

MONTAGUE SELECTBOARD MEETING

VIA ZOOM

Monday, November 14, 2022

AGENDA

Join Zoom Meeting <https://us02web.zoom.us/j/84260843863>

Meeting ID: 842 6084 3863 Password: 930467 Dial into meeting: +1 646 558 8656

Topics may start earlier than specified, unless there is a hearing scheduled

Meeting Being Taped

Votes May Be Taken

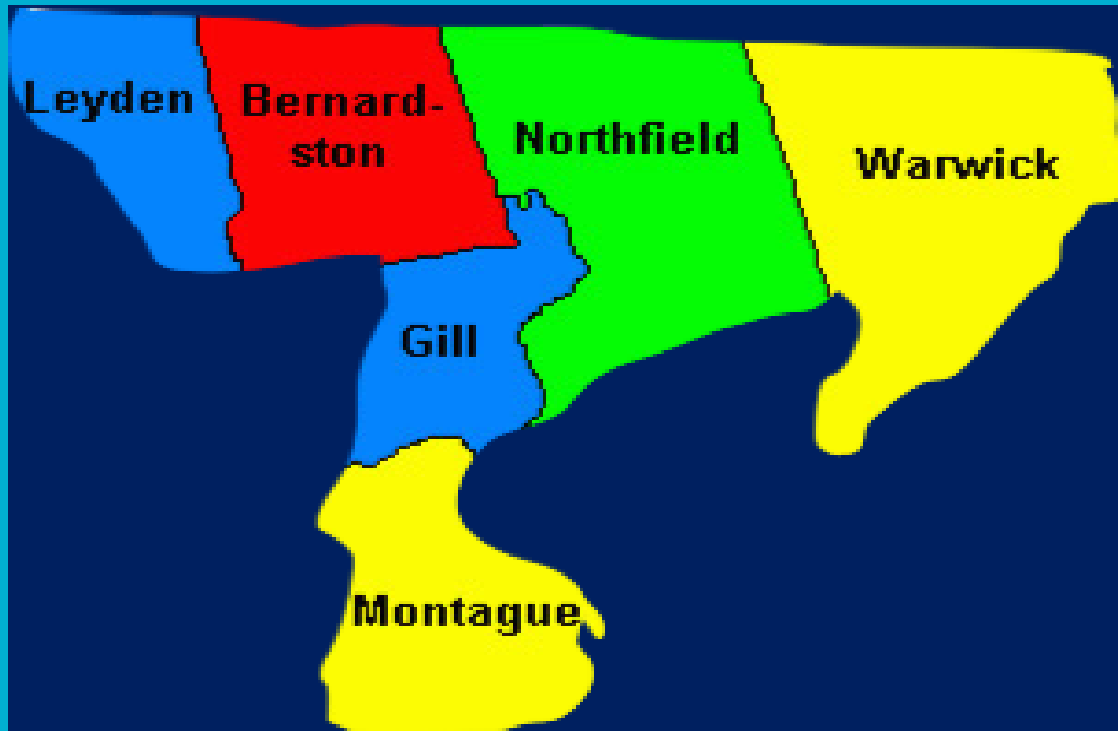
1. 6:00 PM Selectboard Chair opens the meeting, including announcing that the meeting is being recorded and roll call taken
2. 6:00 Approve minutes of November 1 and 7, 2022 (if available)
3. 6:01 Public Comment Period: Individuals will be limited to two (2) minutes each and the Selectboard will strictly adhere to time allotted for public comment
4. 6:03 Six-Town Regionalization Planning Board (STRPB)
 - [Benefits and Challenges of a Possible Merger of GMRSD and PVRSD](#)
5. 7:00 Jon Dobosz, Parks and Recreation Director
 - Discuss possible continuation of The Great Falls Fest
 - Execute contract with Scott Dixon, Tailblock Coping Company, Unity Skate Park Caulking Repairs, \$1,500
6. 7:10 Town Administrator's Business
 - Hiring Committee Updates
 - Financial Policies Update
 - Discussion of Special Town Meeting
 - MIIA 2-Year Rate Guarantee Proposal
 - Topics not anticipated in the 48 hour posting
7. 7:30 Anticipated executive session in accordance with G. L. c.30A, §21(a)(6) to consider the purchase, exchange, lease or value of real estate, Kearsarge

OTHER:

Next Meeting: Selectboard, Monday, November 21, 2022 at 6:30 PM via ZOOM

Six-Town Regionalization Planning Board (STRPB)

Investigate The Possible Merger of GMRSD and PVRSD



Approved by the STRPB on October 18, 2022

STRPB Members

- Alan Genovese, Warwick – Chair
- Greg Snedeker, Gill – Vice Chair/Secretary
- Reina Dastous, Northfield
- Jane Dutcher, Bernardston
- Michele Giarusso, Leyden
- Renee Keir, Bernardston
- Deb Loomer, Gill
- Mike Naughton, Montague
- Karen O’Neil, Leyden
- Deborah Potee, Northfield
- Lynn Reynolds, Montague
- Steve Richter, Leyden
- Pat Shearer, Northfield
- Kristie Sulda, Bernardston
- Bill Tomb, Gill
- David Young, Warwick
- Jennifer Eichorn, Erving

Who Is The STRPB?

We are a board of volunteer community members appointed by the moderators from the six towns of Bernardston, Gill, Leyden, Montague, Northfield and Warwick. Our towns are concerned about the educational and financial sustainability of the Gill-Montague and Pioneer Valley Regional School Districts (GMRSD and PVRSD). We have been meeting since the fall of 2019.

The two districts have experienced declining enrollment for the past two decades, which has created educational and financial challenges. Our members include concerned citizens, parents, current and retired teachers, school committee members, town officials, and a retired principal/superintendent.

In 2017, two ad-hoc community groups called the Gill-Montague Civic Leaders (Gill-Montague) and the HEART Committee (Pioneer Valley) began working together to address their respective district challenges. Out of those meetings, it was proposed that merging GMRSD and PVRSD might be a sustainable path forward. In order to look into this further, M.G.L. Chapter 71, Section 14, requires that the towns form a Regional Planning Board, which they did.

Note: Although we are called a “Planning Board,” our first task is to investigate what a merged region might look like, and based on what we find, to decide whether merging is a good idea. As of October, 2022, the STRPB has not yet made that decision.

Our Process

From the spring of 2020 to the summer of 2021, the STRPB continued to work with the two consulting groups who had produced reports for the Civic Leaders and the HEART Committee. The Massachusetts Association of Regional Schools (MARS) consultants focused on education, while The Abrahams Group (TAG) focused on finances. They produced a joint report, dated 1/25/2021, and the MARS group produced a second report, dated 8/14/2021, while TAG created a budgeting tool for use by the STRPB. We hired Transfinder to look into how bus routes would be affected; their final report is dated 7/29/2021. Beginning in 2021, we hired Mary Broderick to help facilitate presenting our findings so far and getting feedback. As of October, 2022, this process is ongoing.

The following slides present some of the findings from these consultants' reports, as well as from our own investigations.

The consultants' reports, along with a good deal of other information, can be found on the STRPB's website: <https://sites.google.com/view/strpb/home>

Summary of Educational Findings

Middle and high schools with smaller enrollments cannot offer as many educational courses and services (athletics, clubs, arts, counseling, special ed, etc.) as larger schools. A smaller enrollment limits the flexibility in developing a school schedule regardless of the type of schedule.

The MARS consultants concluded that combining the middle and high school enrollments would create a more robust educational program (eg. more robust course offerings, athletics, arts). A merged district would likely retain and potentially attract students to the District and generate a change in school culture through expanding the range of college and career offerings. The greater breadth of program could help the District market itself to the community.

Benefits of Expanding Enrollment

- There would be increased flexibility in scheduling because more students would allow for second and third sections of required courses, which in turn would create opportunity to schedule more courses/electives.
- Flexibility in a schedule allows the school administration to implement a more robust program of studies.
- School-to-career programs would benefit (e.g. Innovative Pathways, Health Care and Social Assistance, and Environmental Management). These would be in addition to current internships, and the dual-enrollment program with Greenfield Community College.
- It would enhance athletic/sports programs (decreasing reliance on co-op arrangements) and support the development of more middle school athletic programs.
- Strengthened visual/performing arts programming by enlarging band, chorus, art classes and performance/exhibit opportunities.
- It would diversify and expand extracurricular activities, including clubs and membership groups, like National Honor Society.

Specific Educational Opportunities

(from Spring and Summer 2022 Forums with Administration, Faculty, and Staff)

More Flexible Daily Schedule and Expanded Course Offerings

- AP courses
- Robust Visual and Performing Arts
- Computer Aided Design/Computer Science
- Foreign/World Language Courses
- Business courses
- American Studies
- Agricultural and Environmental Courses
- Health education, wellness, life coaching, and mindfulness
- Capstone projects/presentations

Expanded Community Outreach & Partnering Opportunities

(from Spring and Summer 2022 Forums with Administration, Faculty, and Staff)

- Partner w/ Local Newspapers – journalism
- Partner w/ Local Colleges - project learning
- Green School, Greenhouse, Rivers, Outdoor Classrooms
- Northfield Mountain Recreation Center
- Connecticut River/Watershed
- Pioneer Valley Stewardship Plan

Student Services

(from Spring and Summer 2022 Forums with Administration, Faculty, and Staff)

- **Broadened programs for students requiring specialized services**
- **More paraprofessional support, enhancing engagement**
- **More robust guidance and mental health counseling**

Athletics

(from Spring and Summer 2022 Forums with Administration, Faculty, and Staff)

- Enhanced and expanded programs/teams (e.g. intramural, JV, Varsity)
- Dedicated middle school athletics/sports

Opportunities For Staff

(from Spring and Summer 2022 Forums with Administration, Faculty, and Staff)

- Blending of the unique offerings of both districts
- More opportunity and flexibility to design courses and curriculum
- Dedicated middle school model
- More grade level and subject area peers for collaboration

