07%

Fairhaven's government structure is made up of an executive comprised of a five-member select board and town administrator and a legislative branch in the form of a representative town meeting. The town administrator is responsible for budget preparation as well as for the day-to-day operations of all town departments except the department of public works, which is governed by an elected, five-member Board of Public Works. A thirteen-member finance committee serves as the town's fiscal watchdog and provides budget insight and recommendations for town meeting members. The town's finance committee selection method is not typical, sometimes making the committee unwieldy and creating difficulty finding members with financial expertise. According to town bylaws, there must be two finance committee members from each town meeting precinct, as well as an at large member. A similar method is often used for electing members to a city council, a role that differs considerably in scope and authority from the advisory nature of a finance committee.

Fairhaven's executive structure is the result of implementing most of our recommended structural changes, including the creation of a town administrator position. The town petitioned the Legislature for a special act to create a town administrator, which was passed in November 2014 and adopted at a special town meeting the following December. While ultimately successful, the transition did encounter a few obstacles. In 2015, a seasoned veteran came out of retirement to take on the position as Fairhaven's first town administrator for a period of five years. After his departure the finance director/treasurer/collector was appointed acting town administrator in January 2021 and the board formed a search committee. During this period one of the three members of the select board was recalled, disrupting the interview process so the board could not effectively vote on a town administrator candidate.

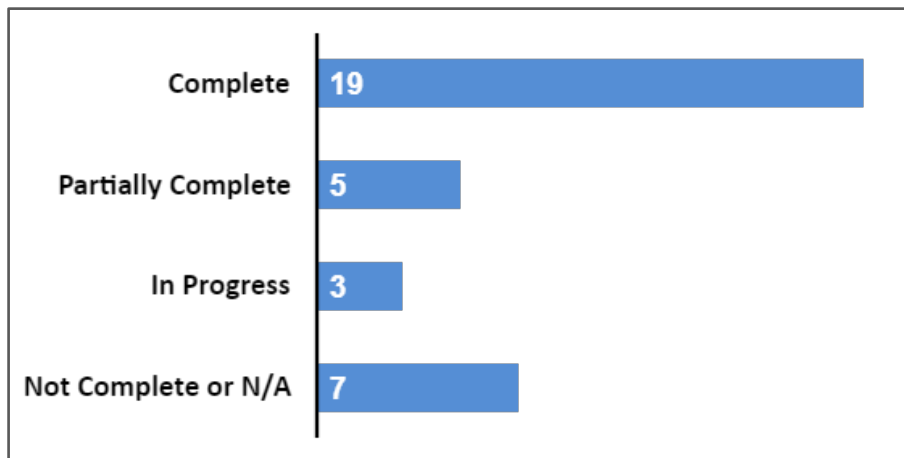
At the time of our visit, the acting town administrator/finance director had been fulfilling the town administrator role for over a year, making it difficult to establish permanent practices and procedures while juggling the considerable workload of managing both the town administrator's office and finance departments, successfully developing the FY2023 operating and capital budgets, as well as administering the town's compliance with Coronavirus Aid, Relief, and Economic Security (CARES) Act and American Rescue Plan Act (ARPA) fund usage. Once the recall process was complete the board was able to repost the town administrator position and restart the search, eventually voting to approve the current town administrator (who started May 4, 2022). With the hiring of the town administrator the finance director has returned to her normal duties and can focus on her primary role as department head and town CFO.

Another significant change in Fairhaven's executive structure is the shift from a three- to five-member select board via a November 2021 special act. One of the two new members has never held local office before, while the other has been a longtime member of the school committee. Both candidates

came into office with a mandate to reexamine business as usual in Fairhaven. Together with a new town administrator, Fairhaven is well-positioned to benefit from the momentum of previous reform to continue improving operations and implementing best practices.

Fairhaven has already made great strides in implementing the FMR, with 27 of the 34 recommendations either complete, partially complete, or in progress. We commend the town for their substantial progress and look forward to the new leadership coming together as a team to tackle the remaining challenges. Please see the table below for a general summary of implementation status. The following pages include a detailed discussion of each recommendation, the town's status in implementing it, and recommendations for next steps or enhancements (if applicable). Following the discussion of prior recommendations, we have several new recommendations intended to improve upon certain aspects of town operations.

Recommendation Status Summary



PRIOR RECOMMENDATIONS

#	Recommendation	Status	Comments	Suggested Enhancements/Next Steps
1	Establish Position of Town Administrator	Complete	<p>At the time of the FMR, the town operated under a Select Board with an Executive Secretary. At DLS' recommendation, the town began the process of moving to a town administrator form of government via a special act. Fairhaven's Town Administrator Act was approved by the Legislature in November 2014 and adopted via town meeting vote in December 2014. It was subsequently amended in 2020 to clarify and refine certain sections. The act created a department for the Town Administrator comprised of an Administrative Assistant, Clerk, and Marine Resources Administrator (all full time positions).</p> <p>The special act designates the Town Administrator as the chief administrative officer of the town and the agent of the select board, giving the position supervisory authority over all town departments overseen by the select board. Other powers include:</p> <ul style="list-style-type: none"> • Appointing authority over town departments and the ability to reorganize departmental structure. • Assuming the human resources functionality of the personnel board while eliminating that body. • Serving as chief procurement officer. • Negotiating collective bargaining agreements, except for the school department. • Establishing employee compensation packages. • Developing the annual operating and capital budgets and setting a budget calendar. • Developing a Capital Improvement Program. • Monitoring operating and capital budgets. 	Consider expanding staff support for town administrator's duties around human resources and procurement, in line with town bylaws. See New Recommendations.
2	Combine Treasurer and Collector Positions	Partially Complete	The treasurer and collector offices were unofficially combined in 2015, after the incumbent collector's retirement. The finance offices had been organized under a finance director/treasurer at that point, and the finance director simply took on direct supervision of the collector's office and activities. The two offices remain in separate locations in town hall.	<ul style="list-style-type: none"> • Pursue formal integration of the collector/treasurer offices through special act, codifying the desired organizational structure for the future. • As much as feasible, combine treasurer and collector office spaces into one unified department where duties could be spread more efficiently and provide greater opportunity for cross-training.

