

TOWN OF PLYMOUTH FINANCIAL MANAGEMENT POLICIES & GUIDELINES

INTRODUCTION

The following financial management policies and guidelines set forth the broad framework for overall planning and management of the Town of Plymouth's financial resources. The policies are intended to be advisory in nature and serve as a point of reference for all policy-makers, administrators and advisors. It is fully understood that Town Meeting retains the full right to appropriate funds and incur debt at levels it deems appropriate, subject to statutory limits such as Proposition 2½.

The policies are designed to ensure the Town's sound financial condition now and in the future. Sound financial condition may be defined as:

- Cash Solvency: The ability to pay bills in a timely fashion
- Budgetary Solvency: The ability to annually balance the budget
- Long-Term Solvency: The ability to pay future costs
- Service Level Solvency: The ability to provide needed services

It is equally important that the Town maintain flexibility in its finances to ensure that the Town is positioned to react and respond to changes in the economy and new service challenges without measurable financial stress.

FISCAL RESERVES GUIDELINES

The Town's accumulation of prudent reserves is critically important to the fiscal health of the community for many reasons. Reserves are a resource to sustain a community during an economic downturn and may provide for cash flow needs until major revenues are received, reducing or eliminating the need for short-term borrowing. Rating agencies and investors also view reserves favorably as evidence of the community's financial flexibility. Specific purpose reserves are also helpful way to identify a specific need of the community and produce a funding strategy to address it.

The Town will endeavor to establish and maintain the following reserves and at specific levels or for specific purposes:

- A. Undesignated Fund Balance: To maintain an annual Undesignated Fund Balance of at least 5% to 10% of the General Fund Operating Budget.
- B. Free Cash: To generate an annual Free Cash Balance (which is part of the Undesignated Fund Balance) of at least 2.5% to 5% of the General Fund Operating Budget.

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- C. Stabilization Fund (MUNIS Fund 8302): To maintain a balance of at least 5% to 10% of the General Fund Operating Budget. This fund is being invested under the guidelines of our investment policy attached.

Use of Reserves: To the maximum extent possible, the Town shall only appropriate reserves such as Free Cash and Stabilization Fund for one-time, non-recurring expenses such as unforeseen and unpredictable events, capital projects and equipment or for set asides for long term liabilities. It is understood that at times, reserves may have to be used to support the operating budget due to state aid reductions or other revenue and/or expenditure challenges. If such use of reserves is necessary in a fiscal year to maintain an adequate level of essential services, the Town should strategically plan on reducing and then eliminating the use of reserves in the coming fiscal years. Appropriations from the General Stabilization fund require a 2/3rds vote of Town meeting and Free Cash requires a majority.

- D. Employer & Employee Health & Dental Insurance Trust Funds (MUNIS Funds 6901 & 6902 Respectively): To maintain enough balance to cover the incurred but not reported health claims plus a two-month reserve for extraordinary & unforeseen. This balance should range between 15% and 25% of the annual claims expense.
- E. Overlay Reserve (MUNIS Org 0010 Obj 123XXX): To maintain an annual Overlay Reserve for abatements and exemptions at an appropriate level based on an analysis of historical data and specific circumstances and provide for all applicable exemptions allowed by law. This reserve should be somewhere between .60% and 1% of the annual property tax levy.
- F. Reserve Fund (MUNIS Org 00101326): To budget an annual Reserve Fund under the authority of the Advisory & Finance Committee for unexpected and unforeseen budget needs.
- G. Nuclear Mitigation Special Purpose Stabilization Fund (MUNIS Fund 8303): These funds are being set aside for future use as it relates to the decommissioning and closure of the Entergy Nuclear Power Plant and the effect that closure would have on the Town's budget, Tax Rate and Economic Development. Funding for this fund will come from any declared excess overlay from the Board of Assessors, certified free cash or any other available fund deemed applicable. This fund is being invested under the guidelines of our investment policy attached.

