

TOWN OF GRANVILLE

CAPITAL PLANNING | A COMMUNITY COMPACT CABINET INITIATIVE

SEPTEMBER 2016



DLS

DIVISION OF LOCAL SERVICES
MA DEPARTMENT OF REVENUE

PREPARED BY:

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DIVISION OF LOCAL SERVICES
MA DEPARTMENT OF REVENUE

Michael J. Heffernan
Commissioner of Revenue

Sean R. Cronin
Senior Deputy Commissioner

September 7, 2016

Matthew Streeter
Town Administrative Assistant
Town Hall
707 Main Road
Granville, MA 01034

Dear Mr. Streeter,

I am pleased to present the enclosed capital planning review for the Town of Granville as part of the Baker-Polito Administration's Community Compact Cabinet initiative. This collaborative program strives to create clear mutual standards, expectations, and accountability for both the state and municipalities. It is my hope that our guidance provides direction and serves as a resource for local officials as we build better government for our citizens.

Sincerely,

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

Sean R. Cronin
Senior Deputy Commissioner

Supporting a Commonwealth of Communities

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INTRODUCTION

At the request of the board of selectmen and town administrative assistant, a team from the Division of Local Services Technical Assistance Bureau reviewed the Town of Granville's capital planning structure. This project was sponsored through the Community Compact Cabinet, whose goal is to encourage the implementation of municipal best practices that promote good governance by fostering efficiency, accountability, and transparency in local government. As a best practice, a capital improvement program establishes a community commitment to invest in its facilities, fleet and infrastructure and emphasizes that proposed capital projects, their timing, and their financing best meet the government's policies and plans.

In June 2016, we met with local officials, conducting interviews with the town administrative assistant, department of public works (DPW) superintendent, board of selectmen chair, police chief and finance committee representatives. The sessions focused expressly on the town's budgetary and capital planning activities in order to develop an easy-to-understand yet comprehensive framework regarding multiyear capital planning.

Our report begins with a brief profile of Granville followed by an analysis of its financial trends, a description of the town's current capital planning structure, and recommendations for implementing a capital planning framework. Included as attachments, we provide supporting manuals, schedules and other documentation to facilitate implementation of these best practices.

COMMUNITY PROFILE

Granville, a rural community nestled in the foothills of the Berkshires, is located 115 miles southwest of Boston in Hampden County. Encompassing 43 square miles, the town is home to 1,600 residents and provides a wide range of core municipal services. As a predominantly agricultural community, the town boasts numerous historic buildings, three large reservoirs (Barkhamsted, Cobble Mountain and Westfield) that provide vital water services to surrounding communities, and a two-lane town owned roadway known as Route 57 carrying over 4,000 vehicles per day.

Recognizing that land use underpins the growth capacity of a town and therefore its ability to generate tax revenue, Granville has minimal opportunity for developing significant new tax revenue because over 70 percent of the property in town is under special assessment classifications.

<u>Classification</u>	<u>Acreage</u>	<u>% of Total</u>
Chapter Land	7,804	29%
State Owned Land	1,707	6%
Municipal Water District:	9,484	35%
State Forest	148	1%
Town Owned	88	0%
Taxable	7,899	29%
Total Acreage	27,129	100%

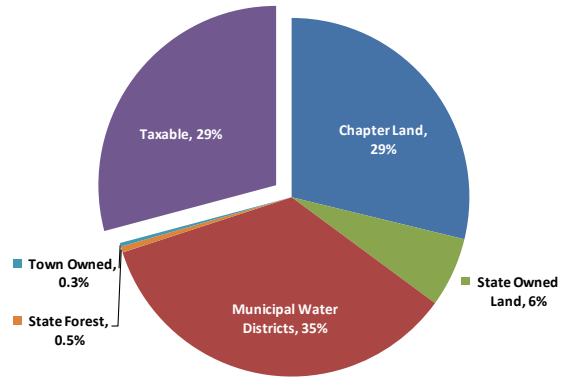


FIGURE 1: LAND USE CLASSIFICATION

Source: Granville board of assessors - schedule of special classifications

In return, the town receives cherry sheet payments for state owned land and has arranged compensating payment in lieu of taxes (PILOT) agreements with the municipal water districts. The largest PILOT agreement exists with the City of Springfield, which operates the Cobble Mountain Hydro-Power station within the borders of the Town of Granville. The PILOT payments represent more than one-third of the community’s total local receipts.

The town is home to numerous ponds, lakes, streams and reservoirs. While the town is steward to extensive water resources, the costs of maintaining and improving the numerous culverts, stream crossings, dams, and other related infrastructure are outstripping available sources of funding. This remains a significant and present challenge for the community.

The town operates under a 3-member board of selectmen and open town meeting form of government. All policy and executive decisions remain with the select board while the day-to-day operations are coordinated by the town administrative assistant. In early 2015, a new town administrative assistant was hired, replacing the retiring appointee who had held the position for over 25 years. Serving as one of the few full-time employees, the administrative assistant coordinates the day-to-day operations encompassing support to the board of selectmen, finance, human services, infrastructure, planning, inspections, public safety, information technology, web site administration, and citizen interaction.

While the town administrative assistant is not expressly responsible for the preparation of the annual operating budget, he is chiefly responsible for compiling the revenue projections, town meeting warrants and all other related documentation. Inclusive of the select board, the financial management team is comprised of the full-time town administrative assistant, part-time appointed

bookkeeper, part-time appointed assessor, part-time elected treasurer, part-time elected collector and 5-member finance committee appointed by the moderator.

In 2012, the town voted overwhelmingly to join the Southwick Tolland Granville Regional School District (STGRSD) serving students in grades K-12. This merger and the financial trends leading up to the regionalization have significantly impacted the town. Prior to joining the region, over 70 percent of Granville’s budget was allocated to supporting the school system, leaving limited resources to provide other core services. At the time of the merger, the town approved a debt exclusion for the renovation of the STGRSD middle school resulting in an annual capital assessment of approximately \$152,000 through FY2038. The town also saw a marked reduction in state aid receipts resulting from the redirection of chapter 70 aid away from the local municipality (and toward the region). Correspondingly, the town has seen reductions in general fund expenses related to education, employee benefits and fixed costs, including a reduction in staff from over 50 full-time benefitted employees to approximately 5 full-time staff.

In response to this regional school transition, the town authorized the creation of an education stabilization fund to defray future education related operating costs, including the exempted debt service for school construction. Between FY2013 through FY2016, appropriations were made to enhance this reserve. In FY2014 and FY2017, the town authorized, via 2/3 vote, appropriations from this fund to support the operating budget.

EDUCATION STABILIZATION FUND							
	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	TOTAL
<i>Appropriations:</i>							
From Free Cash	\$0	\$0	\$0	\$135,000	\$75,000	\$0	\$210,000
From Taxation	-	240,000	65,000	-	-	-	305,000
	\$0	\$240,000	\$65,000	\$135,000	\$75,000	\$0	\$515,000
<i>Less:</i>							
Fund operating budget	-	-	(135,000)	-	-	(25,000)	(160,000)
Estimated Balance	\$0	\$240,000	(\$70,000)	\$135,000	\$75,000	(\$25,000)	\$355,000

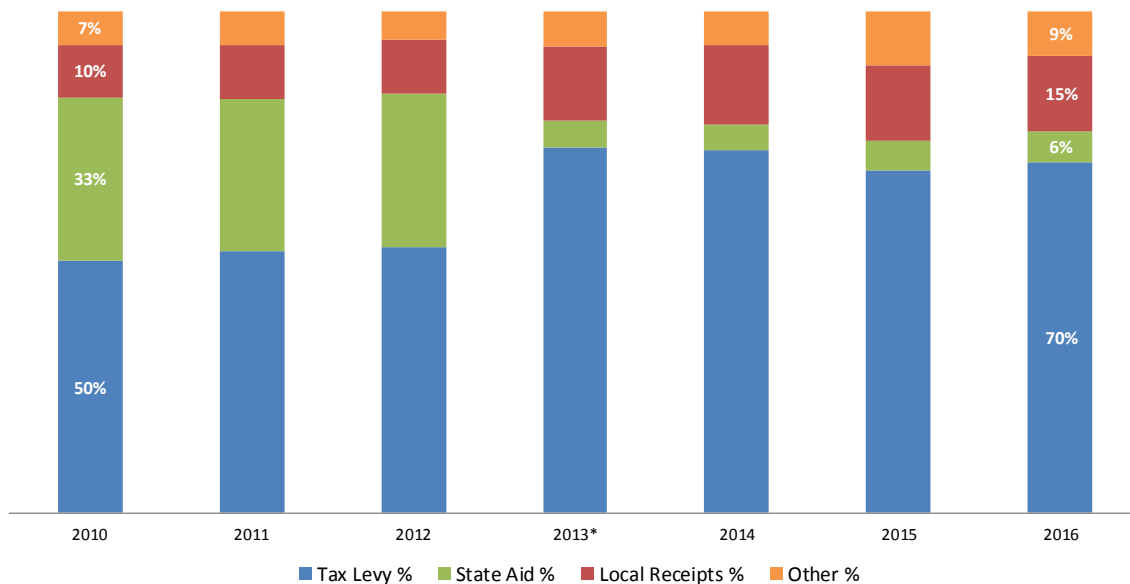
*FIGURE 2: EDUCATION STABILIZATION FUND – SOURCES AND USES OF FUNDS
Sources: Town meeting minutes, Division of Local Services - tax recapitulation sheet*

COMMUNITY FINANCIAL TRENDS

The Town of Granville’s financial outlook is generally consistent from year to year and remains fiscally positive. The town has healthy reserves, increasing excess levy capacity and a demonstrated commitment to replacing rolling capital stock. The town’s FY2017 general fund departmental

budget is approximately \$3.5 million, and there are no enterprise funds because most residents, except for a small section of the town’s center, rely on private water and sewer.

