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Town of Sudbury, Massachusetts
Financial Policies Manual
DRAFT December 7, 2021

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Introduction

The Town of Sudbury is committed to safeguarding public funds, protecting local assets, and complying with financial standards and regulations. To that end, this manual of financial policies provides guidance for local planning and decision making. The policies as a whole are intended to outline objectives, provide formal direction, and define authority to help ensure sound fiscal stewardship and management practices. Each is a living document that should be reviewed periodically and updated as necessary.

With these policies, the Town of Sudbury, through its Select Board, Town Manager, and employees, commits to the following objectives:

- Sustaining a consistent level of service and value for residents [and enhancing as needed and able](#)
- Safeguarding financial integrity and minimizing risk through a system of internal controls
- Ensuring the quality and maintenance of capital assets.
- Conforming to general law, uniform professional standards, and municipal best practices
- Protecting and enhancing the town's credit rating
- Promoting transparency and public disclosure
- Revisiting and reviewing the policies every three years to assess thresholds and targets.

Commented [1]: Suggest appending the following to this sentence -- "and enhancing as needed and able"

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Town of Sudbury, Massachusetts

Financial Policies Manual

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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, Sudbury 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 cost to fund major projects.

APPLICABILITY

This policy pertains to short- and long-range budget decision making and applies to the Select Board, Sudbury Public School Committee, and Town Manager in those duties. It also applies to the related job duties of the Finance Director, the Town Accountant, the Board of Assessors, and the Finance Committee.

POLICY

The Town of Sudbury commits to building and maintaining its reserves so as 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. The Town will strive to maintain overall reserves in the level of 10-12% of the prior year General Fund budget. These reserves are comprised of the general stabilization fund, special purpose stabilization funds and free cash target. Adherence to this policy will help the Town withstand periods of decreased revenues and control spending during periods of increased revenues. Other types of reserves include retained earnings and overlay surplus.

A. Protection of Credit Rating

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Maintenance of the highest-level credit rating possible is important to the continued financial health of Sudbury as it reduces the costs of issuing debt. Credit rating firms consider management practices to be very important factors. Poor management practices can inadvertently jeopardize the financial health of a local government. To be proactive in assuring the Town of Sudbury does not engage in these practices, the Select Board of the Town of Sudbury has adopted the following credit rating protection policies. The Town will not rely on reserves to sustain operating budgets. Use of such reserves will be limited to helping the Town deal with short-term or emerging financial stress. In the subsequent year, the Town will either reduce spending to within the limits of recurring revenues or seek approval for additional revenues from the voters of the Town. The Town will not defer current costs, such as pension or benefit costs, to a future date.

B. 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 previous year.” DLS must certify free cash before the Town can appropriate it in the new year.

~~As close to fiscal year end as reasonably possible,~~ the Town Accountant shall submit to DLS a year-end balance sheet, free cash checklist, and year-end reporting checklist. Once DLS certifies free cash, the Town Accountant will provide copies of the certified balance to the Select Board, Town Manager, and Finance Director.

- Deleted: By
- Deleted:
- Deleted: August
- Deleted: September 15th each year

Each spring, the Town Manager shall include the Town’s free cash balance in the proposed budget submitted to the Select Board and Finance Committee for the ensuing fiscal year, along with details on the proposed uses of and/or retention level of free cash. Any proposed use of free cash for capital equipment or improvements shall be consistent with needs identified in the Town’s capital improvement program.

The Town shall set a year-to-year goal of maintaining its free cash in the range of 3-5% of the prior year’s General Fund budget. To achieve this, the Finance Director shall assist the Town Manager in proposing budgets with conservative revenue projections, and department heads shall carefully manage their appropriations to produce excess income and budget turn backs. Further, budget decision makers will avoid fully depleting the Town’s free cash in any year, so that the succeeding year’s calculation can begin with a positive balance. Moreover, as much as practicable, the Town will limit its use of free cash to funding one-time expenditures (like capital projects or emergencies and other unanticipated expenditures) and should appropriate any free cash excess above 5% of the General Fund budget to reserves, to offset unfunded liabilities, or to set aside for existing debt.

C. Stabilization Funds

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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. Prior to the adoption of this policy, the Town established and appropriated to a general stabilization fund and special purpose stabilization funds for capital projects.

General Stabilization: The Town will endeavor to maintain a minimum balance of 5% of the prior year's General Fund budget in its general stabilization fund. Withdrawals from general stabilization 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 5% minimum reserve target level. If any necessary withdrawal drives the balance below the minimum level, the withdrawal should be limited to one-third of the general stabilization fund balance at a time, endeavoring to never fully deplete it. Replenishment of the funds should be made annually at the Fall Town Meeting, or the earliest available meeting after free cash has been certified.

Special Purpose Stabilization Funds

Capital Stabilization: The Town will appropriate annually to the capital stabilization fund so that over time it achieves a target balance sufficient to cover the Town's cash outlay for capital. Doing so enables the Town to pay outright for moderate-range (under \$1M) capital expenditures and thereby preserve debt capacity for major, higher-dollar purchases or projects. This approach balances debt with pay-as-you-go practices and protects against unforeseen costs. The Town should endeavor to achieve and maintain a combined target balance for all capital-related special purpose stabilization funds equal to 2% of prior year General Fund budget.

Withdrawals from the Capital Stabilization Fund should be avoided until the target balance has been achieved. Once achieved, funds can be used towards items on the CIP. Once funds are used, the Town will seek to make annual contributions to the fund until the target balance is achieved. ↓

Turf Stabilization: The Town maintains a special purpose fund to offset the cost of periodic replacement of designated town-owned turf fields. As originally created, this fund applies to the Cutting Field but could be expanded to other fields in the future. Contributions to this fund should be made annually from the General Operating Fund and Field Maintenance Enterprise Fund. ↙

D. Overlay Surplus

Commented [3]: This paragraph elicits several questions:

- 1) "Funds should be replenished annually...or at the earliest available meeting after free cash has been certified" -- Is the assumption that the first priority of free cash is to replenish this fund?
- 2) This seems like a slow/medium timeline for growth fund. So, while free cash could be a source of replenishment, this fund shouldn't necessarily be the top priority for free cash.
- 3) This Fund could be used for projects that fall in the \$1-3 million dollar range - too small for debt exclusion, too big for annual spend. Perhaps a project should be associated with this Fund. And then the replenishment of the Fund would be determined by the priority of that project in the CIP process.
- 4) For example: A new school roof could be in the \$1 million dollar range. So, for the next couple of years, we know that money going into this Fund will be for the new roof. So, allocation into the fund should be determined by the priority of that roof project in the CIP prioritization list.

Deleted: hieved, funds should be replenished annually at the Fall Town Meeting, or the earliest available meeting after free cash has been certified (subject to free cash availability). WHAT'S THE PRIORITY OF FILLING THIS FUND... ALWAYS TAG THE FUND WITH A PROJECT (PICK A PROJECT ~3 YRS OUT... IN \$1-3M RANGE... THEN SAVE TOWARDS THAT... WITH WHATEVER PRIORITY THAT PARTICULAR PROJECT HAS... ¶
--- another thought... in the year if/when we have unexpectedly LOWWWW Free Cash, in that year wouldn't we want the "Stabilization" fund to stabilize/smooth this valley... as opposed to neglecting that year's capital needs, or taking on debt...