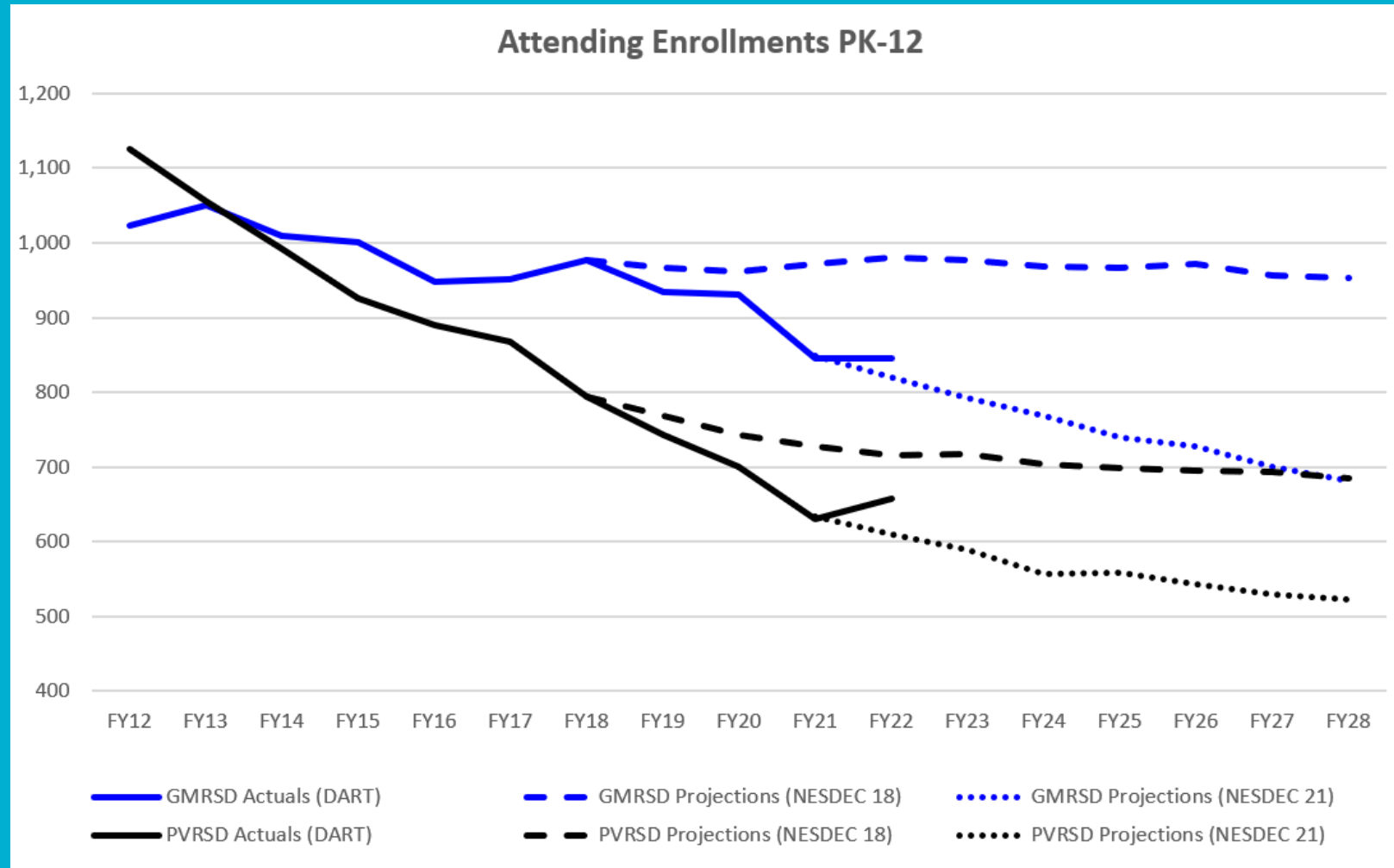
Attending Enrollments – Actual & Projections

Attending Enrollment includes all students that attend the schools in the district. Includes Choice In, but not Choice Out or Charter Out.

GMRSD has declined gradually over the past decade

PVRSD has declined more rapidly

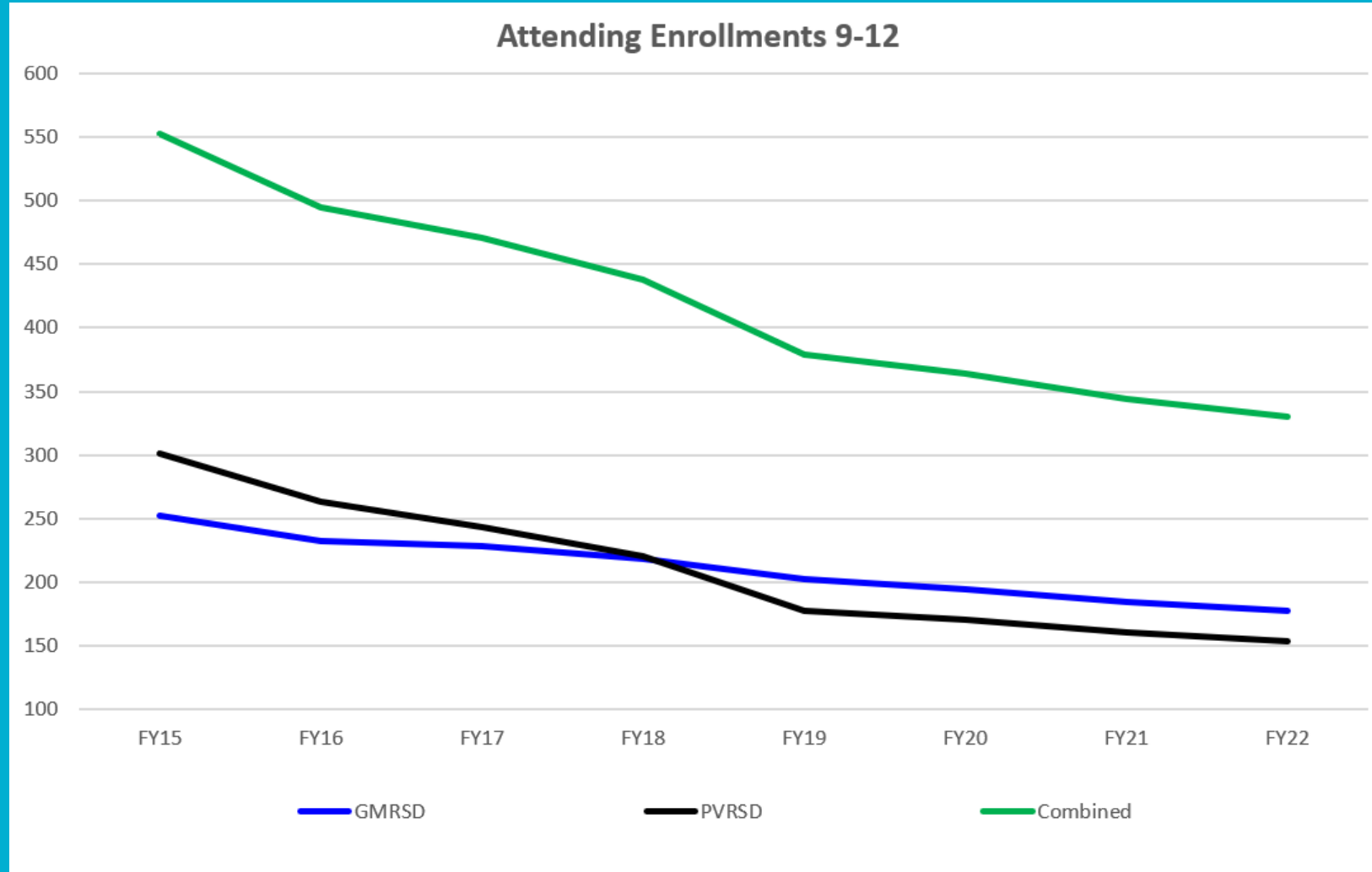
COVID-19 has been a factor recently



Attending Enrollments – High School

MARS consultants and high school administrations and staff agree that a combined high school enrollment would support more robust educational program.

(MARS 2020 report on page 42 -- <https://drive.google.com/file/d/1S8Uy5XB5cMe1yjBg4hzvIWb2fTi6x2kD/view> -- and repeated in their 2021 report, pages 34 and 40)



source: <https://drive.google.com/drive/s/1jPVFMJoT2ZAmNQa8aNO9Rp2T5hsmBr0q>
STRPB Enrollments History v5.xlsx

Financial Findings

Town Assessments & Chapter 70 Aid

- There would likely be some dollar savings from consolidation (~\$400K)
- Overall, town assessments would likely not decrease
- The combined district is expected to be in “hold-harmless” (minimum increases in State aid) for Chap 70

various sources – see in particular:

<https://drive.google.com/file/d/1S8Uy5XB5cMe1yjBg4hzvIWb2fTi6x2kD/view> (MARS/Abrahams Group Report - Jan, 2021)

<https://drive.google.com/drive/folders/1jPVFMJoT2ZAmNQa8aNO9Rp2T5hsmBr0q> (STRPB Combined District - Assessment Options v3.xlsx)

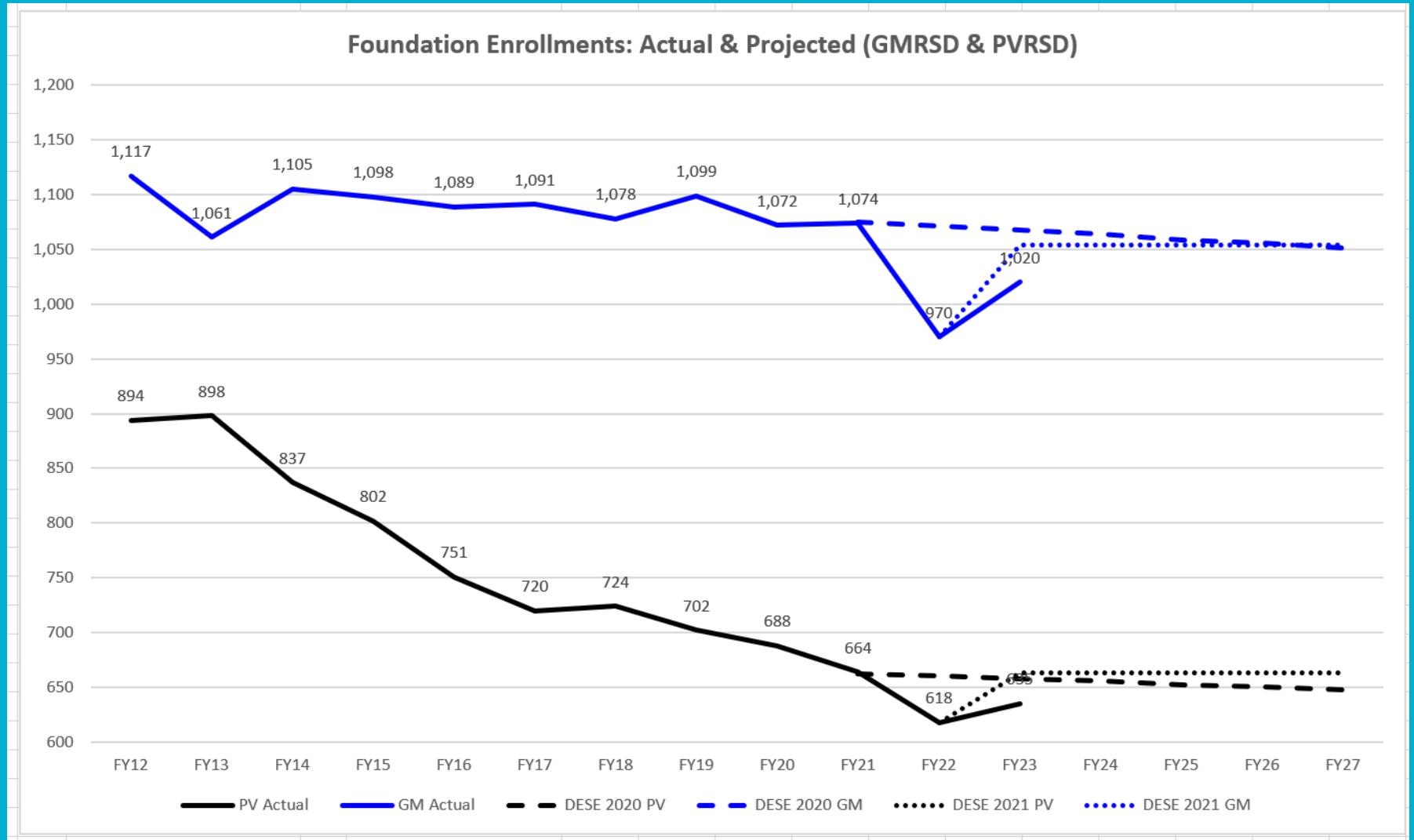
Foundation Enrollments – Actual & Projections

Foundation Enrollment includes all students that the towns are responsible for educating. Includes Choice Out and Charter Out, but not Choice In.

