

BUDGET PROCESS

Overview

The Charter of the Town of Barnstable specifies that an Operating Budget and a Capital Budget will be adopted no later than forty-five (45) days following filing with Town Clerk to begin on the following July 1st. The Town of Barnstable's operating budget process is generally a nine-month cycle that begins in late September and ends in late June. The Town Council, management, departments, and the public have opportunities to participate in the preparation of the budget at various stages in the process. Throughout the process, the Town Manager presents reports delineating particular areas of concern to the Town Council, which then provides direction. The development of the annual operating and capital budgets involve a multi-faceted approach, which includes the examination of several documents and the monitoring of federal, state, and local economic factors. The interrelationship of the documents used is depicted in the diagram below.



At the center of the Town Council's strategic plan is the "Quality of Life". In the development of the annual operating budget and capital improvement program, care is taken to ensure that the services provided and the capital investments made are necessary to maintain or improve the citizenry's quality of life. Every funding decision made considers this.

The capital budget is included as a separate document in the town's budget process in accordance with Section 6-5 of the Town's Charter. This document is required to be submitted to the Town Council at least 30 days prior to the submission of the operating budget.

The School Superintendent oversees the capital budget preparation for the School Department and, as a rule, assigns an individual to participate on the review committee for all town and school requests.

December/January/February

The School Superintendent and Town Manager review the budget submissions. Meetings are held with the Principals and Department Managers to discuss the submissions. The School Committee also reviews the school budget and holds public hearings to review the budget.

In the preparation of the proposed town budget, each division, and program area are analyzed, and a specific appropriation is recommended for the coming fiscal year. The recommended appropriation takes into consideration the operating requirements of any new capital facilities that will open in the next fiscal year. Total appropriations are balanced to the level of funding that is expected to be available to the town.

March

The Town Manager submits the Capital Improvement Plan to the Town Council at least 30 days prior to the submission of the Annual Operating Budget. This includes all town and school capital requests. The Town Council must act on the capital budget by the end of May.

April

The School Committee approves the school's operating budget and submits it to the Town Manager.

May/June

Under state law and the Town Charter, the Town Manager is required to submit a recommended budget to the Town Council 170 days after their annual reorganization. Except in unusual circumstances, this typically occurs in May. The submitted budget is provided to the Comprehensive Finance Advisory Committee who reviews the budget and prepares a report for the Town Council. The Council reviews the budget and holds public hearings, which provide an opportunity for town and school management, budget staff, departments, and the general public to offer information, comment, and recommendations to the Town Council. In late May or early June (by the 45th day after submittal of the budget), the Council adopts the budget.

Basis of Budgeting

Pursuant to Chapter 44, Section 32 of the Massachusetts General Laws, the Town adopts an Annual Operating Budget for the General Fund and Enterprise Funds for which the level of expenditure may not legally exceed appropriations for each department or undertaking, classified in the following categories:

- Personnel (including salaries and employee benefits for active employees)
- Other ordinary maintenance or operating expenses
- Extraordinary expenditures or capital outlay

The Town's General Fund and Enterprise Fund budgets are prepared on a cash basis as opposed to the Annual

Comprehensive Financial Report, which is prepared on an accrual basis. The actual results of operations are presented on a cash basis as well to provide a meaningful comparison of actual results with the budget. The major differences between the cash and accrual basis are that:

1. Revenues are recorded when cash is received using the cash basis, as opposed to when earned using the accrual basis.
2. Encumbrances and continuing appropriations are recorded as the equivalent of expenditures under the cash basis as opposed to a reservation of fund balance under the accrual basis.
3. Depreciation is recorded as an expense under the accrual basis and is not used under the cash basis.
4. Cash disbursements for fixed assets are recorded as expenditure under the cash basis and capitalized under the accrual basis.

The proposed appropriations for all departments and operations of the Town, except that of School Department, are prepared under the direction of the Town Manager. School Department appropriations are prepared under the direction of the Superintendent of Schools and acted upon directly by the School Committee. The Town Manager may recommend additional sums for school purposes. In addition, the Town Manager may submit to the Town Council such supplementary appropriation orders as are deemed necessary. The Town Manager may not amend appropriations within the above-mentioned categories for a department without seeking Town Council approval. The Town Council may reduce or reject any item in the budget submitted by the Town Manager but may not increase or add items without the recommendation of the Town Manager.

Definition of a Balanced Budget

Every year the Town of Barnstable prepares a balanced budget. A balanced budget occurs under one of three scenarios:

1. Revenues exceed expenditures;
2. Revenues equal expenditures; or
3. Revenues plus appropriated fund balance (transfer from surplus or reserves) equal expenditures.

