



# City of Salem, Massachusetts

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Kimberley L. Driscoll, Mayor  
Richard Viscay, Finance Director

## Memo

Date: May 9, 2008

To: Kim Driscoll - Mayor  
Jason Silva – Chief of Staff

From: Richard Viscay – Finance Director

Re: FY09 Budget – Financial Forecast FY09-FY13

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Attached you will find the final five year financial forecast based upon your FY09 recommended budget that will be forwarded to the City Council. I have summarized some of the assumptions used in the forecast for your review and consideration. I believe that all estimated are based upon current conditions and economic factors that affect the City and the Commonwealth.

### REVENUES:

1. Proposition 2 ½: Proposition 2 ½ allow us to grow the levy limit 2.5% of the previous year's levy. This is standard and very predictable.
2. New Growth: FY09 figures are based upon information gathered by the City Assessor. FY10 to FY13 growth rate is predicted to increase 3% per year over FY09 estimate
3. Local Receipts: FY10-FY13 currently @ 2.5% increase of FY09 estimates
4. Cherry Sheet Revenue: FY10-FY13 estimated @ 3% increase over FY09 Cherry Sheet
5. School Building Assistance: based upon MSBA schedule
6. Other Financing Sources: Recurring: 2.5% increase on revenue generated from the Witch House, Golf Course, and Harbormaster
7. Other Financing Sources: Non Recurring – no non recurring revenue is budgeted for FY09-FY13.
8. Water and Sewer Enterprise Fund: FY10-FY13 is projecting a 4% increase in revenues due to adjustments that will need to be made to keep up with operating costs and assessments from SBWSB and SESD.
9. Trash Enterprise Fund: FY10-FY13 is level funded based upon historical data and the concept that the fee will remain @ \$20/unit residential and \$30/unit commercial.

## EXPENDITURES:

1. General Government: FY10-FY13 projected to increase 3% per year
2. Public Safety: FY10-FY13 projected to increase 5% per year
3. Public Works: FY10-FY13 projected to increase 4.25 per year
  - i. The three departments above are based upon level funding of expenses for most of the budget lines and contractual increased that are payable per collective bargaining agreements
4. Human Resources: FY10-FY13 projected to increase 3% per year
5. Cultural/Recreation: FY10-FY13 projected to increase 3% per year Fixed Costs
6. FIXED COSTS
  - a. Health Insurance: FY10-FY13 projected to increase 10% per year
  - b. Salem Retirement: FY10-FY13 projected to increase 5% per year
  - c. Retirement Stabilization: FY10-FY13 projected to increase 5% per year
  - d. CIP fund: FY10-FY13 projected to increase 5% per year
  - e. Non-Contributory Retirees: FY10-FY13 projected to decrease 3% per year based upon the age of those who are eligible (the list shrinks each year)
  - f. All other fixed costs: FY10-FY13 projected to increase 3% per year
7. Education: FY10-FY13 projected to increase 5% per year
8. Water and Sewer Enterprise Fund: varies based upon debt service and projected increases in expense and salary lines
9. Trash Enterprise Fund: FY10-FY13 projected to increase 3% per year
10. Cherry Sheet Assessment: FY10-FY10 projected to increase 4% per year
11. Other Expenditures: Based upon historical data

As you know, the five year financial forecast is always evolving once information is updated. We are currently gathering more information on new growth, local receipt year to date reports and other information from State and Federal government. Furthermore, as we get more information on expenses, such as collective bargaining with the Police and School departments, as well as the procurement of health insurance and solid waste collection, we will rework the figures.

I expect to update the five year financial forecast in the 2<sup>nd</sup> quarter of FY09 so that we have a new document that covers FY10-FY14. Once I gather the data and update the figures, we can review the new figures.