GMRSD has declined gradually over the past decade

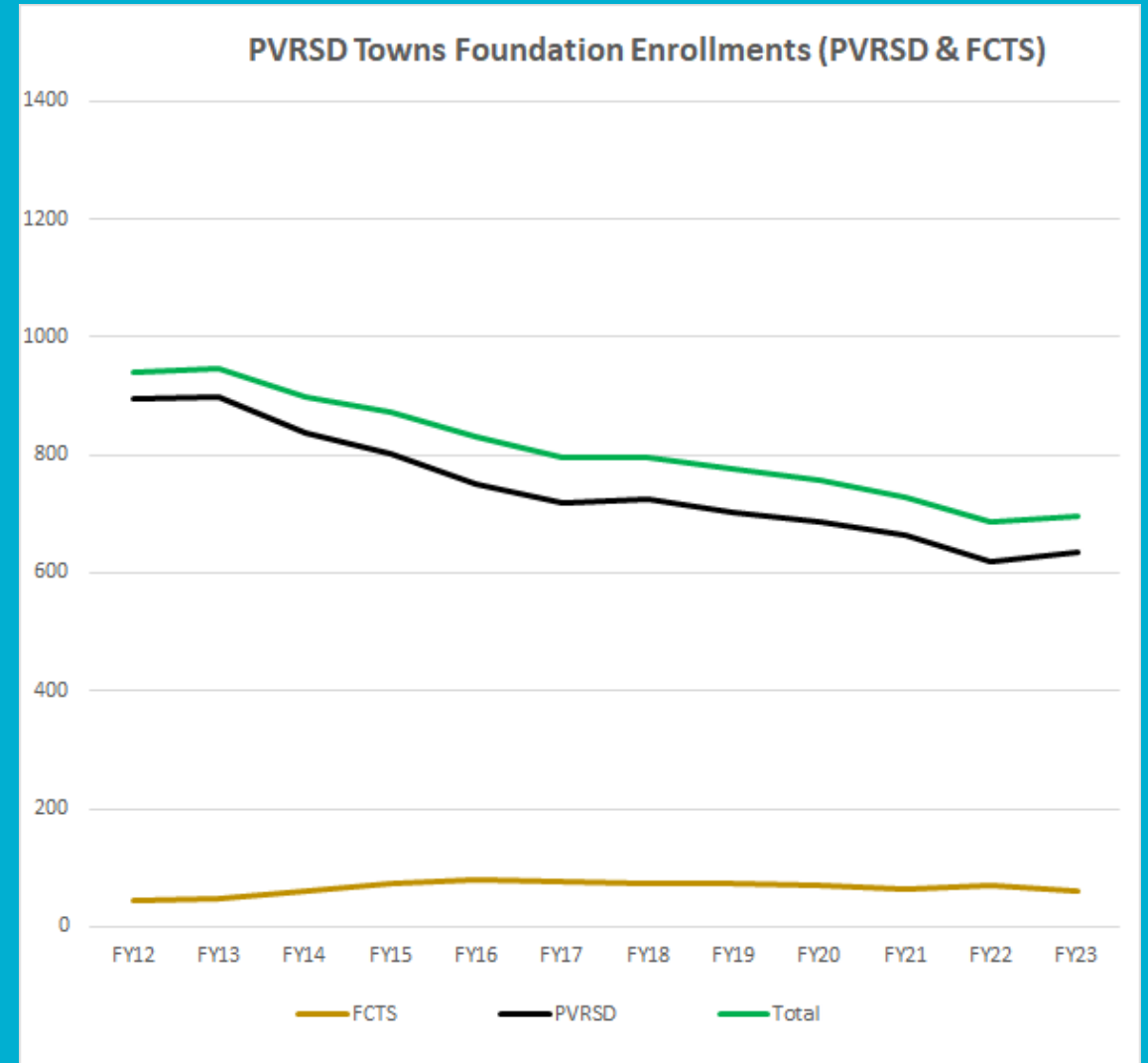
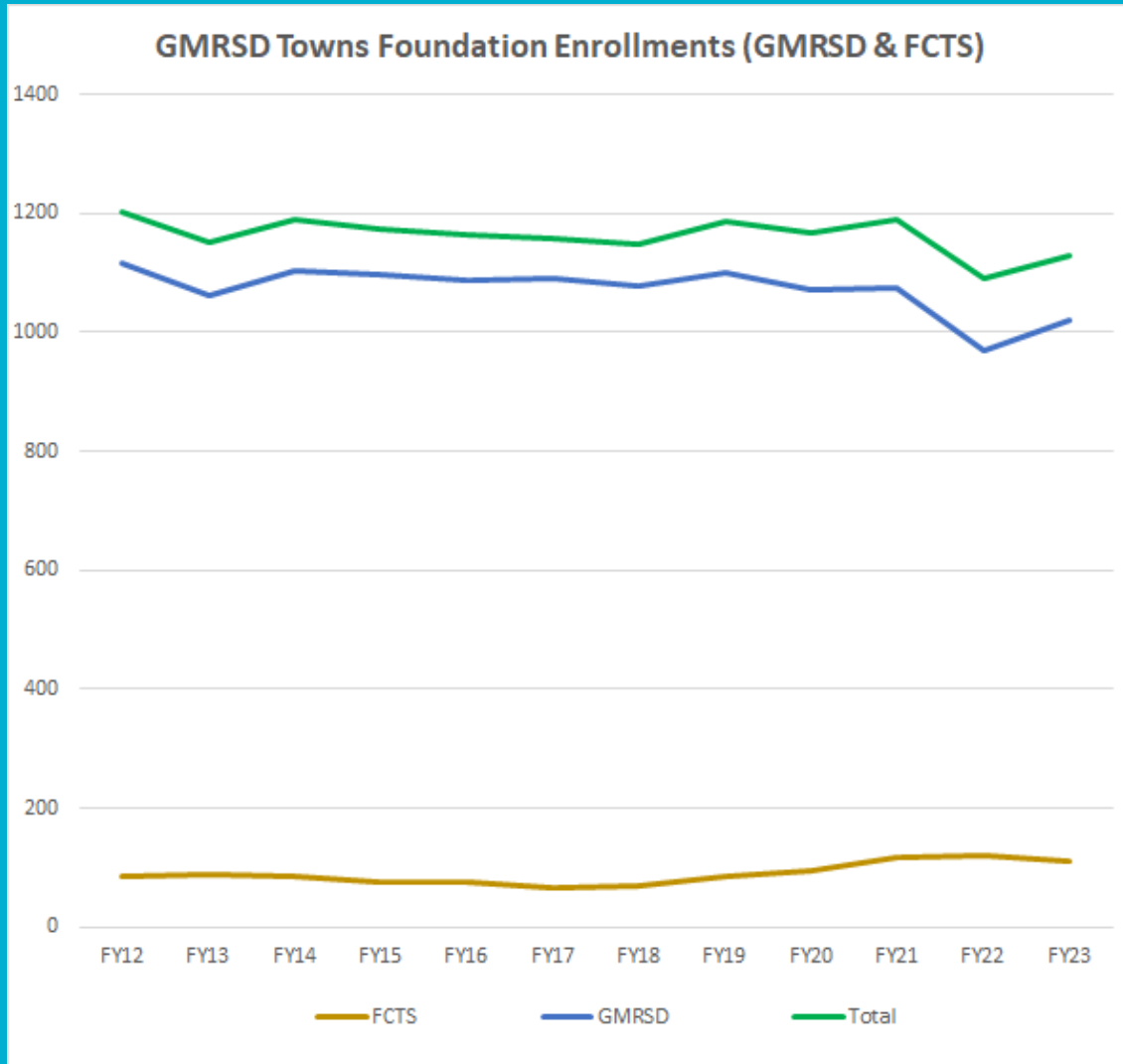
PVRSD has declined more rapidly

COVID-19 has been a factor recently



source: <https://drive.google.com/drive/folders/1jPVFMJoT2ZAmNQa8aNO9Rp2T5hsmBr0q>
STRPB Enrollments History v5.xlsx

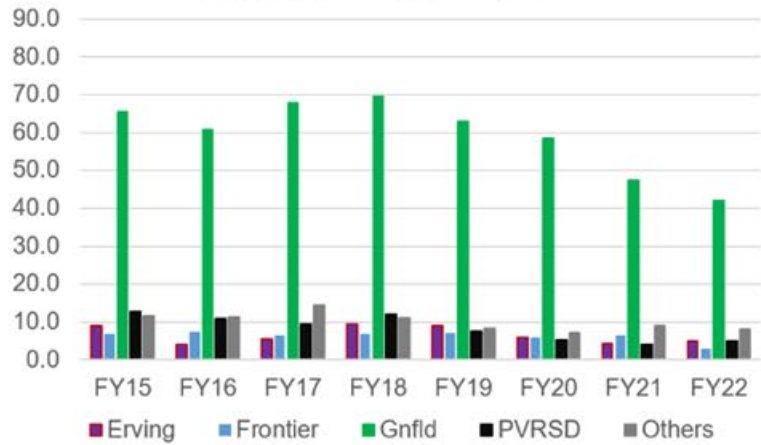
Foundation Enrollments – including FCTS



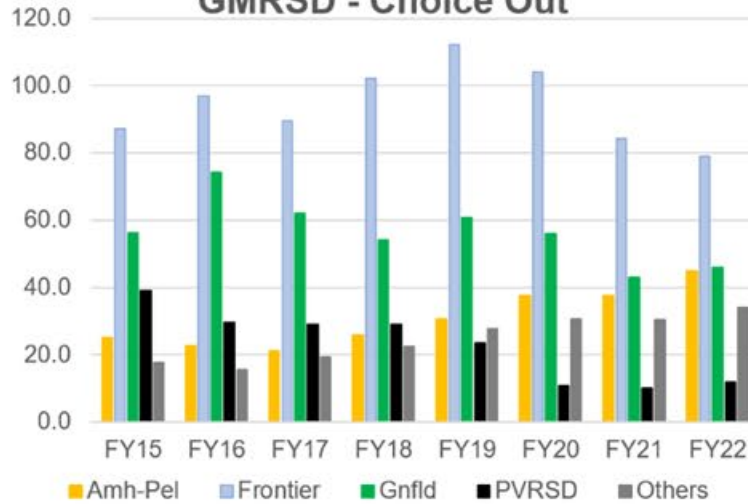
source: <https://drive.google.com/drive/folders/1jPVFMJoT2ZAmNQa8aNO9Rp2T5hsmBr0q>
STRPB Enrollments History v5.xlsx

