TOWN OF WESTWOOD

FINANCIAL MANAGEMENT POLICIES AND OBJECTIVES

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Adopted By:
Board of Selectmen January 12, 2004
Revised January 13, 2014

Introduction

The Town of Westwood has an important responsibility to carefully account for public funds, to manage municipal finances wisely, and to plan and provide for the adequate funding of services desired by the public and as required by laws, rules, or regulations, including the provision and maintenance of public facilities and improvements. The financial objectives and policies set forth by the Board of Selectmen in this document are intended to establish guidelines for the continued financial strength and stability of the Town of Westwood.

It is the policy of the Town of Westwood that financial management is conducted with the objectives of safeguarding public funds, protecting the Town's assets, and complying with financial standards and regulations.

To help ensure the Town's financial stewardship, an established program of managing the Town's finances becomes essential. To this end, the Board of Selectmen seeks policies and procedures that are financially prudent and in the Town's best economic interests.

Objectives are broad, fairly timeless statements of the financial position the Town seeks to attain. The Town of Westwood shall pursue the following financial objectives:

- To provide full value to the residents and business owners of Westwood for each tax dollar by delivering quality services efficiently and on a cost-effective basis.
- To preserve our quality of life by providing and maintaining adequate financial resources necessary to sustain a sufficient level of municipal services, and to respond to changes in the economy, the priorities of governmental and non-governmental organizations, and other changes that may affect our financial well-being.
- To provide effective financial management within the Town that conforms to generally accepted accounting principles.
- To ensure public accountability in public financial management.
- To protect and enhance the Town's credit rating and prevent default on any municipal debts.
- To provide quality, essential public safety and education services at the most efficient cost.
- To provide safeguards to ensure the quality and integrity of the financial systems.
- To minimize the Town's financial risk due to unforeseen emergencies.
- To protect against unforeseen emergencies with reserve funds.
- To protect and maintain the Town's capital assets.

In order to achieve the above objectives, the Board of Selectmen adopts the following financial policies. The Board of Selectmen will review these financial policies on an annual basis. As part of that review, the Finance Director will report on the status of the goals, particularly how the current reserve balances compare to stated goals.

Further, it is the intention of the Board of Selectmen that these financial policies will serve as the Town's guiding financial principles. The Selectmen will not diverge from the policies without a clear, public statement and analysis of the change(s); (i.e., schedule of long term borrowing).

Overall Financial Policies

A. Accounting, Auditing and Financial Planning

1. The Town will produce annual financial reports in accordance with Generally Accepted Accounting Principles (GAAP) as outlined by the Government Accounting Standards Board.

2. An annual audit will be performed by an independent public accounting firm.

3. The Town will maintain strong financial controls to ensure compliance with Town Meeting appropriations and state regulations.

4. The Town has a newly established Audit Committee consisting of three members appointed by the Board of Selectmen to overlapping three-year terms. The Audit Committee will provide independent review and oversight of Westwood's financial reporting processes, internal controls and independent auditors. The Committee will present annually to the Board of Selectmen a written report of how it has discharged its duties and met its responsibilities.

5. The Town will strive to produce quality financial reporting including clear financial statements, high quality, user friendly annual budget documents, and an annual Comprehensive Annual Finance Report (CAFR).

6. The Town shall strive to attain an extremely favorable credit rating. The Town's credit rating is a statement of its overall fiscal health as a government and as a community. The benefit of a strong credit rating is realized in lower interest rate costs on the Town's long term debt issues. The Town will strive to maintain an extremely favorable credit rating by practicing prudent financial management, strong budget control, good cash management and timely billing and collection.

B. General Fund

1. The annual budget should be prepared such that all current operating expenditures will be paid for with current operating revenue. The Town should not fund ongoing operating expenditures with non -recurring revenue sources, such as free cash or borrowing. Operating expenses shall be supported by ongoing recurring revenue sources, including taxes, state aid, local receipts and fees.

2. The annual operating budget shall include an appropriation to an operating reserve fund. This account shall be used to fund any unforeseen and extraordinary expenses that occur during the fiscal year. Funds are transferred to individual departments during the year only upon recommendation of the Finance and Warrant Commission. The minimum annual appropriation to this account should be .5% of the total general fund operating budget, net of debt service. The reserve account may also be used by Town Meeting to meet unexpected, small increases in service delivery costs. This funding will only occur by a transfer article voted at Town Meeting.