Commented [BS4]: FROM CIAC: The Capital and Turf Stabilization Funds are good vehicles to fund capital projects. However, it is necessary to clearly define how and when these funds are to be funded, whether through the collection of fees or from the Town or a combination of both. The Turf Stabilization Fund should include the Town of Sudbury portion of the LS fields. Its fee structure should be well defined and have clear funding goals to meet the needs of turf replacements, without having to go to the Town for additional funds. The present LS turf field agreement should be reviewed and the

Deleted: [AND SUDBURY PORTION OF LS FIELD].

Deleted: [CIAC SUGGESTS WE STATE FUNDING SOURCES (FEES?) AND GOAL (OFFSET REPLACEMENT?)]

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The overlay is a reserve the Town uses to offset unrealized revenues resulting from property tax abatements and exemptions. Sudbury officials will prudently manage the overlay in accordance with the Town's Overlay policy to avoid the need to raise overlay deficits in the tax levy. At the conclusion of each fiscal year, the Board of Assessors shall submit to the Town Manager 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 Town Manager may request that the Board of Assessors vote to declare those balances surplus, available for one-time expenditures (as with free cash).

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FORECASTING

PURPOSE

To assess the range of choices available to budget decision makers when determining how to allocate resources, this policy establishes guidelines for evaluating revenue sources and the requirement to determine an expenditure strategy as part of the annual budget process and longer-range fiscal planning. Forecasting helps local officials understand the long-range implications of pending near-term decisions.

APPLICABILITY

This policy applies to the Town Manager as the Town's chief budget decision maker. It also applies to the job responsibilities of the Finance Director, Sudbury Public Schools Superintendent, Sudbury Public Schools Business Manager, Select Board, Sudbury Public Schools Committee, and Finance Committee.

POLICY

A. Revenue Guidelines

The Town will continually seek to diversify its revenue to improve the equity and stability of sources. Each year and whenever appropriate, the Town will reexamine existing revenues and explore potential new sources. A balance will be sought between elastic and inelastic revenues to minimize any adverse effects caused by inflation or other economic changes. Additionally, intergovernmental revenues (e.g., local aid, grants) will be reviewed annually to determine their short- and long-term stability in order to minimize detrimental impacts.

The Town will generally avoid using one-time revenues to fund ongoing or recurring operating expenditures. These one-time revenue sources can include, but are not limited to, free cash, bond premiums, overlay surplus, sale of municipal equipment, legal settlements, insurance proceeds, and gifts. Additionally, the Town hereby establishes the following priority order when appropriating one-time revenues:

- General Stabilization Fund (maintenance of 5% of prior year's General Fund budget)
- Annual Capital Spending (non-debt; target of 3% of prior year's General Fund budget)
- Capital Stabilization Fund (target of 2% of prior year's General Fund budget)
- OPEB Trust Fund

New growth (residential or commercial) permanently adds to the tax base. The Town should endeavor to contribute any new growth in excess of 1% of prior year's General Fund budget to capital expenditures or reserves.

Economic downturns or unanticipated fiscal stresses may compel reasonable exceptions to the use of one-time revenue. In such cases, the Town Manager, in consultation with the Finance

Deleted: notional priority ranks of 1,2,3,4,6 ←- don't pull in 6 until you fund '5' (in next bullet)

Commented [5]: The prioritization of these could use further discussion. Depending on the usage guidelines for the Capital Stabilization Fund, some might argue that these 2 should be swapped in priority. However, it's dependent on a clear definition of the usage of the Capital Stabilization Fund.

Deleted: – IF WE HAVE 'TAGGED' THE CAPSTABFUND WITH A SPECIFIC PROJECT, THEN THE PRIORITY OF THE CAPSTABFUND SLIDES IN '5'

Deleted: <#>Existing debt¶

Commented [6]: The Finance Committee discussed this concept of "new growth in excess of 1%..should go towards capital or reserves." There was a general agreement that this was perhaps too general of a statement. The cause of the new growth should be a factor in the usage of the funds.

Deleted: ARGUMENT THAT THIS SHOULD BE A FUNCTION OF WHETHER THIS BIG NEW GROWTH IS RESIDENTIAL (REQUIRING TOWN SERVICES) VS. LOW IMPACT / COMMERCIAL.

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Director, can recommend its use for operational appropriations. Such use will trigger the Town Manager to develop a plan to avoid continued reliance on one-time revenues.

State laws impose further restrictions on how certain types of one-time revenues may be used. The Town will consult the following General Laws when the revenue source is:

- Sale of real estate: [M.G.L. c. 44, §63](#) and [M.G.L. c. 44, §63A](#)
- Gifts and grants: [M.G.L. c. 44, §53A](#) and [M.G.L. c. 53A½](#)
- Bond proceeds: [M.G.L. c. 44, §20](#)
- Sale of moveable property: [M.G.L. c. 44, § 53](#)

This policy further entails the following expectations regarding revenues:

- The Assessing Department will maintain property assessments for the purpose of taxation at full and fair market value as prescribed by state law.
- [Town departments that charge fees](#) (Enterprise Funds and recreation programs, for example) shall annually review their fee schedules and propose adjustments when needed to ensure coverage of [service costs](#) and endeavor to generate retained earnings of 3-5% of prior year's enterprise fund budgets [towards asset maintenance / replacement](#).
- The Building Department will notify the Finance Director of any moderate-to-large developments that could impact building permit volume.
- Department heads will strive to be informed of all available grants and other aid and will carefully consider any related restrictive covenants or matching requirements (both dollar and level-of-effort) to determine the cost-benefit of pursuing them.
- Revenue estimates will be adjusted throughout the budget cycle as more information becomes available.

B. Expenditure Guidelines

Annually, the Town will determine a particular budget approach for forecasting expenditures, either maintenance (level service), level funded, or one that adjusts expenditures by specified increase or decrease percentages (either across the board or by department). A maintenance budget projects the costs needed to maintain the current staffing level and mix of services into the future. A level funded budget appropriates the same amount of money to each municipal department as in the prior year and is tantamount to a budget cut because inflation in mandated costs and other fixed expenses still must be covered.

C. Financial Forecast Guidelines

To determine the Town's operating capacity for each forthcoming fiscal year, the Finance Director will annually create and provide the Town Manager with a detailed budget forecast. The Finance Director shall also annually prepare a three-year financial projection of revenues and expenditures for all operating funds.

Commented [BS7]: Discussion about separating policies around 'Enterprise Funds' and around recreation programs.

Commented [8]: A clear definition of "service costs" would be helpful.

Deleted: [ALL?]

Deleted: [CLARITY ABOUT WHAT'S INCLUDED... CONCERN ABOUT SHIFTING 'FRACTIONAL' PEOPLE?...AT LEAST CLARITY IN REPORTING]

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Commented [9]: How does this help to ensure that the operating budget captures all known/necessary small maintenance/replacement items vs. CIP?

Commented [BS10R9]: FINCOM COMMENT CONCERNS ENSURING THAT DEPARTMENTS DON'T NEGLECT FORECASTING/INCLUDING MAINTENANCE INTO THEIR DEPT OP BUDGETS, AND PERFORMING THE MAINTENANCE

Note: Police cars (purchase/replace) are in Police Dept operating budget. But other departments not known to include 'capital' in their budgets.

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These forecasts shall be used as planning tools in developing the following year's operating budget as well as the five-year capital improvement plan.