The Town's FY2023 capital and operating budgets are balanced using \$12,168,132 of surplus, of which \$2,031,347 is used for the Enterprise Fund capital program, \$4,166,306 municipal capital program, and \$4,470,480 for the General Fund, Sewer Construction & Private Way Fund, and Enterprise Funds operating budgets.

	Estimated Current Year Receipts	Transfer From Surplus	Transfer From General Fund	Trust Funds	Special Revenue Funds	Closed Projects	Borrowing Auth.	Total Receipts	Total Appropriations
General Fund	\$184,675,812	\$1,050,000	\$ -	\$7,008,286	\$736,340	\$ -	\$ -	\$193,470,438	\$193,470,438
Capital Program	-	-	4,166,306	3,750,000	-	21,000	17,505,633	25,442,939	25,442,939
Sewer Construction & Private Way	2,754,074	2,691,849	-	750,000	-	-	3,000,000	9,195,923	9,195,923
Enterprise Funds: Amounts include operating and capital budget									
Airport	9,755,050	1,109,000	-	-	-	-	2,178,000	13,042,050	13,042,050
Golf	3,803,861	151,477	-	-	-	-	-	3,955,338	3,955,338
HYCC	686,000	412,620	1,391,458	1,234,875	-	-	1,770,000	5,494,953	5,494,953
Marina	721,500	64,681	30,000	45,400	-	-	-	861,581	861,581
PEG	953,168	0	-	-	-	-	-	953,168	953,168
Sandy Neck	988,256	107,017	-	-	-	-	-	1,095,273	1,095,273
Solid Waste	3,772,049	493,724	-	-	-	-	-	4,265,773	4,265,773
Water Supply	8,091,162	265,000	-	-	-	-	2,530,000	10,886,162	10,886,162
Water Pollution	5,042,568	235,000	-	-	-	-	14,950,000	20,227,568	20,227,568
Totals	\$221,243,500	\$6,580,368	\$5,587,764	\$12,788,561	\$736,340	\$21,000	\$41,933,633	\$288,891,166	\$288,891,166

The \$1.050 million used to balance the General Fund operating budget includes \$250,000 for a Town Council Reserve Fund and \$800,000 for prior year snow removal deficit.

Implementation of the Approved Budget and Amendments to the Budget

Upon adoption of the budget, staff updates the approved operating and capital budgets, incorporating all changes from the proposed budget. The approved budget is published in late June. Pursuant to the Town Charter, Section 6-4, the Town Manager may make certain changes to the appropriations for each department. The Town Council may, by ordinance, amend the budget to decrease or transfer appropriations among departments. The Charter specifies that the Town Council may not increase the budget of any department, either during the budget process or during the course of the fiscal year, without first receiving a supplemental appropriation request from the Town Manager. There is a specific exception for the School Department, where the Town Council may increase the School Department budget with a corresponding reduction to another area of the budget. If, at any time during the fiscal year, the Town Manager determines that available revenues will be less than total appropriations for the year, he revises departmental work programs and appropriations to ensure that available revenues are not exceeded, and presents the amended appropriations to the Town Council for their approval. Supplemental appropriations are provided for emergencies if they arise. Towards the end of the fiscal year, departments have the opportunity to request transfers in their budgets if deemed necessary.

FINANCIAL FUND STRUCTURE

The Town's financial records are organized within several different fund types. Funds requiring the annual appropriation process include the General Fund and all Enterprise Funds. All other funds are to account for certain receipts and their subsequent expenditure in accordance with Federal or State law, granting agency requirements or donor requirements. All capital program appropriations are accounted for within the Capital Projects Fund. The following list includes all fund types utilized by the Town with a brief description for each one.

<p>General Fund Requires annual appropriation by Town Council</p>	<p>This is the main operating fund of the town. All resources are credited to this fund unless they are specifically required to go elsewhere. This is where all property taxes are credited and a majority of town services are provided from including Education, Police, and Public Works.</p>
<p>Special Revenue Funds These funds are not required to be part of the annual budget process</p>	<p>Revolving Funds - Fees charged for certain services which cover the cost of the service.</p> <hr/> <p>Receipts Reserved for Appropriation - Fees requiring Town Council appropriation in order to be spent. These are used to balance the General Fund budget and include items such as Embarkation fees and Bismore parking receipts and the Sewer Construction and Private Way Maintenance and Improvement Fund.</p> <hr/> <p>Grants (non-enterprise fund)</p> <hr/> <p>Gifts</p> <hr/> <p>Other Designated Revenue</p>
<p>Capital Project Funds These funds are used to track the annual capital improvement program</p>	<p>Municipal Capital Projects</p> <hr/> <p>School Capital Projects</p> <hr/> <p>Enterprise Fund Capital Projects</p>
<p>Enterprise Funds Similar to the General Fund, these funds all require annual appropriation by the Town Council</p>	<p>Airport</p> <hr/> <p>Golf</p> <hr/> <p>Solid Waste</p> <hr/> <p>Water Pollution Control</p> <hr/> <p>Water Supply</p> <hr/> <p>Marinas</p> <hr/> <p>Sandy Neck Park</p> <hr/> <p>Hyannis Youth & Community Center</p> <hr/> <p>Public, Education, and Government Access Channel</p>
<p>Trust & Agency Funds</p>	<p>Permanent Funds</p> <hr/> <p>Fiduciary Funds</p>