3. The Town will maintain adequate working capital in the General Fund by seeking to refrain from using available fund balance equivalent to 4% of the annual general fund operating budget. Specifically, the Town shall strive to maintain free cash at 4% of general fund operating budget, net of debt service. This balance of free cash will provide sufficient cash flow to meet payroll and expenditures without having to borrow in anticipation of tax receipts and will serve as liquid funds that can be used in case of emergency.

4. Free Cash in excess of the goal reserve shall not be used to fund ongoing operating expenditures or budget shortfalls. Free cash in excess of goal amount should be used to:

    - Fund non-recurring, unforeseen expenditures, such as unusually high snow and ice costs;
    - Provide funding for additional capital projects;
    - Build stabilization reserves to goal targets.

C. Revenue

1. The Town will follow an aggressive and equitable policy of collecting revenues.

2. The Town will utilize all available tools to collect revenues including tax title process, title liens, and motor vehicle flagging procedures.

3. The Town will consider the use of service charges as a means of financing services not equitably supported through the existing tax structure.

4. The Town will strive to maintain a healthy commercial tax base to supplement residential tax revenues.

5. The Town will set the annual tax classification factor with the goal to provide residential relief while encouraging appropriate business development. The annual classification factor will be determined utilizing the separate, written document, "Tax Rate Shift Policy".

6. One-Time Revenue - The Town will thoroughly analyze any unexpected and unusual one-time revenue sources before appropriation. One-time revenue sources include items such as unusually high receipts, unanticipated state funds, legal settlements, or other one-time revenues.

    - These funds shall first be considered for use toward meeting reserve level goals and capital needs before being utilized for funding general fund operating budget needs.
    - Consideration will be given first to a project related to the source of funding.
    - The Long Range Financial Planning Committee (LRFP) shall make a recommendation to the Board of Selectmen for use of the funds.

    Consideration shall be given to:

    - Capital budget.
    - Capital Improvements Stabilization Fund.
    - Stabilization Fund.
    - OPEB Trust Fund.

7. Recurring Revenue - The Town will thoroughly analyze any new, recurring revenue sources before appropriation. New, recurring revenue sources include significant new commercial development, or other permanent revenue sources such as a new fee.
    - The net recurring revenue, after any designated allocations, shall first be considered toward meeting reserve level goals and capital needs before being utilized for funding general fund operating budget needs.

- The Long Range Financial Planning Committee (LRFP) shall make a recommendation to the Board of Selectmen for use of the funds.

Consideration shall be given to:

- Stabilization Fund.
- OPEB Trust Fund.
- Capital Improvements Stabilization Fund.
- Capital Budget.

Endorsement of Overall Financial Policies:

Adopted January 12, 2004
Revised January 13, 2014

Nancy C. Hyde, Chairman, Board of Selectmen

Patrick J. Ahearn, Selectman

Philip N. Shapiro, Selectman

Reserve Policy

The Town of Westwood will maintain a level of reserves that protects the Town from emergency conditions that require financial flexibility, contribute to sufficient liquidity to pay all Town expenses without short-term borrowing, and contribute to maintaining a high credit rating. To provide for adequate levels of reserves to protect the Town's financial condition over the long term, the Town of Westwood has adopted the following financial reserve policies.

D. Reserves

1. The Town will maintain adequate reserve funds to protect the Town from unforeseen, extraordinary needs of an emergency nature. Prudent stewardship of the Town requires such planning and protection for the Town's financial health.

2. Reserve funds will be maintained as part of long term goals to reduce borrowing costs. The Town's reserves are a major factor in the Town's bond rating. Sudden decline in reserve amounts could result in a decline in bond rating and potential increases in costs of borrowing.

3. **Stabilization Fund**

- The Town shall strive to maintain reserve accounts at a minimum of 8% of general fund operating revenues, net of debt service. The total reserve goal should be maintained at 4% in the general fund and 4% in the stabilization account.

- Stabilization reserve funds shall be used to provide for temporary financing for unanticipated or unforeseen extraordinary needs of an emergency nature; for example, costs related to a natural disaster or calamity, an unexpected liability created by Federal or State legislation, immediate public safety or health needs, opportunities to achieve long-term cost savings, or planned capital investments and related debt service. Reserves will not be used to fund recurring budget items.

- The Town shall strive to make an annual appropriation to the stabilization fund. Even if a nominal amount, this annual appropriation will demonstrate the commitment to reserves and keep the account in focus.