Choice In/Out Comparisons

GMRSD - Choice In



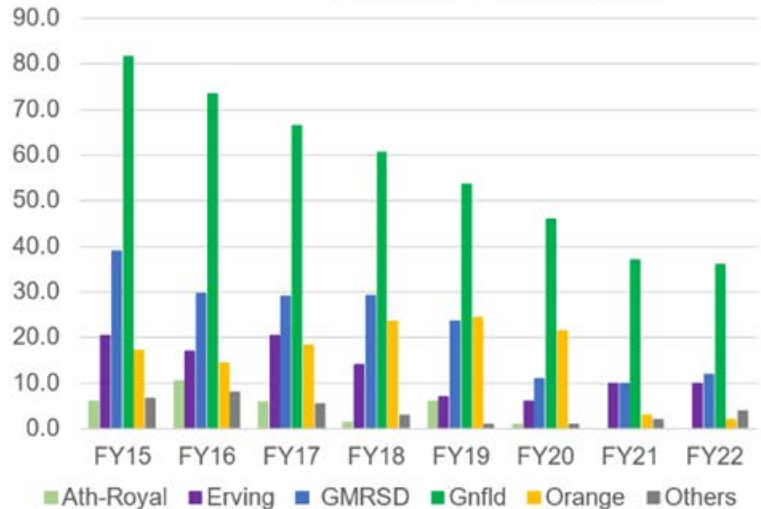
GMRSD - Choice Out



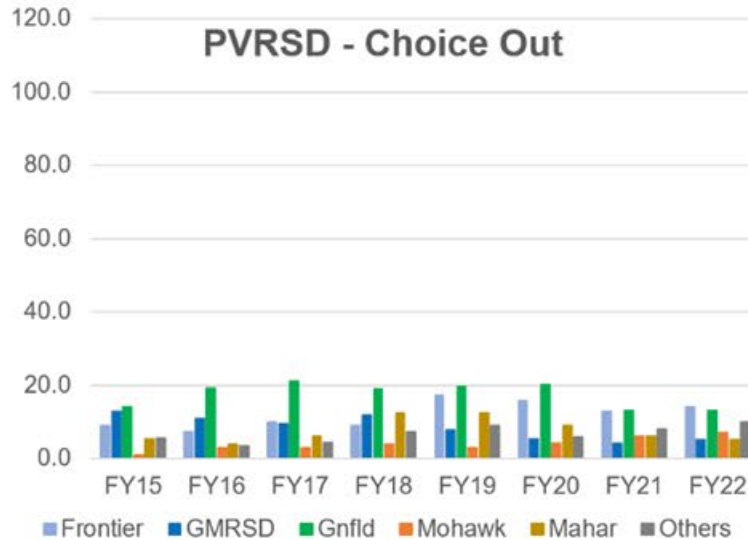
GMRSD - Choice In/Out/Net



PVRSD - Choice In



PVRSD - Choice Out

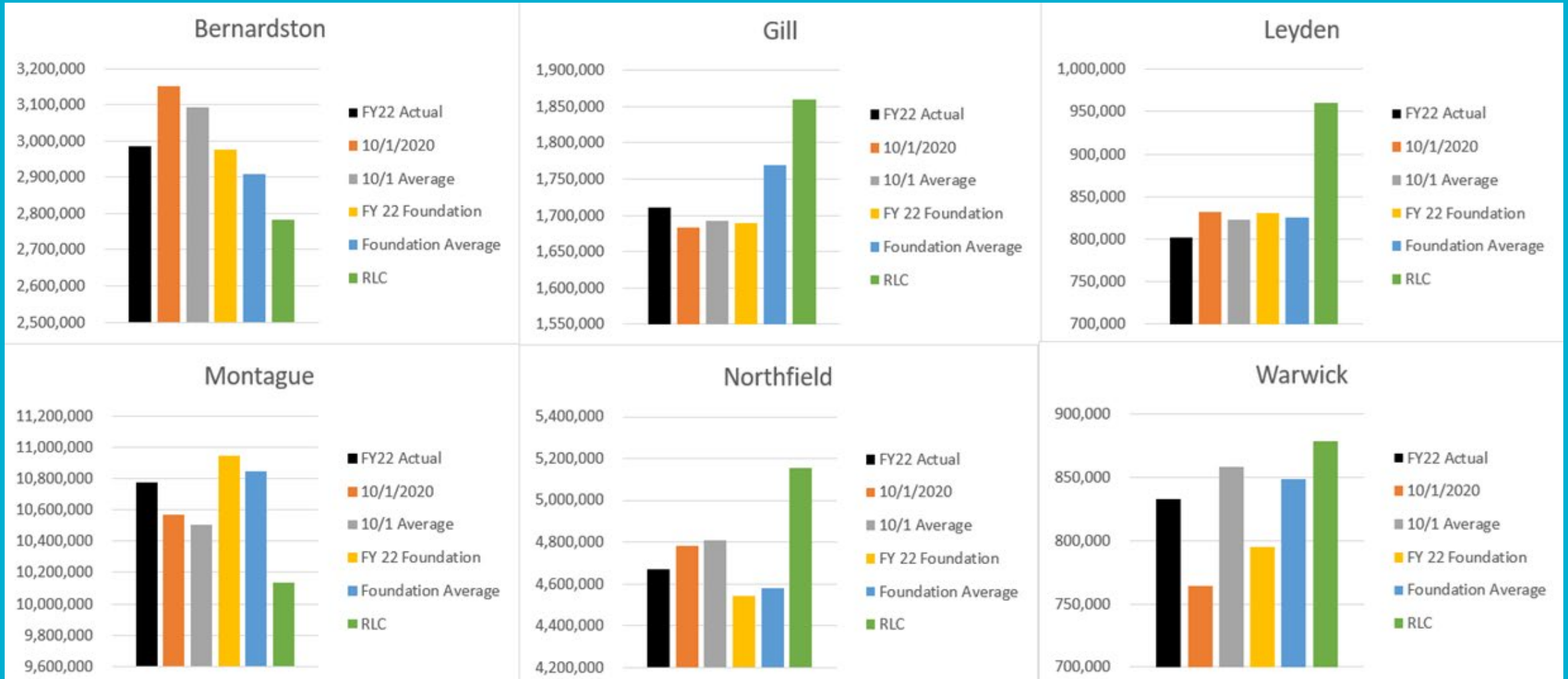


PVRSD - Choice In/Out/Net



source: <https://drive.google.com/drive/folders/1jPVFMJoT2ZAmNQa8aNO9Rp2T5hsmBr0q>
STRPB Enrollments History v5.xlsx

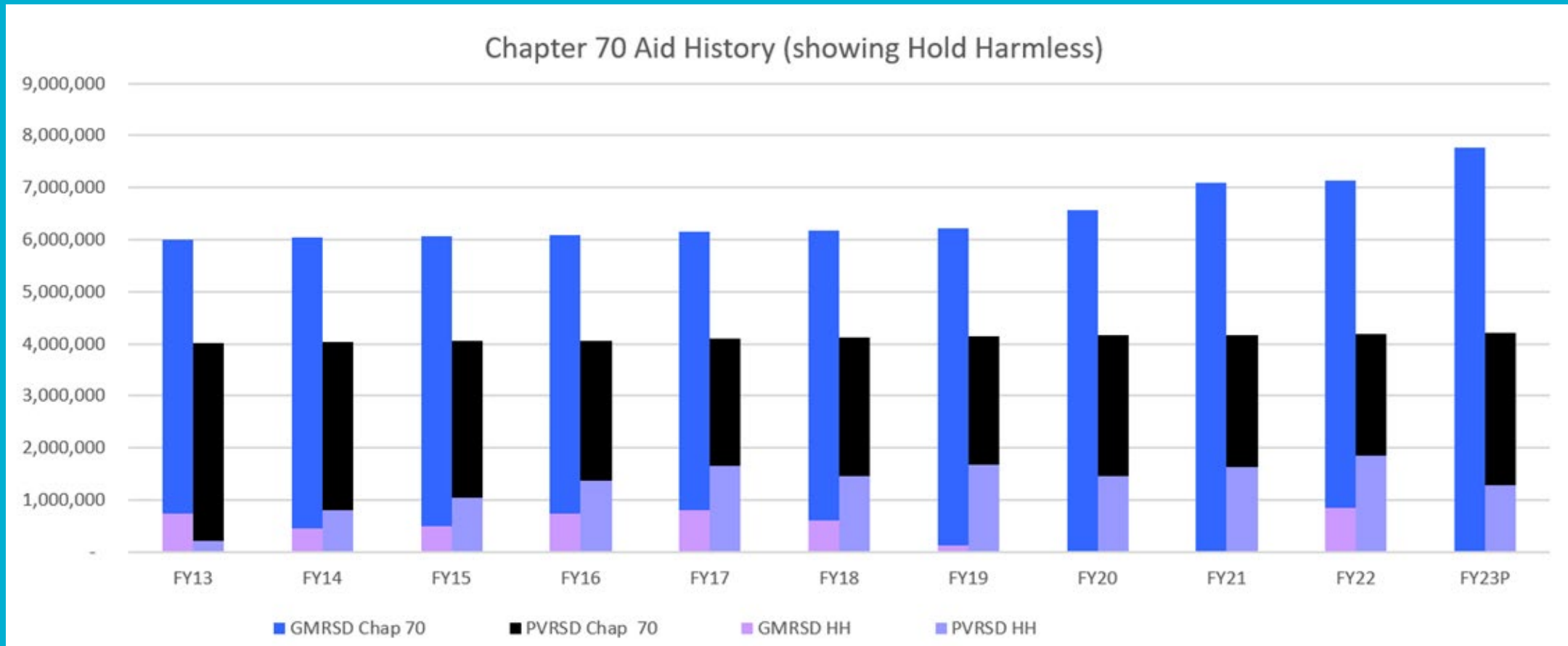
Estimated Assessments Comparisons – FY23 Data



RLC = Required Local Contribution

source: <https://drive.google.com/drive/folders/1jPVFMJoT2ZAmNQa8aNO9Rp2T5hsmBr0q>
STRPB FY23 Combined District - Assessment Options v3.xlsx

Chapter 70 History



source: <https://drive.google.com/drive/folders/1jPVFMJoT2ZAmNQa8aNO9Rp2T5hsmBr0q>
STRPB Chapter 70 v2.xlsx

Transportation Findings

- Since consolidation would be at the middle and high school levels, elementary school transportation would not be affected
- Middle and high school bus rides could potentially increase by up to 20 minutes for some students and decrease for others
- Maximum bus ride duration for middle and high school students is expected to be one hour
- Approximately the same number of buses would be needed, so transportation costs would be about the same

Facilities Findings

- Both facilities are in fairly good shape, although some fixes and/or improvements are recommended
- Each facility is large enough to house a combined middle and high school.