DEPARTMENT AND FUND RELATIONSHIP

Town Council	<ul style="list-style-type: none"> • General Fund
Town Manager	<ul style="list-style-type: none"> • General Fund • Public, Educational , and Government Access Channel Enterprise Fund
Administrative Services Department	<ul style="list-style-type: none"> • General Fund
Marine & Environmental Affairs Department	<ul style="list-style-type: none"> • General Fund • Marina Enterprise Fund • Sandy Neck Enterprise Fund
Community Services Department	<ul style="list-style-type: none"> • General Fund • Golf Enterprise Fund • Hyannis Youth & Community Center Enterprise Fund
Planning & Development	<ul style="list-style-type: none"> • General Fund
Police Department	<ul style="list-style-type: none"> • General Fund
Public Works Department	<ul style="list-style-type: none"> • General Fund • Solid Waste Enterprise Fund • Water Pollution Control Enterprise Fund • Water Supply Enterprise Fund
Inspectional Services Department	<ul style="list-style-type: none"> • General Fund
School Department	<ul style="list-style-type: none"> • General Fund
Airport	<ul style="list-style-type: none"> • Airport Enterprise Fund

TOWN-WIDE FINANCIAL MANAGEMENT POLICIES

Town Charter

1. Annual Budget Policy

The President of the Town Council shall call a joint meeting of the Town Council and School Committee prior to the commencement of the budget process to review the financial condition of the Town, revenue, and expenditure forecasts and other relevant information in order to develop a coordinated budget. The Town Manager and Superintendent of Schools shall be required to develop an annual policy agreement on the allocation of the projected revenue between the general government operations and the school department operations. Said agreement shall be subject to review by the School Committee and the Town Council.

2. Submission of Budget Message

Within the period prescribed by the laws of the Commonwealth, the Town Manager shall submit to the Town Council a proposed operating budget for all town agencies, which shall include the school budget as adopted by the School Committee, for the ensuing fiscal year with an accompanying budget message and supporting documents. The budget message submitted by the Town Manager shall explain the budget in fiscal terms and in terms of work programs for all town agencies. It shall outline the proposed fiscal policies of the Town for the ensuing fiscal year; describe important features of the proposed budget and indicate any major variations from the current budget, fiscal policies, expenditures, and revenues together with reasons for such change. The proposed budget shall provide a complete fiscal plan of all town funds and activities and shall be in the form the Town Manager deems desirable. The budget as adopted by the School Committee shall be submitted to the Town Manager at least thirty days prior to the submission of the proposed budget to the Town Council.

3. Action of the Budget

Public Hearing

The Town Council shall publish in a newspaper of general circulation in the Town a summary of the proposed operating budget as submitted by the Town Manager by a notice stating:

- a. The times and places where copies of the entire proposed budget are available for inspection by the public, and
- b. The date, time and place not less than fourteen days after such publication, when a public hearing on said proposed budget will be held by the Town Council. For the purpose of this section; the summary of the proposed operating budget that is required to be published shall contain proposed appropriations, funding sources and any narrative summary deemed necessary by the Town Council.

Adoption of the Budget

The Town Council shall adopt the budget, with or without amendments, within forty-five days following the date the budget is filed with the clerk of the Council. In amending the budget, the Town Council may delete or decrease any programs or amounts except expenditures required by law or for debt service, but except on the recommendation of the Town Manager, the Town Council shall not increase any item in or the total of the proposed budget, unless otherwise authorized by the laws of the Commonwealth. If the Town Council fails to take action with respect to any item in the budget within forty-five days after receipt of the budget, such amount shall, without any action by the Town Council become a part of the appropriations for the year, and be available for the purposes specified.

4. Supplementary Budgets and Appropriations

Whenever the Town Manager shall submit to the Town Council a request for an appropriation of any sum of money, whether as a supplement to the annual operating budget or for an item or items not included therein, the Town Council shall not act upon such request until it has:

- a. Given notice by publication in a local newspaper of the request; and
- b. Held a public hearing concerning such request. The publication and the public hearing shall be in conformity with the provisions concerning the proposed annual operating budget.