- Funds shall be allocated from reserves only after an analysis and utilization plan has been prepared by the Finance Director and presented to the Board of Selectmen. The analysis shall provide sufficient evidence to establish that the remaining balance is adequate to offset potential downturns in revenue sources and provide a sufficient cash balance for daily financial needs; and that conditions exist in future years that will allow for replenishment of reserve funds.

- Funds shall be allocated each year in the budget process to replace any use of reserve funds during the preceding fiscal year to maintain the balance of the reserves at 8%.

4. **Other Post Employment Benefits (OPEB)**

- OPEB is the cost of providing health care and other non-pension benefits for retirees.
- The Town shall continue its practice of having an independent actuary prepare biennial valuations, which is in compliance with the Government Accounting Standards Board (GASB).

- While there is no legal requirement to fund OPEB liability, the Town should strive to move toward fully funding the Annual Required Contribution (ARC), ultimately developing a funding schedule that fully funds OPEB liability.

    - The Town will appropriate no less than $550,000 per year to the OPEB Liability Trust Fund.
    - The Town should continue to increase this minimum contribution until complying with the annual required contribution (ARC).
    - The OPEB Task Force will continue to review and make recommendations for meeting the OPEB liability through both revenue and expenditure review.

5. **Capital Improvements Stabilization Fund**

- The Town shall maintain a Capital Improvements Stabilization Fund. The goal of this Fund is to provide for funding long term maintenance and replacement of the Town's existing capital assets – primarily buildings and equipment and to serve as a funding source for new buildings and equipment.

- Funds designated to this account cannot be used for purposes other than those for which the account is established.

- Funds can be saved in this account from year to year, and interest earned remains with the account.

- This Fund shall be maintained to support planned annual capital appropriations and/or debt service for approved capital projects.

Endorsement of Reserve Policy:

Adopted January 12, 2004
Revised January 13, 2014

Nancy C. Hyde, Chairman, Board of Selectmen

Patrick J. Ahearn, Selectman

Philip N. Shapiro, Selectman

Debt Policy

E. Debt Management

1. Long-term debt should be issued only for capital projects or assets that have a long useful life. It should be issued to pay for the cost of significant infrastructure and capital projects, such as school remodeling, road construction, building construction, and land purchases. Long term debt should not be issued for recurring, small capital purchases with a useful life of less than five years.

2. The Town should attempt rapid debt repayment schedules. The Town shall strive for a rapid repayment schedule of ten years or less. This ensures cost savings to the community and seeks to avoid strapping future generations with large debt obligations. This policy recognizes that capital needs continue and that new debt will continue to be identified and issued.

3. Long-term debt should not be incurred without a clear identification of its financing sources. Long-term debt is generally utilized to fund capital projects that have a long useful life and are relatively expensive. Because of the debt service costs and annual appropriations necessary to retire this debt, there should be clear knowledge and commitment of revenue sources available to pay these costs without competing with operating budgets for limited resources. Debt issued on behalf of the Sewer Enterprise is supported by sewer user fees.

4. General fund nonexempt debt service should not exceed 8% of general fund revenues. Non-dedicated tax revenue debt service should not exceed 8% of net general fund operating revenue so as to provide appropriate funding for other Town services. Total general fund debt, exempt and non-exempt, should be maintained at no greater than 10-12% of net general fund operating revenues so as to balance total debt costs and tax implications with other services.

5. The Town will follow a policy of full disclosure on all bond offerings and financial prospectus.

Endorsement of Debt Policy:

Adopted January 12, 2004
Revised January 13, 2014

Nancy C. Hyde, Chairman, Board of Selectmen

Patrick J. Ahearn, Selectman

Philip N. Shapiro, Selectman

Capital Planning Policy

F. Capital Planning

1. The Town will maintain its physical assets at a level adequate to protect the Town's capital investments and to minimize future maintenance and replacement costs. The Town's physical resources are a major component of the Town's overall financial assets and represent a significant investment of public funds. As such, the Town must adequately maintain and update its capital assets.

2. The Town will develop a multi-year plan for capital improvements to be known as the "Five-Year Capital Budget," which will be updated on an annual basis. This report will include all known capital needs for a five year period for all school and municipal operations.