#	Recommendation	Status	Comments	Suggested Enhancements/Next Steps
3	Modify Finance Committee	Not Complete	The makeup of the finance committee is set by town bylaw at 13 members, two from each voting precinct and one at large. This number is above-average for a town of Fairhaven's size and officials have noted that it sometimes results in a lack of desired financial expertise on the committee, as well as making engagement and member selection difficult.	<ul style="list-style-type: none"> Consider revising the member selection method in the finance committee bylaw to appointment by the town moderator. The town may wish to convene a government study committee to evaluate the best method of modifying the makeup and selection method of the finance committee.
4	Eliminate Board of Public Works and Personnel Board	Partially Complete	The select board attempted to eliminate the public works and personnel boards the same year of the town administrator act (2014). Ultimately, the vote to eliminate the public works board failed, but the personnel board was disbanded through language in the special act shifting its responsibilities to the town administrator.	<ul style="list-style-type: none"> With the select board's expansion to five members, we recommend revisiting the matter of the public works board. While the DPW seems to function well, having a town department report to a separate board takes it out of the main line of communication and chain of command of town operations. Integrating the DPW into the town administration under the town administrator would allow for closer coordination with the select board's overall goals and allow better communication and cooperation with town departments. For instance, DPW has a GIS program that could be made available to the assessing department, rather than assessing searching for its own vendor.
5	Update Job Descriptions	Complete	In 2018 the town commissioned a pay and classification study with a human resources consultant and is now making plans to have it updated.	N/A
6	Measure Department and Employee Performance	Complete	For all non-union employees there are annual performance reviews tied to their step increases. The performance review takes the form of a one-on-one meeting with the employee's supervisor. At the review, the employee's performance is rated 1 to 5 on the basis of 10 categories drawn from the stated duties in their job description. Other employees are evaluated according to their collective bargaining agreement.	N/A

#	Recommendation	Status	Comments	Suggested Enhancements/Next Steps
7	Revise New Hire Process	Complete	The town administrator is given primary appointing authority for town department heads (with approval of the select board) in the special act establishing that position, and department heads are given appointing authority over their own staff. The interview practice described in the FMR (where every candidate must first meet with a committee comprised of a select board member, the finance director, and department manager) is no longer in place.	N/A
8	Develop Board of Selectmen Policy Manual	Complete	The board adopted a set of financial policies in September 2016. The policies include a series of fiscal reserves guidelines, financial planning and monitoring guidelines, capital guidelines, use of revenues, capital planning, investment, cash, debt, and other matters of financial administration.	We recommend that the board compare their adopted policies to FMRB's examples and augment their manual where applicable.
9	Adopt Formal Budget Process	Complete	A formal budget process is laid out in the town administrator act as part of that position's core duties under Section 2. This section calls for the town administrator to develop and submit a written budget along with a five-year revenue and expenditure forecast and an accounting of revenues and expenditures for the ensuing fiscal year's budget. The act further calls for each department head to submit a written budget request according to a standard form developed by the town administrator and for the administrator to establish deadlines within a budget calendar. It also directs the town administrator to develop a capital improvement plan.	N/A
10	Establish a Capital Improvement Program	Complete	Fairhaven's capital improvement program is established in a town bylaw. To separate them from the operating budget, the bylaw defines capital projects as "land projects, construction and renovation of buildings, major equipment and machinery purchases, road and drainage reconstruction, and the construction of special facilities such as local school projects, sewer and water mains, and water treatment and sewage disposal facilities." It also sets a cost threshold of \$20k and 5 years of useful life for something to be considered a capital purchase. To evaluate capital projects, the bylaw also establishes the capital planning committee.	N/A
11	Adopt Stabilization and Free Cash Guidelines	Complete	The policy manual adopted in 2016 sets a target balance of 3-5% of the operating budget for free cash and 7% for the stabilization fund, reserving not more than 2% for capital expenditures.	See FMRB's Financial Reserves policy (attached) for comparison and consideration when next reviewing the town's financial policies.

#	Recommendation	Status	Comments	Suggested Enhancements/Next Steps
12	Devise OPEB Liability Strategy	Complete	The town voted to accept the provisions of MGL Chapter 32B at annual town meeting in May 2011, establishing an Other Post Employment Benefits (OPEB) Liability trust fund through the transfer of \$50,000 from the overlay surplus account. As of a May 2019 special town meeting, the town has reaccepted MGL Chapter 32B as amended by Section 15 of Chapter 218 of the Acts of 2016. The town's plan for funding the liability has been to increase the contribution amount by \$50k annually, starting from the original \$50k contribution. In FY2022 the town appropriated \$350,000 into the OPEB trust.	While Fairhaven has completed the basic steps necessary to begin tackling its OPEB liability (establishing a trust fund and funding it annually) we would encourage the town to also develop a comprehensive OPEB Liability policy, spelling out the nature of the town's financial commitment to annual appropriation into the OPEB trust and identifying sources of revenue for that appropriation. This policy should be part of a broader set of financial policies.
13	Establish a Formal Procedure for Calculating Indirect Costs	Partially Complete	The town accountant maintains a detailed spreadsheet to calculate enterprise fund indirect costs, the bulk of which are related to the water and sewer departments. Since these departments are under the jurisdiction of the board of public works, the select and public works boards must hold discussions and agree to the specifics, which are then calculated by the town accountant.	While the spreadsheet maintained by the accountant consists of line-item details and is thorough and comprehensive, we recommend that the two elected boards (select board and public works) work toward a formal agreement identifying the specific expense categories and the basis for how costs are calculated from them. This would serve to codify calculations that have been reviewed and agreed upon and preserve them for the future. The town may wish to look to FMRB's Indirect Costs Policy as an example (attached).
14	Consider Revenue Sharing Agreement with Schools	Not Complete	As of this writing, the town administration and school department do not have a formal revenue sharing agreement. However, town officials believe that the town and schools work well together and that a formal agreement is not necessary, a position also held by the incoming town administrator. The select board and town administrator have instead focused on developing a working relationship with the school committee and superintendent based on regular communication and trust.	Revenue sharing agreements vary between communities that adopt them, with some more restrictive than others. While a highly prescriptive approach to revenues may not be called for at this time, we would encourage the select board and town administrator to consider establishing certain "ground rules" for how revenues are treated (for instance rules around new and one-time revenues) to provide guidance and avoid potential conflict. These rules can be part of an agreement between the select board and school committee.