5. Capital Improvement Plan

The Town Manager shall, in conjunction with any committee established for such purpose, annually submit a capital improvement program to the Town Council at least thirty days prior to the date for submission of the operating budget; unless some other, time is provided by ordinance. The capital improvement plan shall include:

- a. A clear summary of its contents;
- b. An itemization of all capital improvements, including those of the School Department, proposed to be undertaken during the next five fiscal years with supporting data;
- c. Cost estimates, method of financing, and recommended time schedules; and
- d. The estimated annual cost of operating and maintaining the facilities included.

The Town Council shall publish in a newspaper of general circulation in the Town a summary of the capital improvement plan and a notice stating:

- a. The times and places where entire copies of the capital improvement plan are available for inspection by the public; and
- b. The date, time and place not less than fourteen days after such publication, when a public hearing on said plan will be held by the Town Council.

At any time after the public hearing but before the first day of the last month of the current fiscal year, the Town Council shall by resolution adopt the capital improvement plan with or without amendment, provided that each amendment must be voted separately and that any increase in the capital improvement plan as submitted must clearly identify the method of financing proposed to accomplish this increase.

6. Long Term Financial Forecast

The Town Manager shall annually prepare a five-year financial forecast of town revenue, expenditures, and the general financial condition of the Town. The forecast shall include, but not be limited to, an identification of factors, which will influence the financial condition of the Town; revenue and expenditure trends; potential sources of new or expanded revenues and any long or short-term actions, which may be taken to enhance the financial condition of the Town. The forecast shall be submitted to the Town Council and shall be available to the public for inspection.

7. Annual Audit

The Town Council shall provide for an annual audit of the books and accounts of the Town to be made by a certified public accountant, or firm of accountants, who have no personal interest, direct or indirect, in fiscal affairs of the town government or any of its offices.

8. Financial Management Standards

The Town Council may by ordinance establish reasonable standards relating to the management of financial systems and practices. Any standards adopted shall conform to modern concepts of financial management.

General Ordinances

Reversion of Appropriations

General appropriations made by the Town Council shall continue to revert to the General Fund at the close of the fiscal year for which they are made, as provided by law. Unless otherwise provided in a vote of the Town Council making a specific appropriation, or unless a specific appropriation is encumbered by contractual obligations, specific appropriations shall have a normal life of three years from the commencement of the fiscal year for which it was approved. At the end of the third fiscal year, any funds remaining in the appropriation shall revert to the General Fund. A vote making a specific appropriation may provide that the appropriation shall revert to the General Fund at the end of any fiscal year. The Town may, at any time by appropriate action by the Town Council, extend the date on which a specific appropriation would otherwise revert to the General Fund.

Enterprise Funds

The Town accepts the provisions of §53F 1/2 of Chapter 44 of the Massachusetts General Laws (MGL), authorizing the establishment of Enterprise Funds and hereby designates:

- a. The Cape Cod Gateway Airport and its operation as an enterprise there under;
- b. The Public Works Department, Solid Waste Division, Flint Street, Marstons Mills Municipal Solid Waste Facility and its operation as an enterprise there under;
- c. The Public Works Department, Water Pollution Control Division facilities, including mains and pumping stations and their operation, as an enterprise there under;
- d. The Public Works Department, Water Supply Division facilities, including wells and well fields, storage tanks, mains and pumping stations and their operation, as an enterprise there under;
- e. The Department of Marine and Environmental Affairs, Marina facilities as an enterprise there under;
- f. The Department of Marine and Environmental Affairs, Sandy Neck area and facilities as an enterprise there under;
- g. The Town Manager Department, Public, Education and Government Television Access Channels as an enterprise thereunder;
- h. The Department of Community Services, Olde Barnstable Fairgrounds and Hyannis Municipal Golf Course facilities and its operation as an enterprise there under, and
- i. The Department of Community Services Recreation Division, Hyannis Youth & Community Center as an enterprise there under.

Revolving Funds

The Town hereby establishes revolving funds, pursuant to Chapter 44, §53E 1/2 of the Massachusetts General Laws, within the special revenue accounts of the Town of Barnstable which shall be known as the:

- a. The Classroom Education Fund, Council On Aging Division, Community Services Department;
- b. Recreation Program Fund, Recreation Division, Community Services Department;
- c. Shellfish Propagation Fund, Natural Resources Division, Marine & Environmental Affairs Department;
- d. Consumer Protection Fund, Inspectional Services Department;
- e. Geographical Information Systems Fund, Administrative Services Department;
- f. Arts & Culture Program Fund, Planning & Development Department.
- g. Asset Management Fund, Town Manager Department.

The departments are hereby authorized to operate said funds in the following manner:

- a. The Town Accountant shall account for all funds separately from all other monies of the Town and to which shall be credited only the departmental receipts received in connection with the programs supported by such revolving fund.
- b. Expenditures may be made from such revolving funds without further appropriation, subject to the provisions of this article; provided, however, that expenditures shall not be made or liabilities incurred from any of the revolving funds in excess of the balance of the fund nor in excess of the total authorized expenditures from such fund.