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Possible future uses of the fund could include the following but are not limited to:

- a. Offsetting tax rate for any unplanned decreases in the PILOT payment for that property.
- b. Loss of funding from Entergy for the annual operations of the town's Emergency Management Operation or any other funding that they provide to the Town that we don't provide for ourselves.
- c. Other costs associated with the Town's efforts to protect itself during the closing and decommissioning process.
- d. Possible future use of the Entergy Site and / or economic development of the site and property surrounding it.
- e. This fund is being invested under the guidelines of our investment policy attached.
- f. Any appropriation from this fund would require a 2/3rds vote from Town Meeting.

H. OPEB Trust Fund (MUNIS Fund 8310):

This fund was established by a Special Act of the Legislature, Chapter 113 of the Acts of 2012, under the supervision and management of the Plymouth Retirement Board, Custodian Town Treasurer / Collector.

- a. The Town has a line item in the budget; for both General Fund and Enterprise Funds with the intent to fund an amount to the Trust on an annual basis.
- b. The plan is to fund an amount equal to a minimum of 1% of covered payroll based on the most recent actuarial valuation and updated for any cost of living adjustments. Amounts greater than the 1% will be reviewed on an annual basis and recommended if funds are available.
- c. Future greater focus on investment to this fund is recommended once the Pension Unfunded Liability is paid off.
- d. The Investment Policy of the OPEB fund has been established by the Retirement Board and is included by reference herein.
- e. Constant evaluation with recommendations to change the Other Post-Employment Benefits to determine if savings can result in reducing the OPEB Liability.

I. Pavement Management Plan Debt Stabilization Fund (MUNIS Fund 8309):

This fund was established as a funding mechanism to pay for the principal and interest associated with the Department of Public Works Pavement

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Management Plan (PMP) for Public and Unaccepted Paved Roads as submitted to the Capital Improvements Committee as part of the capital bylaw process.

- a. Funding for this fund will come from excess Motor Vehicle Excise received in any given fiscal year over what was budgeted.
- b. Budgeted excise for the general fund budget will approximate 1.25% to 1.50% growth over previous years budgeted amounts.
- c. This fund will be reviewed on an annual basis for performance results and recommended funding for PMP projects will be determined based on that evaluation.
- d. This fund is being invested under the guidelines of our investment policy attached.

J. 1820 Court House Fund (Meals Tax) (MUNIS Fund 2600):

This fund was established by a Special Act of the Legislature; Chapter 363 of the Acts of 2014, to segregate the annual local option meals tax into the fund to pay for the financing of the construction, demolition, renovation, operation and related costs of the 1820 Courthouse and associated properties. This fund would expire on June 30, 2040 due to the sunset clause unless otherwise amended.

- a. Currently the fund is paying the principal and interest for the financing of the 1820 Court House and Town Hall project.
- b. This fund is being invested under the guidelines of our investment policy attached.

K. Environmental Affairs Fund (MUNIS Fund 2630):

This fund was established by a Special Act of the Legislature; Chapter 358 of the Acts of 2016, to segregate 50% of the revenue derived from the renewable energy PILOTS that the Town negotiates, and Town meeting approves with Wind, Solar or other renewable energy sources.

- a. At the end of each fiscal year the Town determines the annual amount received from these PILOT agreements and transfers the money into that fund.
- b. The fund earns its own interest.
- c. The fund is considered a receipt reserved for appropriation by Town Meeting and can be used for costs related to environmental

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projects including, but not limited to, design and engineering, mitigation, land acquisition, water quality assessments, stormwater control improvement and river restoration or as a local grant match to other state or federal environmental grant opportunities.

- d. The fund has a sunset clause 5 years after its effective date of 7/1/2017; therefore, the fund will cease collecting ½ of the revenues at the end of Fiscal 2021 unless otherwise amended.