To ensure the Town's revenues are balanced and capable of supporting desired levels of services, forecasts for property taxes, local receipts, and state aid shall be conservative based on historical trend analyses and shall use generally accepted forecasting techniques and appropriate data. To avoid potential revenue deficits, estimates for local receipts (e.g., inspection fees, investment income, license fees) should generally not exceed 90% of the prior year's actual collections without firm evidence that higher revenues are achievable.

Additionally, the forecast model should assume that:

- The Town will maintain its current level of services.
- Property taxes (absent overrides) will grow within the limits of Proposition 2½.
- New growth will be projected conservatively, considering the Town's three-year average by property class.
- The Town will annually meet or exceed the state's net school spending requirements.
- Local receipts and state aid will reflect economic cycles.
- The Town will pay the service on existing debt and adhere to its Debt Management policy.
- The Town will make its annual pension contributions and continue appropriating to its other postemployment benefits trust fund.
- The Town will build and maintain reserves in compliance with its Financial Reserves policy.

D. Reporting

The Town financial results vs. forecast (REVENUES, AND EXPENSES) shall be reported out quarterly for the Select Board and public.

Deleted: Under Consideration:

Commented [11]: Town Financial Policies should seek to establish increased transparency and timely communications among all stakeholders as a minimum threshold. FinCom is often hurried through their mandatory process by delays in presenting information. If even in draft form, early distribution to the FinCom and others would alleviate bottlenecks and contribute to future avoidance of incomplete information to the Town and Warrant as has happened the last several years.

Deleted: (to investigate: how much work, what would we do with it?)

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OVERLAY

PURPOSE

To set guidelines for determining the annual overlay amount in the Town's budget and for deciding whether any overlay balance can be certified as surplus.

The allowance for abatements and exemptions, commonly referred to as the overlay, is an account whose purpose is to offset anticipated abatements and exemptions of committed real and personal property taxes. Effective December 7, 2016, the Municipal Modernization Act ([Chapter 218 of the Acts of 2016](#)) provides for a single overlay account. Previously, a community had to maintain separate overlay reserves for each fiscal year and could not use the surplus from one year to cover another year's deficit without a multistep process involving the assessors, accounting officer, and local legislative body. However, the Act allows all existing overlay balances to be transferred to a single account. Although this policy treats overlay as a single account, to continue historical information and facilitate reconciliations, the Town may elect to maintain subsidiary ledgers by levy year for overlay balances.

APPLICABILITY

This policy applies to the job duties of the Board of Assessors, Director of Assessing, Town Manager, and Finance Director.

POLICY

A. Annual Overlay

Each year, the Board of Assessors shall vote in an open meeting to authorize a contribution to the overlay account as part of the budget process and to raise it without appropriation on the Town's Tax Recap Sheet. The Principal Assessor will propose this annual overlay amount to the Board of Assessors based on the following:

- Current balance in the overlay account
- Five-year average of granted abatements and exemptions
- Potential abatement liability in cases pending before, or on appeal from, the Appellate Tax Board (ATB)
- Timing of the next certification review by the Division of Local Services (scheduled every five years under the Municipal Modernization Act) The Board of Assessors shall notify the Finance Director of the amount of overlay voted

B. Excess Overlay

Annually, the Finance Director and Director of Assessing will conduct an analysis to see if there is any excess in the overlay account by factoring the following:

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- Current balance in the overlay account after reconciling with the Town Accountant's records
- Balance of the property tax receivables, which represents the total real and personal property taxes still outstanding for all levy years
- Estimated amount of potential abatements, including any cases subject to ATB hearings or other litigation

Upon determining any excess in the overlay account, the Principal Assessor shall present the analysis to the Board of Assessors for its review.

C. Overlay Surplus

If there is an excess balance in the overlay account, the Board of Assessors shall formally vote in an open meeting to certify the amount to transfer to overlay surplus and shall notify the Town Manager and Finance Director in writing of its vote. If the Town Manager makes a written request for a determination of overlay surplus, the Board of Assessors shall vote on the matter within the next 10 days and notify the Town Manager and Finance Director of the result in writing. In advance of the annual Tax Classification Hearing, the Select Board shall request an update from the Board of Assessors on the balance of the overlay account.

After being certified, Town Meeting may appropriate overlay surplus for any lawful purpose until the end of the fiscal year. However, the appropriation should be as prescribed in the Town's Forecasting policy (re: treatment of one-time revenues) and its Financial Reserves policy (re: overlay surplus). Overlay surplus not appropriated by year-end closes to the General Fund's undesignated fund balance.

Commented [12]: A specification of "XX days before the Tax Classification Hearing" for reporting of the balance would help to clarify the process.

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Commented [13]: We would just like to emphasize here that the balance of the overlay account should be reported annually. This is a slow/med growth account, so it should not be a "surprise" when the balance grows to a significant amount.

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DEBT MANAGEMENT

PURPOSE

To provide for the appropriate issuance and responsible use of debt, this policy defines the parameters and provisions governing debt management. Policy adherence will help the Town to responsibly address capital needs, provide flexibility in current and future operating budgets, control borrowing, and maintain capital investment capacity. This policy is also intended to maintain and enhance the town's bond rating so as to achieve long-term interest savings.

APPLICABILITY

This policy applies to the Town Manager, Select Board, Sudbury Public School Committee, and Finance Committee in their budget decision making and in the Finance Director's debt reporting. It also applies to the Finance Director's budget analysis duties [and statutory responsibilities associated with debt management, in their](#) role as Treasurer/Collector.

Commented [14]: Incomplete sentence?

POLICY

Under the requirements of federal and state laws, the Town may periodically issue debt obligations to finance the construction, reconstruction, or acquisition of infrastructure and other assets or to refinance existing debt. The Town will issue and manage debt obligations in such a manner as to obtain the best long-term financial advantage and will limit the amount of debt to minimize the impact on taxpayers. Debt obligations, which include general obligation bonds, revenue bonds, bond anticipation notes, lease/purchase agreements, and any other debt obligations permitted to be issued under Massachusetts law, shall only be issued to construct, reconstruct, or purchase capital assets that cannot be acquired with current revenues.

A. Debt Financing

Debt may be financed either within the levy, or beyond the levy (a debt exclusion which requires a Proposition 2 ½ voter referendum).

In financing with debt, the Town will:

1. Issue long-term debt only for objects or purposes authorized by state law and only when the financing sources have been clearly identified.
2. Use available funds as appropriate to reduce the amount of borrowing on all debt-financed projects.
3. Confine long-term borrowing to capital improvements and projects that cost at least \$100,000 and that have useful lifespans of at least ten years or whose lifespans will be prolonged by at least ten years.
4. Restrict debt exclusion borrowing to proposals which meet all three of these criteria:
 - (1) useful life of 20 years or more
 - (2) estimated cost of the principal payment in the first year of the debt issuance greater than 0.5% of the prior year's General Fund revenue. This criterion

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applies after target level for in-levy debt of 3% is initially achieved, as per Section B. Debt Limits and Targets Item 3.

(3) the expenditure is either for town-owned land, buildings, or infrastructure or for a LSRHS capital assessment.

5. Refrain from using debt to fund any recurring purpose, such as current operating and maintenance expenditures.
6. The policy of the Select Board shall be to include sufficient debt capacity within the levy, such that capital items can be more predictably funded.
7. As debt within the levy decreases annually, this amount shall be used for capital, future debt, or set aside for future capital.