#	Recommendation	Status	Comments	Suggested Enhancements/Next Steps
15	Initiate Department Level Entry of Accounts Payable and Payroll	Partially Complete	<ul style="list-style-type: none"> <li data-bbox="617 183 1344 662">• The town contracts with Harpers for payroll services, which has a remote-entry function that the finance director uses to upload the compiled weekly payroll. Departmental employees can also “punch in” via an online timesheet client called “Web-Time,” which interfaces directly with Harpers. After employees submit their timesheet, it is routed to their department head for review and approval and ultimately approved by the finance director, who transmits the information to Harpers. The payroll administrator in the treasurer’s office reconciles hard copies of timesheet data to Web-Time to correct any errors. Once verified, payroll is finalized by Harpers and sent back to town as a file, which the payroll clerk uploads to VADAR as a payroll warrant. The accountant then reviews the payroll warrant and posts it to the general ledger. We believe that this fulfills the recommendation for remote payroll entry. <li data-bbox="617 670 1344 1149">• Remote-entry of accounts payable into VADAR has been implemented for the town’s larger departments—Water, Sewer, Highway, Park, Sanitation, Police, Fire, Veterans Administration. After departmental submittal through VADAR, accounting reviews invoices and other supporting documentation, then issues checks to complete the AP warrant. The school department has its own software for processing accounts payable. School staff send a file to accounting that is imported into VADAR via a bridge program, after which the process is the same as town AP. For smaller departments, departmental staff send (via interoffice mail) a packet containing a “bills payable” summary sheet along with all invoices and supporting documentation to accounting. Accounting staff then review the packet and data-enter each bill into VADAR. 	The town administration should develop a timeline for all departments to transition to remote entry of payroll and accounts payable. The efficiency gains from moving at least the larger departments to remote entry are significant, but further gains can be made from moving all departments to the same workflow process.

#	Recommendation	Status	Comments	Suggested Enhancements/Next Steps
16	Implement Purchase Order (PO) System	Not Complete	Procurement in Fairhaven remains decentralized. While the school department has its own separate PO system, the town does not. Departmental purchasing is tracked via invoices, with departments remote-entering purchases into VADAR and attaching the invoice number. However, this is only true for large departments like public works and police and fire. The RFP and bid process is held at the departmental level, with no review or oversight from central management, but the incoming town administrator is MCPPO certified and must approve all major requisitions.	We encourage the town administrator to again consider a PO system that would apply universally to all departments and to the school department, providing another consistent layer of control and better ensuring adherence to procurement laws. We know that VADAR provides a PO module for its accounting software, which would allow much of the PO process to be completed through an electronic workflow. The town should reach out to their vendor and consider whether it would be appropriate to submit an item in a subsequent budget to purchase the software upgrade. For some flexibility, the town may consider establishing a dollar threshold for when a PO is needed (for example, \$5,000), ensuring that small purchases do not become unduly burdensome to process.
17	Hold Department Head and Finance Team Meetings	Complete	The acting town administrator had been holding regular department head meetings during her tenure, and we expect the incoming town administrator will do the same. The finance department also holds regular meetings during budget season to coordinate tasks, ensure deadlines are being met, and discuss challenges and how to resolve them.	N/A
18	Solicit Audit Services	Complete	The town has contracted with the accounting firm Melanson for an annual audit since 2012 and has arranged for the firm to periodically rotate its assigned auditor to maintain a fresh perspective.	Switching auditors every 8 – 10 years is generally best practice, bringing long-standing issues to light more effectively. Fairhaven has been with Melanon for 10 years, so the town may want to consider a new audit firm.
19	Revise Finance Reserve Request Procedures	Complete	Fairhaven now has a standardized, form-based process in place for requests from the finance committee's reserve fund. Departments must fill out the form and submit it to the finance director, who compiles and summarizes all requests and submits them to the town administrator for approval. The town administrator may approve, modify, or deny requests, and then forwards approved requests to the finance committee for a vote.	N/A
20	Transfer Custody of all Municipal Bank Accounts to Treasurer	Complete	When DLS made this recommendation in 2012 the treasurer and collector positions were separate. The recommendation referred specifically to four separate deposit accounts maintained by the collector independently of the treasurer, but the de facto combination of the collector into the finance director/treasurer/collector position in 2015 effectively brought these accounts under the treasurer's control. Money is turned over from these accounts via a bank transfer performed by the finance director/treasurer/collector.	N/A