**City of Salem  
Five Year Financial Forecast  
FY 2009 - 20013**

	% INC/DEC ACTUAL	% INC/DEC FY10-FY13	FY08 PER RECAP	FY09 MAYOR'S REC.	FY10 PROJECTED	FY11 PROJECTED	FY12 PROJECTED	FY13 PROJECTED
<b>REVENUES</b>								
<b>TAX LEVY</b>								
PRIOR YEAR LEVY LIMIT			61,792,926	64,441,433	66,952,468	69,553,280	72,246,922	75,036,549
PROPOSITION 2.5 INCREASE TO LEVY		2.50%	1,544,823	1,611,036	1,673,812	1,738,832	1,806,173	1,875,914
NEW GROWTH (FY09 ESTIMATE = 5 YEAR AVG.)	-18.45%	3.00%	1,103,683	900,000	927,000	954,810	983,454	1,012,958
<b>TOTAL: TAX LEVY</b>	3.90%	see above	64,441,433	66,952,468	69,553,280	72,246,922	75,036,549	77,925,421
<b>TOTAL: LOCAL RECEIPTS</b>	-9.85%		13,443,917	12,120,000	12,392,250	12,702,056	13,019,608	13,345,098
CHERRY SHEET REVENUE	4.45%	3.00%	23,188,542	24,219,587	24,946,175	25,694,560	26,465,397	27,259,359
SCHOOL BLDG ASSISTANCE	per SBA	per SBA	5,140,317	4,365,107	4,365,107	4,365,107	3,575,805	2,588,609
OFS - RECURRING	-28.44%	2.50%	1,313,632	940,003	963,503	987,591	1,012,280	1,037,587
OFS - NON RECURRING	-100.00%	0.00%	1,226,602	0	0	0	0	0
WATER ENTERPRISE FUND	7.02%	4.00%	4,200,196	4,494,863	4,674,658	4,861,644	5,056,110	5,258,354
SEWER ENTERPRISE FUND	4.94%	4.00%	7,043,383	7,391,020	7,686,661	7,994,127	8,313,892	8,646,448
TRASH ENTERPRISE FUND (general fund revenue in FY07)	0.00%	0.00%	800,000	800,000	800,000	800,000	800,000	800,000
<b>TOTAL REVENUES</b>	<b>0.40%</b>		<b>120,798,022</b>	<b>121,283,048</b>	<b>125,381,633</b>	<b>129,652,007</b>	<b>133,279,641</b>	<b>136,860,876</b>
<b>EXPENDITURES</b>								
<b>TOTAL: GENERAL GOVERNMENT</b>	3.12%	3.00%	4,027,237	4,152,943	4,277,531	4,405,857	4,538,033	4,674,174
<b>TOTAL: PUBLIC SAFETY</b>	2.42%	5.00%	15,529,053	15,904,313	16,699,529	17,534,505	18,411,230	19,331,792
<b>TOTAL: PUBLIC WORKS &amp; FACILITIES</b>	-1.54%	4.25%	3,117,984	3,069,818	3,201,537	3,339,189	3,483,050	3,633,412
<b>TOTAL: HUMAN SERVICES</b>	5.94%	3.00%	821,210	869,965	896,064	922,946	950,634	979,153
<b>TOTAL: CULTURAL AND RECREATIONAL</b>	3.71%		2,136,322	2,215,505	2,281,970	2,350,429	2,420,942	2,493,570
<b>FIXED COSTS</b>								
HEALTH INSURANCE - CITY/SCHOOL	-2.52%	10.00%	10,288,933	10,029,642	11,032,606	12,135,867	13,349,454	14,684,399
SALEM RETIREMENT ASSESSMENT	3.47%	5.00%	7,529,413	7,790,999	8,180,549	8,589,576	9,019,055	9,470,008
MEDICARE - CITY/SCHOOL	2.17%	3.00%	657,953	672,200	692,366	713,137	734,531	756,567
MUNICIPAL INSURANCE - CITY ONLY*	0.00%	3.00%	326,300	326,300	336,089	346,172	356,557	367,254
WORKMAN COMP. - CITY/SCHOOL	0.00%	3.00%	305,000	305,000	314,150	323,575	333,282	343,280
UNEMPLOYMENT - CITY/SCHOOL	-11.54%	3.00%	260,000	230,000	236,900	244,007	251,327	258,867
NON-CONTRIBUTORY PENSION	-8.64%	-3.00%	143,047	130,692	126,771	122,968	119,279	115,701
RETIREMENT ANTICIPATION STABILIZATION FUND	105.67%	5.00%	194,488	400,000	420,000	441,000	463,050	486,203
C.I.P. (TO EXISTING FUND)	-40.00%	5.00%	125,000	75,000	130,000	136,500	143,325	150,491
<b>TOTAL FIXED COSTS</b>	0.65%		19,830,134	19,959,833	21,469,431	23,052,801	24,769,860	26,632,769
DEBT SERVICE - LONG TERM	5.39%	2.00%	6,571,422	6,925,496	7,064,006	7,205,286	7,349,392	7,496,380
DEBT SERVICE - SHORT TERM	-76.30%	2.00%	578,933	137,200	139,944	142,743	145,598	148,510
ASSESSMENT - NORTH SHORE VOC.	-0.43%	3.00%	1,656,821	1,649,661	1,699,151	1,750,125	1,802,629	1,856,708
<b>CITY EXPENDITURE TOTAL</b>	<b>1.13%</b>		<b>54,269,116</b>	<b>54,884,734</b>	<b>57,729,163</b>	<b>60,703,882</b>	<b>63,871,368</b>	<b>67,246,467</b>
<b>EDUCATION</b>								
EDUCATION - PUBLIC SCHOOLS - PERSONNEL	0.67%	5.00%	31,577,910	31,789,050	33,378,503	35,047,428	36,799,799	38,639,789
EDUCATION - PUBLIC SCHOOLS - NON PERSONNEL	9.81%	5.00%	11,462,279	12,586,950	13,216,298	13,877,112	14,570,968	15,299,516
<b>SCHOOL EXPENDITURE TOTAL</b>	<b>3.10%</b>		<b>43,040,189</b>	<b>44,376,000</b>	<b>46,594,800</b>	<b>48,924,540</b>	<b>51,370,767</b>	<b>53,939,305</b>
<b>TOTAL: WATER ENTERPRISE</b>	6.82%	varies	3,619,930	3,866,923	4,255,181	4,379,672	4,509,570	4,655,847
<b>TOTAL: SEWER ENTERPRISE</b>	4.87%	varies	6,383,741	6,694,722	6,962,511	7,241,011	7,530,652	7,831,878
<b>TOTAL: TRASH ENTERPRISE</b>	-19.36%	3.00%	3,225,186	2,600,780	2,678,803	2,759,168	2,841,943	2,927,201
<b>ENTERPRISE FUND EXPENDITURE TOTAL</b>	<b>35.54%</b>		<b>13,228,857</b>	<b>13,162,425</b>	<b>13,896,496</b>	<b>14,379,851</b>	<b>14,882,164</b>	<b>15,414,925</b>
<b>TOTAL - CITY, SCHOOL, AND ENTERPRISE</b>	<b>9.61%</b>		<b>110,538,162</b>	<b>112,423,159</b>	<b>118,220,459</b>	<b>124,008,273</b>	<b>130,124,299</b>	<b>136,600,698</b>
<b>OTHER EXPENDITURES</b>								
ASSESSMENT - CHERRY SHEET	-1.55%	4.00%	6,214,013	6,117,564	6,362,267	6,616,757	6,881,428	7,156,685
<b>TOTAL: OTHER EXPENDITURES</b>	-31.51%		4,004,079	2,742,325	1,232,685	1,249,268	1,266,492	1,279,373
<b>TOTAL EXPENDITURES</b>	<b>0.44%</b>		<b>120,756,254</b>	<b>121,283,048</b>	<b>125,815,410</b>	<b>131,874,299</b>	<b>138,272,219</b>	<b>145,036,756</b>
<b>BUDGET GAP</b>			<b>41,768</b>	<b>0</b>	<b>-433,777</b>	<b>-2,222,292</b>	<b>-4,992,578</b>	<b>-8,175,880</b>