- c. Interest earned on any revolving fund balance shall be treated as General Fund revenue of the Town.
- d. Expenditures from said fund shall not be made for the purpose of paying any wages or salaries for full-time employees unless the fringe benefits associated with such wages or salaries are also charged to the fund.
- e. Annual authorization. Annually, at the time the town budget is submitted to the Town Council, the Town Manager shall submit an order to the Town Council authorizing the revolving funds set forth. The order shall contain the following:
 - i. The programs and purposes for which the revolving fund may be expended;
 - ii. The department or officer authorized to expend from such fund;
 - iii. The departmental receipts which shall be credited to the revolving fund; and
 - iv. A limit on the total, which may be expended from such fund in the ensuing year, subject further to limitations that may be established annually within the order.

Administrative Code

1. Financial Policies and Procedures

The Town of Barnstable faces continuing operational and capital requirements to meet the increasing needs of its citizens. These requirements have to be met amidst little or no state or federal assistance and within the constraints of Proposition 2½. To help ensure the Town's financial stewardship, an established program of managing the Town's finances becomes essential. To this end, the Town Council seeks policies and procedures that are financially prudent and in the Town's best economic interest. The Town Council promulgates these financial policies consistent with its responsibilities under the Town Charter. In following this policy, the Town shall pursue the following goals:

- a. To develop effective financial management within the Town which conform to generally accepted accounting principles.
- b. To simplify, clarify, and modernize the financial systems of the Town as the need occurs.
- c. To provide increased public confidence in public financial management.
- d. To provide increased economy and financial performance and to maximize to the fullest extent practicable the use of public funds of the Town.
- e. To provide safeguards to ensure quality and integrity of the financial systems.
- f. In order to obtain the above goals, the Town Council adopts the following policies:
 - i. The Town will establish accounting practices that conform to generally accepted accounting principles (GAAP) as set forth by the authoritative standard-setting body for units of local government.
 - ii. An independent public accounting firm will perform an annual audit and an official, Annual Comprehensive Financial Report (ACFR) shall be issued no later than six months following the end of the fiscal year.
 - iii. A management letter, a by-product of an annual audit, shall be provided by the independent public accounting firm no later than February 1. Additional findings and recommendations may be communicated in a separate letter to be provided no later than March 1.
 - iv. A five-year financial forecast shall be prepared annually by the Town Manager, in accordance with the Charter, Section 6-6 that includes projecting revenues and expenditures for all operating funds. This forecast shall be used as a planning tool in developing the following year's operating budget and capital improvement plan. The forecast shall be submitted no later than October 1.

A Self Insurance Reserve Fund will be established and maintained to cover workers' compensation as authorized by Chapter 40, §13A, of the Massachusetts General Laws and property losses as authorized by Chapter 40, §13, of the Massachusetts General Laws. In order to cover losses arising out of this fund, an amount will be appropriated to cover the stop-loss premium and a sum to establish the fund for future losses. It is the intention of this fund to cover all losses arising out of employment injury, fire, vandalism, burglary, theft, and repairs. A stop-loss insurance policy through an insurance carrier will be provided for catastrophic losses.

An advance refunding of outstanding debt shall only be considered when present value savings of at least 3% of the principal amount of the refunded bonds are produced, unless: (a) a debt restructuring is necessary or (b) bond covenant

revisions are necessary in order to facilitate the ability to provide services or to issue additional debt. An analysis shall be conducted when necessary to determine whether debt financing, cash purchases, or leasing is the most cost effective method of financing for the Town.

General Fund:

- a. Current revenues will be sufficient to support current expenditures.
- b. Debt will not be used to fund current operating expenditures.
- c. General Fund Undesignated Fund balance of at least 4% of total annual expenditures shall be budgeted. The Undesignated Fund balance shall be used to provide for temporary financing for unanticipated or unforeseen extraordinary needs of an emergency nature, for example, costs related to a natural disaster or calamity, or an unexpected liability created by federal or state legislation, new service needs that have been identified after the budget process, new public safety or health needs, revenue shortfalls, service enhancements, or opportunities to achieve costs savings.
- d. Funds shall be allocated from the Undesignated Fund balance only after an analysis has been prepared by the Town Manager and presented to Town Council. The analysis shall provide sufficient evidence to establish that the remaining balance is adequate to offset potential downturns in revenue sources and provide a sufficient cash balance for daily financial needs. The analysis shall address the nature of the proposed expenditure and the revenue requirement in subsequent budget years.
- e. Prior to allocating funds from the Undesignated Fund balance, the Town Council shall find that an emergency or extraordinary need exists to justify the use of these funds. Funds shall be allocated each year in the budget process to replace any use of Undesignated Fund balance funds during the preceding fiscal year to maintain the balance of the Undesignated Fund balance at 4% of budgeted expenditures.