#	Recommendation	Status	Comments	Suggested Enhancements/Next Steps
21	Review Payment Plans and Develop Plan to Resolve Tax Title Backlog	Complete	The finance director/treasurer/collector makes it a point to set aside time to work on the tax title backlog and actively works out payment plans with delinquent taxpayers. In October 2021, the town held a foreclosure auction for multiple properties that led to a return of \$1.5 million for the town. The finance director is planning to hold another auction within the year for the properties that did not sell in the October auction.	N/A
22	Review Payroll Procedures	In Progress	<p>Fairhaven still has much to do in following our recommendations on payroll, but we acknowledge that this depends on outcomes of the collective bargaining process, and we encourage the town to continue pushing for changes in that context. The recommendation called for (a) adopting a biweekly payroll, (b) enabling remote departmental entry of timesheets, (c) halting the practice of paying withholdings through a vendor warrant, (d) having the police department calculate its off-duty detail payments, and (e) no longer sending lists of employee withholdings to departments.</p> <p>a) The town has not yet transitioned to biweekly payroll, and a handful of employees receive physical checks rather than direct deposit.</p> <p>b) As described in the review of recommendation 15, the town has remote-entry enabled for departmental timesheets through Harpers and Web-Time.</p> <p>c) Payroll withholdings are still paid through a vendor warrant, but federal and MA tax and Medicare deductions are automatically withdrawn.</p> <p>d) The police department now calculates off-duty detail payments and submits this information with the weekly payroll, in line with our recommendation. Off-duty outstanding balances are submitted to accounting quarterly for reconciliation.</p> <p>e) Accounting no longer sends withholding information to individual departments.</p>	<ul style="list-style-type: none"> • Where not governed by a collective bargaining agreement, implement mandatory direct deposit. • Continue to pursue mandatory direct deposit and biweekly payroll during collective bargaining negotiations.
23	Integrate and Expand Geographic Information Systems (GIS)	In Progress	The assessing department website provides a link to the MassGIS website where users can navigate to Fairhaven and look up parcel data. However, the assessing department does not have its own GIS provider and still relies largely on paper maps. Assessing is currently in discussions with the planning department to find a way to integrate its GIS software with assessing. As noted above, the DPW also has its own GIS vendor.	<ul style="list-style-type: none"> • Evaluate the GIS needs of planning, assessing, and public works. • Find a GIS vendor that can meet the needs of all three departments and consolidate the town's GIS capability under one vendor. • Include the IT director in the process and manage the software implementation through the IT Department.

#	Recommendation	Status	Comments	Suggested Enhancements/Next Steps
24	Format Bill Envelopes	In Progress	At present, residential tax bills are still addressed to the old owner "care of" the new owner, resulting in potential returned mail and unpaid tax bills when old owners have mail forwarded to their new address. However, the finance director and the assessor are in the process of reaching out to VADAR and to the town's bill printer to review options for reformatting the bills to only show the new owner's name through the bill envelope, preventing the issue with returned mail.	N/A
25	Abandon Practice of Updating Hard Copy of Property Record Cards	Not Complete	The assessing department continues to update physical property record cards after inspections. When going into the field to do an inspection, the assessor prints the parcel's entry in Patriot and brings it with him to the inspection to note changes. When returning to the office, the changes on the printout are entered into Patriot, but the marked-up printout is then filed away physically. As long as proper back-up procedures are in the place for the CAMA system, the annotated printout is duplicative to the parcel entry in Patriot and leads to an unnecessary use of filing space and diversion of staff time.	We continue to recommend that the assessing office halt the practice of filing away what are essentially the assessor's inspection notes. Instead, the department should rely solely on the Patriot CAMA system and print hard copies as necessary. During our discussions with the assessor, he mentioned future plans to find a vendor that would allow for equipping staff with tablets that could allow for the remote entry of permit inspection data in the field, bypassing the need to create a hard copy entirely. We encourage the town to consider pursuing this under the guidelines of Chapter 30b and eventually propose an enhancement to the appropriate line item to allow for the purchase of such a service.

#	Recommendation	Status	Comments	Suggested Enhancements/Next Steps
26	Execute Service Contract (IT)	Complete	<p>In 2012, Fairhaven's IT needs were met by a consultant. At the time, we recommended signing a service contract with the consultant establishing each party's rights, obligations, methods of dispute resolution, and scope of services. With the formation of an in-house Information Technology Department, we consider the recommendation implemented.</p> <p>The IT department is a joint town-school department, with the director reporting to both the town administrator and the school superintendent and funded within the town's operating budget but operationally situated within the school department. The department is made up of the director, a network administrator, and two full-time techs, and until recently included a social-media position. The techs fulfill a help-desk type role for department personnel and manage requests through a web-based ticketing system called Spiceworks. Within the department is a \$30k budget item to replace town and school hardware and software, and the department also manages the town's photocopier service contracts. The IT director also serves as the system administrator for VADAR and is responsible for adding new users and setting up permissions.</p>	N/A
27	Store Backups Offsite (IT)	Complete	The IT department has implemented a backup routine for town data, with regular backups stored at the LeRoy Wood School. Incremental backups occur daily, and full backups weekly. In addition, there are weekly offsite backups to servers in the high school.	N/A
28	Adopt Four-Year Replacement Schedule for Computer Equipment (IT)	Complete	The IT director maintains an inventory of hardware assets and replaces them according to a 5-year refresh cycle. Recently, the department has focused on updating employee workstations. Purchases are made from a line item in the department's operating budget.	N/A
29	Maintain Log of Maintenance Requests (IT)	Complete	The IT department's cloud-based help desk application (Spiceworks) manages incoming ticket requests and allows IT techs to sort, categorize, and respond to them in order of priority, as well as to keep track of repeat issues.	N/A

#	Recommendation	Status	Comments	Suggested Enhancements/Next Steps
30	Outline Disaster Recovery Plan (IT)	In Progress	There is no disaster recovery plan currently in place, but the IT director is evaluating grant opportunities to fund the development of one.	The Select Board should consider applying for a Community Compact IT Grant to secure funding for a consultant to develop a disaster recovery plan and for any other eligible IT purposes. Please see mass.gov/how-to/apply-for-a-community-compact-it-grant for more information, including how to apply and deadlines for application.
31	Complete Five-Year Financial Forecast (DPW)	N/A	While the department of public works is governed by a separate board the select board cannot directly enforce any management practices on the department. We recommend continuing to work toward bringing the DPW under the management of the select board and town administrator.	N/A
32	Implement Rate Adjustments at the Start of the Fiscal Year (DPW)	N/A	See Rec 31.	N/A
33	Issue Utility Bills on a Monthly Cycle (DPW)	N/A	See Rec 31.	N/A
34	Pursue Outstanding Amounts Due (Natural Resources Dept)	Complete	The original report called on the harbormaster to pursue past due amounts for fishing vessels at Union Wharf, citing lax collection practices. Since then, responsibility for these receipts has been transferred to the treasurer/collector's office, who have implemented standard delinquent account procedures in line with all other collections.	N/A

NEW RECOMMENDATIONS

Plan for Succession in Accounting Department

We recommend Fairhaven plan for the eventual succession of its town accountant. Under the direction of the town administrator, the accountant should review how personnel complete core tasks and how well these align with their job descriptions. With this information, the department can take the following key steps:

- Develop procedure manuals with step-by-step instructions, prioritizing the most critical tasks. The town should reach out to vendors for training and support materials if use of proprietary software (such as SoftRight or Patriot) is key to fulfilling an employee's job duties.
- Confer with peer communities regarding departmental operating structure and their experience hiring and retaining qualified candidates.
- Research the viability of regional agreements or outsourcing for certain services, as appropriate.