Since 2013, the town has relied predominantly on the property tax levy to fund its budget, now accounting for 70 percent of total revenues. Within the levy, 83 percent comes from residential taxes while 17 percent is from commercial, industrial, and personal property taxes. Given the stability of the tax levy as a funding source and the limited reliance on state aid (under 7 percent), the town is well prepared for economic downturns.



* FY2013 joined regional school district (in Jan 2012)

FIGURE 3: TOTAL GENERAL FUND OPERATING REVENUES

Source: Division of Local Services databank – municipal budgeted revenues

The second largest revenue source, local receipts, accounts for 15 percent of annual operating revenue and includes two key sources of funds: motor vehicle excise and payment in lieu of taxes (PILOT). While the excise continues to follow statewide patterns and trend upwards, the PILOT payments can fluctuate broadly from year to year. Granville has PILOT agreements in place with the City of Springfield, Metropolitan District Commission (Hartford), and Westfield Water Department to compensate the town for foregone tax revenue due to the tax-exempt ownership and use of these properties. Since 2012, the town has experienced fluctuations averaging +/- \$65,000 within this single revenue source. Given that PILOT payments account for five to seven percent of the total overall operating revenues, volatile fluctuations in these receipts impact the town’s ability to consistently plan for tax rate impacts. As a result, the town estimates PILOT receipts fairly conservatively with the upticks flowing to free cash.

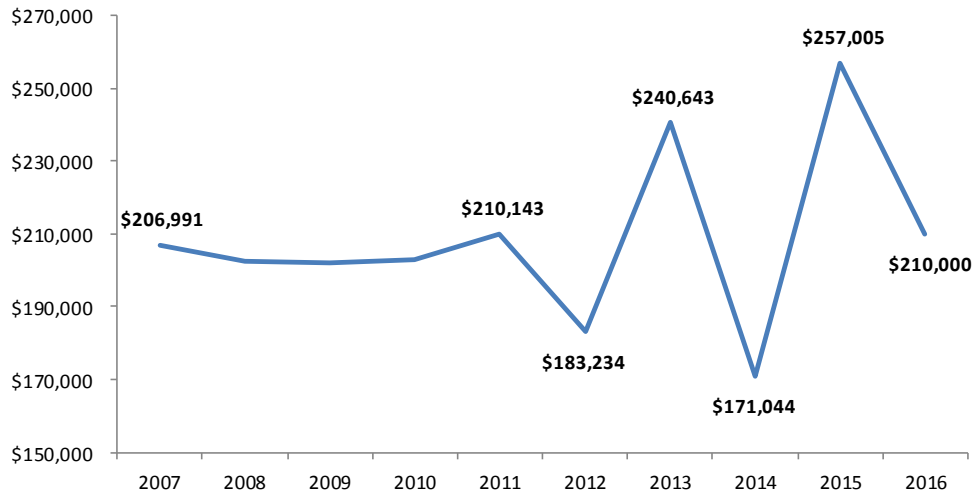


FIGURE 4: LOCAL RECEIPTS: ESTIMATED PAYMENT IN LIEU OF TAXES (PILOT)
Source: Division of Local Services gateway - tax recapitulation sheet

State aid accounts for approximately six percent of total operating revenues. For most communities, the largest component of state aid is traditionally education assistance. However, when the town entered into the Southwick Tolland Granville Regional School District in 2012, one result was a dramatic reduction in state aid; specifically the realignment of chapter 70 aid away from the municipality and toward the district. After adjusting for educational aid, the result is that the state aid used to fund local services has remained relatively level over the past decade. The modest uptick in recent years is attributable to state owned land revised valuations of the prime lots, which triggered an increase of \$36,000 in aid starting in FY2015.

Excess levy capacity arises out of the operation of Proposition 2½ and represents the difference between the maximum property tax revenue a community *could* raise (i.e., maximum levy limit) and what it actually *has* raised (i.e., tax levy). The town currently maintains excess levy capacity of \$658,396, out of a maximum allowable levy of \$3,119,577, and has seen significant growth over the past four years as a direct result of the school regionalization and conservative budget practices. Beginning with the FY2013 budget, the town saw a dramatic decrease in fixed costs related to health insurance, retirement, worker’s compensation, and unemployment, and an increase in PILOT receipts along with a sudden surge in new growth. These conditions have all contributed to the 661 percent growth in excess levy capacity since FY2006. This excess capacity creates an opportunity to offset future revenue volatility, increase town services, or begin building a capital projects funding strategy by allowing the town to increase its tax revenue within the limits of Proposition 2½.

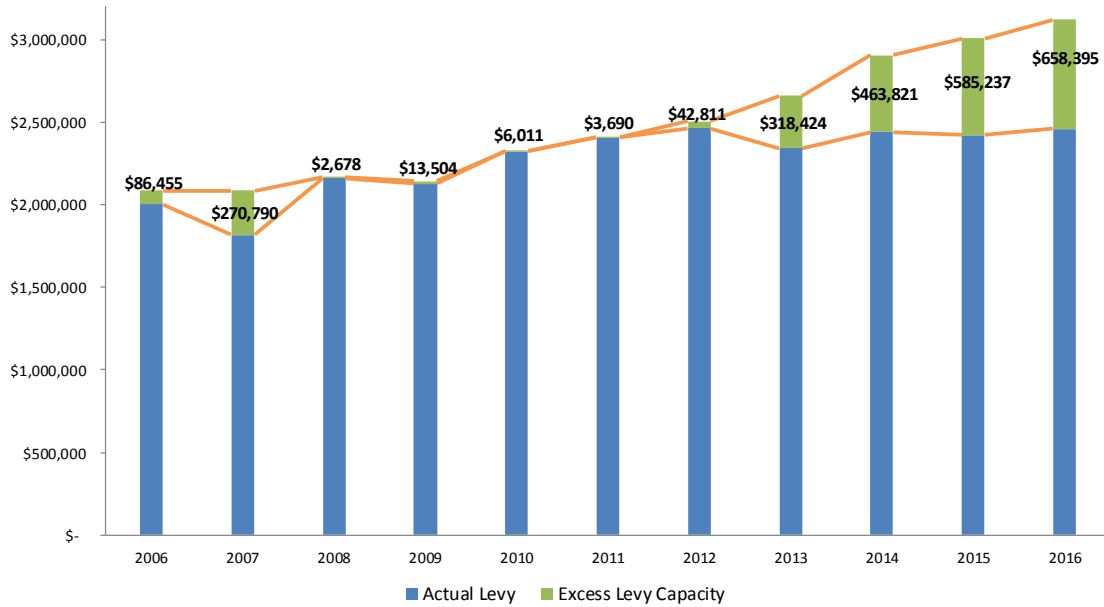


FIGURE 5: EXCESS LEVY CAPACITY

Sources: Division of Local Services gateway - tax recapitulation sheet and levy limit worksheet

The town has not authorized an operational override, even during difficult economic periods, further underscoring the town’s fiscal health and conservatism. While many towns work diligently to minimize tax rate impacts for their residents, it is important to note that average single family homeowners in Granville have received modest increases averaging \$39 per year over a 10 year period. During this time, not only has the cost of operating the town increased¹, but the need for capital investment has continued to intensify.

FY	Value		Tax Bill		\$ change	% change	10-year	5-year
	Granville	Tax Rate	Granville	Granville			\$ change	\$ change
2006	\$228,350	\$12.00	\$2,740	\$2,740	\$109	4.14%	\$109	
2007	232,840	10.61	2,470	2,470	(270)	(9.85)%	(270)	
2008	264,416	11.20	2,961	2,961	491	19.88%	491	
2009	259,560	11.00	2,855	2,855	(106)	(3.58)%	(106)	
2010	277,502	11.20	3,108	3,108	253	8.86%	253	
2011	269,519	11.90	3,207	3,207	99	3.19%	99	
2012	270,706	12.02	3,254	3,254	47	1.47%	47	47
2013	242,864	12.10	2,939	2,939	(315)	(9.68)%	(315)	(315)
2014	243,212	12.66	3,079	3,079	140	4.76%	140	140
2015	237,632	12.68	3,013	3,013	(66)	(2.14)%	(66)	(66)
2016	237,969	12.84	3,056	3,056	43	1.43%	43	43
					Average		\$39	(\$30)

^a Jan 2012 (FY2013): joined regional school district

^b denotes debt exclusion applied

FIGURE 6: AVERAGE SINGLE FAMILY HOME VALUES AND TAXES

Sources: Division of Local Services – databank and tax recapitulation sheet

¹ Exclusive of vendor price increases and contractual obligations, the cumulative rate of inflation, as reported by the Bureau of Labor Statistics, for the period of 2006-2016 is 19.6%.

Over the course of the past three fiscal years, the town has financed capital purchases using free cash, annual appropriations, or a combination of both. A consistent approach is not readily apparent. For this reason, we recommend that the town establish policies regarding the use of reserves and financing strategies for capital expenditures. Having reserves on hand and a more consistent method of financing capital projects will normalize tax rate fluctuations for the taxpayer.

CAPITAL PLAN FUNDING	FY2012	FY2013	FY2014	FY2015	FY2016	TOTAL	AVERAGE
Free Cash	\$148,577	\$65,122	\$60,000	\$127,912	\$62,708	\$464,319	\$92,864
CPA/Other	27,000	30,000	17,000	-	-	74,000	14,800
Taxation	-	-	183,817	-	-	183,817	36,763
TOTAL	\$175,577	\$95,122	\$260,817	\$127,912	\$62,708	\$722,136	\$144,427

FIGURE 7: FIVE YEAR ANALYSIS: CAPITAL AND EQUIPMENT FUNDING

Sources: Town meeting minutes, Division of Local Services - tax recapitulation sheet

The town’s reserves comprise free cash and a general stabilization fund as well as an education stabilization fund. Examining each category separately, every year, will help the town determine if they are trending favorably or need corrective action. Ordinarily if the stabilization fund falls below a certain percentage of the annual operating budget, it is likely that free cash will be used to replenish it. Any free cash used to replenish the stabilization fund will then be unavailable for other purposes, including for capital expenditures. This could result in either increased borrowing or deferring capital projects. Since free cash is a one-time revenue source, it should not be used to fund any personnel, program, or initiative that would require expenditures in subsequent fiscal years. Its best use is to enhance reserves, such as stabilization accounts, fund non-recurring unforeseen expenditures, reduce outstanding liabilities (e.g., OPEB and pension), and provide funding for capital programs.