Commented [BS15]: From DPW: I would like to see if there is a method of including some dollar amount for vehicle replacement as an operating capital line item in the DPW budget. Therefore eliminating the need to always bring items to Town meeting particularly for replacement of an existing vehicle

B. Debt Limits and Targets

The Town will adhere to these debt parameters:

1. Total annual debt service, including debt exclusions and any self-supporting debt, shall be limited to 10% of General Fund revenues, with a reasonable range of 5-7%.
2. As dictated by state statute MGL ch 44 section 10, the Town's debt limit shall be 5% of its most recent equalized valuation.
3. The Town shall endeavor to gradually and consistently pursue future debt issuances financed by within-levy dollars with a target of 3% of prior year's General Fund budget.

C. Structure and Term of Debt

The following shall be the Town's guidelines on debt terms and structure:

1. The term of any debt shall not exceed the expected useful life of the capital asset being financed and in no case shall it exceed the maximum allowed by law.
2. The Town will limit bond maturities to no more than 10 years, except for major buildings, water and water facility projects, land acquisitions, and other purposes in accordance with the useful life borrowing limit guidelines published by the Division of Local Services (DLS).
3. For non-excluded debt the Town will generally choose terms less than 20 years and structure as level principal payments, so that over time the annual debt payment goes down, opening up capacity for future capital.
4. Any vote to authorize borrowing will include authorization to reduce the amount of the borrowing by the amount of the net premium and accrued interest.
5. The Town will work closely with its financial advisor to follow federal regulations and set time frames for spending borrowed funds to avoid committing arbitrage, paying rebates, fines and penalties to the federal government, and jeopardizing any debt issuance's tax-exempt status.

D. Bond Refunding

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To achieve potential debt service savings on long-term debt through bond refunding, the Town will:

1. Issue debt with optional call dates no later than 10 years from issue.
2. Analyze potential refunding opportunities on outstanding debt as interest rates change.
3. Use any net premium and accrued interest to reduce the amount of the refunding.
4. Work with the Town's financial advisor to determine the optimal time and structure for bond refunding.

E. Protection of Bond Rating

To protect its bond rating, the Town will:

1. Maintain good communications with bond rating agencies, bond counsel, banks, financial advisors, and others involved in debt issuance and management.
2. Follow a policy of full disclosure on every financial report and bond prospectus, including data on total outstanding debt per capita, as a percentage of per capita personal income, and as a percentage of total assessed property value.
3. The Town will not rely on reserves to sustain operating deficits. Use of such reserves will be limited to helping the Town deal with short-term or emerging financial stress, but then the Town will either reduce spending to within the limits of recurring revenues, or seek approval for additional revenues from the voters of the Town.
4. The Town will not defer current costs to a future date. This includes costs such as pension costs or benefits costs. From time to time, the State offers municipalities the option of deferring payments to their pension system, or other costs, as a short-term way of balancing a fiscal year's budget. However, it is the intention of the Town of Sudbury not to rely on these options.
5. The Town will follow the policies as outlined in this policy statement.

F. Reporting

1. The Town's Annual Town Report, Town Manager's Budget Request and Annual Town Meeting Warrant will give comprehensive summaries of the debt obligations of the Town.
2. The Finance Director will include an indebtedness summary as part of a report on receipts and expenditures in Sudbury's Annual Town Report.
3. The Finance Director, with the Town's financial advisor, will file the annual audit and official disclosure statement within 270 days of the end of the fiscal year.

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INVESTMENTS

PURPOSE

To ensure the Town's public funds achieve the highest possible, reasonably available rates of return while following prudent standards associated with safety, liquidity, and yield, this policy establishes investment guidelines and responsibilities. It is further designed to comply with the Governmental Accounting Standards Board's recommendation that each community disclose its key policies affecting cash deposits and other long-term investments to ensure they are managed prudently and not subject to extraordinary risk.

Commented [16]: Is there an Investments Advisory group?

Commented [BS17R16]: The Town has a Financial Advisor. We think (confirm) See POLICY section edit below...

APPLICABILITY

This policy pertains to short-term operating funds, including general funds, special revenue funds, bond proceeds, capital project funds, and to all accounts designated as long-term (e.g., trusts, stabilization funds, other postemployment benefits trust fund (OPEB), and others the Town may set aside for long-term use, including scholarship and perpetual care funds). It does not pertain to the Town's retirement fund, which is managed by the Middlesex County Retirement Board. This policy applies to the Finance Director, in the role as Treasurer, his or her designee(s), and any advisors or other professionals in their responsibilities for investing and managing Town funds.

POLICY

The Finance Director shall invest funds in a manner that meets the Town's daily operating cash flow requirements and conforms to state statutes governing public funds while also adhering to generally accepted diversification, collateralization, and the prudent investment principles regarding safety, liquidity, and yield. The Finance Director will report investment performance to the Select Board each August including a three-year historical lookback for Trust Funds. (Let's get clarity about Investment Advisory Group and whether or not it should be in fin policies).

Deleted: In consultation with the Town's Financial Advisor, t

Deleted: . Additionally, they will report any deviation from the investment policy to the Select Board. (Other language from JD?)

See additional details in the Town of Sudbury Investment Policy (TODO: ADD DOC TO WEBSITE AND LINK) document as well as the [Town of Sudbury CPA Investment Policy](#) document.

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CAPITAL ASSETS

PURPOSE

To ensure Sudbury's capital assets can cost-effectively sustain the town's desired service levels into the future.

APPLICABILITY

This policy applies to the Town Manager as the Town's chief budget decision maker. It also applies to the job responsibilities of the Finance Director, School Superintendent, School Business Manager, Select Board, Sudbury Public School Committee, Finance Committee [and Capital Improvement Advisory Committee \(CIAC\)](#).

Capital Assets are defined as the community-owned collection of significant, long-lasting, and expensive real and personal property used in the operation of government, including land and land improvements; infrastructure, such as roads, bridges, water and sewer lines; easements; buildings and building improvements; vehicles, machinery and equipment. In order to be included in Sudbury's Capital Improvement Program, Capital Assets must cost \$20,000 or more and have a useful life of 5 or more years. Items or improvements that do not meet this threshold should be included within the Town's operating budget.

POLICY

A. Capital Improvement Plan

The Town Manager shall maintain an inventory of all Town 'capital assets.' The Town Manager will update and adopt annually a five-year capital improvement plan ("CIP"), including the upcoming annual capital improvement budget ("CIB") and a four-year projection of capital needs and expenditures, which details the estimated cost, description and anticipated funding sources for capital projects. The CIP should govern projects undertaken either to build, buy, expand or replace a long-life asset or to an asset's condition beyond its original state of quality, efficiency, or useful life expectation.

Annually, the minimum level of capital spending the town should target year to year should be equivalent to 6% of the prior year's General Fund budget, [endeavoring to draw equally from within-levy debt and cash capital sources. The chosen ratio of cash capital vs. in-levy debt used to fund capital may vary based on available cash capital, interest rates, and other factors.](#)

The 6% target shall guide how much capital spending can be planned in each year of the CIP.