Cross Train the Accounting Clerks - Fairhaven's accounting personnel consists of the town accountant and two part-time accounts payable clerks, one working 19 hours per week and the other 11 hours. The clerks are not cross trained in each other's or the accountant's primary duties and focus their time on processing accounts payable warrants.

We recommend that the accountant evaluate which of her duties may be appropriate to cross train one or both clerks in for the sake of continuation of service in the case of an unexpected absence. In addition, relevant professional development opportunities should be made available to both clerks. If appropriate, the accountant should consider preparing one of the clerks for elevation to assistant town accountant. Otherwise, any future vacancies in the office should be filled with an assistant town accountant position in mind.

Consider an Assistant Town Accountant - We recommend establishing a position of assistant town accountant. Accounting is a key financial office responsible for maintaining a community's general ledger, processing financial transactions, and producing the reports necessary to develop the annual budgets, among other tasks. Even a relatively short vacancy in the office can set the town back significantly for vital tasks such as closing out the year or submitting the balance sheet to DLS, which

can lead to delays in certifying free cash. The specific duties and responsibilities of such a position should be left to discussions between the town accountant and town administrator, but the position should provide for sharing many of the day-to-day responsibilities of the office and prepare the incumbent to fill the town accountant role in the accountant's absence. With an assistant town accountant taking on some routine tasks, the accountant would be better able to look ahead to long-term departmental goals and to providing support during the budget process (such as with revenue and expenditure projections or other research as needed).

Establish a Joint Grants Management/Procurement Position in Town Administrator's Office

We recommend the town consider hiring a full-time position jointly responsible for grants management and procurement support in the town administrator's office. As a grants manager, the position would be responsible for researching grant opportunities, writing and preparing materials for grant submissions, communicating with grantors, and ensuring that grant funds are distributed appropriately. As procurement support, the incumbent could conduct initial review of requisitions before the town administrator, be a liaison with departments, and provide the town administrator with general administrative support regarding procurement. Since the town administrator is MCPPO certified and is the town's chief procurement officer (CPO) she can exercise final review over all procurement issues. We recommend that the town hire an MCPPO certified individual or, upon hire, provide the employee with the opportunity to attain MCPPO status.

Include the IT Director in Budget Meetings

We recommend including the IT director in any regular budget-related meetings held by the finance director and finance department heads. Information technology has taken on an outsized importance in the administration of municipal budgeting, with accounting, treasury, collections, and assessing relying on a suite of inter-connected applications and databases to fulfill their intended functions. When these systems are in conflict or not working as intended, it can be extremely disruptive to the normal processes of financial management, including errors in tax billing or delays in the budget process. The presence of the IT director will make the finance team more efficient at identifying issues before they occur or solving unforeseen problems. In addition, enhancements to service in these departments (as well as many others) often have an IT component, and the IT director's expertise will be advantageous in evaluating their worth to the town.

Provide Monthly Year-to-Date Revenue and Expenditure Reports to the Select Board

We recommend that the town administrator or finance director provide the select board with monthly updates on the town's expenditures relative to appropriations and revenue collections relative to estimates. This will ensure that the board remains generally informed on the financial state of the town and is made aware of any budget issues that may require action or their considerations. These updates could be in the form of a line-item report for each expenditure item as it appears before town meeting, showing the amount of the total appropriation, the amount expended as of the end of the month, the percentage expended of the total appropriation, and the remaining available for expenditure. A separate section should show revenue items in the form and amounts used to balance the budget for submission to DLS in the tax recapitulation process, with total amount estimated, amount collected as of the end of the month, percentage collected of the total, and the amount uncollected. On a quarterly basis, the administrator may consider adding the report as an item on the select board's meeting agenda and making a brief presentation on where the town stands on expenditures and revenues as of the end of that quarter.

Engage a Consultant to Assist with ARPA Compliance

We recommend the town engage the services of a suitable consultant (while adhering to all procurement laws covered in MGL Chapter 30) to help with processing the necessary paperwork for the receipt and use of federal funds in accordance with the American Rescue Plan Act (ARPA) of 2021. Like many small and medium-sized towns in the commonwealth, Fairhaven's financial departments run lean and there is little room for additional tasks beyond daily operations and budget development. Keeping current with ARPA compliance has been a significant burden on town staff and hiring an outside manager would relieve pressure on the town's ability to maintain normal operations. We understand that the town has been evaluating a few options for hiring an ARPA consultant, and we would encourage the board to make it a priority.

Consider Hiring a Human Resources Generalist or Human Resources Director

We recommend the town consider creating a position of human resources generalist in the town administrator's office. With the town administrator's assumption of all duties previously relegated to the personnel board, additional staff support would help ensure that she does not become unduly burdened by administrative tasks related to human resources and can focus on broader policy-level issues. We should note that Chapter 61 of Fairhaven's bylaws calls for the town administrator to "appoint a Human Resources Director who by experience and education is qualified to administer this chapter and any plans, policies, rules or regulations promulgated pursuant to this chapter." The

bylaw goes on to require the establishment of a personnel system for the administration of personnel records, recruitment methods, maintaining classification and compensation plans, and personnel policies. Hiring an additional full-time position to meet this need is justified considering the administrative burden in developing and maintaining such a system. In addition, with personnel costs generally in excess of 70% of a municipal budget, a human resources manager is critical to mitigating the risks associated with labor-related legal issues and effectively managing related costs. A human resources generalist could be later developed into a human resources director, depending on the select board's interpretation of the Personnel bylaw.