The town has been fortunate to develop healthy reserves, with balances in recent years exceeding 20% of annual operating revenues on a \$3.5M budget. The town amassed large surplus revenue balances until a recession era drop, but the regionalization savings realized in FY2013 provided a recent catalyst for the significant increase in the town’s overall reserves.

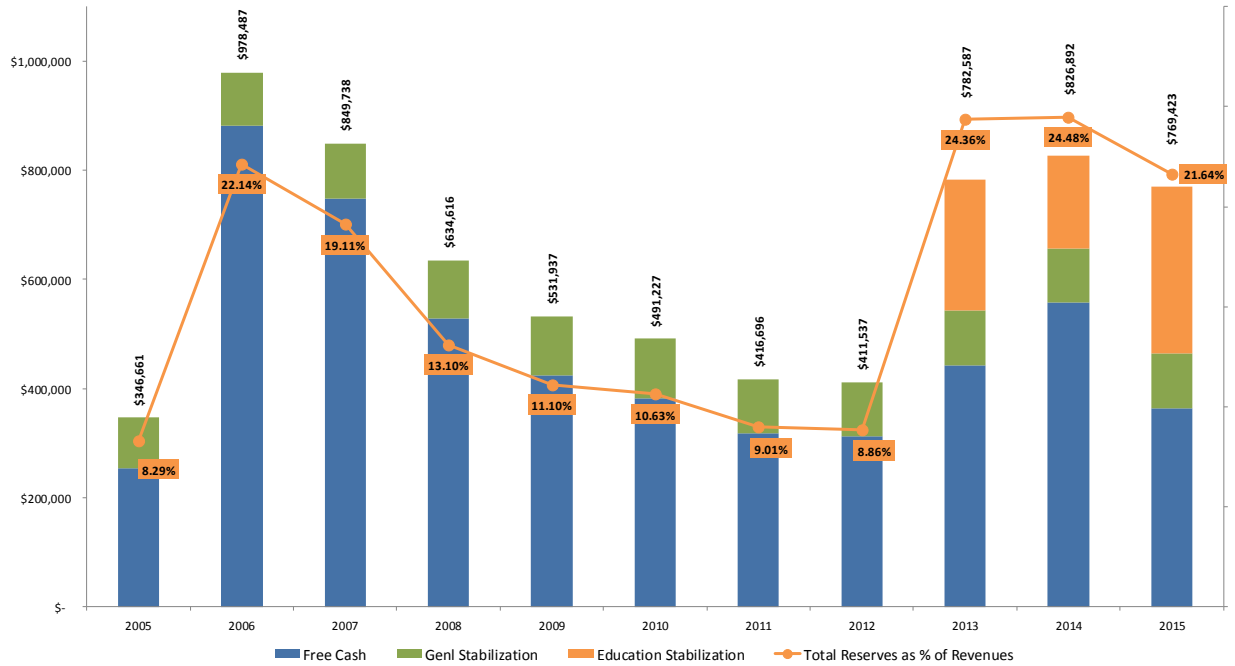


FIGURE 8: RESERVES [FREE CASH + EDUCATION STABILIZATION + GENERAL STABILIZATION] AS A % OF TOTAL REVENUES
 Source: Division of Local Services databank

Over the last six years, the town has appropriated more than \$436,000 in free cash to reduce the tax levy, resulting in an average annual reduction of \$111 per single family tax bill. By relying on free cash to reduce the tax levy, it may indicate that the town is levying at an excessive level or relying on one-time, nonrecurring revenues for operating expenses. This practice poses a risk that significant increases in taxes will be necessary when those revenues are no longer available. While there may be occasional circumstances under which using free cash for budgetary support is advisable, a best practice is to use free cash to enhance reserves, reduce liabilities or invest in capital improvements.

IMPACT OF USING RESERVES	FY11	FY12	FY13	FY14	FY15	FY16
Amount to Raise and Appropriate	\$4,626,640	\$4,643,529	\$3,211,932	\$3,377,310	\$3,556,089	\$3,525,191
Less: Non-Tax Revenue	2,219,097	2,180,820	869,494	936,454	1,133,461	1,064,010
Tax Levy	2,407,543	2,462,709	2,342,438	2,440,857	2,422,628	2,461,181
Tax Rate	11.90	12.02	12.10	12.66	12.68	12.84
<u>Reserves used to support the budget:</u>						
Free Cash	87,966	20,000	100,000	-	87,649	140,550
Education Stabilization				135,000		
Total: Reserves Used	\$87,966	\$20,000	\$100,000	\$135,000	\$87,649	\$140,550
<u>Impact on Tax Levy if reserves were not used</u>						
Adjusted Levy	2,495,509	2,482,709	2,442,438	2,575,857	2,510,277	2,601,731
Adjusted Tax Rate	12.33	12.12	12.62	13.36	13.14	13.57
<i>Tax Rate impact</i>	0.43	0.10	0.52	0.70	0.46	0.73
<u>Impact on Average Single Family Bill</u>						
Average Single Family Home - Value	269,519	270,706	242,864	243,212	237,632	237,969
Average Single Family Home - Taxes	3,207	3,254	2,939	3,079	3,013	3,056
Adjusted without using reserves	3,324	3,280	3,064	3,249	3,122	3,230
Net Impact	\$117	\$26	\$125	\$170	\$109	\$174

FIGURE 9: RESERVES USED TO OFFSET TAX RATE

Sources: Division of Local Services gateway - tax recapitulation sheet and schedule A

A general stabilization fund allows a community to set aside money for future or unforeseen purposes, whereas a special purpose stabilization fund is an effective planning tool establishing a commitment to a specific purpose. The town currently maintains a general purpose stabilization fund and education stabilization fund, but has no specific strategies surrounding target funding levels, prescribed uses and limitations, and does not have a capital stabilization fund.

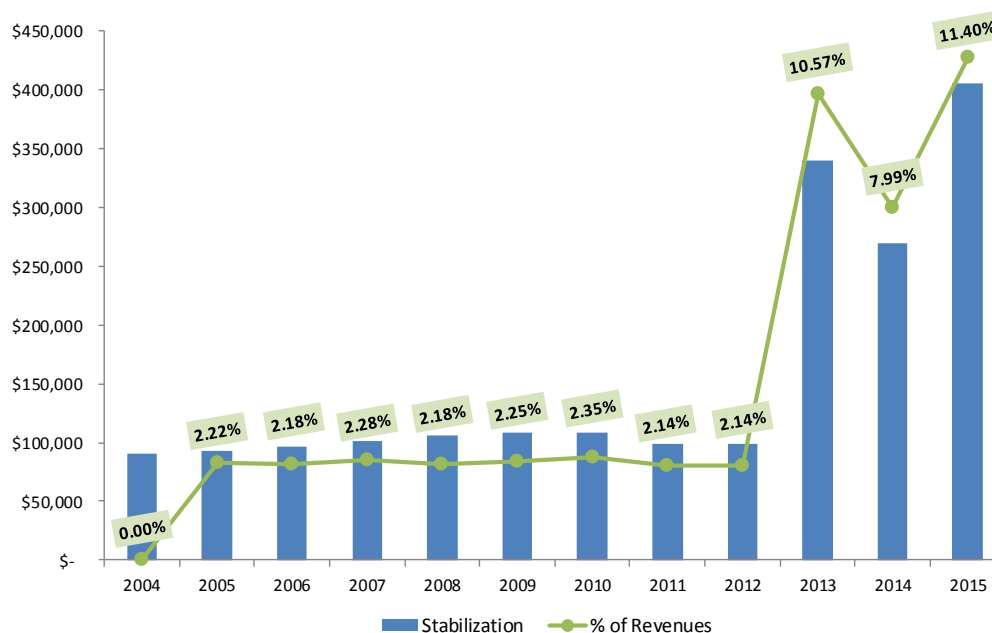


FIGURE 10: GRANVILLE GENERAL AND EDUCATION STABILIZATION FUNDS

Sources: Annual town reports – balance sheet, Division of Local Services gateway – schedule A part 6

Since 2006, the town’s outstanding direct debt has declined \$1.1M. At the same time annual debt service, including exempt plus non-exempt, has averaged 5.7 percent of net operating revenues. This conservative debt management, coupled with the town’s increasing excess levy capacity, indicates that Granville would be capable of assuming additional debt within the levy limit.