The year-to-year increase of actual revenue from the levy of the ad valorem (property) tax shall generally not exceed 2.5% (Proposition 2½).

- a. Excluding taxable value gained through consolidation; excluding the value gained through new construction;
- b. Excluding expenditure increases funded outside the tax limit cap; and
- c. Not excluding the valuation gained or lost through revaluation or equalization programs.

Property values shall be appraised at a minimum of every three years.

The Town shall encourage the Tax Collector to follow an aggressive policy of collecting property tax revenues. An average collection rate of at least 95% of current levy shall be maintained.

Charges for service and other revenues shall be examined annually and adjusted as deemed necessary to respond to changes in cost of service.

An adequate level of maintenance and replacement will be funded each year to insure that all capital facilities and equipment are properly maintained as needed and tied to proper repair and maintenance procedures.

General obligation debt:

- a. All debt shall be financed outside the limitations of Proposition 2½ with the exception of debt related to Enterprise Funds, gifts, and betterments. The requirements for such financing shall be an expenditure of at least \$250,000 and a useful life in excess of five years.
- b. The term of long-term debt generally shall not exceed the expected useful life of the capital asset being financed and, in no case, shall it exceed 20 years.
- c. The ratio of net debt (total outstanding Town of Barnstable general obligation debt less reimbursements) to total assessed valuation shall not exceed 1.5%. This excludes debt of overlapping jurisdictions.
- d. The ratio of debt service to total expenditures (operating expenditures and debt service combined) shall not exceed 15%.
- e. The Town shall target a Standard and Poor's (S&P) ratio of 8%. S&P ratio is calculated by dividing overall net debt per

capita by effective buying income per capita.

- f. Current revenue should be committed annually to provide sufficient "pay-as-you-go" financing so that, at the end of five years, annual contributions from current revenues amount to 10% of new debt to be issued.
- g. Excess appropriated bond issues shall be placed into a bond repayment fund account at the end of a project completion. The only purpose of the bond repayment fund account shall be to make bulk principal pay downs against general bond debt or be used to pay down the principal on any bond issue at the time of refinancing.

Offset receipts and Enterprise Funds in general:

- a. The Town shall establish and maintain offset receipts and Enterprise Funds pursuant to MGL Chapter 40, §39, and Chapter 44, §53, respectively, wherever possible in order to ensure annual operation and maintenance needs are met and such services are financed in an equitable manner.
- b. The term of debt for offset receipts and Enterprise Funds generally shall not exceed the useful life of the asset, and in no case shall the term exceed 30 years.
- c. Principal repayment delays shall not exceed five years.
- d. An offset receipts and Enterprise Fund shall maintain a fully funded debt service reserve for its existing bond issues and future issues.
- e. Debt service coverage of at least 1.25 times shall be the target.
- f. Short-term debt, including tax-exempt commercial paper, shall be used when authorized for interim financing of capital projects. The term of short-term debt shall not exceed five years. Total short-term debt shall generally not exceed 10% of outstanding long-term debt.
- g. Ongoing routine, preventive maintenance should be funded on a pay-as-you-go basis.
- h. Capital enterprise projects should be financed through a combination of cash financing and debt. A ratio of at least 10% equity contributions is desirable.
- i. All offset receipts and Enterprise Funds shall maintain a working capital reserve, defined as cash and investment pool equity in current assets, which is equivalent to 30 days of budgeted operations and maintenance expense.
- j. Rates for offset receipts and Enterprise Funds shall be designed to generate sufficient revenues to support the full cost (direct and indirect) of operations and debt and provide debt service coverage, if applicable, and to ensure adequate and appropriate levels of working capital. Rates for the Department of Community Services Enterprise Fund shall be designed to generate revenue amounts less than required to support the full cost (direct and indirect) of operations, debt, and working capital.

Gifts and grants:

- a. All grants shall be managed to comply with the laws, regulations and guidance of the grantor; and all gifts and donations shall be managed and expended according to the wishes and instructions of the donor.
- b. All gifts and grants shall be evaluated for suitability and consistency to town policies. They shall also be formally accepted by both the Town Manager and the Town Council.

