

# **TOWN OF DEDHAM**

## **OVERALL FINANCIAL MANAGEMENT POLICIES**

### **Introduction**

Recognizing the importance of sound financial policies and continuity in their application, the policy makers and senior management of the Town of Dedham adopted broad policies on finance, investment and debt. Although the basic principles that were originally adopted in 2003 still guide the Town's financial management, we have evaluated the policies based on our experience and changes in the law, the economy and market conditions. The review and codification of these principles, as also done in 2012, demonstrate our resolve to affirm to Town Meeting and the taxpayers that Dedham will continue to conduct business on a fiscally responsible basis.

The following financial principles set forth the broad framework for overall fiscal planning and management of the Town of Dedham's resources. In addition, these principles address both current activities and long-term planning. The principles are intended to be advisory in nature and serve as a point of reference for all policy-makers, administrators and advisors with the understanding that Town Meeting retains the full right to appropriate funds and incur debt at levels it deems appropriate, subject to statutory limits such as Proposition 2½.

The principles outlined in this policy are designed to ensure the Town's sound financial condition now and in the future; sound financial condition as defined below:

- the ability to pay bills in a timely fashion
- the ability to annually balance the budget
- the ability to pay future costs
- the ability to provide needed and desired services

### **Guiding Objectives**

- Provide full value to Dedham residents and businesses by delivering quality services on a cost-effective basis.
- Preserve the Town's quality of life by providing and maintaining financial resources to sustain a sufficient level of services.
- Maintain flexibility in its finances to ensure that the Town is in a position to react and respond to changes in the economy and new service challenges without measurable financial stress.
- Provide guidance to Town leaders for the stability of Dedham's finances.

### **Financial Goals**

- Maintain the highest possible bond rating.
- Achieve and maintain a balance in the General Stabilization Fund between 5% and 10% of the operating budget.

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- Include in the annual budget amounts sufficient to fully fund the agreed payment schedules related to the Town's pension and other post-employment benefits (OPEB) obligations. The goal of the agreed payment schedules is to attain and maintain full-funding.

The financial goals are necessary to maintain a sustainable budget model and provide complete disclosure of current and future conditions. Annually the Town Manager shall include a statement in the comprehensive Budget Message identifying progress toward meeting the above goals. The Finance and Warrant Committee shall include a similar message in the Annual Town Meeting Warrant Book.

#### **Policy Principles**

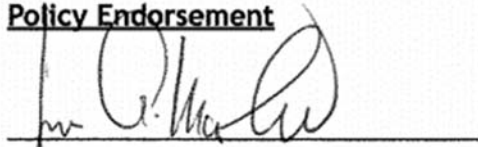
1. The Town Manager shall annually prepare a balanced budget and comprehensive Budget Message as required by state law and Town charter. The Budget Message shall include a detailed examination of trends in the tax levy, new growth revenues, local receipts, state aid, available funds and a report on the status of maintaining or achieving the goals stated herein. The message should also include comments on the budget's impact on the Town's statement of net position.
2. The Town will avoid budgetary actions that balance current expenditures at the expense of meeting future expenses, such as postponing expenditures, accruing future years' revenues and rolling over short-term debt.
3. The Town follows the matching principle where ongoing operating costs will be funded by ongoing operating revenue sources. This protects the Town from fluctuating service levels and avoids concern when one-time revenues are reduced or removed.
  - a) The annual unrestricted fund balance ("Free Cash") should be used only for one-time expenditures such as capital improvements, capital equipment and unexpected or extraordinary expenses such as unbudgeted snow and ice removal expenses.
  - b) The annual unrestricted fund balance shall not be considered in balancing the current year budget. Once certified, however, the Free Cash from the prior year shall be available for appropriation at any Town Meeting.
  - c) New operating costs associated with capital projects should be funded through the operating budget but reflected in the capital improvement plan.
4. The Town will maintain a General Stabilization Fund as its main financial reserve in the event of an emergency or extraordinary need. Expenditures of the General Stabilization Fund can only be made with a two-thirds majority vote of Town Meeting. Prior to Town Meeting the Board of Selectmen and the Finance and Warrant Committee should take

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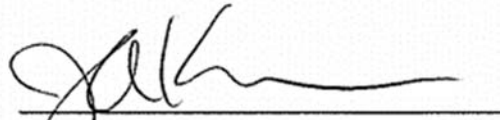
positions on the warrant article seeking appropriation from the General Stabilization Fund.

5. Annual debt service, exclusive of debt exempt from Proposition 2 ½ limits and financed directly with additional taxes, should be no more than 10% nor less than 5% of the annual operating budget. The Town should strive to issue debt for shorter periods than the maximum allowable when the statutory limit exceeds 10 years. Please refer to the Town's "Debt Management Policy" for a more complete discussion of this subject matter.
6. Investment practices will be in accordance with the Town's "Investment Policy."
7. Capital planning and capital expenditures will be in accordance with the Town's "Capital Policy."

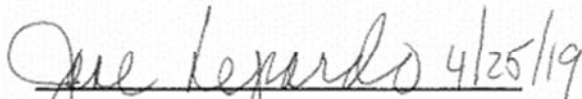
**Policy Endorsement**



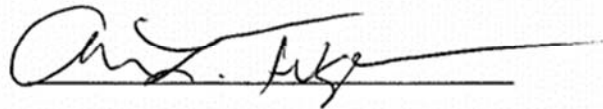
Chair, Board of Selectmen




Town Manager

 4/25/19

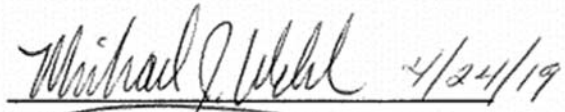
Town Treasurer/Collector



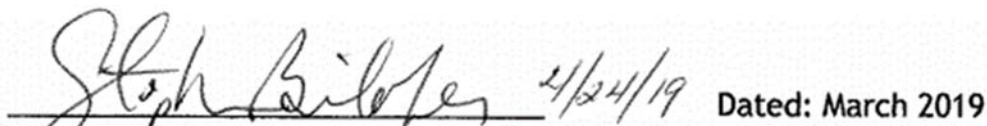
Finance Director



Chair, Finance and Warrant Committee

 4/24/19

Superintendent of Schools

 4/24/19 Dated: March 2019

Chair, School Committee

**Revisions:**

- Rev 0: August 8, 1998
- Rev 1: February 5, 2003
- Rev 2: May, 2012