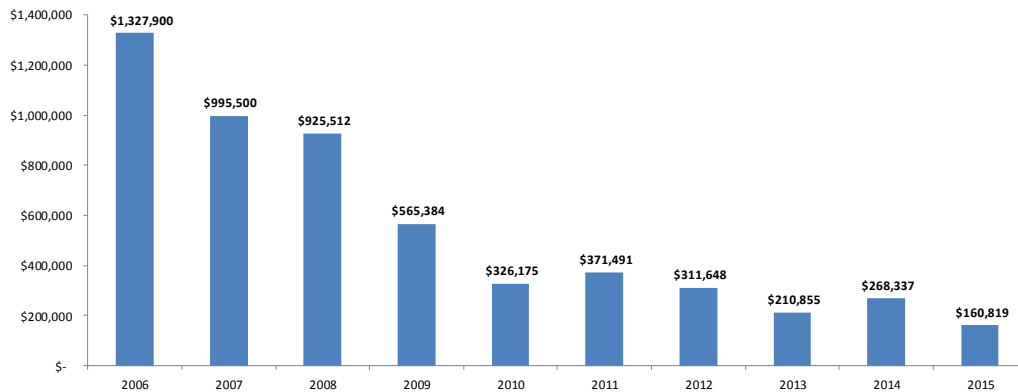
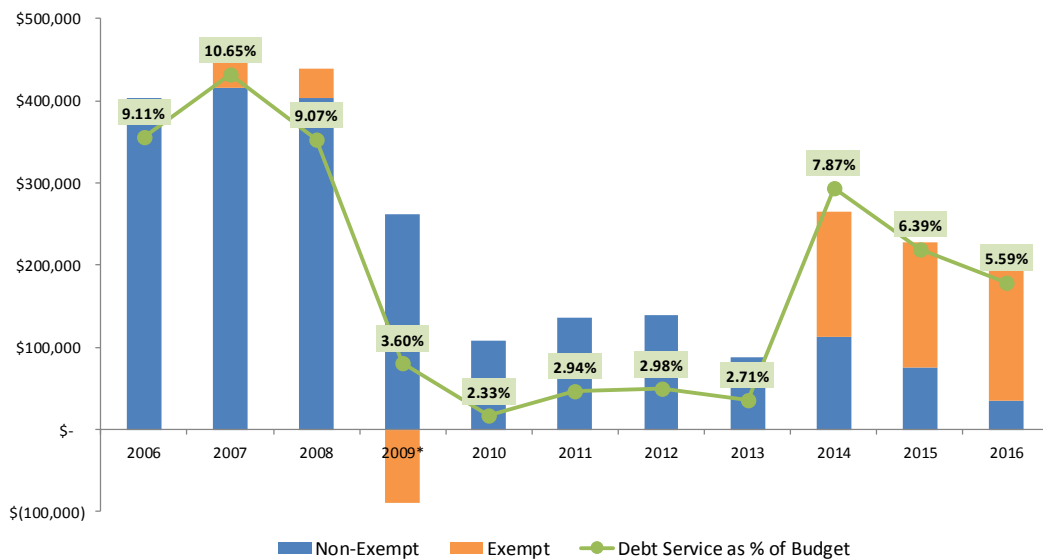


FIGURE 11: TOWN GENERAL OBLIGATION BONDS OUTSTANDING
Source: Division of Local Services gateway - schedule A part 10

Regularly tracking debt service as a percentage of general fund revenues or as a percentage of assessed valuation will help policymakers decide how much (or whether) to borrow in a given fiscal year. This analysis also helps determine whether to increase cash financing to make up the difference. Local officials should regularly monitor both within-levy (i.e., non-exempt) debt and exempt debt categories to ensure that needed investments in infrastructure are not crowded out by special projects.



* The MSBA reimbursement exceeded amount due on excluded debt; adjustment was reflected on the FY2009 DE-1.

FIGURE 12: GROSS DEBT SERVICE AS A PERCENTAGE OF OPERATING REVENUES
Source: Division of Local Services databank – municipal debt analysis

CURRENT CAPITAL PLANNING FRAMEWORK

The town defines a capital item as one costing more than \$5,000 but a minimum useful life threshold has not been clearly identified. There are no established policies, procedures or bylaws related to capital planning and historically, capital planning has not been a centralized, comprehensive process embedded in the annual budgetary cycle. Each winter, the finance committee issues a memo to department heads requesting their operating budget and capital planning requests. The finance committee encourages department heads to submit budget requests and supporting documents free-form; there is no standard format for budget and capital submissions. In February, the finance committee compiles the data into an Excel worksheet, begins analysis and meets with most department heads. Unofficially, their practice is to remain as close to level funding as possible. Although initial revenue projections are supplied from the town administrative assistant and bookkeeper, there is no formal practice specifying how often revenue projections are updated, the consistency of budget submissions, the preparation of asset and fleet inventories, nor a formal calendar of departmental meetings and milestones.

As the operating budget is compiled, the finance committee and board of selectmen maintain the goal of funding core services while minimizing tax rate impacts to the greatest extent possible. Capital purchases are typically addressed at the end of the budgetary cycle when the town analyzes reserves and determines an arbitrary amount it wishes to allocate that year. At this time, capital expenditures are based upon how much free cash is available, and each recommendation becomes a separate town meeting warrant article rather than part of a comprehensive capital improvement program.

The town has traditionally implemented an ad hoc approach to capital planning with inconsistent financing strategies applied, alternating between free cash and taxation. The town should develop a set of financial targets to determine its capacity to utilize reserves or borrowing. Absent a proper framework, capital decisions may be based on availability of funding, rather than from operational need or timing.

PROPOSED CAPITAL PLANNING FRAMEWORK

A successful capital planning framework includes:

- adoption of a capital bylaw
- development of an asset management program
- implementation of a planning calendar and internal procedures
- formation of financing strategies to address capital asset needs
- preparation and publication of a capital improvement plan

The detailed capital improvement plan, presented to town meeting, is composed of three parts—a capital budget, narrative justifications and a multi-year capital program. The capital budget is the upcoming year's spending plan for capital items coupled with narrative justifications describing the goods and services being purchased. The capital program is the remaining capital expenditures extending an additional four years beyond the capital budget.

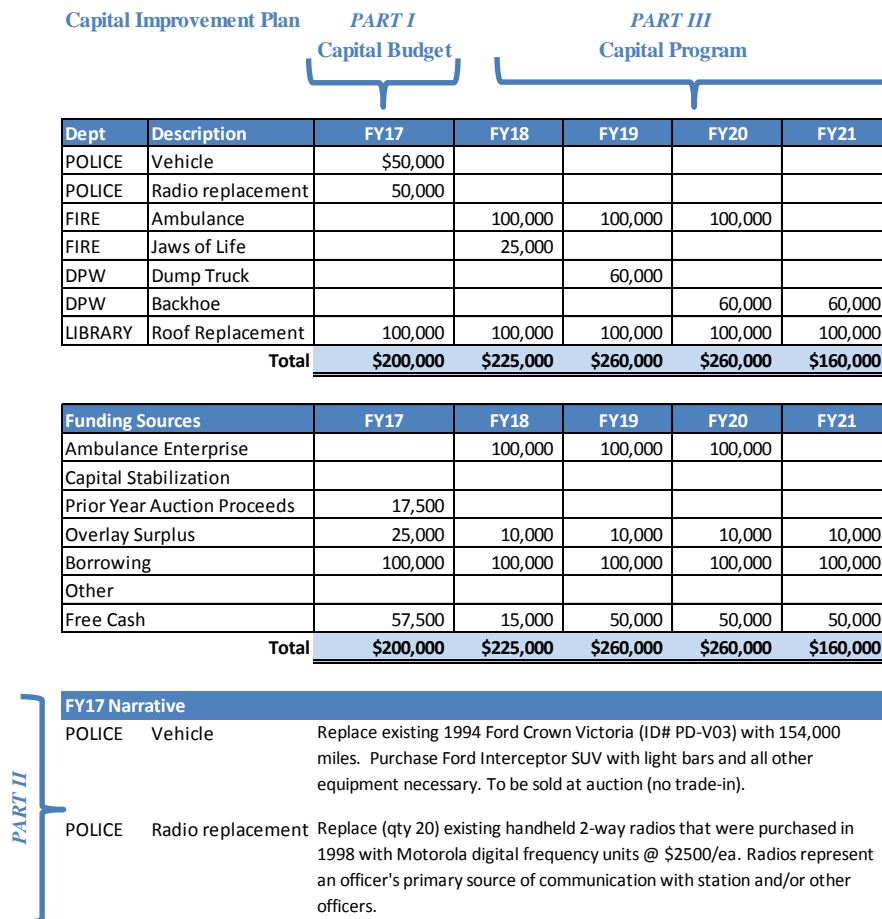


FIGURE 13: MULTI-YEAR CAPITAL IMPROVEMENT PLAN STRUCTURE
Sample format for town meeting presentation

Capital Planning Bylaw

It is important to align the annual capital and operating budget processes more closely, since one will always impact the other. To achieve this objective, absent a town administrator, we recommend that the town adopt a bylaw, as allowed by [M.G.L. c. 41, §106B](#), establishing a capital planning committee and defining its charge. The bylaw should:

- Establish the committee membership of key stakeholders, including the town administrative assistant, a representative from the board of selectmen, a representative from the finance committee, the DPW superintendent, police chief and fire chief.
- Specify the committee's powers and duties to collect, vet, and prioritize all projects, as well as prepare, publish and present its recommendations to the board of selectmen, finance committee and town meeting; with a copy included in the annual town report.
- Require an annual report be prepared including the capital improvement budget for the next fiscal year and a capital improvement program with recommendations for the following four fiscal years.
- Outline the method for identifying the chairperson. We recommend the town administrative assistant serve as the chair because he maintains a full-time presence in town hall, working closely with all employees, boards and committees and remains an ideal candidate to be a consistent presence throughout the budgetary and capital planning process. The chair would receive, compile, manage and disseminate data to the remaining committee members as it becomes available.
- Set a clear and standard definition of a capital project. Most commonly, the policy is based upon two factors: minimum useful life (e.g., five years) and minimum dollar expense (e.g., \$10,000). Periodically, a department must replace smaller equipment or furnishings that are not annually occurring needs nor meet the capital criteria. For example, replacing a \$2,000 conference table does not meet the definition of a capital purchase. As such, these expenditures do not qualify for inclusion on the capital plan.

Sample bylaw language is available on-line at [CIP: Developing a Comprehensive Community Program, \[www.mass.gov/dor/docs/dls/tab/cipguidefinal.pdf\]](#).