Mothballing a facility is a significant political hurdle and not recommended

The STRPB agrees it would be best to send middle school students to one facility and high school students to the other

- There are differences that make TFHS better suited for a high school: Fitness center, dance studio, larger theater, pool, weight room, multiple lighted athletic fields

Challenges

- Instruction: Existing districts use different elementary instructional programs; all students need to be equally prepared to attend a unified middle school
- Assessments: Apportionments to Towns
- Governance: Ensuring appropriate representation for each town on the school committee

Challenges (continued)

- Being “held harmless” for Chapter 70 aid will limit state aid increases
Proposed Rural Aid may mitigate this
- Merging staff contracts and benefits will require new collective bargaining agreements
- Choosing name, colors, mascot for the new district
- Merging the six towns into a well-blended district

Community Comments, Questions & Concerns?

We want to hear from you!

<https://sites.google.com/view/strpb/home>
strpboffc@gmail.com

STANDARD CONTRACT

The following provisions shall constitute an Agreement between the Town of Montague, acting by and through its Selectboard, hereinafter referred to as "Town," and **Scott Dixon of Tailblock Coping Company**, with an address of **96 Canal St., Brattleboro, VT 05301**, hereinafter referred to as "Contractor", effective as of the **14** day of **November**, 2022. In consideration of the mutual covenants contained herein, the parties agree as follows:

ARTICLE 1: SCOPE OF WORK:

The Contractor shall perform all work and furnish all services necessary to provide the Town with **Unity Skate Park Caulking Repairs** services, including the scope of services set forth in Attachment A.

1. Remove degraded caulk where necessary
2. Caulking empty seams, joints and cracks

ARTICLE 2: TIME OF PERFORMANCE:

The Contractor shall complete all work and services required hereunder commencing **November 14, 2022** through **December 31, 2022**.

ARTICLE 3: COMPENSATION:

The Town shall pay the Contractor for the performance of the work outlined in Article 1 above the contract sum of **\$ 1,500.00**. The Contractor shall submit monthly invoices to the Town for services rendered, which will be due 30 days following receipt by the Town.

ARTICLE 4: CONTRACT DOCUMENTS:

The following documents form the Contract and all are as fully a part of the Contract as if attached to this Agreement or repeated herein:

1. This Agreement.
2. Amendments, or other changes mutually agreed upon between the parties.
3. All attachments to the Agreement.

In the event of conflicting provisions, those provisions most favorable to the Town shall govern.

ARTICLE 5: CONTRACT TERMINATION:

The Town may suspend or terminate this Agreement by providing the Contractor with ten (10) days written notice for the reasons outlined as follows:

1. Failure of the Contractor, for any reason, to fulfill in a timely and proper manner its obligations under this Agreement.
2. Violation of any of the provisions of this Agreement by the Contractor.
3. A determination by the Town that the Contractor has engaged in fraud, waste, mismanagement, misuse of funds, or criminal activity with any funds provided by this Agreement.

Either party may terminate this Agreement at any time for convenience by providing the other party written notice specifying therein the termination date which shall be no sooner than thirty (30) days from the issuance of said notice. Upon receipt of a notice of termination from the Town, the Contractor shall cease to incur additional expenses in connection with the Agreement. Upon such termination, the Contractor shall be entitled to compensation for all satisfactory work completed prior to the termination date as determined by the Town. Such payment shall not exceed the fair value of the services provided hereunder.

ARTICLE 6: INDEMNIFICATION:

The Contractor shall defend, indemnify and hold harmless the Town and its officers, agents, and all employees from and against claims arising directly or indirectly from the contract. Contractor shall be solely responsible for all local taxes or contributions imposed or required under the Social Security, Workers' Compensation, and income tax laws. Further, the Contractor shall defend, indemnify and hold harmless the Town with respect to any damages, expenses, or claims arising from or in connection with any of the work performed or to be performed under this Agreement. This shall not be construed as a limitation of the Contractor's liability under the Agreement or as otherwise provided by law.

ARTICLE 7: AVAILABILITY OF FUNDS:

The compensation provided by this Agreement is subject to the availability and appropriation of funds.

ARTICLE 8: APPLICABLE LAW:

The Contractor agrees to comply with all applicable local, state and federal laws, regulations and orders relating to the completion of this Agreement. This Agreement shall be governed by and construed in accordance with the law of the Commonwealth of Massachusetts.

ARTICLE 9: ASSIGNMENT:

The Contractor shall not make any assignment of this Agreement without the prior written approval of the Town.

ARTICLE 10: AMENDMENTS:

All amendments or any changes to the provisions specified in this Contract can only occur when mutually agreed upon by the Town and Contractor. Further, such amendments or changes shall be in writing and signed by officials with authority to bind the Town. No amendment or change to the contract provisions shall be made until after the written execution of the amendment or change to the Contract by both parties.

ARTICLE 11: INDEPENDENT CONTRACTOR:

The Contractor acknowledges and agrees that it is acting as an independent contractor for all work and services rendered pursuant to this Agreement and shall not be considered an employee or agent of the Town for any purpose.

ARTICLE 12: INSURANCE:

The Contractor shall be responsible to the Town or any third party for any property damage or bodily injury caused by it, any of its subcontractors, employees or agents in the performance of, or as a result of, the work under this Agreement. The Contractor and any subcontractors used hereby certify that they are insured for workers' compensation, property damage, personal and product liability. The Contractor and any subcontractor it uses shall purchase, furnish copies of, and maintain in full force and effect insurance policies in the amounts here indicated.

General Liability

	Bodily Injury Liability:
	\$1,000,000 per occurrence
Property Damage Liability (or combined single limit)	\$ 500,000 per occurrence \$1,000,000 per occurrence; \$3,000,000 aggregate

Automobile Liability

Bodily Injury Liability:	\$1,000,000 per occurrence
Property Damage Liability (or combined single limit)	\$ 500,000 per occurrence \$1,000,000 per occurrence

Workers' Compensation Insurance

Coverage for all employees in accordance with Massachusetts General Laws

Professional Liability Insurance

Minimum Coverage	\$1,000,000 per occurrence
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Prior to commencement of any work under this Agreement, the Contractor shall provide the Town with Certificates of Insurance which include the Town as an "additional insured" and which include a thirty day notice of cancellation to the Town.

ARTICLE 13: SEVERABILITY:

If any term or condition of this Agreement or any application thereof shall to any extent be held invalid, illegal or unenforceable by the court of competent jurisdiction, the validity, legality, and enforceability of the remaining terms and conditions of this Agreement shall not be deemed affected thereby unless one or both parties would be substantially or materially prejudiced.

ARTICLE 14: ENTIRE AGREEMENT:

This Agreement, including all documents incorporated herein by reference, constitutes the entire integrated agreement between the parties with respect to the matters described. This Agreement supersedes all prior agreements, negotiations and representations, either written or oral, and it shall not be modified or amended except by a written document executed by the parties hereto.

ARTICLE 15: COUNTERPARTS:

This Agreement may be executed in any number of counterparts, each of which shall be deemed to be a counterpart original.

CERTIFICATION AS TO PAYMENT OF STATE TAXES

Pursuant to Chapter 62C of the Massachusetts General Laws, Section 49A(b), I,

_____, authorized signatory for the Contractor do hereby certify under the pains and penalties of perjury that said Contractor has complied with all laws of the Commonwealth of Massachusetts relating to taxes, reporting of employees and contractors, and withholding and remitting child support.

Social Security Number or
Federal Identification Number

Signature of Individual or
Corporate Name

By:
Corporate Officer
(if applicable)

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed on the day and year first above written.

CONTRACTOR

TOWN OF MONTAGUE

By

by its Selectboard

Printed Name and Title

Approved as to Availability of Funds:

Town Accountant (\$ _____)
Contract Sum

A-1 Annual Budget Process 8.24.22)

PURPOSE

The purpose of this policy is to state the principles to be followed in the formulation of the recommended annual budget, describe the process and procedures that culminate in the adoption of the annual budget, and identify the parties responsible for preparing and presenting the budget.

APPLICABILITY

This policy applies to the Finance Committee, the Selectboard, the Town Administrator, Assistant Town Administrator, the Town Accountant, the Director of Assessing, the Capital Improvements Committee (CIC), and Town Meeting.

The Town's annual operating budget (see definition below) is developed through a collaborative process that involves the Town Administrator and Financial Management Team (Accountant, Treasurer and Director of Assessing), the Selectboard, the Finance Committee, and the Capital Improvements Committee.

DEFINITIONS

Annual Budget - comprised of requests for funding for general fund operations, enterprise fund operations, non-capital special article requests, and capital projects. The fiscal year for the Town's annual budget begins on July 1, and is named according to the calendar year in which it concludes, e.g. the annual budget for FY2023 starts July 1, 2022 and ends June 30, 2023.

Capital Project - a major, non-recurring expenditure that generally meets the following criteria:

- Massachusetts General Law permits the Town to issue bonds to finance the expenditure;
- Project cost is \$25,000 or greater;
- Proposed project or asset to be acquired has a useful life of 5 years or more including:
 - New public buildings, or additions to existing buildings, including land acquisition costs and equipment needed to furnish the new building or addition for the first time;
 - Alterations, renovations, or improvements to existing buildings;
 - Land acquisition and/or improvements, unrelated to public buildings, but necessary for conservation, recreation or off-street parking;
 - Major equipment acquisition, replacement or refurbishment, including but not limited to vehicles, furnishings, and information technology systems' hardware and software or other items that combined in purpose together make it a Capital Project;
 - New construction or major improvements to Town's physical infrastructure, including streets, sidewalks, stormwater drains, and the sanitary sewer system. Infrastructure improvements must extend the useful life of the infrastructure by at least ten (10) years to be appropriately classified as a Capital Project;

Feasibility studies, engineering design services, or consultant services which support and a part of a future Capital Project

Enterprise Fund - a separate accounting and financial reporting mechanism for municipal services for which a fee is charged in exchange for goods or services. Revenues and expenses of the service are segregated into a fund with financial statements separate from all other governmental activities.

General Fund - the primary fund used by a government entity. This fund is used to record all revenues and expenditures that are not associated with special-purpose funds, e.g., enterprise, capital project, grant, and revolving funds. The activities being paid for through the general fund constitute the core administrative and operational tasks of a municipality.

Gill-Montague Regional School District (GMRSD) Affordable Assessment – as a matter of policy, per the agreement captured in the 2009 Compact for Funding Education endorsed by the Administration and School Committee of the Gill-Montague Regional School District, the Selectboards and the Finance Committees of Gill and Montague, and reaffirmed by consensus of those boards in 2019, 48.5% estimated general fund revenues for the ensuing fiscal year shall be known as the “Affordable Assessment” and be allocated to support the recommended budget of the GMRSD.

For the purpose of calculating the Affordable Assessment, estimated general fund revenues for the ensuing fiscal year shall be exclusive of those revenues characterized as non-recurring and/or revenues targeted to support specific operating budget programs, e.g., veterans benefit reimbursements, solid waste fees, Council on Aging reimbursements from the Town of Gill, a portion of Kearsarge Lease Fees and School Resource Officer (SRO) reimbursements from the FCTS and the GMRSD.

Operating Budget – The plan of proposed expenditures for personnel, supplies, and other regular expenses for the coming fiscal year. Unused and unencumbered appropriation balances close at the end of the fiscal year.