ACKNOWLEDGEMENTS

In preparing this Review, DLS spoke with the following individuals:

<u>Name</u>	<u>Position</u>
Stasia Powers	Select Board Chair
Leon E. Corry III	Select Board Vice Chair
Robert J. Espindola	Select Board Member
Padraic Elliott	Finance Committee Chair
Angie Lopes-Ellison	Town Administrator
Wendy Graves	Finance Director/Treasurer/Collector
Anne Carreiro	Town Accountant
Delfino Garcia	Principal Assessor
Chris Camara	IT Director

SAMPLE POLICIES

FINANCIAL RESERVES

PURPOSE

To help the Town stabilize finances and maintain operations during difficult economic periods, this policy establishes prudent practices for appropriating to and expending reserve funds. With well-planned sustainability, the Town can use its reserves to finance emergencies and other unforeseen needs, to hold money for specific future purposes, or in limited instances, to serve as revenue sources for the annual budget. Reserve balances and policies can also positively impact the Town’s credit rating and consequently its long-term borrowing costs.

APPLICABILITY AND SCOPE

Applies to:	<ul style="list-style-type: none">▪ Select Board, Finance Committee, Town Administrator, and Capital Planning Committee in their budget decision-making roles▪ Finance Director and Board of Assessors job duties
Scope:	<ul style="list-style-type: none">▪ Goals for and appropriate use of general reserves, including free cash, stabilization funds, and overlay surplus

POLICY

The Town is committed to building and maintaining its reserves to have budgetary flexibility for unexpected events and significant disruptions in revenue-expenditure patterns and to provide a source of available funds for future capital expenditures. Adherence to this policy will help the Town withstand periods of decreased revenues and control spending during periods of increased revenues. The Town will strive to maintain overall general fund reserves (i.e., free cash and stabilization funds combined) in the level of 10 to 15 percent of the annual operating budget.

A. Free Cash

The Division of Local Services (DLS) defines free cash as “the remaining, unrestricted funds from operations of the previous fiscal year, including unexpended free cash from the prior year.” DLS must certify free cash before the Town can appropriate it.

The Town will strive to realize year-to-year free cash certifications equal to three to five percent of the annual general fund budget. To achieve this, the Finance Director with assistance from the Town Administrator will propose budgets with conservative revenue projections, and department heads will carefully manage their appropriations to produce excess income and budget turn backs. As much as practicable, the Town will limit its use of free cash to building reserves, funding nonrecurring costs (i.e., one-time expenditures, such as capital projects and emergencies), and offsetting the Town’s unfunded liabilities. Furthermore, the Town will strive to keep its year-end unappropriated free cash balance at a minimum of 33 percent of the annual certification.

B. Stabilization Funds

A stabilization fund is a reserve account allowed by state law to set aside monies to be available for future spending purposes, including emergencies or capital expenditures, although it may be appropriated for any lawful purpose. The Town has established four stabilization funds, as detailed below.

General Stabilization: The Town will endeavor to achieve and maintain a minimum balance of six to eight percent of the current operating budget in its general stabilization fund. Withdrawals from the fund should only be used to mitigate emergencies or other unanticipated events that cannot be supported by current general fund appropriations. When possible, withdrawals of funds should be limited to the amount available above the six percent minimum target. If any necessary withdrawal drives the balance below this minimum, the withdrawal should be limited to one-third of the fund's balance, and the Town Administrator will develop a detailed plan to replenish the fund to the minimum level within the next two fiscal years.

Special Purpose Stabilization Funds:

- **Capital Stabilization:** This fund's minimum target level shall be one to two percent of the general fund budget. By sustaining funding in this type of reserve, the Town can balance debt with pay-as-you-go practices and protect against unforeseen capital costs.
- **Assessor Stabilization:** Established to offset annual interim-year valuation adjustments and the costs associated with the five-year revaluation process. This stabilization is funded through an appropriation of free cash every five years.
- **Water Emergency & Capital Stabilization:** Established to offset future costs to the water enterprise fund infrastructure.

C. Retained Earnings

The finances of the Water, Sewer, and Trash Departments are managed under individual enterprise funds, separately from the general fund, which allows the Town to effectively identify each operation's true costs—direct, indirect, and capital—and set user fees at levels sufficient to recover them. Under this accounting, the Town may reserve each enterprise fund's generated surplus (referred to as retained earnings) rather than closing the surplus to the general fund at year-end.

For each enterprise fund, the Town will maintain a minimum reserve amount of 25 percent of the operation's total budget, which represents three months' worth of expenditures. These reserves shall be used to provide rate stabilization and to fund major, future capital projects. Whenever any major infrastructure improvement is being planned for any enterprise operation, it may be necessary to revise its minimum target upward. To maintain the target reserve levels for the enterprise funds, the Water/Sewer Commissioners must annually review, and when necessary, adjust user rates.

D. Overlay Surplus

The purpose of the overlay reserve is to offset unrealized revenue resulting from abatements and exemptions. It can be used for other purposes only after it is determined to have a surplus. Therefore, unlike the other types of general fund reserves, this policy does not set a funding target for the

overlay. Rather, each year as part of the budget process, the Board of Assessors will vote to raise an overlay amount on the annual tax recapitulation sheet based on the following:

- Current balance in the overlay account
- Five-year average of granted abatements and exemptions
- Potential abatement liability of cases pending before, or on appeal from, the Appellate Tax Board
- Timing of the next DLS certification review (scheduled every five years)

At the conclusion of each fiscal year, the Board of Assessors will submit to the Town Administrator and Finance Director an update of the overlay reserve with data that includes, but is not limited to, the gross balance, potential abatement liabilities, and any transfers to surplus. If the balance exceeds the amount of potential liabilities, the Select Board may request that the Board of Assessors vote to declare those balances surplus and available for use in the Town’s capital improvement plan or for any other one-time expense.