## **Retirement Stabilization Fund Policy**

- The Retirement Stabilization Fund has been created to fund all appropriations for sick and vacation time earned by an employee as regulated by collective bargaining agreements or City of Salem policy for non-union and management employees.
- When budget season begins, finance will request each department to determine if there is anybody in their department who may be retiring.
- Departments (including Salem Public Schools) will submit list of employees and the anticipated amounts of each employee's retirement buyout.
- Finance will calculate the cumulative amount of anticipated retirement dollars needed for the following year's budget and incorporate the amount into the Mayor's recommended budget submitted to Council.
- Once Council approves the budget (and the appropriation to the Retirement Stabilization fund), the funds are then booked into the Retirement Stabilization Fund as voted.
- Appropriations both into and from the Retirement Stabilization Fund require a 2/3 vote of the City Council.
- The fund is limited to 10% of the prior year's tax levy (\$6.4 million in FY09).
- All interest earned in the Retirement Stabilization Fund will stay with the Fund.
- Any appropriations that are not used during the fiscal year will be carried over into the next fiscal year as a fund balance.
- All employees who are on the list will then be compensated at retirement for their accrued sick, vacation, and other benefits that they are entitled once approved by both Human Resources and the Department Head.
- If an employee retires that was not anticipated (nor budgeted for in the Retirement Stabilization Fund), the department head shall submit a request to the Mayor for a supplemental appropriation for the amount due to the employee who is retiring.
- The Mayor and Finance Director will consider the request and fund it from surplus Retirement Stabilization funds, other available funds or have the department fund the costs within their operating budget if other funds are unavailable.