1. The Town Manager shall establish criteria to determine capital asset prioritization, including but not limited to:
 - mitigation of safety hazards
 - legal compliance

Commented [BS19]: from FINCOM:

The MA Municipal Association suggests maintaining an information-rich, comprehensive, integrated, and readily accessible asset inventory to use in planning. The MMA Finance Committee Handbook suggests a good set of asset attributes to include the following:

- i. Location
- ii. Age
- iii. Useful life
- iv. Condition
- v. Original cost
- vi. Current value
- vii. Maintenance and operating costs
- viii. Type and extent of use
- ix. Depreciation – method and balance
- x. Estimated replacement costs
- xi. Any proposed date for rehabilitation or replacement

Commented [20]: There seems to be some confusion on the 6%.

Is this implying that 3% must be within-levy and 3% must be from cash capital sources?

What if there isn't a project(s) to support 3% within-levy debt?

Specifying that the 6% must be "drawn equally" from 2 sources seems too specific and not necessarily feasible.

Furthermore, why set the "minimum level" to 6%? If there aren't projects to do, then why would we require ourselves to spend money? Wouldn't a 6% "target" be a better choice?

Clarify (list) definitions for terms used, i.e., Cash Capital - perhaps add a Glossary appendix

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- ADA compliance (Americans with Disabilities Act)
- operating cost reduction
- service or efficiency improvement
- availability of outside funding sources
- conformance to asset replacement schedule
- contributing to execution of Master Plan
- enhancement of quality of life

2. Annually, the Town Manager shall request 5 and 15 year capital plans from Town Department Heads, SPS, and LSRHS. The Town's obligation per the LSRHS agreement shall be factored into the Town CIP.

3. The Town Manager in consultation with Department Heads, SPS, and LSRHS, shall annually update the composition and prioritization of the 5 and 15 year capital plans and create an ordered list sorted by urgency score, with appropriate justification (identifying criteria and which department it supports).

4. A Capital Project Submission Sheet shall be required for every item listed on the five-year CIP.

5. The CIP shall not include items that cost less than \$20,000 or have a useful life of less than 5 years. Items that do not meet this threshold should be included within the Town's operating budget.

6. Alongside the CIP prioritization, proposed Funding Sources shall be identified. Wherever possible, funding sources should be derived from 'cash capital' and within levy debt funding options. Funding sources for capital may include:

- Community Preservation Act (CPA) funds (if eligible; Open Space, Recreation, Historic)
- Town Manager's Capital Budget (items less than \$100,000 in one year; less than \$200,000 over multiple years, and last more than 5 years)
- New growth dedicated to capital
- Capital Stabilization Fund
- Special-purpose stabilization funds
- Free Cash
- In-levy Debt
- Dedicated revenue sources (i.e. Sewataro revenue share).
- Capital Exclusion
- Debt Exclusion
- Grants

7. Capital Items which are CPA-eligible and prioritized for the upcoming budget year (i.e. to be included in the CIB) must be locked down and presented to the Community Preservation Committee, according to their application/evaluation timeline.

8. The Town will emphasize preventive maintenance as a cost-effective approach to infrastructure maintenance. Exhausted capital goods will be replaced as necessary.

9. The CIP shall not include items deemed to be departmental maintenance. Rather, such smaller, shorter life maintenance items should be included in departmental budgets.

B. Risk Management

Commented [21]: Is this consistent in approach? Do we look at 10 years (vs. 15) elsewhere? Are there limiting factors here to consider i.e., the LSRHS RMA agreement? Are we using the same template for capturing all Capital across the 3 cost centers and all departments? If now, why? How do we know that we have a complete picture of Capital needs; that Dept. maintenance/replacement dollars and small spend plus the CIP captures 100% of our needs?

We have inconsistencies and limited data presently, regarding amorization/depreciation of assets to better inform budget and CIP spend requirements. These should be corrected and sustained via the new policies.

Commented [22]: What is the origin of the \$20,000 limit?

Commented [BS23R22]: From conversation and research into how to define 'capital'

Deleted: otentia

Commented [24]: Can the approach be defined as to how funding sources are sought for various projects?

i.e., Project A seeks source 1a, if available then source 1b ...? If not avail then what's the next source (2)? etc.

In particular consider CPC and other significant funding sources.

Deleted: items <\$100K

Deleted: PC

Deleted: [EXAMPLE... LS FIELD NOT PRESENTED TO CPC IN FALL 2019 OR FALL 2020. TOWN HAD NO CHOICE BUT TO USE FREE CASH]

Commented [25]: What is the impact of this change? Is there an acknowledgement that operating budgets need to increase in order to achieve this? How will any increases be determined?

Commented [BS26]: DPW Staff Feedback: I would like to see if there is a method of including some dollar amount for vehicle replacement as an operating capital line item in the DPW budget. Therefore eliminating the need to always bring items to Town meeting particularly for replacement of an existing vehicle

Deleted: <#>The Police Department and the Department of Public Works shall maintain a capital line item in their departmental operating budget for vehicle replacement.¶

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1. The Town will maintain an effective risk management program that provides adequate coverage, minimizes losses, and reduces costs.
2. The Town will annually work with the Town's insurance carrier to update all listings of Town owned assets and the value and condition of such covered assets.

C. Reporting and Process

1. Annually by January 31st, the 5 year capital improvement plan shall be posted and accessible for public view on town website for public review at all times, reflecting updates for any changes made. The Capital Project Submission Sheet for each project on the 5 year CIP shall be posted and linked from the CIP.
2. The Town Manager will submit CPA-eligible projects under consideration for the CIB to the Community Preservation Committee by October 15.
3. The Town Manager and departments shall submit to the Capital Investment Advisory Committee, a summary for evaluation of projects over \$100,000 for a single year, or \$200,000 over multiple years, by January 31st. The CIAC also requests progress summary reports for prior years capital items approved by the town.
4. The Town Manager shall submit Town Meeting articles for the CIB by January 31st.
5. The Select Board shall report all requests for capital appropriations to the Finance Committee on or before February 5. (Bylaws Article IV Section 5).
6. The Town Manager shall coordinate, by February 5, the timely distribution of the CIB, CIP, and associated Capital Project Submission Sheets to the Select Board, CIAC, and Finance Committee and other stakeholders. These materials will detail each capital project, the estimated cost, description and funding.
7. The Town Manager shall organize on or before February 15 a joint meeting of the Select Board, CIAC, Finance Committee, CPC representatives, SPS/LSRHS superintendents, and department heads. They will solicit and coordinate receipt of questions in advance of this joint meeting. At this joint meeting, the CIAC will present its opinions on capital projects within its scope and will follow up with a final written report. [
8. The Town Manager will present components of the CIB, in the form of Town Meeting Articles, for approval at the Annual Town Meeting (generally the 1st Monday in May).

Commented [27]: Quarterly reporting of status of capital projects is suggested. Furthermore, formal inclusion of the KPI process would be recommended as well.

Commented [BS28]: Have an honest discussion, can this work? Intention is that the result of prioritizations and rough 5 (FIVE) year plan is updated by Dec 31. Refinement of the 1 (ONE) year CIB (budget) continues into January....

Deleted: December

Deleted: the

Deleted: IAC

Deleted: y

Commented [29]: A clear definition of "timely distribution" would be helpful. A date would help.

Deleted: DO WE ADD FURTHER COLOR TO THE FORMAT OF THE JOINT MEETING?]

Commented [30]: Clarification -- What is the form of the approval? As it is now, the TM Capital Budget is a town meeting article. And others are separate articles. Is this statement meant to change that?