Special Article – A separate appropriation for a specific purpose, which can be capital or non-capital in nature. Unless it adds to an operating budget’s appropriation, the unused balance does automatically close at the end of the year but remains until completely used, the purpose is completed, or the balance is appropriated for another purpose.

POLICY

The following principles shall guide town officials in the preparation of the recommended annual operating budget for presentation to town meeting:

- As required by Massachusetts General Law (M.G.L. c.44, §31 and M.G.L. c.59, §§ 21C-23), the recommended annual operating budget shall be balanced; that is, total recommended appropriations shall be supported by estimates of revenue equal to those appropriations.
- Recommended appropriations shall be realistically budgeted and revenues shall be conservatively estimated.
- As a general rule, sources of estimated revenue shall be reasonably expected to recur annually to sustain recurring annual expenditures. The document presenting the recommended annual

budget shall include a presentation of estimated revenues and the assumptions underlying the estimates.

- The Town will seek to avoid using budgetary relief offered by statute or regulation that balances the budget at the expense of future years, such as amortizing deficits over multiple years.
- The Town will not use one-time or non-recurring revenues to balance the budget, except in the event of emergency, extraordinary or unforeseen circumstances. Should such an event necessitate the use of one-time revenues to balance the budget, the Selectboard, Town Administrator, and Finance Committee shall present along with the budget a plan to return the town to a structurally balanced budget within three years.
- The Town shall maintain reserves for emergencies and other purposes (See Financial Reserves Policy) and shall maintain liquidity sufficient to pay bills on time to preclude the need to borrow in anticipation of revenue.

PROCEDURES

The following procedures shall be followed in the development and presentation of the recommended annual operating budget:

- By October 1st, the multi-year revenue and expenditure forecasting tool and financial policy guidelines have been prepared for use in the budget development process for the upcoming year. The Town Accountant and Town Administrator are responsible for keeping the forecasting tool up to date, the CIC and Assistant Town Administrator maintain the capital plan, and the Finance Committee reviews the financial management policies annually and makes recommendations for any changes to the Selectboard.
- In October, the Capital Improvements Committee (CIC), working through the Assistant Town Administrator, develops and transmits to the Town Administrator, the Selectboard and the Finance Committee a calendar identifying dates including:
 - a schedule for the submission of capital project requests by Town departments and the GMRSD for years 1 through 6 of the Capital Improvement Plan (CIP).
 - a scheduling period within which departments requesting capital projects will appear before the CIC to respond to the Committee's questions about project proposals, and to provide information and answer questions regarding the cost estimates and scope for any projects proposed for the Capital Budget (coming fiscal year).
 - a date (typically on or about January 15) by which the Assistant Town Administrator will submit to the CIC a finalized set of capital projects to comprise the coming fiscal year's Capital Budget.

- a joint meeting of the Finance Committee and CIC (typically on or about March 15), at which the CIC and Assistant Town Administrator will present and discuss the recommended Capital Budget and Six-Year Capital Improvement Plan.
- By November 1st, the Town Accountant provides department heads and committee chairs with the forms they will use to submit their budget requests for the upcoming year and the GMRSD with a preliminary estimate of the Affordable Assessment. The Town Administrator brings information about substantive changes under consideration for town services/programs to the attention of the Selectboard and Finance Committee.
- By December 15th, departmental requests for the operating budget and non-capital articles are submitted to the Town Accountant, who incorporates them into the budget workbook and distributes the workbook, the accompanying narratives, and non-capital special article requests to the Selectboard, the Finance Committee, and the Town Administrator.
- By mid-January, the Finance Committee chair, the Selectboard chair, the Town Administrator and the Town Accountant shall agree on a schedule for the remainder of the budget process and proposed dates that include, but are not limited to, the following:
 - Presentation by the Town Administrator and Town Accountant to the Selectboard and the Finance Committee on the status of the current year's budget, and for the ensuing fiscal year: a) updated estimates of revenue, b) an overview of proposed expenditures related to the operation of town departments (including information about personnel and programmatic changes), and c) anticipated capital requests
 - Reviews of departmental and committee requests (These are scheduled and hosted by the Finance Committee.)
 - A New Growth estimate, which will inform the final budget figure for use in the Annual Budget Process and calculation of the final Affordable Assessment.
 - At least one joint meeting of the Finance Committee and Selectboard, with representatives of the Town of Gill the Franklin County Technical School and the GMRSD, to review the two school districts' assessments and capital requests for the upcoming year.
 - By March 15th, a joint meeting of the Finance Committee, Selectboard and Capital Improvements Committee to receive CIC's final report on the coming fiscal year's capital projects and its recommendations, and to discuss funding sources for requests that are likely to appear on the warrant.
 - A meeting at which the Finance Committee makes recommendations for annual appropriations to Reserves and Trust Funds.
 - At least one joint meeting of the Finance Committee and the Selectboard to finalize the operating budget that will be recommended to the Annual Town Meeting and discuss other articles to be included in the Annual Town Meeting warrant.

- Dates for the opening and closing of the warrant for the Annual Town Meeting; the date when Annual Town Meeting materials will be released. These materials include the Finance Committee’s report on the recommended budget for the ensuing fiscal year.
- The Annual Town Meeting, typically held on the first Saturday in May.

REFERENCES

M.G.L. c. 44, §31

M.G.L. c.59, §§ 21C-23

Town of Montague – Capital Planning policy

Town of Montague – Revenue and Expenditure Forecasting policy

Town of Montague – Financial Reserves policy

ADOPTED BY:

DATE ADOPTED:

A-2 Capital Planning (For SB Review)

PURPOSE

Capital assets are fundamental to the functioning of any municipality. The presence and condition of such assets will naturally enable or restrict the ability of the community to operate and prosper. Capital planning, therefore, is essential to the near- and long-term success of the community. The purpose of this policy is to define an annual capital planning process to identify the need for the acquisition of new capital assets, the repair or replacement of existing assets, and the proposed financing of each.

APPLICABILITY

This policy applies to all town departments, boards, and committees that maintain an inventory of capital assets; to the Capital Improvement Committee (CIC) with responsibility for creating an annual Capital Improvement Plan; to the Finance Committee with responsibility to review and take positions on capital projects proposed for funding and for integrating CIC recommendations into the recommended annual budget; to the Town Administrator or his/her designee in providing support to the CIC in developing the annual Capital Improvement Plan; and, the Selectboard in its role to review and take positions on capital projects proposed for funding. Further, it is relevant to the Gill-Montague Regional School District, which operates in Town-owned buildings that are under its care.

Regarding the CIC, in 1978, the Town of Montague, through an amendment to Town By-Laws, established the CIC to conduct long-term capital planning. Specifically, its charge was "to conduct an annual review of the capital improvements program of the Town as well as proposals for the construction of municipal buildings and acquisition of property, to make recommendations to the Town Meeting regarding the above, and to prepare an annual report".

DEFINITIONS

Annual Budget: comprised of requests for funding for general fund operations, enterprise fund operations and capital projects.

Available Funds: balances available for expenditure established through previous appropriations (e.g., stabilization funds or overlay surplus) or from a Fund's positive operating results at fiscal year-end (e.g. free cash or retained earnings).

Capital Asset: Any municipally owned facility, road, bridge, sidewalk, utility infrastructure, property, park, installed feature, vehicle, or equipment valued at or above \$25,000.

Capital Improvement Plan: a 6-year plan prepared annually as part of the annual budget process which is comprised of the Capital Budget proposed for consideration for funding in the upcoming fiscal year (year 1 of the Plan), and years 2-6 including capital projects identified as candidates for funding in future fiscal years.

Capital Project: a major, non-recurring expenditure that generally meets the following criteria:

- Massachusetts General Law permits the Town to issue bonds to finance the expenditure;
- Project cost is \$25,000 or greater;

- Proposed project or asset to be acquired has a useful life of 5 years or more including:
 - New public buildings, or additions to existing buildings, including land acquisition costs and equipment needed to furnish the new building or addition for the first time;
 - Alterations, renovations, or improvements to existing buildings;
 - Land acquisition and/or improvements, unrelated to public buildings, but necessary for conservation, recreation, or off-street parking;
 - Major equipment acquisition, replacement, or refurbishment, including but not limited to vehicles, furnishings, and information technology systems' hardware and software or other items that combined in purpose together make it a Capital Project;
 - New construction or major improvements to Town's physical infrastructure, including streets, sidewalks, stormwater drains, and the sanitary sewer system. Infrastructure improvements must extend the useful life of the infrastructure by at least ten (10) years to be appropriately classified as a Capital Project;
 - Feasibility studies, engineering design services, or consultant services which support and are a part of a future Capital Project.

Prior Year General Operating Revenue (PYGOR): a formulation used in the annual budget process for a variety of purposes in developing the proposed General Fund operating budget for the upcoming fiscal year. It is a function of General Fund revenues of the prior fiscal year and defined as follows:

- Property tax of the prior fiscal year as billed (Page 1, Item Id. - Tax Rate Recapitulation Sheet of the prior fiscal year) less:
 - Excluded Debt (Form DE-1 - Tax Rate Recapitulation Sheet of the prior fiscal year)
 - Allowance for Abatements and Exemptions (Page 2, Item II.d - Tax Rate Recapitulation Sheet of the prior fiscal year)

Plus

- Total Prior Year actual General Fund revenue less:
 - prior year property tax revenue collected (real and personal property taxes and revenue from tax liens and tax possessions)
 - local receipts deemed non-recurring or designated for a particular purpose

POLICY

The following shall be the policy of the Town:

- To maintain its physical assets by providing funding in the annual operating budget to protect its capital investments and minimize future maintenance and replacement costs.

- To pursue a program of preventive maintenance as a cost-effective approach to protecting its capital investments and maximizing the useful life of its capital assets capital including the procurement of outside services where Town staff capacity or expertise appears insufficient to perform such preventative maintenance.
- To endeavor to provide and preserve the infrastructure and equipment needed for achieving the highest levels of public services and quality of life possible by annually developing a six-year Capital Improvement Plan to ensure adequate investment in the Town's capital assets.
- The following shall be considered in the identification of financing of capital:
 - Town Budgeted General Operating Revenues, Enterprise Fund revenues, Available Funds, (e.g., Special Purpose Stabilization Funds, Free Cash, Retained Earnings and Overlay Surplus), and grant funds from the federal and state governments.
 - Long-term debt shall be considered an appropriate funding source for capital requests whose costs cannot be accommodated within the annual operating budget without adversely affecting the financing of services.
 - The target for spending from General Fund operating revenue in the annual Capital Budget – to finance debt service on projects proposed for funding with debt and those proposed for funding with cash (pay-as-you-go projects) - shall be equal to a minimum of 6 to 8% of the Prior Year's General Fund operating revenue (PYGOR). The 6% to 8% shall be comprised of the following:
 - 2% of the Prior Year's General Fund operating revenue shall be targeted for building improvements and equipment repair or replacement on a pay-as-you-go basis.
 - 4% to 6% of PYGOR shall be targeted to fund debt service on non-excluded debt-financed projects.
 - If in any year funds needed for the Capital Budget recommended to Town Meeting are below the minimum target of 6% of the Prior Year's General Fund Operating Revenue, the difference in revenue allocated for this purpose shall be appropriated into a capital stabilization fund to offset the costs of future capital projects. For the purpose of this policy, the value of excluded debt may be considered when considering the minimum target of 6% of PYGOR.
 - The term for which debt is issued shall comply with the limits in Massachusetts General Law. Notwithstanding these limits, debt maturities should be equal to or less than the useful life of the asset being financed.
 - To the extent practicable, assets with short useful lives that are replaced regularly, e.g., police cruisers, shall be funded in the operating budget.