## Financial Reserve Policies

### Stabilization Fund

A stabilization fund is a fund designed to accumulate amounts for capital and other future spending purposes, although it may be appropriated for any lawful purpose (MGL Ch. 40 §5B). Communities may establish one or more stabilization funds for different purposes and may appropriate into them in any year an amount not to exceed ten percent of the prior year's tax levy. The total of all stabilization fund balances shall not exceed ten percent of the community's equalized value, and any interest shall be added to and become a part of the funds. A two-thirds vote of the city council is required to establish, amend the purpose of, or appropriate money from the stabilization fund.

The City has set a target level for the Stabilization fund of 5% of the City's current operating budget. The target funding date is projected to occur by fiscal year 2013. The stabilization fund shall be funded by appropriations from free cash, operating budget appropriations when available, and other one time non-recurring revenues that become available for appropriation per M.G.L.

1. Any draw down of the stabilization fund from the prior fiscal year should be allocated from the certified free cash if available.
2. Twenty percent of any free cash available after funding #1 above will be allocated from free cash to the stabilization fund, up to the proposed reserve balance of the stabilization fund (5% of operating budget).

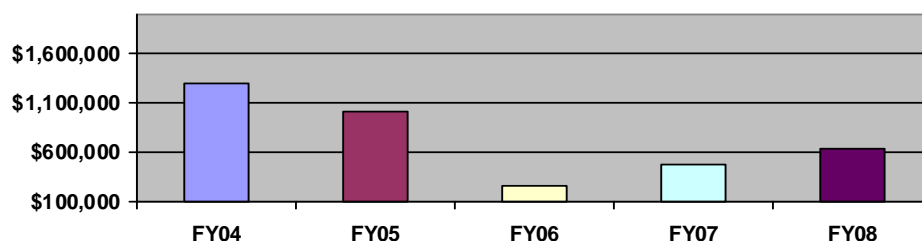
The stabilization fund should only be used for the following circumstances:

- When net State Aid (receipts less assessments) is reduced by an amount less than the average of the prior two years.
- When Local Receipts projected are below a three per cent (3%) increase of the prior two year's actual receipts as reported on page three of the Tax Rate Recapitulation as certified by the Director of the Bureau of Accounts (excluding non-recurring receipts).
- When there is a catastrophic or emergency event(s) that cannot be supported by current general fund appropriations.

<b>Year to Year Comparison</b>	<b>FY 04</b>	<b>FY 05</b>	<b>FY 06</b>	<b>FY 2007</b>	<b>FY 08*</b>
Stabilization	\$1,297,417	\$1,021,351	\$277,759	\$487,980	\$646,514

\*As of 4/30/08

**Stabilization Fund**



### **Other Post Employment Benefit (GASB 45)**

The City is mandated to start accounting for Other Post Employment Benefit (OPEB) in FY 2008 once the actuarial study is complete.

3. Twenty percent of any free cash available after funding #1 above will be allocated from free cash to the OPEB Reserve Fund for the future liability of current worker's post employment benefits (other than retirement pension). This includes the cost of health, life, and dental benefits. The amount to be funded for GASB 45 is to be determined by an actuarial study that is to be performed by an actuary that the City chooses (perhaps in conjunction with actuarial studies done by the Salem Contributory Retirement System).

### **Capital Improvement Program (CIP) Fund**

The City uses a capital improvement program (CIP) to supplement the short-term capital needs of the City.

4. Twenty percent of any free cash available after funding #1 above will be allocated from free cash to the Capital Improvement Program (CIP) Fund.

See Capital Improvement Plan (Section 9) for more information.