3. Capital items shall be defined as follows:
   - Items requiring an expenditure of at least $10,000 and having a useful life of more than five years.
   - Projects consisting of real property acquisitions, construction, capital asset improvements, long-life capital equipment, or major maintenance/repair of an existing capital item, as distinguished from a normal operating expenditure.
   - Items obtained under a long term lease.
   - Bulk purchases of similar items, such as technology and furniture purchases, shall be aggregated and the total considered a capital item.

4. The Town shall regularly invest in capital stock on an ongoing basis. Annual delays in reinvesting in the Town's capital assets and equipment can often lead to delaying major problems that result in larger investments of financial resources to correct. The Board of Selectmen will continue to stress the importance of capital reinvestment and will carefully balance the financing of capital with annual operating expenses. The Town will strive to maintain 3 - 5% of the general fund operating budget, net of debt, on capital maintenance and replacement.

5. The funding source for capital projects must be identified and analyzed before any long term bonded capital project is recommended. Funding sources for capital projects must be analyzed so as to balance the limited resources available within Proposition 2 ½.

6. Capital projects funding should also be reviewed in relation to impact on property tax limitation.

   - Projects funded with current tax revenues should identify impact on annual operating budget.
   - Projects funded with long-term debt and *not exempted* from Proposition 2 ½ should identify impact on annual operating budgets.
   - Projects funded with long-term debt and *exempted* from Proposition 2 ½ should identify impact on annual tax rate and/or tax bill (debt exclusion).
   - Projects funded with *capital exclusion* should identify impact on current annual tax rate and/or tax bill (capital expenditure exclusion).

7. The annual operating cost of a proposed capital project, as well as debt service costs, will be identified before any long-term bonded capital project is recommended.

   Capital projects may increase future expenses, decrease future expenses or may be cost-neutral. The funding of capital projects may fall within available revenue (taxes or fees) or new revenue sources

(debt or capital exclusions). It is important to project the impact that the proposed capital project has on the operating budget so that operating budget funding sources can also be identified or new funding sources identified. Future operating and maintenance costs for all new capital facilities will be fully costed out.

8. The Town shall support capital budgeting through the Capital Improvements Stabilization Fund. This Fund is outlined in the Reserve Policy.

Endorsement of Capital Planning Policy:

Adopted January 12, 2004
Revised January 13, 2014

Nancy C. Hyde, Chairman, Board of Selectmen

Patrick J. Ahearn, Selectman

Philip N. Shapiro, Selectman

Other Policies

G. Sewer Enterprise Fund

1. Rates and fees for sewer funds shall be established so as to produce revenue that does not exceed the amount of annual appropriation made for the enterprise, less any funds received for the enterprise from any other source without express authority from the Town Meeting.

2. Sewer funds are reviewed annually to project revenues and expenditures for the next fiscal year, estimates of the current year, and projections for future years. Estimates of capital projects and debt service should be included in order to project impact on sewer rates.

3. Betterments will be assessed for sewer extensions. Sewer projects that are extensions on the existing system will be assessed to the property owner according to the betterment formula for sewer projects. When specific benefits accrue to property owner(s), betterments will be assessed in accordance with state statutes and local policies. This funding source will contribute all or a portion of the costs associated with the capital projects.

4. Sewer main replacements should be scheduled so as to avoid major increases in sewer rates. The current sewer funds are established as self-supporting on a cash basis. Revenues are planned to cover operating budgets, indirect and overhead costs, and debt service payments. Sewer long-term debt schedules should be closely monitored to ensure that new sewer debt replaces completed debt instead of continually adding to total debt.

5. The sewer enterprise will maintain adequate working capital to finance operations. In the absence of retained earnings, operations would require the use of General Fund cash which would reduce General Fund cash available for investment, and consequently reduce General Fund Revenue. To avoid the use of General Fund cash as working capital for the sewer operations, and to accommodate fluctuations in revenue due to consumption variations, retained earnings shall be maintained at an appropriate level. The amount retained for this purpose shall be at least equal to 10% of sewer fund revenues.

H. Gifts, Grants, and Other Funds

1. All grants shall be managed to comply with the laws, regulations and guidance of the grantor.

2. All gifts and donations shall be managed and expended according to the wishes and instructions of the donor and shall be in compliance with applicable state laws and regulations.

3. All user fees and revolving funds shall be managed in compliance with applicable state laws and regulations. User fees will be set so as to generate only the revenue needed to recover the allowable costs of the programs.

4. All gifts, grants, and fees shall be evaluated for suitability and consistency with Town policies. They shall also be formally approved and accepted by the Board of Selectmen and/or School Committee.