REFERENCES

[M.G.L. c. 40 § 5B](#)

[M.G.L. c. 59 § 25](#)

[M.G.L. c. 44 § 53F½](#)

Monson’s policies on Capital Planning and Forecasting

DLS Best Practices: [Free Cash](#), [Reserve Policies](#), and [Special Purpose Stabilization Funds](#)

DLS Informational Guideline Releases 08-101: [Enterprise Funds](#), 17-20: [Stabilization Funds](#), and 17-23: [Overlay and Overlay Surplus](#)

Government Finance Officers Association Best Practices: [Fund Balance Guidelines for the General Fund](#) and [Working Capital Targets for Enterprise Funds](#)

EFFECTIVE DATE

This policy was adopted on [date].

INDIRECT COST ALLOCATION

PURPOSE

To reimburse the general fund for all expenditures incurred on behalf of the water, sewer, and trash enterprise funds, this policy provides guidelines for equitably calculating and allocating those indirect costs.

APPLICABILITY AND SCOPE

Applies to:	<ul style="list-style-type: none">▪ Town Administrator, Finance Director, and Water/Sewer Superintendent job duties▪ Finance Director, Treasurer/Collector in their related administrative functions▪ Select Board, Finance Committee, and Town Administrator in their budget analysis and decision-making responsibilities
Scope:	<ul style="list-style-type: none">▪ Encompasses the analysis, calculation, and accounting of the water, sewer, and trash enterprise fund indirect costs

Background

Under authority established in [M.G.L. c. 44 § 53F½](#) the accounting transactions for the water, sewer, and trash enterprise funds are recorded and managed separately from the general fund. Revenues and expenses are not commingled with those of any other governmental activity, and consequently there are separate financial statements for each. Consolidating each enterprise funds direct and indirect costs, debt service, and capital expenditures into its own distinct, segregated fund allows the Town to demonstrate to the public the true, total cost of providing the service.

POLICY

As part of the annual budget process, the Finance Director will calculate the indirect costs to the general fund of the water, sewer, and trash enterprises and review them with the Town Administrator and Water/Sewer Superintendent. The Town Administrator, Finance Director, and Water/Sewer Superintendent will annually agree in writing to the indirect cost allocation methods and amounts prior to finalizing the budget. Indirect cost expenses will be determined using the most up-to-date cost information available to the Finance Director at that time. Based on the results, the Finance Director will record transfers between the relevant funds annually by June 15 of each fiscal year. The Finance Director will maintain written procedures detailing the costs and their calculation methodologies.

A. Cost Categories

The indirect cost calculation will account for the following enterprise-related expenditures budgeted in the general fund:

- Water, sewer, and trash department **personnel costs** for active and retired employees, including pensions, insurances, Medicare taxes, unemployment, and workers' compensation
- **Administrative services** performed on behalf of the enterprise's department by other departments, such as:

- Accounts payable, payroll, and general ledger services provided by the Accounting Department
- Collections, banking, investment, tax title, benefits, and payroll services provided by the Treasurer/Collector Department's
- Personnel administration services provided by the Treasurer's Department
- The following **expenses**:
 - Information technology costs
 - Vehicle and property insurances
 - Legal services
 - Independent audit services
 - Actuarial services related to other postemployment benefits (OPEB)
 - Other costs that may be agreed to and documented

The Finance Director will calculate indirect costs based on the most recent fiscal year's appropriations and using either the actual, proportional, estimated support, or transactional methodology (described in Section B below) as appropriate for the particular cost category.

B. Explanation of Calculation Methodologies

1. **Actual cost**, involves identifying the specific costs attributable to the enterprise based on documented schedules or bills payable, including debt service and insurance premiums.
2. The **proportional** method is a straightforward calculation of the utility's net-of-debt budget as a percentage of the total combined net-of-debt budget of the utility and the general fund. The resulting percentage is then applied against the total budget (including employee benefits) of each Town department that provides support to the utility or against the total cost of the specific type of expenditure.
3. A department or official may be able to provide a reasonable **estimate of support** (i.e., an estimate of the work hours spent supporting the utility). For example, the Finance Director estimates an average of two hours weekly, or five percent of her time, on water, sewer, and trash-related activities (e.g., creating warrants, bookkeeping). This percentage would then be applied against the Finance Director's salary and benefits, including health and life insurance, Medicare, retirement, and any workers' compensation.

$$\frac{\text{Hours worked on enterprise activities per year by individual(s)}}{\text{Total hours worked per year by individual(s)}} \times \text{Salary and benefits of individual(s) working on enterprise activities} = \text{Indirect Departmental Salaries}$$

4. The **transaction-based** method is calculated based on the number of transactions attributed to a service as a percentage of the whole. An example would be the total sewer bill collections processed by the Treasurer/Collector's Office as a percentage of the total number of collections of all types processed by that office. This percentage is applied against the Treasurer/Collector's total budget,

including health and life insurance, Medicare, retirement, and any workers' compensation attributable to the department.

$$\frac{\text{Number of enterprise-related transactions}}{\text{Total number of all like transactions processed by the non-enterprise department}} \times \text{Total budget plus benefits of the department processing the enterprise transactions} = \text{Indirect Departmental Salaries}$$

C. Calculations by Cost Category

The text in this section provides sample calculations for discussion purposes. Before adopting this policy, Section C should be reviewed and updated as necessary, and it should be expanded for any other costs that may be agreed to, such as information technology, legal services, etc.

1. Health and Life Insurances

Costs for health and life insurances will be calculated using the actual method by adding up the actual amounts paid by the Town for the participating enterprise employees during the current fiscal year.

2. Medicare

The Town's Medicare cost represents the employer match of the Medicare tax charged to employees hired after April 1, 1986. Using the actual cost method and based on employee W-2s, the costs will be calculated as 1.45 percent of the total gross wages paid by the Town on behalf of eligible enterprise fund employees during the preceding calendar (not fiscal) year.