### **Free Cash**

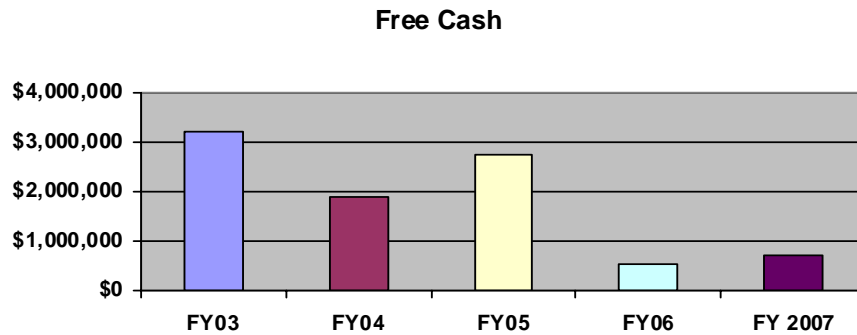
Free cash is the remaining, unrestricted funds from operations of the previous fiscal year including unexpended free cash from the previous year, actual receipts in excess of revenue estimates shown on the tax rate recapitulation sheet, and unspent amounts in budget line-items. Unpaid property taxes and certain deficits reduce the amount that can be certified as free cash. The calculation of free cash is based on the balance sheet as of June 30, which is submitted by the community's auditor, accountant, or comptroller. Free cash is not available for appropriation until certified by the Massachusetts Director of Accounts. Free cash is the term used for a community's funds that are available for appropriation. Once free cash is certified, it is available for appropriation by City Council.

Free cash may be used for any lawful municipal purpose and provides communities with flexibility to fund additional appropriations after the tax rate has been set. Free cash balances do not necessarily carry forward to the next fiscal year (July 1st); the Director's certification expires on June 30th at the end of the fiscal year.

The City's policy is to use free cash for reserves, capital, and special uses in accordance with the policies set forth by the Mayor and Finance Director as stated above. Any free cash available after funding the above may be used to augment trust funds related to fringe benefits and un-funded liabilities related to employee benefits, including Health Insurance Trust Fund, Workers' Compensation Fund,

Unemployment Fund, and any health benefits payable through Police and Fire operating budgets (111f settlements). Free Cash available may also be used to augment general fund appropriations for expenses that increased due to extraordinary and/or unforeseen events as detailed by the department head of the affected budget.

<b>Year to Year Comparison</b>	<b>FY 03</b>	<b>FY 04</b>	<b>FY 05</b>	<b>FY 06</b>	<b>FY 07</b>
Free Cash	\$3,212,194	\$1,867,737	\$2,732,090	\$538,372	\$691,149
*Free cash for FY 2008 TBD					



## Investment Policies

### Section I - The investment of General Funds, Special Revenue Funds, Enterprise Funds, and Capital Projects Funds.

#### Scope

This section of the policy applies only to short term operating funds such as general funds, special revenue funds, enterprise funds, and capital project funds. Section 2 will deal with trust funds, bond proceeds, and any other funds with special circumstances such as stabilization funds. A separate Contributory Retirement Board, either local or county, is responsible for the investment of the pension funds.

#### Objectives

Massachusetts General Laws, Chapter 44, section 55B requires the municipal/district treasurer to invest all public funds except those required to be kept un-invested for purposes of immediate distribution. Modern banking systems enable the public treasurer to maintain even these funds in interest bearing form until the date a disbursement order clears through the banking system.

The state law further requires that invested funds are to be placed at the highest possible rate of interest reasonably available, taking account of 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 the entity's business.

- **Safety** of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital through the mitigation of credit risk and interest rate risk. The diversification and prudent selection of investment instruments and choice of depository shall mitigate these risks. Credit risk is the risk of loss due to the failure of the security issuer or backer. Interest rate risk is the risk that the market value of the security will fall due to changes in general interest rates.
- **Liquidity** is the next most important objective. The overall investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. Since all possible cash demands cannot be anticipated, the treasurer shall carry out investment activities in a manner that provides for meeting unusual cash demands without the liquidation of investments that could result in forfeiture of accrued interest earnings, and loss of principal in some cases.
- **Yield** is the third, and last, objective. Investments shall be undertaken so as to achieve a fair market average rate of return, taking into account safety and liquidity constraints as well as all legal requirements.