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OTHER POSTEMPLOYMENT BENEFITS LIABILITY (OPEB)

PURPOSE

To provide the basis for a responsible plan for meeting the Town's obligation to provide other postemployment benefits (OPEBs) to eligible current and future retirees. This policy provides guidelines designed to ensure OPEB sustainability and achieve generational equity among those called upon to financially support OPEBs, thereby avoiding transferring costs into the future.

APPLICABILITY

This policy encompasses OPEB-related budget decisions, accounting, financial reporting, and investment.

BACKGROUND

In addition to salaries, the Town of Sudbury compensates employees in a variety of other forms. Many earn benefits over their years of service that they will not receive until after retirement. A pension is one such earned benefit. Another is a set of retirement insurance plans for health and life. These are collectively referred to as other postemployment benefits or OPEBs.

Commented [BS31]: Per Staff feedback, not dental

Deleted: dental

OPEBs represent a significant liability for the Town that must be properly measured, reported, and planned for financially. As part of a long-range plan to fund this obligation, the Town established an OPEB Trust Fund, which allows for long-term asset investment at higher rates of return than those realized by general operating funds.

POLICY

The Town of Sudbury 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 while at the same time avoiding benefit reductions that would place undue burdens on employees or risk making the Town an uncompetitive employer.

A. Accounting and Reporting

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 financial statements that comply with the current guidelines of the Governmental Accounting Standards Board.

The Town Auditor shall ensure that the Town's independent audit firm reviews compliance with the provisions of this policy as part of its annual audits.

B. Mitigation

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

C. Funding

To address the OPEB liability, decision makers shall analyze a variety of funding strategies and subsequently implement them as appropriate with the intention of fully funding the obligation. The Town shall derive funding to invest in the OPEB trust from taxation, free cash, and any other legal form.

DRAFT



Sudbury Capital Improvement Program Background Summary and Instructions

Sudbury Capital Improvement Program Background Summary

The Sudbury Capital Improvement Program (CIP) is intended to provide a blueprint for planning a Sudbury's capital expenditures. It is intended to coordinate community planning, financial capacity, and physical development. Day-to-day expenses derive from operating budgets, capital funds pay for new construction, renovation and expansion of existing structures, and other major projects.

Projects with a total project cost of less than \$100,000 or more in one year; less than \$200,000 or more over multiple years; and last more than 5 years will be considered for inclusion in the Town Managers Capital Operating Budget.

Projects in excess of \$100,000; and \$200,000 over multiple years will be considered as individual major capital items.

A Capital Improvement Request Form will need to be filled out for every proposed project in each category.

Planning for capital improvements is an ongoing process and the Sudbury five-year CIP is updated every year to reflect the most current program information and funding projections.

The CIP has the following intended benefits:

- Facilitates coordination between capital needs, operating budgets and fiscal capacity
- Enhances the community's credit rating
- Deters sudden changes in debt service requirements
- Identifies means to finance capital projects
- Increases opportunities for obtaining federal and state aid
- Focuses attention on Town objectives and future needs
- Reduces costs by identifying and consolidating duplicative expenditures
- Encourages careful project planning and design to avoid costly mistakes and to help a community reach desired goals

The inventory of existing major capital assets will be reviewed annually. Each Department shall assess the condition, replacement needs and confirm the 5-year CIP listing and other related tasks. Each request for capital projects must include clear details of the project's justification, cost, net effect on the operating budget, and implementation schedule. Each submission will be evaluated on the justification provided and the objectives/criteria related to the project, and balanced against the other submissions in the given fiscal year. Some of the criteria to be evaluated include, but are not limited to: preserving or enhancing Town assets; increasing government efficiency and effectiveness; being good stewards of public resources; impacts on the operating budget; various compliance factors; public health and safety; economic growth; environmental sustainability, historic preservation, etc.

If a capital request involves architectural/engineering fees, roof repairs, or building renovations, the Combined Facilities Director will set up a meeting for you with the Town Manager for discussion of cost estimates, public procurement and capital construction process.

The Town Manager, with the assistance of the Finance Director, will analyze the Town's ability to fund major expenditures by examining recent and anticipated trends in revenues and expenditures, including debt and other liabilities.

This analysis helps the Town Manager's Capital Improvement Project Evaluation Team to propose a funding source schedule designed to:

- Balance debt service and operating expenditures
- Determine available debt capacity and acceptable debt service levels
- Maximize intergovernmental aid for capital expenditures

Capital Improvement Program Timeline

August/September:

- Town Manager, through the Combined Facilities Director, distributes capital manual and capital budgeting guidelines
- Departments review, prioritize and update 5-year capital needs
- Departments identify, prepare and submit capital needs for the upcoming fiscal year
- Complete the annual review of capital asset inventory of buildings and equipment

October/November:

- By October 29, Departments submit capital projects to Town Manager, through the Combined Facilities Director, who compiles them into a comprehensive capital package
- The Combined Facilities Director meets with department heads, provides feedback, and requests clarification. Department heads revise submissions as necessary
- Capital package given to Town Manager's Capital Improvement Project Evaluation Team for review
- Town Manager holds a joint town/school budget meeting. Present revenue and expenditure projections, free cash estimate, and overview of prospective capital needs
- Town Manager and Finance Director review Capital requests and estimate funding based on fiscal projections

January/February

- Town Manager submits capital budget and multiyear plan to Select Board
- Town Manager will share finalized CIP and corresponding forms with the Capital Improvement Advisory Committee
- Town Meeting Warrant article list finalized no later than January 31, or as indicated by the Select Board

February/March:

- Town Manager finalizes proposed capital budget and presents it to the Select Board, Finance Committee and Capital Improvement Advisory Committee for review and presentation in a joint meeting

May:

- Town Meeting

The Capital Plan is intended to be a fluid document subject to change each year as priorities change and additional information becomes available. All final requests approved by the Town Manager's Capital Improvement Project Evaluation Team will be submitted for final review and approval to the Town Manager, with additional assessment by the Select Board, Finance Committee and Capital Improvement Advisory Committee and submitted for vote at Town Meeting as required.

Sudbury Capital Improvement Program

Each capital request must include clear details of each project's justification on the submission form. Each submission will be evaluated on the justification provided and the objectives/criteria related to the project, and balanced against the other submissions in the given fiscal year.

If your capital request involves architectural/engineering fees, roof repairs, or building renovations, the Combined Facilities Director will need to set up a meeting for you with the Town Manager for discussion relative to the various aspects of the project including requirements of the public construction procurement laws and cost estimate.

Instructions for Completing Capital Project Request Form

The enclosed Capital Project Request Form must be submitted for each capital request, including lease-purchase agreements.

An entry in every box is required. If any item is not applicable, please enter NA or zero, as appropriate.

Save and submit each Capital Project Submission Form with a distinct file name. Include CIP, the fiscal year, department, and title (example: CIP_ FY22_DEPT_proj title).

Project Number – Multiple requests for your department must be prioritized by specific numbering. Beginning with "1" for highest priority (DPW-1, Fac-3, SPS-1, Fire-4). Example: CIP_FY23_DPW-1 with Dept. priority at the end.

Project Title – Name description.

Categories – Projects are categorized into one of the following.

Building – This includes acquisition, replacement, renovation, and addition to, construction or long-term lease of a building or a major component.