PROCEDURES

- The CIC shall have responsibility for coordinating the development of the annual Capital Improvement Plan, to be delivered on a timeline that supports the Annual Budget Process. The CIC shall create the form on which capital project requests are submitted. On or about October 1st, the CIC shall develop and transmit to the Town Administrator, Selectboard, and Finance Committee a calendar identifying dates in the development of the plan including:
 - a schedule for the submission of capital project requests by Town departments and the GMRSD for years 1 through 6 of the Capital Improvement Plan (CIP).
 - a scheduling period within which departments requesting capital projects will appear before the CIC to respond to the Committee's questions about project proposals, and to provide information and answer questions regarding the cost estimates and scope for any projects proposed for the Capital Budget (Year 1 of the CIP).
 - a date (typically on or about January 15) by which the Town Administrator will submit to the CIC a finalized set of capital projects to comprise the Capital Improvement Plan. Projects proposed for the Capital Budget shall comply with the requirements of the CIC capital project request form.
 - a joint meeting of the Finance Committee and CIC (typically on or about March 15), at which the CIC and Town Administrator or their designee will present and discuss the recommended Capital Improvement Plan.
- The Capital Improvement Plan shall include:
 - projects recommended for funding in the upcoming fiscal year (the Capital Budget)
 - identify prospective sources of funding for projects in the Capital Budget (see the Town's Financial Reserves and Debt Management Policies)
 - Current debt service and projected annual debt service based on projects in the Capital Budget identified as candidates for debt financing.
 - A list of requested projects by department with estimated costs and indication of departmental priority for years 2 through 6 of the Capital Improvement Plan
- Only projects that have gone through the annual capital planning process will be considered for funding unless required by an emergency, which may be determined based on hazard to public safety, potential damage to people or property, regulatory requirement, grant availability, or other factors. Emergency requests will be submitted to the Town Administrator or their designee, in a form prescribed by the Town Administrator, for review and consideration. If the Town Administrator deems the request constitutes an emergency, he/she shall transmit the request, including a recommendation of the source of funding, to the CIC, the Finance Committee and the Selectboard for consideration.

- In prioritizing each capital request, the CIC shall determine how the project addresses the following criteria:
 - Defined Criteria/Rationale Used in Assessing Special Article Requests
 - Public Safety: Does the capital improvement rectify a safety concern or otherwise prevent a potential public safety issue?
 - example: Installing the new front porch/egress stairs at the senior center. The old porch egress had stairs with risers that were inches higher than what is allowed by building code, resulting in the potential of a dangerous fall.
 - Cost Avoidance: Will the capital improvement save the town financially?
 - example: Replacing the controls at Denton Street sewer pump station. New controls included in the upgrade enhance its reliability and allow the station to be monitored remotely resulting in reduced alarms and need to send crew out to check on the system.
 - Service Interruption: Does the capital improvement prevent an interruption in services?
 - example: Replacing the building management system and components at TFHS. Without upgrading and replacing the hardware and software the school would be vulnerable to losing its ability to operate the equipment necessary to control classroom temperatures. Failure of the system would result in school closure.
 - Other- Any other reason identified as relevant by the CIC. This may include considerations such as regulatory requirements or orders, environmental sustainability, community and social equity concerns, concerns related to accessibility, availability of matching grants, program efficiency or improvements, etcetera.
- Generally speaking, in consultation with the Town Administrator, within twelve months after the completion of a capital project or acquisition financed through a special article, the Town Accountant shall close out the project so any unexpended balance financed with cash or bond proceeds can be re-deployed for other purposes pursuant to Massachusetts General Law or regulation.

REFERENCES

M.G.L. c. 41, § 106B

M.G.L. c. 44, §§ 7-8

M.G.L. c. 44, § 20

M.G.L. c. 44, § 33B

Section 6 of Article II of the By-Laws of the Town of Montague creating the Capital Improvement Committee

Division of Local Services Best Practice: Presenting and Funding Major Capital Projects

ADOPTED BY:

DATE ADOPTED:

A-5 Financial Reserves

PURPOSE

The creation and maintenance of financial reserves is a critical component of sound and prudent financial management. Reserves serve multiple functions:

- As a source of funding for selected planned future capital expenditures to reduce the need to issue debt thus avoiding interest and borrowing costs.
- As a source of funding for significant and extraordinary unforeseen expenditures.
- As a source of funding to substitute for lost revenue during a time of economic downturn thus preventing, or minimizing, cuts to municipal and educational services.
- As evidence to credit rating agencies of a municipality's strong financial management, in that the maintenance of significant reserves indicate a commitment to comprehensive long-term planning, a positive factor in credit rating determinations.

APPLICABILITY

This policy pertains to short and long-range budget decision-making and applies to the Finance Committee, Capital Improvement Committee, Selectboard and Town Administrator ~~in that capacity~~ and is intended to be advisory to Town Meeting.

DEFINITIONS

Colle Undesignated Fund Balance: Due to the requirements of the Federal Grants used to renovate the Colle Opera House, its activities are accounted for in a separate Receipts Reserved for Appropriation special revenue fund. As revenues exceed expenditures, the annual surplus flows into the Undesignated Fund Balance, where it is available for appropriation for additional, generally capital, expenses to maintain the building.

Enterprise Fund: Pursuant to Massachusetts General Law (M.G.L. c. 44, § 53F½), municipalities can establish enterprise funds by vote of Town Meeting to account for a utility, cable television public access, health care, recreational or transportation facility whose services are delivered on a business-type basis. Under enterprise accounting, the service's revenues and expenditures are segregated into a separate fund with its own financial statements, separate from all other governmental activities.

Finance Committee Reserve Fund: Pursuant to Massachusetts General Law (M.G.L. c. 40, § 5A), To provide for extraordinary or unforeseen expenditures in each fiscal year, a town may - at an annual or special town meeting - appropriate or transfer a sum or sums not exceeding in the aggregate five percent of the levy of the fiscal year preceding the fiscal year for which the fund is established. No direct drafts against this fund shall be made, but the Finance Committee may vote transfers from the fund. At the end of each fiscal year, any unused amount of the Reserve Fund is closed to the surplus of the general fund.

Free Cash: Represents the surplus of the general fund operating budget at the close of a fiscal year resulting from revenues realized in excess of estimates and expenditures less than appropriations plus

unused free cash resulting from the prior fiscal year. The amount of free cash must be certified by the Massachusetts Department of Revenue before it is available for appropriation by Town Meeting. Unpaid property taxes and certain deficits reduce the amount of remaining funds that can be certified as free cash.

General Fund - The primary fund used by a government entity. This fund is used to record all revenues and expenditures that are not associated with special-purpose funds, e.g., enterprise, capital project, grant, and revolving funds. The activities being paid for through the general fund constitute the core administrative and operational tasks of a municipality.

Other Post Employee Benefits (OPEB): Other post employee benefits are benefits, other than pension distributions, paid to employees during their retirement years. The major post-employment benefit in Massachusetts is health insurance.

Overlay Surplus: This is the portion of overlay that is determined to be over and above what is needed to cover abatements and exemptions of property taxes in specified fiscal years. It is determined, certified, and transferred by vote of the Board of Assessors. The use of overlay surplus as a funding source is subject to appropriation by Town Meeting and can be used for any lawful purpose. Any unused balance of overlay surplus at the end of a fiscal year is closed to general fund balance and becomes part of free cash available for appropriation in the subsequent fiscal year.

Prior Year General Operating Revenue (PYGOR): A calculation used in the annual budget process for a variety of purposes in developing the proposed General Fund operating budget for the upcoming fiscal year. It is a function of General Fund revenues of the prior fiscal year and defined as follows:

- Property tax of the prior fiscal year as billed (Page 1, Item Id. - Tax Rate Recapitulation Sheet of the prior fiscal year) less:
 - Excluded Debt (Form DE-1 - Tax Rate Recapitulation Sheet of the prior fiscal year)
 - Allowance for Abatements and Exemptions (Page 2, Item II.d - Tax Rate Recapitulation Sheet of the prior fiscal year)

Plus

- Total Prior Year actual General Fund revenue less:
 - prior year property tax revenue collected (real and personal property taxes and revenue from tax liens and tax possessions)
 - local receipts deemed non-recurring or designated for a particular purpose

Retained Earnings - any operating surplus (actual revenues in excess of estimates and appropriations in excess of expenses) is retained in the enterprise fund rather than closed to the General Fund at fiscal year-end. Surplus of an enterprise certified by the Massachusetts Department of Revenue, Division of Local Services as available is called "retained earnings". Use of retained earnings requires appropriation by Town Meeting.

Stabilization Funds: Pursuant to Massachusetts General Law (M.G.L. c. 40, § 5B), a municipality, through a vote of Town Meeting, may establish one or more stabilization funds and designate the purpose for

which each fund is established. The creation of a stabilization fund requires a majority vote of Town Meeting. Appropriation of funds into a stabilization fund is by majority vote but appropriation of funds out of a stabilization fund requires a two-thirds vote of town meeting. Any interest that is earned from the investment of stabilization fund monies accrues to the stabilization fund. There is no limit on the cumulative balance of all stabilization funds in a municipality.

POLICY

The following table summarizes elements of the policies and procedures that follow.

Reserve Funds and Target Thresholds			
Name of Fund	Purpose	Funding Target	Primary Source of Funding
General Town Reserves			
Cannabis Impact Fee Stabilization Fund	to finance the mitigation of impacts resulting from the operation of licensed cannabis establishments	No target per se; fund serves as repository for impact fees collected.	Cannabis Impact Fees, which are negotiated as part of each business's host community agreement.
FCTS Stabilization Fund	to mitigate the impact on town's operating budget from spikes in the Town's share of operating and/or capital costs generated by the FCTS	defined by ongoing estimates of projected enrollment as a primary driver of operating costs	Taxation
Finance Committee Reserve Fund	to fund extraordinary or unforeseen expenses	TBD Annually	Estimated General Fund Revenue
Free Cash	to fund emergency expenses, non-recurring operating expenses, or capital expenses	3% of PYGOR	Surplus from General Fund operations at each financial year-end
General Stabilization Fund	to cover projected revenue shortfalls due to economic downturn as a means to maintain services	5% of PYGOR	0.3% of PYGOR from the tax levy if funding is below target plus other sources, e.g., free cash, overlay surplus, and one-time revenues, if available to accelerate progress towards funding target.