Capital Trust Fund:

- a. A Capital Trust Fund is hereby established for the purpose of financing debt service for recommended capital improvement program projects, as contained within the Town's five-year capital improvement plan.
- b. The Capital Trust fund will be funded through a general operations set-aside at a minimum of \$1,900,000 annually.
- c. The Capital Trust Fund shall not be utilized for any purpose other than that stated herein.
- d. The criteria for reviewing capital project eligibility for Capital Trust Fund borrowing include the following:
 - i. The capital project shall have a financing term of 20 years or less;
 - ii. The capital project shall have a minimum project cost of \$250,000; and
 - iii. The capital project is approved by the Town Council for funding through an appropriation and loan order submitted by the Town Manager.
- e. The Capital Trust Fund will have a debt service restriction on the fund, such that debt service estimates from authorized loan orders shall not exceed, at any one time, more than 80% of the amount in the fund as of the close of the fiscal year prior to the next debt service authorization, unless recommended by the Town Manager.
- f. The Capital Trust Fund shall otherwise function in accordance with related financial policies of the Town.

2. Insurance

It is the policy of the Town of Barnstable that, giving due regard to the financial limitations of the Town, prudent managerial oversight should limit risks and exposures. Local governments are subject to four basic types of risks: real and personal property loss; loss of income or increased costs associated with property loss; personnel loss; and liability. In response to these potential losses, the Town of Barnstable shall always consider and pursue the best action or combination of actions to control risk: risk avoidance; risk prevention; risk assumption; and risk transfer. The purpose of this policy is to provide a functional tool for insurance management. In pursuing this policy, the Town shall abide by the following goals:

- a. The Town should not insure itself against minor recurrent losses;
- b. Self-insurance should be used where risks are recurrent and financially manageable; and
- c. Insurance should be sought for potential major losses.

3. Investments

It is the policy of the Town of Barnstable that, giving due regard to the safety and risk of investment, all available funds shall be invested in conformance with legal and administrative guidelines and maximizes yields with the minimal risk and utilization of collateralization when requested. Effective cash management is recognized as essential to good fiscal management. An aggressive cash management and investment policy will be pursued to take advantage of investment interest as a viable revenue source. The Town's portfolio shall be designed and managed in a manner responsive to the public trust and consistent with state and local law. Investments shall be made with the primary objectives of:

- a. Preservation of capital;
- b. Maintenance of sufficient liquidity to meet operating needs;
- c. Security of Town funds and investments;
- d. Diversification of investments to avoid unreasonable or avoidable risks; and
- e. Maximization of return on the portfolio.

4. Computers and Automation

The purpose of this policy is to establish guidelines for the selection and utilization of computers in the Town of Barnstable. This policy is also intended to set up support procedures and personnel for assisting users in acquiring and utilizing computers. Computers are currently being acquired and used in most town departments. This occurrence is streamlining work and changing the way many employees view information and its effect on their jobs. The decreasing costs and increasing power have put computers in the reach of all departments. The Town recognizes the need to define the appropriate role for the computer. While acknowledging the power of the computer to increase productivity, there is a need to set standards for ensuring compatibility. There is also a need to review uses for appropriate minicomputer applications and ensure that information systems needs could not be handled better in some other manner. These computer policies are specifically intended to attain the following objectives:

- a. Encourage the use of technology of all types to improve and enhance the efficiency of the Town's procedures and practices whenever and wherever possible.
- b. Maintain and promulgate standards for computer technology and general electronic information management. Provide policy guidance to the management on the review and purchase of computer technology (hardware, software, and communications) to insure compliance with published standards.
- c. Maintain procedures and policies to insure that the Town's electronic resources are properly managed. Emphasis shall be placed on insuring that electronic information is easily accessible by those departments requiring access.
- d. No deviation from published hardware, software, communications, or information management policies/standards without a written waiver signed by the Town Manager and/or his/her designee.
- e. Centralize functions that can be automated and/or centralized to maximize the utilization of the Town's personnel and/or other financial resources.

5. Procurement

It is the policy of the Town of Barnstable to procure goods and services that help the organization deliver quality, competitively priced services in a manner as environmentally benign as practicable to the citizens and visitors of Barnstable. The Town's procurement policies are intended to minimize risks and realize efficiencies by way of superior management consistent with the Commonwealth of Massachusetts Chapter 30B of the General Laws: Uniform Procurement Act; Chapter 7, Chapter 30, §39M; and Chapter 149, §§44A through M. The Town of Barnstable's management of procurement will be conducted with the primary objectives of purchasing competitively priced, quality goods and/or services in quantities necessary to accomplish service delivery objectives. The Town of Barnstable recognizes that the use of taxpayer funds deserves the greatest care in procuring goods and services which are as environmentally benign as practicable and which enable the town to attain its objectives in a cost-effective manner.