Asset Management Program

An effective capital improvement plan requires the implementation of an asset management program, including a detailed inventory of all current town-owned assets, fleet and other large, durable equipment, inclusive of age and condition. Without a proper overview of what's on hand, it is difficult to develop a strategy for current and future capital needs. The most valuable asset management schedules include (as applicable) dates of acquisition or last improvement, current conditions, extents of use, and estimated dates for replacement or expansion. When inventory

schedules and capital requests are viewed together, local officials can address both the maintenance and care of *existing* assets as well the replacement or purchase of *new* ones.

We recommend that the town adopt a procedure identifying the party responsible for actively maintaining the asset schedules. Updating these documents should become part of the annual capital budget process and should include cross-referencing these schedules against the town's property and casualty insurance policies for completeness. When compiling the results, the town should incorporate any road improvement, facilities management, and master plans.

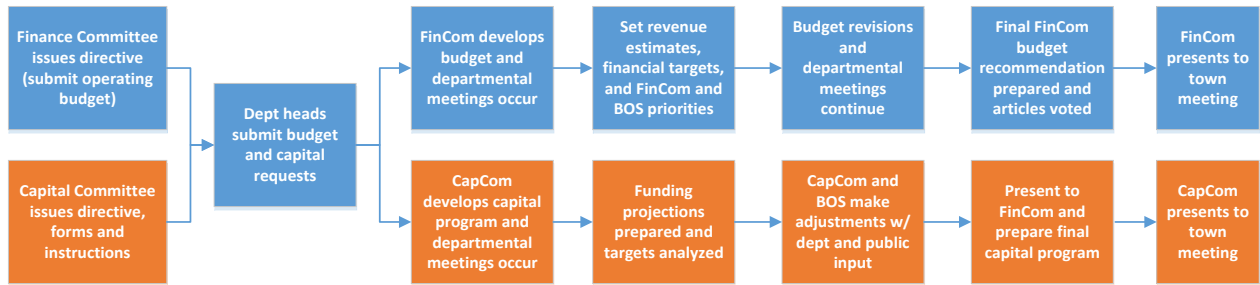
Sample forms are available on-line by clicking here [Capital Planning Manual: Forms and Instructions \[www.mass.gov/dor/docs/dls/tab/cipmanualfinal.pdf\]](http://www.mass.gov/dor/docs/dls/tab/cipmanualfinal.pdf).

Calendar and Procedures

Supported by a bylaw, local officials should develop a comprehensive calendar, defining key activities, along with clear procedures regarding the capital planning cycle. The calendar should include critical milestones, deliverables, and explicit due dates for both the budget and capital planning process. It should be updated annually and distributed to all applicable boards, committees, department heads and other stakeholders during the dissemination of the budget packets for the upcoming year. A sample calendar has been included as ***Attachment 1: Town of Granville Capital/Budget Calendar***.

To start the capital process, the committee should issue a directive to all stakeholders that includes a calendar, standard forms and instructions, updated asset schedules and a copy of the previous CIP. While the department heads compile their capital requests for the new fiscal year, the committee should schedule the departmental meetings and review financial targets. Each department should meet with the capital planning committee, at least once, to present their requests and supporting materials. Only after all requests have been presented by the department heads, should the committee prioritize and rank each project to develop a recommended CIP.

A sample process flow, shown below, illustrates the parallel nature of budgeting and capital planning activities.



Financing Strategies

The capital planning committee should establish budgetary targets (upper and lower limits) to frame the discussion regarding annual capital expenditures. While establishing a spending target may run contrary to prescribed notions of minimizing municipal spending, the fact remains that it is common practice to delay replacement of equipment, repairs, and maintenance of town-owned facilities and purchase of replacement vehicles in order to save money. However, the need for making expenditures on capital items will not subside. A continuous investment in the town's infrastructure and resources is important and advisable, and credit rating agencies look favorably on communities with such programs.

A common and best practice is to set a percentage of net operating revenues as a benchmark capital budget; this is generally between two and five percent of general fund net operating revenues. However, given the town's current need for significant and costly road related maintenance and improvements, it may be favorable to increase that expenditure threshold upward for the ensuing three to five years. Completing the financial targets worksheet² will assist local officials in defining fiscal policies and establishing benchmarks for the annual capital planning and budget process.

² See Attachment 2: Financial targets worksheet in Microsoft Excel. Enter demographic data and desired benchmarks to determine annual targets for the fiscal year.

FINANCIAL TARGETS WORKSHEET

DEMOGRAPHICS	
Enter fiscal year being budgeted	2017
Enter prior fiscal year	2016
Enter most recent EQV	\$206,163,900
Enter FY2016 Total Assessed Valuation	\$191,680,730
Enter FY2016 Tax Levy	\$ 2,461,181
Enter FY2016 General Fund Gross Operating Revenue	\$ 3,528,038
Enter revenue offsets (as positive amounts):	
Debt service for:	2016 \$ 91,600
MSBA Reimbursement for:	2016 \$ -
Other	\$ -
Other	\$ -
<i>Add rows as needed and adjust formula.</i>	Total \$ 91,600
Net Operating Revenues	\$ 3,436,438

POLICY DECISIONS	
Minimum Cost of item to borrow	\$ 15,000
Minimum Cost of item requiring debt exclusion	\$ 1,000,000
<i>Enter % of Net Operating Revenues for:</i>	
Combined Reserves	Target 10.00%
Budgetary Reserve Fund	0.60%
Capital Plan Funding-Direct debt	5.00%
Capital Plan Funding-Exempt debt	2.50%
Debt service-Direct debt	5.00%
Debt service-Exempt debt	2.50%
<i>Enter % of Total Assessed Valuation for:</i>	
Debt service	0.50%
Outstanding debt	1.00%

Targets as a % of Operating Budget

CAPITAL PLAN	Minimum	TARGET	Maximum
Annual capital plan [w/o exempt debt]	2.00% \$ 68,729	5.00% \$ 171,822	10.00% \$ 343,644
Annual capital plan [with exempt + non exempt debt]	7.00% \$ 240,551	10.00% \$ 343,644	12.00% \$ 412,373

- (a) May not exceed 5% of prior year's levy
- (b) May not exceed 10% of total EQV per M.G.L. c.44 §10
- (c) Total annual appropriation may not exceed 10% of prior year's tax levy
- (d) Credit agencies suggest less than 20% of net operating revenues

Once the current year's capital budget is established and benchmarks identified, the capital planning committee, working with the bookkeeper, should review all previously authorized bonded projects with residual balances available for reallocation in conformance with [M.G.L. c. 44, §20](#).

Capital expenditures may be funded via a variety of methods (e.g., free cash, stabilization, community preservation, sale of property, revolving fund, etc.) and no singular method is applicable to every capital expenditure. However, having a general understanding of the tools available coupled with sound fiscal policies regarding the use of them will position the town to effectively invest in capital assets and infrastructure each year. Please refer to [Capital Improvement Planning: Developing a Comprehensive Community Program](#) for a description of each of these funding options.

FINANCIAL POLICY RECOMMENDATIONS

Fiscal policies serve as a guide in evaluating the financial implications of program and policy recommendations. We recommend that Granville adopt policies on reserves (i.e., free cash and stabilization funds) and debt.

Reserves Policy

The purpose of a reserve policy is designed, in part, to maintain a favorable level of reserves on hand, but also to develop free cash as a reliable financing source for smaller, one-time capital or equipment related projects.

Credit rating agencies, which regularly monitor the size of governmental fund balances, prefer healthy reserves so that there is a degree of assurance that a town will honor its debt obligations. Notwithstanding, if a government consistently maintains disproportionately large reserves, it raises concerns about whether the government is taxing too much. Given that Granville relies on the tax levy for 70 percent of its revenue and only six percent on state aid, the town is less susceptible to revenue volatility. Maintaining total reserves between 5 to 10 percent of general fund operating revenues (exclusive of special purpose³ stabilization funds) is a recommended best practice by ICMA⁴ and GFOA⁵. Defining the proportion of reserves allocated between free cash and stabilization funds remains discretionary.

Targets as a % of Operating Budget						
RESERVES	Minimum		TARGET		Maximum	
Free Cash	1.00%	\$ 34,364	5.00%	\$ 171,822	10.00%	\$ 343,644
(d) Stabilization Fund	2.00%	\$ 68,729	2.50%	\$ 85,911		no limit
(d) Education Stabilization Fund	2.00%	\$ 68,729	2.50%	\$ 85,911		no limit
COMBINED TOTAL RESERVES						
% of Net Operating Revenues	Minimum		TARGET		Maximum	
	5.00%	\$ 171,822	10.00%	\$ 343,644	10% of EQV	\$ 20,616,390
COMBINED TOTAL RESERVES						
2 months Operating Revenues	Net	Monthly	GFOA Recommendation			
	\$3,528,038	\$ 286,370	2 Months	\$ 572,740		

Free Cash

The most widely-recognized of the reserves is free cash, which is available for appropriation upon certification from the Department of Revenue. Each community's needs for liquidity vary, so it is incumbent upon Granville to define a policy identifying a sufficient level of free cash reserves. Generally, we recommend maintaining a minimum of one to five percent of general fund operating revenues. As important as setting the threshold, local officials should define acceptable uses of free cash, prohibited uses, and courses of action for when free cash falls below or exceeds the desired

³ Stabilization funds with a clearly defined purpose and therefore funds are restricted solely for that purpose; whereas general purpose stabilization is not restricted in its use so long as proper two-thirds vote is authorized at town meeting.

⁴ International City/County Management Association, www.icma.org

⁵ Government Finance Officers Association, www.gfoa.org

target. The policy should stipulate that it should not be used to fund any personnel, program, or initiative that would require expenditures in subsequent fiscal years, except where extenuating circumstances exist. Further, we recommend that the town phase out its reliance on using free cash to offset the operating budget and instead make an annual appropriation to support a capital stabilization fund.