Reserve Funds and Target Thresholds			
Name of Fund	Purpose	Funding Target	Primary Source of Funding
General Town Reserves			
GMRSD Stabilization Fund	to mitigate the impact on town's operating budget from spikes in the Town's share of capital and/or costs generated by the GMRSD	the fund is supported by a portion of the Town's Kearsarge lease revenue	Kearsarge lease payments
Overlay Surplus	acts as an additional funding source for appropriation when there is a balance in the account	none	balances of Overlay for Abatements and Exemptions when amounts are no longer needed for the intended purpose.
Town Capital Improvement Stabilization Fund	to finance future capital costs on a pay-as-you-go basis or to underwrite debt service for capital projects	function of spending targets reflected in capital plan	0.2% of estimated annual GF revenue net of revenues targeted for specific purposes plus revenue from cannabis retail sales
Enterprise Funds			
Airport Retained Earnings	to serve as working capital, fund emergency expenses, non-recurring operating expense, or capital	5% of PYEFR	Airport revenues
Airport Capital Stabilization Fund	to finance future capital costs on a pay-as-you-go basis or to underwrite debt service for capital projects	function of spending targets reflected in capital plan	Airport revenues
WPCF Capital Stabilization Fund	to finance future capital costs on a pay-as-you-go basis or to underwrite debt service for capital projects	function of spending targets reflected in capital plan	Sewer revenues

Reserve Funds and Target Thresholds			
Name of Fund	Purpose	Funding Target	Primary Source of Funding
Enterprise Funds			
WPCF Retained Earnings	to serve as working capital, fund emergency expenses, non-recurring operating expense, or capital	5% of PYEFR	Sewer revenues
Other Reserves			
Colle Undesignated Fund Balance	to finance capital maintenance of the Colle Opera House	function of spending targets reflected in capital plan	Colle rental fees
Sale of Real Estate	Can be used for any purpose for which the town can borrow for 5+ years.	none	Proceeds from sale of town owned real estate (excluding sale of tax possessions)

It shall be the general policy of the Town to:

- Maintain reserves to provide the capacity to respond to the costs of unanticipated and extraordinary events, significant reductions in annual revenue streams due to economic disruption, and to provide a source of available funds for future capital expenditures.
- Maintain and manage multiple types of reserves, including stabilization funds, free cash, retained earnings, and overlay surplus.
- Maintain overall General Fund reserves including the Town’s combined stabilization funds (General, Capital, GMRSD, FCTS and Cannabis Impact Fee) and free cash between 5% and 10% of the Town’s Prior Year General Operating Revenue.

The following policies shall govern the administration of the following reserves.

- **Finance Committee Reserve Fund** - Annually, the annual operating budget recommendation shall include an appropriation into the Finance Committee Reserve Fund. Every year, the Finance Committee shall review the history of Finance Committee transfers to determine if the annual appropriation into the Finance Committee Reserve is adequate.
- **Free Cash** - In the development of the proposed annual general fund operating budget, the Town shall strive to estimate revenue and recommend appropriations at a level that will generate free cash at fiscal year-end equal to approximately 3% of the Town’s Prior Year General Operating Revenue. As a general rule, the use of free cash equal to the 3% threshold will be limited to non-recurring operating or capital budget expenditures and extraordinary or

unforeseen costs that cannot be financed from the Finance Committee Reserve Fund or through transfers between line items in the operating budget.

It shall be the policy of the Town to avoid the use of free cash to support the operating budget, except under extraordinary or unusual circumstances. Further, to the extent practicable, any amounts of free cash certified in excess of 3% of the Town's Prior Year General Operating Revenue shall be appropriated to one or more of the Town's stabilization funds and/or to offset unfunded liabilities, e.g. other post-employment benefits (OPEB).

- **General Stabilization Fund** - The Town shall maintain a general stabilization fund whose primary purpose is to replace declines in general fund revenue due to economic downturn. The target level of the fund shall be 5% of the Prior Year's General Fund Operating Revenue, an amount estimated to support the operating budget through three years of economic downturn. The Town shall strive to annually appropriate to the general stabilization fund 35% of certified free cash in excess of 3% of the Prior Year's General Fund Operating Revenue (see above) until the target minimum balance is met.

Once the target level of the fund is reached, if any use of the fund reduces the balance below the target level, a plan for replenishment of the Fund shall be developed per the procedure described below.

In fiscal years when no appropriation into the General Stabilization Fund is required because it is at its target, funding sources historically targeted for this purpose but not needed will be re-directed to funding of the Town's OPEB liability.

- **Special Purpose Stabilization Fund(s)** – The Town shall maintain one or more specialized Stabilization Funds to finance future needs. Sources of appropriations into special purpose stabilization funds shall include some combination of taxation, available funds (including but not limited to free cash and overlay surplus), and other term-limited or potentially inconsistent revenue sources. Such Stabilization Funds shall include but not be limited to the following.
 - **Capital Stabilization Fund(s)** - to finance selected future capital needs as identified through the Town's annual capital planning process on a pay-as-you-go basis or to subsidize debt service of large capital projects, (e.g., municipal or school construction) to mitigate the impact on taxpayers. Use of a Capital Stabilization Fund(s) to finance projects on a pay-as-you-go basis can serve to preserve the Town's debt capacity for major capital projects.

The Town will strive to appropriate 0.2% of the Town's Prior Year's General Fund Operating Revenue into a Capital Stabilization fund(s) annually.

- **Non-Capital Stabilization Funds:**
 - **Cannabis Impact Fee Stabilization Fund** – to finance the mitigation of impacts resulting from the operation of licensed cannabis establishments

- GMRSD Stabilization Fund – to mitigate the impact on the Town's operating budget from spikes in the Town's share of capital and/or costs generated by the GMRSD.
- Franklin County Technical School (FCTS) Stabilization Fund – to mitigate the impact on the Town's operating budget from spikes in the Town's share of operating and/or capital costs generated by the FCTS
- **Overlay Surplus** - Overlay surplus shall be reserved for non-recurring costs such as direct capital expenditures, contributions to the general stabilization fund or a special purpose stabilization fund, or to finance unfunded liabilities, e.g., OPEB.
- **Retained Earnings** - In the development of the proposed annual budget for its Enterprise Funds, the Town shall strive to estimate revenue and recommend appropriations at a level that will generate retained earnings at fiscal year-end equal to approximately 5% of the operating budget. The rationale for this level of retained earnings is as follows:
 - To cover potential revenue shortfalls in any given fiscal year
 - To finance unanticipated, extraordinary expenditures not provided for in the adopted annual budget
 - To provide cash flow for the fund to preclude the use of the Town's ~~pooled~~ cash to fund enterprise fund operations that would have a negative impact on general fund interest income.
 - To provide a funding source to enable rate stabilization

In addition, the Town shall consider - consistent with guidance from the Department of Revenue (DLS Departmental Procedure Manual: Enterprise Funds) - adding to Enterprise Fund budgets a line-item ("budget surplus") whose unexpended balance at fiscal year-end would accrue to retained earnings and be available to finance selected future capital needs as identified through the Town's annual capital planning process. These amounts could accumulate as unappropriated retained earnings until a capital or other need arises or could be appropriated annually into a Special Purpose Stabilization Fund created to fund capital projects.

PROCEDURES

The following procedures are adopted pursuant to this policy.

- **Finance Committee Reserve Fund** - requests of the Finance Committee for Reserve Fund transfers shall be based on requests from department heads submitted to the Town Accountant for initial review, who will then bring those requests to the Finance Committee for review and approval, with input from the Town Accountant and Town Administrator.
- **General Stabilization Fund** - Pursuant to the policy governing the General Stabilization Fund, if use of the Fund results in a balance that falls below the target of 5% of the Prior Year's General Fund Operating Revenue, the Town Administrator, in consultation with the Selectboard shall

develop a plan for transmittal to and consideration by the Finance Committee to bring the balance of the Fund back to its target level.

➤ **Overlay Surplus** - Pursuant to the policy governing the use of overlay surplus, the Selectboard shall periodically request that the Board of Assessors conduct an analysis of the overlay to determine the amount, if any, that can be declared overlay surplus. The analysis shall consider the following:

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

Upon determining any excess in the overlay account, the Board of Assessors shall present the analysis to the Selectboard for its review. If the Selectboard determines that the excess is needed to support proposed spending, it shall, pursuant to Massachusetts General Laws (M.G.L. c. 59, § 25), formally request that the Board of Assessors convene to consider a vote to transfer overlay to overlay surplus within 10 days of such request. Notification of that vote shall be made to the Selectboard, Town Administrator, Town Accountant, and Finance Committee.

- **Appropriations from Reserves** - The overall level of financial reserves is critical to maintaining the Town's bond rating and ensuring sufficient funds to manage unanticipated needs. Funds shall be recommended for appropriation from reserves only after an initial review, by the Town Administrator and/or Town Accountant, and their presentation to the Selectboard and Finance Committee. Consideration of the use of reserves shall include an assessment of whether the balance of relevant reserve accounts after their proposed use are adequate to offset potential downturns in revenue sources and provide sufficient cash balance for daily financial needs.

REFERENCES

M.G.L. c. 40, § 6

M.G.L. c. 40, § 5A

M.G.L. c. 40, § 5B

M.G.L. c. 59, § 25

M.G.L. c. 44, § 53F½

DLS Best Practices: Free Cash and Special Purpose Stabilization Funds

DLS Departmental Procedure Manual: Enterprise Funds

DLS Informational Guideline Releases 17-20: Stabilization Funds and 17-23: Overlay and Overlay Surplus

Government Finance Officers Association Best Practices: Fund Balance Guidelines for the General Fund and Working Capital Targets for Enterprise Funds

ADOPTED BY:

DATE ADOPTED:

November 1, 2022

Mr. Steve Ellis
Town Administrator
Town of Montague
1 Avenue A
Turner Falls, MA 01376

Re: 2 Year Guarantee Proposal

Dear Mr. Ellis:

The Town of Montague is an important member of the MIIA programs. Due to the overall success of our programs and your favorable loss history, we are able to offer you a renewal proposal for FY24 and FY25 which includes a rate change of 0% for FY24 and up to 2.5% for FY25. We are pleased to offer this renewal proposal for your Property, Liability and Workers Compensation coverages.

Your overall contributions may reflect updated exposures, such as changes in building values, number of vehicles, expenditures, payrolls or experience modification factors. This offer is being made to a limited number of MIIA members and is contingent on maintaining a favorable loss ratio for all lines of coverage below 60% through FY25.

MIIA is the non-profit insurance provider established in 1982 to deliver insurance cost stability for Massachusetts communities. We provide extensive risk management solutions including health, dental, vision, property, liability and workers compensation insurance to more than 415 cities, towns and other public entities in Massachusetts.

By accepting our proposal, you will continue to benefit from stable costs from MIIA's consistently superior coverages and services. In order to accept our offer, please sign and return the enclosed copy of this letter to our office before November 14, 2022. We appreciate your continued commitment to the MIIA programs.

Sincerely,



Joanne Stoll-Pizzano
Senior Account Executive

We wish to continue participating in the MIIA Property, Liability and Workers Compensation programs for FY24 and FY25. For your convenience, enclosed is a return envelope or email to MIARenewals@mma.org.

Signature

Date

Title

Community