Infrastructure - This category includes roadwork, walkways, traffic signals, drainage systems, culverts, wireless and fiber networks and other technology improvements of a lasting nature that are not building structures.

Rolling Stock – This includes vehicle and equipment capable of propulsion from one location to another.

Equipment – This category includes all purchases that meet the definition of a capital item not otherwise described.

Land and Improvements - This category includes the acquisition, replacement, renovation, addition to, construction land resources.

Justification Code –

A - *Essential*: Legally mandated or required for the safety and protection of Town employees, residents, or required to prevent disruption, or significant reduction in Town services.

B - *Asset Maintenance*: Required to maintain an important asset of the Town, which will deteriorate substantially without this expenditure

C - *Enhancement*: Provides enhanced services to Town residents, increased net revenue or cost reductions to the Town, or is self-funding. Estimates of cost reduction or revenue enhancement,

together with the assumptions supporting these estimates, should be provided under the *Benefits* section of the submission form.

Project Type - Each project is further classified into one of several types. Classify all requests to provide understanding of timeline and intent

New: The purchase, acquisition or construction of new capital, as distinct from the purchase of new capital items to replace existing capital.

Resubmission: The project was not previously supported/funded in a prior submission.

Rehabilitation: Large-scale renovations and repairs to capital assets, such as building system replacements, equipment overhauls and other items intended to extend the useful life of an existing capital asset.

Recurring: The item is to be continued in future years Capital Requests.

Year of Initial Request: Indicate the first year this request was made.

Estimated Future Savings - Quantify any future savings anticipated such as personnel costs, maintenance, repairs, energy conservation, etc.

Estimated Incremental Costs - Quantify any incremental costs anticipated such as additional personnel costs, maintenance, repairs, etc.

Staffing Changes - Quantify staffing changes anticipated.

Appropriate supporting materials - photographs in JPEG format, and any appropriate supporting brochures, reports, studies, or price quotations in PDF format.

Please take note: Insufficient documentation can hinder the scoring of a project submission.

Capital Improvement Project Request Evaluation Criteria

The Town Manager's Capital Improvement Project Evaluation Team is responsible for identifying and prioritizing the Town's needs and coordinating them with the operating budget. Any member who has an interest in any item before the Team must remain unbiased, otherwise, they must recuse themselves from deliberations on that item. Team members include the following members or designated representative.

- Town Manager
- Assistant Town Manager
- Finance Director
- Sudbury Public School Superintendent
- Lincoln-Sudbury Regional High School Superintendent
- Combined Facilities Director
- Department of Public Works Director
- Police Chief
- Fire Chief
- Planning and Community Development Director, in some cases representing others
- Others as related to being a submitter of a Capital Request as determined by the Town Manager

All Capital Requests will be evaluated based upon the following criteria:

Legal Requirements - Is the project necessary to bring the community into compliance with a legal requirement or regulation mandated by the local, state or federal government?

Risks to Public Safety - Projects that would protect against a clear and immediate risk to public safety or public health. What is the project's impact on existing public health and safety conditions? Does it address an existing concern, or is there is an increased risk for unforeseen consequences?

Revenue Producing or Cost Savings - Projects that will generate additional revenues or increase efficiency resulting in continual cost savings to the Town. Examples of these projects may be related to the retrofitting of existing facilities with more efficient technologies or upgrade to newer materials that will reduce operational cost.

Deteriorated Facility - Projects that reconstruct or rehabilitate a facility to avoid or postpone replacing it with a new, costlier facility or piece of equipment.

Infrastructure - How does the request address needs within the context of existing infrastructure, and how does it integrate with that infrastructure?

Systematic Replacement or Repair - Projects that would replace or upgrade a facility or piece of equipment as part of a systematic replacement or repair program. This criterion assumes a replacement or upgrading at the current level of service; a replacement that significantly expands or increases the level of service would be evaluated under other criteria. Example: every roof has a projected service life; vehicles and equipment have service life projections based on use; other infrastructure systems have a repair, upgrade or replacement cycle that is predictable. These types of items should be forecasted on the long-range plan in the typical timeframes, adjustments may occur to reflect actual status and needs.

Improvement of Operating Efficiency - Projects that substantially and significantly improve the operating efficiency of a department, or an expenditure that has a very favorable return on investment with an

expectation of reducing existing or projected future increases in operating expenses. Will the project make services more cost-effective by decreasing the amount of time and labor or overall costs? Will this lower energy consumption?

Impact on Service and/or Personnel - Is the project necessary to support a new or expanded service? Is equipment needed to support a new program or new staff?

Supports Community Plans - Master Plan, Livable Sudbury, Open Space and Recreation Plan, etc.

Coordination - Projects that are necessary to ensure coordination with another CIP project (such as scheduling a sewer project to coincide with a street reconstruction project. A project may be necessary to comply with requirements imposed by others. The request should be coordinated with other departments and agencies.

Equitable Provision of Services - Projects that would serve a special needs group or that makes equivalent facilities or services available to population or groups that are underserved in comparison with others. Example: The Americans with Disabilities Act, inclusion principles, and resident benefit from services.

Protection and Conservation of Resources - Projects that protect natural resources at risk of being reduced in amount or quality, that protect the investment in existing infrastructure against excessive demand or overload that threatens the capacity or useful life of a facility or equipment.

Funding Sources - Is the project being funded in whole, or in part, by an outside funding source? Will the funding source continue to be available if the project is delayed? Consider the impact of attempting to create a long-term, sustained program or requirement from a short-term or one-time revenue source, this may create a structural deficit that is unsustainable without significant changes to a budgetary approach. Projects that can leverage funds from, or that are funded by, external funding sources such as Federal, State, County, private, and other local entities should clearly indicate those sources.

Special Circumstances - Is there any special reason outside of the above criteria to rank this item higher than another?

Capital Improvement Request Project Ratings Criteria

Criteria	Description	# of Points
A	LEGAL OBLIGATIONS AND COMPLIANCE	50
B	SAFETY	25
C	URGENCY OF MAINTENANCE NEEDS	15
D	IMPACT ON SERVICE TO THE PUBLIC	10
E	SPECIAL/SITUATIONAL CONSIDERATIONS (discussion)	0
Maximum Possible Score		100

Criteria	Description	
A	LEGAL OBLIGATIONS AND COMPLIANCE	50

Criteria - Legal Obligations and Mandates

50 - Town or Department is currently under court order to act

20 - Project is necessary to meet existing state and federal requirements

15 - Legislation is under discussion that would require the project in future

10 - There is no legal or court order or other requirement to conduct the project

5 - Project requires change in state or law to proceed

0 - Project requires change in federal or law to proceed

Rationale: Some projects are essentially mandatory due to court orders, federal mandates, or state laws that require their completion. These projects should receive higher consideration than those which are considered discretionary. Criteria evaluates both the severity of the mandate and the degree of adherence to state and federal laws as well as safety factors.

Considerations: Ratings for this factor will consider these major points:

A. Whether the Town is under direct court order to complete this project.

B. Whether the project is needed to meet requirements of federal or state legislation.

C. Consider factors like National, State and local goals (sustainability, ADA, and other like matters).

B	SAFETY	25
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Criteria - Safety

25 - Personnel is currently under eminent danger or liability

20 - Resources are currently under eminent danger or liability

15 - Personnel or resources would require mitigation in near future

Rationale: Safety is paramount! Restoring and mitigating factors impacting safety must be considered above other factors when evaluating CIP projects.