3. Retirement

Indirect pension costs will be calculated using the proportional method. The Town's total annual contributory retirement assessment is multiplied by the respective proportion of each of the total enterprise fund department employee's compensation to the total employee compensation as reported to the Public Employee Retirement Administration Commission.

4. Audit

External audit costs will be based on the proportional method. The water, sewer, and trash enterprise fund departments shall pay the proportion of the cost of the Town's annual independent audit based on effort of the Town's independent auditor.

5. Administrative Services

The indirect costs for enterprise-related administrative services performed by the Accounting, Treasurer/Collector, and Town Administrator Departments will be calculated using the estimate of support method. It will be based on each department's annual estimate of the time required to perform the services for each enterprise fund.

REFERENCES

[M.G.L. c. 44 § 53F½](#)

Division of Local Services Informational Guideline Release 08-101: [Enterprise Funds](#)

Government Finance Officers Association Best Practices: [Indirect Cost Allocation](#) and [Evaluating Service Delivery Alternatives](#)

EFFECTIVE DATE

This policy was adopted on [date].

OTHER POSTEMPLOYMENT BENEFITS LIABILITY

PURPOSE

To ensure fiscal sustainability, this policy sets guidelines for a responsible plan to meet the Town's obligation to provide other postemployment benefits (OPEB) for eligible current and future retirees. It is designed to achieve generational equity among those called upon to fund this liability and thereby avoid transferring costs into the future.

APPLICABILITY AND SCOPE

Applies to:	<ul style="list-style-type: none">▪ Select Board, Finance Committee, and Town Administrator in their budget decision-making duties▪ Bartholomew & Company (Investment Manager)▪ Treasurer/Collector and Finance Director job duties
Scope	<ul style="list-style-type: none">▪ Budget decisions related to the Town's OPEB liability▪ Liability mitigation

BACKGROUND

In addition to salaries, the Town compensates employees with benefits earned during years of service to be received upon retirement. One such benefit is a pension, and another is a set of retirement insurance plans for health, dental, and life, which are collectively referred to as other postemployment benefits, or OPEBs. OPEBs represent a significant liability for the Town that must be properly measured, reported, and planned for financially.

POLICY

The Town is committed to funding the long-term cost of the benefits promised its employees. To do so, the Town will accumulate resources for future benefit payments in a disciplined, methodical manner during the active service life of employees. The Town will also periodically assess strategies to mitigate its OPEB liability. This involves evaluating the structure of offered benefits and their cost drivers.

A. Accounting for and Reporting the OPEB Liability

The Finance Director will obtain actuarial analyses of the Town's OPEB liability every two years and will annually report the Town's OPEB obligations in the financial statements that comply with the current guidelines of the Governmental Accounting Standards Board. The Town Administrator will ensure that the Town's independent audit firm reviews compliance with the accounting and reporting provisions of this policy as part of its annual audit and reports on these to the Select Board.

B. Trust Management and Investment

The Town has established an OPEB Trust Fund and designated as its trustee the Treasurer. As fund custodian, the Treasurer/Collector will manage the OPEB Trust Fund in conformance with the Town's

investment policy and the state's prudent investor laws. On an annual basis, the Town will analyze its option to invest the OPEB trust with the [State Retiree Benefits Trust Fund](#).

The Town has chosen Bartholomew & Company as its investment manager. To make sure Bartholomew & Company follows the OPEB and Investment policies, the Finance Director will do the following:

- Meet with the investment manager at least semiannually to monitor the performance of the fund and the compliance with the Town's policies.
- Monitor the fund's performance by comparing the investment manager's results to a blended benchmark to be determined in conjunction with the investment manager.
- Rebalance the portfolios at least annually or more frequently if appropriate.
- Review the OPEB policy every year to ensure it remains in compliance with governing regulations.

C. Mitigation

On an ongoing basis, the Town will assess healthcare cost containment measures and evaluate strategies to mitigate its OPEB liability. The Finance Director will monitor proposed laws affecting OPEBs and Medicare and analyze their impacts. The Treasurer/Collector will regularly audit the group insurance and retiree rolls and terminate any participants found to be ineligible based on work hours, active Medicare status, or other factors.

D. OPEB Funding Strategies

To address the OPEB liability, decision makers will analyze a variety of funding strategies and subsequently implement them as appropriate with the intention of fully funding the obligation. The Town will derive funding for the OPEB Trust Fund from taxation, free cash, and any other legal form. To ensure that the Town's enterprise operations remain self-supporting, the Water & Sewer Commissioners will factor their OPEB contributions into the setting of user fees.

Achieving full funding of the liability requires the Town to commit to funding its actuarially determined contribution (ADC) each year. Among strategies to consider for funding the ADC:

- Annually appropriate at least \$50,000 from the levy toward the general fund OPEB liability.
- Appropriate annually increasing dollar amounts or percentages of yearly revenues for the general fund and three enterprise fund operations.
- Determine and commit to appropriating an annual portion of free cash.
- Transfer unexpended funds from insurance line items to the OPEB Trust Fund.
- Appropriate amounts equal to the Town's Medicare Part D reimbursements.
- Once the pension system is fully funded, on a subsequent annual basis, appropriate to the OPEB Trust Fund the amount equivalent to the former pension-funding payment or the ADC, whichever is less.

REFERENCES

[M.G.L. c. 32B, § 20](#) and [20A](#)

[M.G.L. c. 44, § 54](#) and [55](#)

[M.G.L. c. 203C](#)

Monson Investment Policy

Division of Local Services Information Guideline Release 19-10 [Other Postemployment Benefits Liability Trust Fund](#)

GASB Statements 75: [Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions](#) and 74: [Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans](#)

Government Finance Officers Association Best Practice: [Ensuring Other Postemployment Benefits \(OPEB\) Sustainability](#)

EFFECTIVE DATE

This policy was adopted on [date].