Capital Stabilization

Separate from the town’s two existing stabilization funds, we recommend seeking town meeting authorization to establish a capital stabilization fund (allowable per [M.G.L. c. 40, §5B](#)) as a special purpose stabilization. Its intended purpose is to fund capital projects and improvements, therefore it should be outside the scope of the reserve policy noted above and will require its own policy guidelines. The target balance in this fund is unique to each community and, for communities with substantial future capital needs, building a balance larger than prescribed policies for the general stabilization target is an acceptable practice.

The town established an education stabilization fund that currently maintains a balance over \$350,000, or roughly 10 percent of net operating revenues. Given the ample balance, we recommend that the town direct future appropriations to a capital stabilization fund and begin accumulating reserves for capital investment. At a future point, the town may decide to alter the purpose of the education stabilization fund via a two-thirds vote of town meeting.

		Targets as a % of Operating Budget					
STABILIZATION: [SPECIAL PURPOSE]		Minimum		TARGET		Maximum	
(c)	[Capital Stabilization] Fund	5.00%	\$ 171,822	10.00%	\$ 343,644		no limit
(c)	[Other-Insert Name] Fund	5.00%	\$ 171,822	10.00%	\$ 343,644		no limit

In establishing a capital stabilization fund policy, the town should:

- Define the special purpose and use of the fund
- Develop indicators for when to appropriate into this fund, such as a percentage of new growth, new personal property revenues⁶ or free cash above the target set by policy
- Define a plan for replenishing the fund

⁶ New growth in personal property may result from business improvements or expansion and does not necessarily increase demand on town services thus creating an opportunity for one-time capital investment.

To adequately plan for future capital projects, the town could make regular appropriations into its capital stabilization fund. The town is currently reporting a balance, in excess of \$85,000, in the overlay reserve dating back to FY1995. The overlay reserve may⁷ be available to declare as surplus and therefore initiate funding of a capital stabilization fund, with future appropriations stemming from free cash and budgetary appropriation.

Debt

Good debt management practices not only protect the town's investment in capital but may also result in lower cost of borrowing by structuring multiple projects together to reduce frequency of issues, lower issuance costs, and highly competitive, tax exempt interest rates.

Policies guiding debt capacity ensure that debt levels do not exceed amounts that can be supported by existing and projected revenues. We recommend that the town develop a debt management policy including a benchmark of the capacity for both annual debt service and total outstanding debt. When designing the policy, officials should include the following considerations:

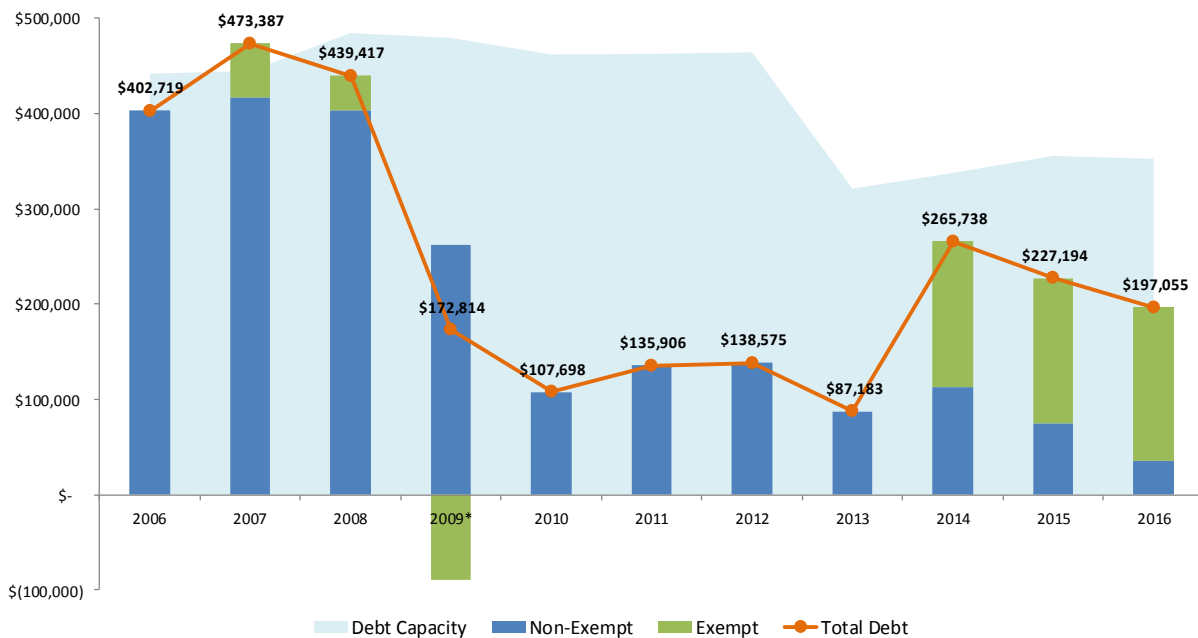
- Evaluate annual debt service both as a percent of total assessed valuation (i.e., one-tenth to one and a half percent) and as a percent of general fund revenues (five to 10 percent) to determine which level is a suitable fit
- Define the minimum cost of a capital purchase for which for the use of debt will be pursued
- Outline a commitment to capital reinvestment by:
 - scheduling projects such that as debt is paid down, it will be replaced by new, within-levy debt, or
 - directing an appropriation to the capital stabilization fund if there are no current debt supported projects
- Define that the term of debt issued shall not exceed the useful life of the asset or improvement
- Prescribe that short-term debt funding will not be rolled over beyond two years without initiating pay down of principal (per [M.G.L. c. 44, §17](#))
- Set a maximum ceiling where general fund annual debt service is not to exceed 20 percent of net operating revenues to prevent unmanageable debt or borrowing for special interest projects
- Establish at least 50 percent of the total debt will be retired at the end of ten years

⁷ Please refer to the notation on outstanding receivables in "Other Observations"

(d) DEBT SERVICE	Minimum	TARGET	Maximum
% of operating budget: non-exempt only	2.50% \$ 85,911	5.00% \$ 171,822	10.00% \$ 343,644
% of operating budget: exempt+non-exempt	5.00% \$ 171,822	10.00% \$ 343,644	20.00% \$ 687,288
As a % of total assessed valuation	0.10% \$ 191,681	0.50% \$ 958,404	1.50% \$ 2,875,211
Min cost of item debt eligible	\$ 15,000		

(b) OUTSTANDING DEBT	Minimum	TARGET	Maximum
As a % of assessed valuation	0.50% \$ 958,404	1.00% \$ 1,916,807	10% of EQV \$ 20,616,390

Credit rating agencies suggest up to 10 percent of net operating revenues as a generally accepted benchmark for financial soundness. Debt service exceeding 20 percent of net operating revenues may signal a potential problem. Dramatic increases in debt service also indicate potential problems unless revenue sources increase to keep pace with these additions to fixed costs. By compiling and analyzing debt capacity along with annual debt service, inclusive of non-exempt and exempt debt, the town can effectively manage its debt load.



* The MSBA reimbursement exceeded amount due on excluded debt; adjustment was reflected on the FY2009 DE-1.

FIGURE 14: DEBT ANALYSIS: TARGET DEBT CAPACITY AND CURRENT DEBT SERVICE

Sources: Town meeting minutes, Division of Local Services statement of indebtedness and schedule A

We recommend that a budgetary line item for debt service be established as part of the annual operating budget. Currently the town presents existing debt service payments as individual warrant articles for town meeting authorization. This practice is unnecessary when the borrowing has been duly authorized by prior town meeting vote. All direct (i.e., non-exempt debt) debt service payments should be consolidated into an annual appropriation for the retirement of debt. For

transparency and effective communication, the town may consider including a chart at town meeting for informational purposes during the initial transition to this structure, however, this is unnecessary beyond the transition period:

Debt Service

<u>Department</u>	<u>Description</u>	<u>Term</u>	<u>Original</u>	<u>FY17 Amount</u>	<u>Outstanding Balance</u>	<u>Last Payment</u>
Fire	Center Firehouse	3	\$ 50,000	\$ 17,217	\$ 33,884	FY19
DPW	Truck Loan	5	\$ 210,000	\$ 46,200	\$ 176,400	FY21
				<u>\$63,417</u>		

Planning for and financing the replacement, repair and acquisition of capital assets is a critical component of a town’s financial system. By implementing these recommendations, developing a complete asset inventory and preparing a comprehensive capital improvement plan, the town will be better positioned to identify projects, prioritize funding and create a long-term financial plan that can be achieved within the context of the town’s resources.

SAMPLE CIP FINANCING STRATEGY

We have prepared a financing strategy demonstrating a progressive approach to achieve targeted levels of capital investment. The town should update and review this table annually to identify debt capacity and capital investment goals.