6. Trust Fund Management

It is the policy of the Town of Barnstable that trust fund management is consistent with the legal requirements, including Town ordinances, the spirit of each respective trust document, and to the maximum extent possible, realizes the purposes the trusts were intended to achieve. Trust fund management will be conducted with the primary objectives of:

- a. Conformance to each trust document's specified purpose, legal requirements, and administrative guidelines;
- b. Adherence to the Town of Barnstable general ordinance providing for the administration of Town trusts;
- c. Preservation of capital;
- d. Maintenance of security of trust funds and investments;
- e. Maximization of total return for each trust fund;
- f. Efficient disbursement of funds on an equitable basis; and,
- g. Effective collection of all due monies.

Town Council Budget Policy

The Barnstable Town Council established the following policy guidelines for the Town of Barnstable's operating budget:

1. Revenue Policy and Order of Priority:

- a. To maintain a comprehensive and sound financial plan for meeting the prioritized operating and capital needs of the Town within the confines of available resources.
- b. To limit the increases on the property tax revenues to 2 ½ % plus new growth.
- c. To maintain adequate fund balances and reserves at 4% of the General Fund budget appropriation, net of transfers, to be set apart from certified free cash to protect against emergencies and unforeseen calamities.
- d. To maintain a capital trust fund by dedicating a minimum of \$6,725,000 in General Funds annually and to enhance the fund where possible with revenues or expenditure reductions not otherwise necessary to sustain operations, or through grants and gifts.
- e. To support a revenue sharing agreement between municipal and school operations that includes the following:
 - i. Increases or decreases in General Fund revenue will be shared 60/40 between school and municipal operations net of the amount set aside to cover fixed costs increases.
 - ii. General Fund savings reserves in excess of the 4% reserve mentioned in Item c. above will be made available for funding non-recurring municipal and non-recurring school operating expenses.
 - iii. The municipal and school operations savings account will continue to be credited with their respective appropriation savings; and excess General Fund revenue over budget estimates will be shared 60/40 between school and municipal operations.
- f. To seek new sources of funding through grants, impact fees, and other innovative revenue raising practices.
- g. Explore and create new revenue sources (including grants) for the Town and Schools to alleviate strain on municipal and school budgets and perform operational audits and work toward greater energy efficiency.
- h. To ensure that enterprise programs shall be self-supporting, except where the provision of basic public services require general fund support.

- i. To utilize revolving funds to fund senior service programs, recreational programs, shellfish propagation, building inspections, arts programs, GIS and consumer protection programs.
- j. To maximize interest income through sound investment practices.
- k. To aggressively pursue tax title payments for prior tax commitments.
- l. Increase the education efforts in disseminating to the general public the municipal/school financial position including a detailed, clear and easy to understand explanation of operational and capital budgets.
- m. Continue to support lobbying efforts to change the Chapter 70 funding formula (changed in FY06), Lottery Aid and other Municipal Aid.
- n. To preserve and promote residential and commercial tax base.

2. Expenditure Policy And Order of Priority:

In the event reductions to the labor force affect the ability to deliver a quality service, such service should be considered for its possible elimination.

3. General Policy:

- a. To maintain a consolidated administrative structure that will stabilize net operating costs, provide for cross training of employees, and improve service delivery by emphasizing:
 - i. Continued use of information systems technologies as a tool to increase performance efficiencies.
 - ii. Continued implementation of quality improvements in the operating departments of the Town.
 - iii. Continued implementation of a “user friendly” public service program for permitting, licensing and payment of taxes and fees.
 - iv. Continued implementation of innovative, cost-effective and meaningful programs and services and improve efficiency in the use of equipment and personnel.
- b. To ensure cost benefit analysis is performed on newly proposed programs to ensure cost efficiency and cost avoidance in implementation.
- c. Evaluate and assess on an on-going basis alternative methods to decrease the cost of services by exploring the financial benefits of regionalization, consolidation, privatization and collective bargaining.
- d. Continued implementation of a municipal public relations program that encourages community understanding of and participation in local government and that responds to constituents’ requests and needs.
- e. Provide for adequate maintenance and repair of Town-owned property, maintain or improve the current level of service to the public schools and other municipal facilities through more efficient use of equipment and personnel.
- f. Continue efforts to address infrastructure critical needs including but not limited to roads and wastewater needs.

Management Policy

The balance in the growth of General Fund resources will be divided on a sixty percent to forty percent basis between the School Department and Municipal Departments, respectively, after the increase in fixed costs are provided for. Fixed costs consist of all items listed under the “Other Requirements” budget category.

General Fund savings reserves in excess of the Town Council’s 4% reserve mentioned previously will be made available for funding municipal and school operations.

The municipal and school operations savings account will continue to be credited with their respective appropriation savings; and excess General Fund revenue over budget estimates will be shared 60/40 between school and municipal operations after any allocation is made to maintain the Town Council’s policy reserve.

The General Fund will contribute a base amount of \$6.725 million annually to the Capital Trust Fund.

The Capital Trust Fund will provide for a minimum of \$3.45 million for public road improvements annually.