## Investment Instruments

The Treasurer may invest in the following instruments:

1. Massachusetts State pooled fund: Unlimited amounts (Pool is liquid)

The Massachusetts Municipal Depository Trust (MMDT), an investment pool for state, local, county and other independent governmental authorities, is under the auspices of the Massachusetts State Treasurer and currently managed by Fidelity Investments. It invests in Bankers Acceptances, Commercial Paper of high quality, Bank Certificates of Deposit, Repurchase agreements (Repos), and U. S. Treasury Obligations. It has Federal Deposit Insurance Corporation (F.D.I.C.) pass-through insurance on the CD's and takes delivery on the Repos and Treasuries. Under Government Accounting Standards Board Regulation (GASB III), it is not considered an uncollateralized product.

2. U. S. Treasuries that will be held to maturity: Unlimited amounts (Up to one-year maturity from date of purchase)

3. U.S. Agency obligations that will be held to maturity. Unlimited amounts (Up to one-year maturity from date of purchase)

4. Bank accounts or Certificates of Deposit, hitherto termed CD's. (Up to one year) which are fully collateralized through a third party agreement: Unlimited amounts

5. Bank accounts and CD's (Up to one year) fully insured by F.D.I.C. and in some cases also Depository Insurance Fund of Massachusetts (D.I.F.M): \$100,000 limit All bank accounts and CD's in one institution are considered in the aggregate to receive the \$100,000 insurance coverage.

6. Unsecured bank deposits of any kind such as other checking, savings, money market, or Certificates of Deposit accounts at Banks that do not fit the above categories. These investments are subject to the following limitations: These investments will be limited to no more than 5% of an institution's assets and no more than 10% of a municipality's cash. Their credit worthiness will be tracked by Veribanc, Sheshunoff, or other bank credit worthiness reporting systems. They will be diversified as much as possible. CD's will be purchased for no more than three months and will be reviewed frequently.

## Diversification

Diversification should be interpreted in two ways: in terms of maturity as well as instrument type and issuer. The diversification concept should include prohibition against over concentration of maturities as well as concentration in a specific institution. With the exception of U.S. Treasury obligations or investments fully collateralized by U.S. Treasuries or agencies, and State pools (MMDT), no more than 10% of the Town's investments shall be invested in a single financial institution.

## **Authorization**

The Treasurer has authority to invest municipality/district funds, subject to the statutes of the Commonwealth cited above.

## **Ethics**

The Treasurer (and any Assistant Treasurers) shall refrain from any personal activity that may conflict with the proper execution of the investment program or which could impair or appear to impair ability to make impartial investment decisions. Said individuals shall disclose to the Chief Executive Officer any material financial interest in financial institutions that do business with the City. They shall also disclose any large personal financial investment positions or loans that could be related to the performance of the town's investments.

## **Relationship with Financial Institutions**

Financial institutions should be selected first and foremost with regard to safety. Municipalities/Districts should subscribe to and use one or more of the recognized bank rating services, such as Veribanc or Sheshunoff. Brokers should be recognized, reputable dealers.

The Treasurer shall require any brokerage houses and broker/dealers, wishing to do business with the municipality, to supply the following information to the Treasurer:

- Audited financial statements
- Proof of National Association of Security Dealers certification
- A statement that the dealer has read the municipality's investment policy and will comply with it
- Proof of credit worthiness (minimum standards: at least five years in operation and a minimum capital of 10 million dollars)

## **Section II - The Investment of Trust Funds and Bond Proceeds**

This section of the policy applies only to funds that could be invested long term, i.e. trust funds, stabilization funds and bond proceeds. For issues subject to arbitrage rebate, an arbitrage tracking system such as those available at banks and Mass Municipal Depository Trust (MMDT) will be used to track expenditures of and interest earned on borrowed funds. Alternative tracking systems should be approved by and used under the advice of Bond Counsel.

## **Arbitrage Regulations**

Tax free debt may be issued by cities, towns, and districts, which means that they are able to borrow at rates well below market rates. At the same time, the federal government has issued regulations to

prevent them from issuing debt with the goal of investing the borrowed funds at a higher rate of interest than that at which the money was borrowed, or committing arbitrage. If the federal regulations are not followed, there are fines and penalties, but even worse, the tax free status of the debt could be jeopardized. The following arbitrage regulations will be followed:

Unless debt is issued as a "small issuer," that is, an entity issuing less than \$10 million of tax exempt debt in a calendar year, the proceeds shall be used within certain prescribed time frames, or be subject to fines and penalties as described above.