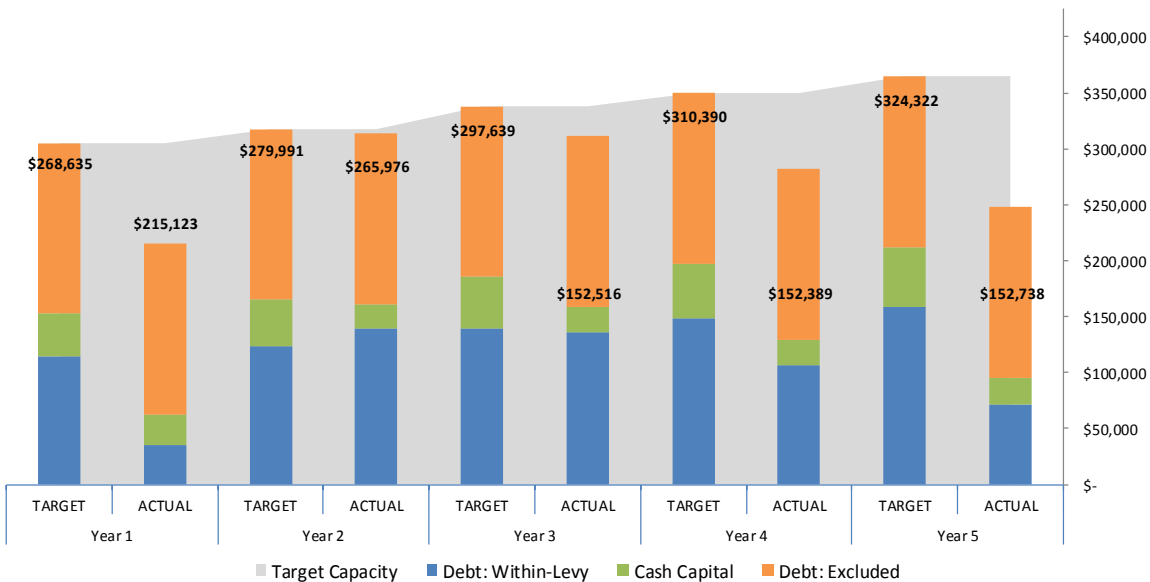


FIGURE 15 CIP FINANCING STRATEGY - 5 YEAR PROJECTION

Sources: Town records (town meeting minutes, debt schedules and amortization schedules)

GENERAL FUND REVENUE	Baseline Year 1	Year 2	Year 3	Year 4	Year 5	Assumption
PROPERTY TAXES						
Prior Year Levy Limit	\$2,855,584	\$2,958,230	\$3,065,004	\$3,176,089	\$3,291,674	DOR Levy worksheet
Prop 2½ allow increase	\$71,390	\$73,956	\$76,625	\$79,402	\$82,292	2.5% increase
New Growth	\$31,256	\$32,819	\$34,460	\$36,183	\$37,992	5% increase
TOTAL LEVY LIMIT	\$2,958,230	\$3,065,004	\$3,176,089	\$3,291,674	\$3,411,958	
Debt Exclusion	\$152,415	\$152,516	\$152,516	\$152,389	\$152,738	Per amortization sched
MAXIMUM LEVY LIMIT	\$3,110,645	\$3,217,520	\$3,328,605	\$3,444,063	\$3,564,696	
LOCAL RECEIPTS						
Motor Vehicle Excise	\$190,000	\$195,700	\$201,571	\$207,618	\$213,847	2% increase
PILOTs	\$210,000	\$210,000	\$210,000	\$210,000	\$210,000	0% increase-close to FC
All Other	\$81,600	\$82,090	\$82,587	\$83,090	\$83,601	Various
TOTAL LOCAL RECEIPTS	\$481,600	\$487,790	\$494,158	\$500,708	\$507,447	
STATE AID						
Cherry Sheet Receipts	\$222,052	\$226,493	\$231,023	\$235,643	\$240,356	2% increase
Less Offsets	\$(2,314)	\$(2,314)	\$(2,314)	\$(2,314)	\$(2,314)	0% increase
Less Charges and Assessments	\$(1,942)	\$(1,981)	\$(2,020)	\$(2,061)	\$(2,102)	2% increase
TOTAL NET STATE AID	\$217,796	\$222,198	\$226,688	\$231,268	\$235,940	
AVAILABLE FUNDS						
Community Preservation						
Capital Stabilization Fund	\$-	\$-	\$160,000	\$113,641	\$113,641	^(f)
Free Cash	\$176,067	\$178,708	\$181,389	\$184,109	\$186,871	1.5% increase
TOTAL AVAILABLE FUNDS	\$176,067	\$178,708	\$341,389	\$297,751	\$300,512	
RESERVE FOR ABATEMENT	\$(25,736)	\$(25,736)	\$(25,736)	\$(25,736)	\$(25,736)	0% increase
TOTAL GROSS REVENUE	\$3,960,372	\$4,080,481	\$4,365,104	\$4,448,055	\$4,582,860	
Less Debt Exclusion	\$(152,415)	\$(152,516)	\$(152,516)	\$(152,389)	\$(152,738)	STGRSD through 2038
Less Free Cash	\$(176,067)	\$(178,708)	\$(181,389)	\$(184,109)	\$(186,871)	
TOTAL GENERAL FUND BUDGET [GFB]	\$3,631,890	\$3,749,257	\$4,031,199	\$4,111,556	\$4,243,251	
Target ≤ 5% FOR NON-EXEMPT CIP	\$181,594	\$187,463	\$201,560	\$205,578	\$212,163	

CIP STRATEGY TO ACHIEVE TARGET FINANCING	Baseline Year 1	% of GFB	Year 2	% of GFB	Year 3	% of GFB	Year 4	% of GFB	Year 5	% of GFB
Debt: Within-Levy ^(a)	\$114,405	3.15%	\$123,725	3.30%	\$139,076	3.45%	\$148,016	3.60%	\$159,122	3.75%
Debt: Excluded	\$152,415	3.85%	\$152,516	3.74%	\$152,516	3.49%	\$152,389	3.43%	\$152,738	3.33%
Cash Capital ^(b)	\$38,135	1.05%	\$41,242	1.10%	\$46,359	1.15%	\$49,339	1.20%	\$53,041	1.25%
Target ≤ 10% (exempt+non-exempt)	\$304,954	8.05%	\$317,483	8.14%	\$337,951	8.09%	\$349,744	8.23%	\$364,901	8.33%

TARGET VS ACTUAL CIP FINANCING STRATEGY TARGET	Baseline Year 1	% of GFB	Year 2	% of GFB	Year 3	% of GFB	Year 4	% of GFB	Year 5	% of GFB
Debt: Within-Levy ^(a)	\$114,405	3.15%	\$123,725	3.30%	\$139,076	3.45%	\$148,016	3.60%	\$159,122	3.75%
Cash Capital ^(b)	\$38,135	1.05%	\$41,242	1.10%	\$46,359	1.15%	\$49,339	1.20%	\$53,041	1.25%
<i>Target (non-exempt)</i>	\$152,539	4.20%	\$164,967	4.40%	\$185,435	4.60%	\$197,355	4.80%	\$212,163	5.00%
										Target ≤ 5%
Debt: Excluded ^(c)	\$152,415		\$152,516		\$152,516		\$152,389		\$152,738	
<i>Target (exempt + non-exempt)</i>	\$304,954	8.40%	\$317,483	8.47%	\$337,951	8.38%	\$349,744	8.51%	\$364,901	8.60%
										Target ≤ 10%

ACTUAL	Baseline Year 1	% of GFB	Year 2	% of GFB	Year 3	% of GFB	Year 4	% of GFB	Year 5	% of GFB
Debt: Within-Levy	\$35,708	0.98%	\$139,151	3.71%	\$136,487	3.39%	\$106,572	2.59%	\$71,070	1.67% ^(e)
Cash Capital ^(d)	\$27,000	0.74%	\$21,800	0.58%	\$22,454	0.56%	\$23,128	0.56%	\$23,821	0.56%
<i>Actual (non-exempt)</i>	\$62,708	1.73%	\$160,951	4.29%	\$158,941	3.94%	\$129,699	3.15%	\$94,891	2.24%
Debt: Excluded	\$152,415	4.20%	\$152,516	4.07%	\$152,516	3.78%	\$152,389	3.71%	\$152,738	3.60% ^(e)
<i>Actual (exempt + non-exempt)</i>	\$215,123	5.92%	\$313,467	8.36%	\$311,457	7.73%	\$282,088	6.86%	\$247,629	5.84%
Estimated Capacity	\$89,831		\$4,017		\$26,494		\$67,655		\$117,271	

Baseline = FY2016

^(a) General fund debt service raised and appropriated within levy limit. If no debt eligible projects exist, appropriation to Capital Stabilization is recommended to maintain debt capacity.

^(b) Cash Capital: May include raise and appropriate, free cash, one-time revenues, or other available funds

^(c) Excluded debt target is n/a as it is authorized per project by Town Meeting

^(d) Cash capital: Year 2= FY17 actual outlay; projection assumes a 3% increase in "actual" cash capital for years 3-5 to fund non-debt eligible capital outlay

^(e) Per actual debt service schedules provided by the town

^(f) Year 3 assumes transfer from education stabilization to capital stabilization to fund "cash capital" outlay of that year

OTHER OBSERVATIONS

- The town should define a financial management team, and hold regularly scheduled (e.g., monthly or bi-monthly) meetings to collaborate on matters, communicate key issues, and review the town’s financial affairs. Please refer to our recommended best practice on establishing a [Financial Team](#).
- In addition to defining and adopting capital planning policies, the town should develop a set of financial policies providing guidance on cash management and departmental turnovers, one-time revenues, investments, OPEB, fraud, employee reimbursements, and procurement at a minimum.
- As evidenced by DOR Schedule A for FY2015, the town is reporting outstanding receivables in excess of \$640,000 and this amount is increasing year-over-year. The rate of uncollectable amounts, currently in excess of 25 percent, continues to exceed desirable levels. If uncollected taxes remain between five and eight percent of a community’s net tax levy (i.e., tax levy less overlay), or the trend shows uncollected taxes increasing, the town is in a weak financial position in terms of tax collection. This may be a consequence of weakness in the local economy, or a result of inadequate tax collection procedures and inattentive financial management. An increasing percentage of uncollected taxes would lead to long-term cashflow problems for the community. If left unchecked, inadequate cashflow would impact a community’s ability to pay its obligations (debt or otherwise) on time or force it to defer necessary purchases.
- The town is maintaining a tax title portfolio with a balance due of slightly more than \$100,000. The relatively static balance coupled with the outstanding prior year receivables indicates that tax takings do not occur on a timely basis and that payments on delinquent balances may not be occurring with any regularity. The town should analyze the tax title portfolio, identify any land of low value properties that may be addressed swiftly, and then begin to focus on current takings and large delinquencies that require attention to convert into revenue for the town. This effort will require concerted energies and teamwork on the parts of the town administrative assistant, assessor, treasurer and collector. The town may need to consult with a tax title attorney or other outside counsel for assistance.
- The town does not currently have an OPEB valuation and analysis completed. The town should devote resources to understanding its OPEB liability and determining a strategy for funding the normal costs. Given the limited number of members, the town may qualify to use an [alternative measurement method](#). We recommend reviewing this with your auditor.
- As allowed under [M.G.L. c. 40, §5A](#), the town maintains a budgetary reserve fund as part of its annual general fund operating budget. The town should establish a policy setting the amount of annual appropriation as a percentage of net operating revenues. We recommend between 0.30 and 1.00 percent of net operating revenues.