L. Hotel / Motel Promotion Fund (MUNIS Fund 2601):

This fund was established by a Special Act of the Legislature; Chapter 4 of the Acts of 1993 to allocate 45% of the Hotel Motel Tax received in the Town of Plymouth to the fund and 55% to the general fund.

- a. This is a receipt reserved for appropriation and voted by Town meeting to the Visitors Service Board (VSB) on an annual basis.
- b. The VSB uses the funds to support projects that will enhance the beautification, recreational resources, public safety, promotional and marketing activities, events, services, and public improvements which are of clear mutual interest to the residents and visitors of the Town of Plymouth and which strengthen said town as an attractive center for tourism, conventions, and related purposes of the visitor industry.
- c. Interest from fund is treated as a general fund revenue.

FINANCIAL PLANNING & MONITORING GUIDELINES

Long-term financial forecasting and constant monitoring of current revenue and expenditure trends are vitally important to maintain quality service levels and fiscal discipline. As a result, it is the policy of the Town to undertake the following:

- A. **Multi-Year Financial Forecasting:** Establish and maintain an on-going financial planning model that projects revenues and expenses over the next five (5) years by using ten (10) years of historical data and any other pertinent fiscal trend analysis. *In Process of development 4/2019 from a tool given to the Town by the DOR.*
- B. **Monitor and Track Current Year Financial Activities:** Constantly monitor revenue and expenditure activities and publish periodic reports for policy-makers, administrators and department heads. These reports will be on the Finance Department's website under Financial Report Center.

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CAPITAL PLANNING & DEBT SERVICE MANAGEMENT GUIDELINES

The Town's willingness and ability to address its capital needs (infrastructure, facilities, equipment, etc) is very important to the community's quality of life and fiscal stability. At the same time, the Town must maintain a sound debt structure and debt ratio to ensure that all debt obligations will be satisfied without

sacrificing the quality of on-going operations and/or burdening future generations with large debt obligations. To that end, it is the policy of the Town to undertake the following:

- A. Capital Improvement Plan: In accordance with the Capital Improvements By-Law any capital project request valued greater than \$15,000 and useful life greater than 5 years is reviewed by Finance Director and Town Manager with the department requesting and is put on the plan. The Town shall establish and maintain a five (5) year capital improvements plan, to update the plan annually, to develop capital financing strategies consistent with these policies, and to integrate any new operating costs associated with capital projects into the annual operating budget.
- B. Annual Capital Funding: Each individual year's requests from the plan are prioritized by the department requesting. They meet with the Capital Improvements Committee who reviews all the current year plans requests and ranks them in order of priority based on safety to the public or employees, town need for efficiency and economic savings, violations or non-compliance with federal, state or local laws or any other applicable reasons. The Town Manager then funds as many as the top rankings and other priorities of the Town within the parameters of the Finance Directors recommendation of free cash use and borrowing.
- C. Debt Service Guidelines: The Town will maintain a debt service budget for both non-excluded and excluded debt that should be not less than 5% and no more than 10% of the total annual operating budget.
- D. Debt Maturity Guidelines: The Town will strive to limit the average maturity of its debt. By adopting a conservative maturity schedule, the Town will not only reduce interest costs of its bonds but also recognize that capital needs will continue to be identified and recommended in the future.
- E. Debt Structure: The Town will structure debt service schedules with level principal in most cases thereby creating flexibility for future capital needs. In cases where it makes sense to do level debt because of dedicated revenue sources those instances will be considered and evaluated.

