

[this slide for FinCom discussion, will be removed when posted]

Francia will manage Q&A, including inviting questions to be submitted through the chat and facilitating.

Outline:

Intro section - 10 minutes

1. Description of the two projects & timeline - **Jen A**
2. What is a policy, how is it different from a by-law? **Jen A**
3. What policies are included in the 2021 Financial Policies update for Montague? (Note that there are 2 categories - management and operations)
Jen
4. How is the update different from the policies we've been using since 2014?
Greg

Deeper dive into examples - 30 minutes

- Debt Management - **John**
 - Enterprise - **Greg**
 - OPEB - **John**
 - Revenue and Expenditure Forecasting **Greg**
5. Next steps & timeline - **Jen A**

Questions, Discussion - 15 minutes

Multi-Year Financial Forecast & Updated Financial Policies for the Town of Montague

October 6, 2021

The recording of this presentation is archived here: <https://vimeo.com/624968289>

Two Inter-Related Special Projects

Consultation services provided by
UMass Boston, Collins Center

Funded with MA Community
Compact Best Practices funding
for municipalities

Timeline

July 2020

initial meetings w/ consultants (R
Kingsley/forecast, R Addelson/policies)

Fall 2020 to Spring 2021

information gathering, development of
drafts, consultation with key staff

Summer 2021

forecasting tool delivered in June
Draft of 18 updated policies received in July

Fall 2021

Finance Committee asks Selectboard to
adopt 15 of the updated policies

Spring 2022

Finance Committee will bring remaining 3
policies to Selectboard for approval

What is a policy?

<https://www.merriam-webster.com/dictionary/policy> says

a: a definite course or method of action selected from among alternatives and in light of given conditions to guide and determine present and future decisions

b: a high-level overall plan embracing the general goals and acceptable procedures especially of a governmental body

Examples:

Stores often have **return policies**

Schools often have **attendance policies**

Employers often have **personnel policies**

Policies versus Bylaws

Town Policies

- Guidelines and procedures for decisions that are made on a regular basis
- Often created by departments or committees
- Can change or not be followed
- Should align with state and federal law
- Can be adopted for the Town by the Selectboard

Town Bylaws

- Rules about what is allowed and how decisions are made
- The process for changing by-laws is explained in the by-laws
- Established and can only be altered by Town Meeting
- Must be “consistent with” MA constitution and laws

By-Laws of the Town of Montague:

https://montague-ma.gov/files/Town_of_Montague_By_Laws_2015.pdf

Policies guide decisions.

Financial policies

are intended to help guide
decisions that involve money.

Financial Management Policies

Guidance for decisions related to the town's budget and financial assets

Mostly these are decisions that are made annually or occasionally

Decision-makers include:

- Selectboard
- Finance Committee
- Town Administrator
- Treasurer
- Accountant
- Director of Assessing and Assessors
- Town Meeting

A-1 Annual Budget Process *

A-2 Capital Planning *

A-3 Debt Management

A-4 Enterprise Fund

A-5 Financial Reserves *

A-6 Investments

A-7 Other Post-Employment Benefits (OPEB)

A-8 Enforcement of Property Tax Collections

A-9 Tax Rate Setting

A-10 Revenue and Expenditure Forecasting

A-11 Annual Audit

A-12 User Fees

Financial Operations Policies

Guidance for decisions related to the day-to-day operations of the town

Apply to decisions and processes that are frequent

Decision-makers include:

- Town Administrator
- Treasurer
- Accountant
- Department Heads
- Selectboard

B-1 Cash and Receivables Reconciliations

B-2 Grant Management

B-3 Employee Reimbursements

B-4 Anti-Fraud

B-5 Procurement

B-6 Revenue Processing

How do the updated policies differ from Financial Management Policies we've been using?

2021 Updates

Find them here: [\[link\]](#)

Format: Each policy in the document includes an explanation of its purpose, who is involved, definitions of terms, references to MA General Law (MGL), the policy itself and associated procedures.

Content: Covers a wider array of topics; consolidates guidelines and procedures already being followed into one reference document. Also establishes new policies as recommended.

2014 Policies

Find them here:

https://montague-ma.gov/files/Financial_Management_Policies.pdf

Sections: Overview; Accounting, Audit, and Financial Planning; General: Reserves; Capital Planning; Debt Management: Definitions

A-3 Debt Management

What should be
considered when we
think about borrowing?

Purpose: ... to guide the Town of Montague in making decisions regarding the issuance of debt needed to maintain **capital assets**, yet at a level that **recurring revenue** can support without adversely affecting the delivery of **local services**.

Who's involved: Selectboard, Town Administrator, Finance Committee and the Capital Improvements Committee in their capacity as **budget decision makers**, and the Treasurer/Collector in regard to their responsibility to **manage the issuance of debt**.