This criterion evaluates both the severity and the degree of risk associated.

C	URGENCY OF MAINTENANCE NEEDS	15
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Criteria - Operation and Maintenance Impact

- 15 - Service is currently interrupted and the project will restore service in the most cost-effective manner possible
- 12 - Service is likely to be disrupted in a five-year horizon if the project is not funded
- 9 - The project is necessary to maintain an orderly schedule for maintenance and replacement
- 6 - The cost of the project will increase in future (beyond inflation) if it is delayed at this time
- 3 - There is a minor risk that costs will rise or service will be interrupted if the project is not funded
- 0 - There is no financial or service risk in delaying or not funding the project

Rationale: The Town’s most immediate goal in both capital and operating finance is to maintain current service levels for our citizens, businesses and visitors. Capital projects that are essential to maintain services, protect investments, or restore service that have been interrupted due to failure of capital assets will receive the highest rating in this criterion.

Considerations: Ratings for this factor will consider these major points:

- A. Whether a service is currently interrupted.
- B. Whether the project as requested will result in full restoration of an interrupted service.
- C. Whether the project is the most cost-effective method of providing or maintaining a service.
- D. Where a service is not currently interrupted, the likelihood that it will be in the next five years if the project is not funded.
- E. Whether costs of the project will increase (beyond inflation) if the project is delayed.
- F. Whether the agency has prepared a comprehensive maintenance/rehabilitation/ replacement schedule and the project is due under that schedule.
- G. Whether the project is a part of a systemic replacement program.

D	IMPACT ON SERVICE TO THE PUBLIC	10
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Criteria - Impact On Service To The Public

- 10 - Project would address an immediate public health or safety need
- 8 - Project would improve service and addresses a public health or safety need
- 6 - Project would improve service to meet current desired goals and reduce significant stressors for residents
- 4 - Project would address deficiencies or problems with existing services; would establish new service
- 2 - Project would maintain existing standard of service
- 0 - Project not related to maintaining an existing standard of service

Rationale: Consideration will be given to capital projects that address health, safety, accreditation or maintenance issues as well as those that improve the services provided by a department. Service is broadly defined, as are the Town’s objectives in meeting the health, safety or accreditation needs of our residents and/or improved operations of an existing department.

Considerations: Ratings for this factor will consider these major points:

- A. Whether the project focuses on a service that is currently a “high priority” public need.
- B. Whether the project has immediate impact on service, health, safety, accreditation or maintenance needs.
- C. Whether the service is already being provided by existing agencies.
- D. Project benefits limited group of people and financing plan will be funded by those directly benefitted.
- E. Project benefits limited group of people and financing plan will NOT be funded by those directly benefitted.

E	SPECIAL/SITUATIONAL CONSIDERATIONS (discussion)	0
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Section	Threshold/Target	Policy Value	FY 21 Dennis Current Value (% of FY 20 Budget)	Plan to Get There	\$ Amount Difference	Note
Financial RESERVES policy	Maintain overall reserves in the level of [X-Y%] of the prior year General Fund budget	10-12%	9.91%	See Capital Stabilization Fund	(\$95,274 - \$2,129,334)	
Financial RESERVES.B.Free Cash	Maintaining its free cash in the range of [X-Y%] of the prior year's General Fund budget.	3-5%	4.18%	Near threshold/target	\$1,198,663 - (\$835,398)	
Financial RESERVES.C.Stabilization Fund (and FORECASTING.A.Revenue Guidelines)	Endeavor to maintain a minimum balance of [X%] of the prior year's General Fund budget in its general stabilization fund	5%	5.24%	Near threshold/target	\$240,024	
Financial RESERVES.C.Stabilization Fund (and FORECASTING.A.Revenue Guidelines)	Endeavor to achieve and maintain a combined target balance for all capital-related special purpose stabilization funds equal to [X%] of prior year General Fund budget	2%	0.49%	Consistent annual contribution of \$250K - 500K for ~3-6 years from free cash; No withdrawals until achieved. Once withdrawals begin, there must be replenishment at following Town Meeting.* Could consider adding available Melone Stabilization fund at appropriate time (\$1.1 MM).	\$1,533,961	
FORECASTING.A.Revenue Guidelines	Annual Capital Spending (non-debt; target of X% of prior year's General Fund budget	3%	3.06%	Near threshold/target	\$66,866	
FORECASTING.A.Revenue Guidelines	Endeavor to generate retained earnings of [X-Y%] of prior year's enterprise fund budgets for asset replacement*	3-5%	8.95%	This is the combined amount. The Pool and Field Maintenance Funds had negative Free Cash (fund deficits) but are expected to approach goal in future.	Transfer Station: \$180,045 - 173,792 Pool: (\$91,442 - 100,808) Field: (\$27,227 - 32,251)	
DEBT MANAGEMENT.B.Debt Limits and Targets	Total annual debt service, including debt exclusions and any self-supporting debt, shall be limited to [X%] of General Fund revenues, with a reasonable range of [Y-Z%]	10%, 5-7%	2.27%	Generally, we will likely naturally get here in time as we approve and bond more projects.	(\$8,276,141) and (\$2,921,451 - 5,063,327)	Closer to 4% when future Fairbank and Fire Station debt added.
DEBT MANAGEMENT.B.Debt Limits and Targets (and DEBT MANAGEMENT.A.Debt Financing)	Endeavor to gradually and consistently pursue future debt issuances financed by within-levy dollars with a target of [X%] of prior year's General Fund budget	3%	0.23%	As applicable projects are approved**, debt should be put in-levy. Currently there is \$250K in-levy debt. To add \$2,961,888 to close gap, it will require consistently putting new debt projects in-levy over time. (An example would be six \$8.5 MM projects with annual principal payments of ~\$500K.) As this happens, impacts to operating budget will need to be assessed. Note, a general override might need to be considered to preserve operational expenses in levy.	\$2,961,888	CWMP \$500K (\$30 K/yr) currently financed with in-levy debt. Fire Station \$3.3 MM (\$200K/yr) (likely FY '24-25) will be financed with in-levy debt.
CAPITAL ASSETS.A.Capital Improvement Plan	Annually, the minimum level of capital spending the town should target year to year should be equivalent to [X%] of the prior year's General Fund budget, drawn [equally] from within-levy debt and cash capital sources. The [X%] target shall guide how much capital spending can be planned in each year of the CIP	6%, equally	5.33%	Nearing threshold/target if including debt exclusions; See in-levy debt target.	\$712,709	
DEBT MANAGEMENT.A. DEBT FINANCING	Restrict debt exclusion borrowing to proposals which meet all three of these criteria: (1) useful life of 20 years or more (2) estimated cost of the principal payment in the first year of the debt issuance greater than [X]% of the prior year's General Fund revenue. This criterion applies after target level for in-levy debt of 3% is initially achieved, as per Section B. Debt Limits and Targets Item 3.	0.50%	No current target/threshold	This is new policy; See in-levy debt target.	N/A	

*At 2021 Annual Town Meeting there was no contribution to Capital Stabilization fund. Plan is to request \$500K contribution from free cash at 2022 Annual Town Meeting.

**For projects where principal payment in the first year of the debt issuance is less than .5% of the prior year's general fund revenue (~\$500K annual payment or ~\$8.5 MM total project).