Following are the general rules and time frames for spending borrowed funds in order to avoid having to pay a rebate to the Federal government on investment income earned on the borrowed funds. All funds must be used according to the following schedules or sooner:

CONSTRUCTION DEBT

First six months:	10%
First year:	45%
Eighteen months:	75%
Two years:	100%

CAPITAL EXPENDITURES DEBT OTHER THAN CONSTRUCTION PROJECTS

First six months:	15%
First year:	60%
Eighteen months:	100%

ALL OTHER MUNICIPAL PURPOSE DEBT

First six months:	100%
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**TRUST FUNDS**

Trust Funds may be co-mingled and invested in any instruments allowed by the Legal List issued by the Banking Commissioner each July. Each trust fund must be accounted for separately.

**STABILIZATION FUNDS**

The Stabilization Fund shall not exceed ten per cent of the equalized valuation of the city or town, and any interest shall be added to and become a part of the fund. The treasurer may invest the proceeds in the following:

- National Banks
- Savings Banks
- Cooperative banks or trust companies organized under Massachusetts laws
- Securities legal for savings banks ( i.e. those on the Legal List described above)
- Federal Savings and Loan Associations situated in the Commonwealth
- Massachusetts Municipal Depository Trust

## **Reporting Requirements**

On a regular basis (quarterly, semi-annually, or annually), a report containing the following information will be prepared by the Treasurer and distributed to the Chief Executive Officer, Town Manager, and/or Finance Committee, as appropriate. The quarterly report will include the following information, as a minimum requirement:

- A listing of the individual accounts and individual securities held at the end of the reporting period.
- A listing of the short-term investment portfolio by security type and maturity to ensure compliance with the diversification and maturity guidelines established in the "Diversification" section of this Investment Policy.
- A summary of the income earned on a monthly basis and year to date basis shall be reported.
- The municipal treasurer shall include in the report a brief statement of general market and economic conditions and other factors that may affect the City's cash position.
- The report should demonstrate the degree of compliance with the tenets set forth in the Investment Policy.

## Debt Policy

- When the city finances capital projects by issuing bonds, it will pay back the bonds within a period not to exceed the expected useful life of the project.
- Total net debt service from general obligation debt will not exceed five (5) percent of total annual operating budget as listed on part 1a of the annual tax rate recapitulation as submitted to the Department of Revenue. Per the FY08 Tax Rate Recapitulation Sheet , this limit would be \$6,039,901.
- Debt will only be issued for capital that is valued greater than \$25,000, and has a depreciable life of five (5) or more years.
- A cash flow statement will be required for each project funded with long term debt.
- Total general obligation debt will not exceed the limits provided in the state statutes.
- Whenever possible, the city will use special revenue funds, special assessments, or other self-supporting bonds, instead of general obligation bonds.
- The city will not use long-term debt for current operations unless otherwise allowed via special legislation.
- The city will maintain good communications with bond rating agencies about its financial condition.
- The city will follow a policy of full disclosure on every financial report and bond prospectus.

**Source: “Handbook 4, Financial Performance Goals”,** Evaluating Local Government Financial Condition, International City Management Association.

## Capital Improvement Budget Policies

- The city will make all capital purchases and improvements in accordance with the adopted capital improvement program.
- The city will develop a multi-year plan for capital improvements and update it annually.
- The city will enact an annual capital budget based on the multi-year capital improvement plan. Future capital expenditures necessitated by changes in population, changes in real estate development or changes in economic base will be calculated and included in capital budget projections.
- The city will coordinate development of the capital improvement budget with the development of the operating budget. Future operating costs associated with new capital improvement will be projected and included in operating budget forecasts.
- The city will use intergovernmental assistance to finance only those capital improvements that are consistent with the capital improvement plan and priorities, and who's operating and maintenance costs have been included in operating budget forecasts.
- The city will maintain all its assets at a level adequate to protect the city's capital investment and to minimize future maintenance and replacement costs.
- The city, as part of its capital planning process, will project its equipment replacement and maintenance needs for the next several years and will update this projection each year. From this projection, a maintenance and replacement schedule will be developed and followed.
- The city will identify the estimated costs and potential funding sources for each capital project proposal before it is submitted to the City Council for approval.
- The city will determine the least costly financing method for all new projects.

**Source: "Handbook 4, Financial Performance Goals",** Evaluating Local Government Financial Condition, International City Management Association