Targets as a % of Operating Budget

Minimum		TARGET		Maximum	
0.30%	\$ 10,309	0.60%	\$ 20,619	5% FY2016 Tax Levy	\$ 123,059

ATTACHMENTS

The following attachments are intended to provide working documents the town can use for its capital planning process. Local officials are encouraged to use them as-is or adapt them to more closely fit their needs.

Attachment 1: Calendar

Attachment 1 is a sample calendar specific to the Town of Granville budget and capital planning cycle. This is not a comprehensive schedule but rather is intended to be a starting point for the town. Having one cohesive document encompassing both the annual budget and capital planning processes will facilitate communication, scheduling and clearly illustrate deliverables for all stakeholders.

Attachment 2: Financial Targets Worksheet

Developing financing strategies to support the capital plan are vitally important for the success of the plan. Attachment 2 is a worksheet to identify benchmarks for annual capital budget spending, stabilization fund targets and total targeted reserves. This worksheet should be an active, living tool that is updated annually and used to provide a framework for the capital planning and budgetary process.

Additionally, the town should review the following documents available from the [Division of Local Services – Technical Assistance Bureau toolkit](#):

[Capital Improvement Planning: Developing a Comprehensive Community Program](#)

This document is intended to provide general information to initiate a capital improvement program in your community and is suitable for distribution to all town boards, committees and department heads.

Source: <http://www.mass.gov/dor/docs/dls/tab/cipguidefinal.pdf>

[Capital Planning Manual: Forms and Instructions](#)

This document contains sample forms and inventory schedules. The town may customize and brand these forms as needed before distributing to the departments, boards and committees for use. By applying consistency and structure to the capital documentation, all stakeholders are easily able to understand, interpret and make informed decisions regarding the town's capital improvement program.

Source: <http://www.mass.gov/dor/docs/dls/tab/cipmanualfinal.pdf>

TOWN OF GRANVILLE
CAPITAL/BUDGET CALENDAR
SAMPLE

TAA = Town Administrative Assistant
 BOS = Board of Selectmen
 FinCom = Finance Committee
 CapCom = Capital Planning Committee
 SchCom = School Committee

Month	Due by	Responsible	Description
September	30-Sep	TAA	Update capital planning inventory schedules (facilities, fleet and equipment)
October	31-Oct	TAA	Begin compiling revenue projections
	31-Oct	TAA	Update calendar for budget/capital plan deliverables for coming year
November	01-Nov	SchCom	STGRSD meeting with 3 member communities to begin preparation of the annual operating budget
	15-Nov	TAA	Update <i>Financial Targets Worksheet</i> to set goals for new year
	15-Nov	Multiple	Budget Kickoff Meeting [BOS, FinCom, CapCom, TAA to establish guidelines for the coming year]
	30-Nov	FinCom	Prepare budget worksheets and standard forms for new fiscal year
December	15-Dec	FinCom	FinCom distributes memo & worksheets (outlining instructions and guidelines for coming year)
	15-Dec	CapCom	CapCom distributes memo, worksheets, inventory schedules & current multi-year plan
	31-Dec	TAA	Notify stakeholders of certified Free Cash from DOR
January	01-Jan	TAA	Issue initial revenue projections to stakeholders
	01-Jan	FinCom	FinCom distributes a calendar of scheduled appointments for dept heads [budget]
	15-Jan	CapCom	CapCom distributes a calendar of scheduled appointments for dept heads [capital planning]
	15-Jan	Depts	Departments submit Budget to FinCom
	31-Jan	FinCom	FinCom compiles budget submissions
	31-Jan	Depts	Departments submit Capital requests to CapCom
February	01-Feb	TAA	Issue updated revenue projections to stakeholders
	15-Feb	TAA/CapCom	Issue consolidated capital package to Capital Planning committee for review
	all month	FinCom	FinCom meets with dept heads, boards and committees to review budget requests
	all month	CapCom	CapCom meets with dept heads, boards and committees to review capital requests
	28-Feb	BOS	BOS requests overlay reserve releases from Board of Assessors to declare as surplus
	28-Feb	CapCom	Community Preservation to meet with CapCom to review CPC funded projects
March	01-Mar	TAA	Issue final revenue projections to stakeholders
	by Mar 1	SchCom	STGRSD operating budget is prepared and presented to the town
	all month	FinCom	FinCom meets with dept heads, boards and committees to review budget requests
	all month	CapCom	CapCom meets with dept heads, boards and committees to review capital requests
	15-Mar	TAA	Distribute TM warrant draft to BOS and FinCom for article recommendations
	31-Mar	FinCom	FinCom presents draft budget recommendations to BOS
April	01-Apr	SchCom	STGRSD school committee adopts operating budget and issues town assessments
	01-Apr	CapCom	CapCom finalizes capital outlay, narratives for current year and 5-year plan
	15-Apr	CapCom	CapCom presents multi-year capital plan and current year capital outlay to BOS and FinCom
	10-Apr	TAA	Distribute draft TM warrant to BOS and FinCom for article votes/recommendations
	15-Apr	FinCom	FinCom to vote on warrant article recommendations
	15-Apr	FinCom	FinCom finalizes its budget recommendations and sends final draft to dept heads
	30-Apr	FinCom	FinCom presents final budget recommendations to BOS
	30-Apr	TAA	Finalize and proof ATM warrant articles for printing
May	01-May	BOS	Post ATM warrant and meeting notification
	May 8-15		Town meeting, 2nd week in May

FINANCIAL TARGETS WORKSHEET

DEMOGRAPHICS	
Enter fiscal year being budgeted	2017
Enter prior fiscal year	2016
Enter most recent EQV	\$ 206,163,900
Enter FY2016 Total Assessed Valuation	\$ 191,680,730
Enter FY2016 Tax Levy	\$ 2,461,181
Enter FY2016 General Fund Gross Operating Revenue	\$ 3,528,038
Enter revenue offsets (as positive amounts):	
Debt service for:	2016 \$ 91,600
MSBA Reimbursement for:	2016 \$ -
Other	\$ -
Other	\$ -
<i>Add rows as needed and adjust formula.</i>	Total \$ 91,600
Net Operating Revenues	\$ 3,436,438

POLICY DECISIONS	
Minimum Cost of item to borrow	\$ 15,000
Minimum Cost of item requiring debt exclusion	\$ 1,000,000
<i>Enter % of Net Operating Revenues for:</i>	
Combined Reserves	Target 10.00%
Budgetary Reserve Fund	0.60%
Capital Plan Funding-Direct debt	5.00%
Capital Plan Funding-Exempt debt	2.50%
Debt service-Direct debt	5.00%
Debt service-Exempt debt	2.50%
<i>Enter % of Total Assessed Valuation for:</i>	
Debt service	0.50%
Outstanding debt	1.00%

Targets as a % of Operating Budget

RESERVES	Minimum	TARGET	Maximum
(a) Free Cash	1.00% \$ 34,364	5.00% \$ 171,822	10.00% \$ 343,644
(a) Stabilization Fund	2.00% \$ 68,729	2.50% \$ 85,911	no limit
(a) Education Stabilization Fund	2.00% \$ 68,729	2.50% \$ 85,911	no limit

COMBINED TOTAL RESERVES	Minimum	TARGET	Maximum
% of Net Operating Revenues	5.00% \$ 171,822	10.00% \$ 343,644	10% of EQV \$ 20,616,390

COMBINED TOTAL RESERVES	Net	Monthly	GFOA Recommendation
2 months Operating Revenues	\$ 3,528,038	\$ 286,370	2 Months \$ 572,740

Targets as a % of Operating Budget

RESERVES - OTHER	Minimum	TARGET	Maximum
(a) Budgetary Reserve Fund	0.30% \$ 10,309	0.60% \$ 20,619	5% FY2016 Tax Levy \$ 123,059

Targets as a % of Operating Budget

STABILIZATION: [SPECIAL PURPOSE]	Minimum	TARGET	Maximum
(a) [Capital Stabilization] Fund	5.00% \$ 171,822	10.00% \$ 343,644	no limit
(a) [Other-Insert Name] Fund	5.00% \$ 171,822	10.00% \$ 343,644	no limit

Targets as a % of Operating Budget

CAPITAL PLAN	Minimum	TARGET	Maximum
Annual capital plan [w/o exempt debt]	2.00% \$ 68,729	5.00% \$ 171,822	10.00% \$ 343,644
Annual capital plan [with exempt + non exempt debt]	7.00% \$ 240,551	10.00% \$ 343,644	12.00% \$ 412,373

DEBT SERVICE	Minimum	TARGET	Maximum
(a) % of operating budget: non-exempt only	2.50% \$ 85,911	5.00% \$ 171,822	10.00% \$ 343,644
% of operating budget: exempt+non-exempt	5.00% \$ 171,822	10.00% \$ 343,644	20.00% \$ 687,288
As a % of total assessed valuation	0.10% \$ 191,681	0.50% \$ 958,404	1.50% \$ 2,875,211
Min cost of item debt eligible	\$ 15,000		

OUTSTANDING DEBT	Minimum	TARGET	Maximum
(b) As a % of assessed valuation	0.50% \$ 958,404	1.00% \$ 1,916,807	10% of EQV \$ 20,616,390

- (a) May not exceed 5% of prior year's levy
- (b) May not exceed 10% of total EQV per M.G.L. c.44 §10
- (c) Total annual appropriation may not exceed 10% of prior year's tax levy
- (d) Credit agencies suggest less than 20% of net operating revenues