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- F. Alternative Financing Strategies: The Town will continually pursue opportunities to acquire capital by means other than conventional borrowing such as grants, partnerships and low or no-interest loan programs such as Clean Water Trust and other State or federal agencies.
- G. Unspent Bond Proceeds, Bond Premiums or Other Available Funds: The Town will annually review previous projects for any unspent bond proceeds, remaining bond premiums and any other available funds to fund future capital needs before borrowing.
- H. Cash Flow: The Town will prepare and update cash flow statements for each bonded project to borrow only those funds necessary, and to schedule debt payments over the course of the fiscal year.
- I. Reconciliation & Record keeping: The Town will periodically reconcile debt-related records of the Finance Director with the Town Treasurer and will annually determine if any unissued bond authorizations needed to be rescinded at Annual Town Meeting.
- J. Annual Rebate Calculations: The Town will annually perform analysis on proceeds from debt for any arbitrage rebate calculations for all Tax-Exempt Debt.
- K. Debt Issuance: The Town will work closely with its Financial Advisor and Bond Counsel to ensure that all legal requirements are met and that the lowest possible interest rate can be obtained. To that end, the Director of Finance, Treasurer / Collector, Director of Planning & Development and Director of Assessing will prepare and present a financial presentation to rating agencies in advance of a permanent bond issue, and every effort will be made to secure as high a bond rating as possible.
- L. Refunding Opportunities: The Town will work with its Financial Advisor to seek out any opportunities to refund or refinance current existing debt to save any money.

REVENUE ENHANCEMENT GUIDELINES

To continue to maintain a reasonable level of services to its citizens and meet all future financial obligations, the Town will proactively seek new revenue sources in the following manners:

- A. Property Valuations: In addition to the mandated three (3) year property revaluation, the Town will perform interim cyclical valuation updates to keep pace with the real estate market and void wide swings in assessed values.

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In addition, the Town will regularly inspect properties to ensure up-to-date property data and identify additional sources of “new growth” revenue.

- B. Receivables: The Town will use the demand process to collect unpaid taxes and excise. The Town will then rapidly move all unpaid taxes into Tax Title when authorized by law and will increase collection rates by increasing the use of a deputy collector and by attaching Town payments to vendors who also owe taxes to the Town.
- C. Foreclosure Properties: The Town will aggressively auction off foreclosed properties that are not reserved for town use, conservation or affordable housing purposes to put them back on the Tax rolls.
- D. Licenses & Permits Bylaw Section 109 / MGL Chapter 40 Section 57: The Treasurer / Collector in cooperation with Boards and Departments that issue licenses and permits will utilize this Bylaw and statute to revoke or deny any person or business who or which has neglected or refused to pay any local taxes, fees, assessments, betterments or any other municipal charges. For example; if you want a beach sticker or transfer station permit you need to be in good standing with your taxes and other charges before you will be eligible to get your sticker or permit.
- D. Non-Tax Revenue: The Town will annually review and analyze fees and other charges to determine if they are appropriate and comparable.

INVESTMENTS GUIDELINES

Massachusetts law requires that public funds be invested at the highest possible rate of interest reasonably available, taking into account safety, liquidity and yield. Therefore, these guidelines are intended to further the objective of securing the highest return that is consistent with safety of principal while meeting the daily cash requirements for the operation of Town business.

- A. Safety: Investments shall be made in a manner to ensure the preservation of capital through the mitigation of credit risk and interest rate risk. These risks shall be lessened by diversification and prudent selection of investment instruments and banking institutions. The Treasurer shall only invest in the “Legal List” investments established and provided annually under Massachusetts General Laws.
- B. Liquidity: The overall investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated.

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C. Yield: Investments shall be made so as to achieve the best rate of return, taking first into account safety and liquidity.


D. Deposits: The Treasurer shall be cognizant of and comply with statutes governing the deposit and investment of public funds. The Treasurer shall also be aware of current banks credit ratings and invest only in those banking institutions with good credit history.

Please see separate Investment Policy attached.

FINANCIAL POLICY ENDORSEMENTS

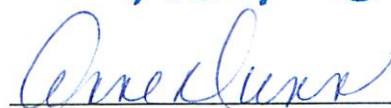

Chairman, Board of Selectmen
Dated:


Chairman, Advisory & Finance Committee
Dated:


Town Manager
Dated:


Director of Finance
Dated: 4/23/19


Treasurer / Collector
Dated: 4-25-19


Director of Assessing
Dated: 4/25/19