Key Elements of the Debt Management Policy

- Enhancement of the Town's bond rating is aided by the existence of a written debt management policy and the Town's adherence to that policy. Montague is presently rated AA by Moody's.
- The Town's policy is to borrow money in support of a capital plan.
- Borrowing for major projects can be excluded from the limits of Proposition 2-½ if Town Meeting and a townwide vote support that decision.
- The repayment term of borrowing shall not exceed the life of the capital asset on which it is based.
- Annual debt service cost, plus "Pay As You Go" capital cost, shall be limited to 6-8% of Prior Year General Operating Revenue (PYGOR).

Application of Debt Management Policy: Prior Year General Operating Revenue (PYGOR)

In calculating annual debt service for the FY2022 budget the PYGOR was:

Property Taxes (net)	\$18,669,481
Less: Excluded Debt Service	(924,371)
Local receipts & State Aid	3,743,077
Total PYGOR	\$21,488,187

The target range of 6-8% of PYGOR is \$1,289,291 - \$1,719,055

The debt service for FY2022 is \$1,330,139 or 6.2%

A-4 Enterprise Fund

What are our goals and expectations for financing the two Town's "enterprises" - the Airport and the WPCF?

Purpose: to establish principles that govern the accounting for and financing of operations classified as enterprise funds, which currently includes the Water Pollution Control Facility (WPCF) and the Turners Falls Municipal Airport (Airport).

Who's Involved: the Town Administrator, WPCF Superintendent, and Airport Manager for estimating annual enterprise fund revenue and recommending annual user charges; the Finance Committee with responsibility for recommending annual enterprise fund budgets; the Selectboard acting as Sewer Commissioners with responsibility for setting WPCF user charges; the Airport Commission for setting aviation-related fee schedules; and the Capital Improvements Committee.

A-7 Other Post-Employment Benefits (OPEB)

How will we address the Town's significant, longterm obligation to provide benefits for retired employees?

Purpose: "... To set guidelines for a responsible plan to meet the Town's obligation to provide other post-employment benefits for current and future employees.

Who's Involved: Finance Committee and Selectboard in their capacity as budget decision makers, and the Treasurer and Town Accountant, who are responsible for executing the decisions.

Key Elements of OPEB Policy

At retirement, municipal employees in Massachusetts are entitled to receive **Other Post-Employment Benefits**, principally health insurance.

Presently the Town is funding the current-year cost of actual benefits for retirees, and calculates the full amount of liability for the future annually. For example, for FY2022, the budget includes about \$300 K for current year OPEB costs. The unfunded liability is about \$15 million.

This policy says that we will contribute funds annually to address the liability. We do this by allocating funds to the OPEB Liability Trust Fund, where it earns interest. The balance of the OPEB fund was \$867,999 at 30 September 2021, including interest of \$294,925.

Since FY2016, the Town has provided, from operating or one-time revenues \$573,074 and proposes a provision of \$250,000 in October 2021.

The longer term plan: The Town is currently focused on funding its liability for pension benefits (which are not part of OPEB), and expects to be fully funded by about 2033. At that time we will review our strategy for funding the OPEB liability for the future.

A-10 Revenue and Expenditure Forecasting

How will we consider the potential impact that annual budget decisions could have on the Town's financial future?

Purpose: to describe the methodology for forecasting revenues and expenditures, the timing for completion of an annual forecast, and the identification of the parties to be involved in the process.

Who's Involved: The Finance Committee, the Selectboard, the Town Administrator, the Town Accountant, the Capital Improvement Committee, the Water Pollution Control Facility (WPCF) Superintendent, the Airport Manager, and Town Meeting.

Key Elements of Financial Forecasting Policy

- Forecasting is on a five year interval, updated annually
- Separate forecast for the general fund and all enterprise funds
- Revenue forecast to be conservative
- Maintains current high bond rating
- Expenditure forecasting uses estimated inflation, current collective bargaining agreements, and escalators service contracts.

New forecasting tool has two parts: a [spreadsheet](#) that uses historical data to provide a multi-year financial forecast of revenue and expenses through 2026 and a [user's manual](#) that explains the assumptions upon which the spreadsheet is built and how to keep it up-to-date.

Next Steps

Timeline:

October 2021:

Final draft of 15 to Selectboard for approval. (We keep using existing policies for Reserves and Capital Planning.)

Nov 2021 - May 2022

Finance Committee and others develop recommended policies for Annual Budget Process, Reserves, and Capital Planning

June 2022

Presentation of those 3 remaining policies to Selectboard by end of fiscal year

More info:

<https://montague-ma.gov/p/1452/Policy-Update--Forecasting-Projects>

To email the Finance Committee:

montaguefinancecommittee@gmail.com