5. Any gifts with conditions determined to be unsuitable for the Town will not be accepted.

Endorsement of Other Policies:

Adopted January 12, 2004
Revised January 13, 2014

Nancy C. Hyde, Chairman, Board of Selectmen

Patrick J. Ahearn, Selectman

Philip N. Shapiro, Selectman

Investment Policy

I. Investment Policy

- Disbursement, collection, and deposit of all funds will be managed to insure protection and safeguard of funds, and adequate cash flow to meet the Town's needs of operations.

- The Town will strive to maximize the return on its portfolio, with the primary objectives of safety of principal, liquidity of funds and maximum yield.

I. The Investment of General Funds, Special Revenue Funds, Enterprise Funds, and Capital Projects Funds

A. 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 two will deal with trust funds, bond proceeds, and any other funds with special circumstances such as stabilization funds. The Norfolk County Retirement Board is responsible for the investment of employees contributory pension funds.

B. Objectives

Massachusetts General Laws, Chapter 44, section 55B requires the municipal treasurer to invest all public funds except those required to be kept uninvested 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. These risks shall be mitigated by the diversification and prudent selection of investment instruments, and choice of depository. 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.

C. Investment Instruments

Note: Public investments in Massachusetts are not protected through provisions in State law. Therefore, they are largely uncollateralized. Many banking institutions are willing to put up collateral, albeit at a cost to the entity of a lower interest rate. The Treasurer negotiates for the highest rates possible, consistent with safety principles.

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 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 C.D.'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 C.D.'s. **(Up to one year)** which are fully collateralized through a third party agreement: **Unlimited amounts**

5. Bank accounts and C.D.'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 C.D.'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 20% 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. C.D.'s will be purchased for no more than three months and will be reviewed frequently.

D. 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 30% of the Town's investments shall be invested in a single financial institution.

E. Authorization

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

F. Ethics

The Town Treasurer and the Assistant Treasurer 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 town. They shall also disclose any large personal financial investment positions or loans that could be related to the performance of the town's investments.

G. Relationship with Financial Institutions

Financial institutions should be selected first and foremost with regard to safety. The Treasurer 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)

H. 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 Treasurer shall include in the report a brief statement of general market and economic conditions and other factors that may affect the Town's cash position.
- The report should demonstrate the degree of compliance with the tenets set forth in the Investment Policy.

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.

A. 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 $5 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, find 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:

1. **CONSTRUCTION DEBT**
   First six months: 10%
   First year: 45%
   Eighteen months: 75%
   Two years: 100%

2. **CAPITAL EXPENDITURES DEBT OTHER THAN CONSTRUCTION PROJECTS**
   First six months: 15%
   First year: 60%
   Eighteen months: 100%

3. **ALL OTHER MUNICIPAL PURPOSE DEBT**
   First six months: 100%

B. 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.

(Note: This section will be completed after State Legislation is passed to change the way in which the Legal List is derived.)

C. STABILIZATION FUNDS

This paragraph shall apply to all general and special purpose stabilization funds of the Town. The total of all Stabilization Funds shall not exceed ten percent of the equalized valuation. (For informational purposes, equalized valuation is the biennial certification of value by the State. For FY12, equalized valuation was approximately $3.7 billion and therefore the 10% cap would be $370 million.)

Any interest shall be added to and become a part of the fund. The Treasurer may invest the funds according to the prudent investor rule set forth in Chapter 203C of the General Laws.

Stabilization funds can be expended only upon a two-thirds vote of Town Meeting. Therefore, the investment goals are mid-term preservation of capital with foreseeable liquidity horizons.

D. OTHER POST EMPLOYMENT BENEFITS LIABILITY TRUST FUND

The OPEB Trust Fund was established by vote of Town Meeting on May 7, 2012 in accordance with section 20 of Chapter 32B of the General Laws. The Trust Fund shall be invested and reinvested by the Treasurer consistent with the prudent investor rule set forth in Chapter 203C of the General Laws.

The OPEB Trust Fund is intended to ensure the long-term availability of funding of benefits. Current benefit expenditures are not paid from the Fund. Therefore, the investment goals are long-term preservation and appreciation of capital.

Endorsement of Investment Policy:

Treasurer Adopted June, 2006
Revised January 13, 2014

Nancy C. Hyde, Chairman, Board of Selectmen

Patrick J. Ahearn, Selectman

Philip N. Shapiro, Selectman

James Gavin, Treasurer