TOWN OF MARSFIELD
CONSOLIDATED FINANCIAL POLICIES
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# Marshfield -- Financial policies

## .Introduction

Financial policies set the boundaries within which financial decisions are made by our Town. Unlike the budget adopted for a single fiscal year, financial policies are long-range in nature. They are carried over from one year to the next, adding continuity and stability to our financial structure.

Financial policies can also serve as the foundation for the Town's long-range financial plan. By adopting and adhering to these policies Marshfield will improve its ability to provide a level and quality of services it can afford while protecting and improving the public health, safety, education and general well being of its citizens. Adherence to proper financial policies will help Marshfield develop flexibility to withstand external economic, environmental or other shocks or disruptions caused by factors over which it has no control while meeting the demands and challenges of natural growth, decline and change within the community.

## Budget Policies

- Budget Policy 1: Marshfield will develop balanced budgets in which current revenues equal or exceed current expenditures.
- Budget Policy 2: Marshfield will not balance the budget by using one time revenues to fund ongoing expenditure items.
- Budget Policy 3: Marshfield will not use budgetary procedures that balance the budget at the expense of meeting future years expenses, such as: postponing or deferring expenditures, accruing future year revenues, or rolling over short-term debt.

The purpose of Budget Policies One, Two and Three is to prevent the use of procedures that appear to balance the budget at the expense of our future. Delaying building and equipment maintenance or postponing the cost of operations are two of the most common procedures used to artificially create the appearance of a balanced budget. These actions merely pass today's costs onto future taxpayers and residents, and these costs usually grow as they are deferred.

Budget Policy One was developed to ensure that Marshfield does not spend more than it receives in revenue in any one year and therefore does not degrade its overall financial condition. This ensures that Marshfield does not "live beyond its means" and build a structural deficit into its budget.

Budget Policy Two helps ensure that Marshfield does not use one-time revenue to support ongoing operations. Simply put, this policy prevents the use of temporary funding to support ongoing needs. Such expenditures are considered unadvisable because the ongoing expenditure need will still exist after the non-recurring revenue disappears. Use of non-recurring revenue for recurring purposes only delays appropriate action to correct what would otherwise be a budget imbalance.

Budget Policy Three prevents the use of gimmicks such as expenditure deferral, booking future revenue in the current fiscal year or the inappropriate rolling over of debt. These fiscal maneuvers generally occur in times of poor financial performance and only serve to delay necessary expenditures and increase the overall cost for a community.

- Budget Policy 4: The budget proposed to Marshfield shall include the following sections: a summary of Marshfield's financial condition, an analysis of revenues used in the proposed budget, an analysis of outstanding debt and a summary of Marshfield's capital condition (buildings, infrastructure, rolling stock and information technology).

- Budget Policy 5: Marshfield's annual budget shall be adopted by the Board of Selectmen and Advisory Board at the organization group level (these are broad classifications of expenditures, i.e., salaries, expenses and capital).

Budget Policies Four and Five guide the development of Marshfield's annual budget. Budget Policy Four requires that certain information be provided to Marshfield's Board of Selectmen and Advisory Board and the public along with the budget. This policy mandates communication with the Board of Selectmen and Advisory Board regarding the most pressing financial issues before Marshfield – overall fiscal condition, debt, revenues and capital needs and condition. This information will allow the Board of Selectmen and Advisory Board to make decisions on the annual budget with necessary information regarding Marshfield's overall financial condition, the condition of our capital assets and other matters of importance.

Budget Policy Five sets forth the form of budget passage by Marshfield's Board of Selectmen and Advisory Board. This provides the Board of Selectmen and Advisory Board with maximum oversight with regard to budgetary expenditures but permits some level of flexibility to departmental managers by allowing them to transfer funding among certain line items previously approved by Marshfield's Board of Selectmen and Advisory Board.

- Budget Policy 6: Marshfield's Fiscal Team shall issue a monthly report on and expenditures (at the line item level).

Budget Policy Six provides a tool for Department Heads to monitor expenditures and ensure that revenue projections are being met. Provision of this information is necessary to ensure accountability and prevent problems from going unnoticed by the policymakers.

**Revenue Policies**

- Revenue Policy 1: Marshfield's annual budget shall include a revenue budget that is created in line item detail for Marshfield operations.
- Revenue Policy 2: Marshfield will estimate its revenue with conservative methods and present this along with the balanced budget.
- Revenue Policy 3: Marshfield shall review and update the fee schedule of each of its departments no less than every two years to ensure that costs of service are being fully recovered.

Significant attention is provided to Marshfield's expenditure budget to ensure that taxpayer money is expended prudently and in a cost-effective manner. Marshfield's revenue budget does not receive a similar level of attention but is equally as important; this budget provides the funding that is detailed in the expenditure budget. Marshfield can not expend more money than it expects to receive in revenue in the course of a year and therefore the manner in which revenue is estimated is very important.

Revenue Policy One ensures that Marshfield's revenue projections will be provided to the Board of Selectmen and Advisory Board along with the expenditure budget. This will facilitate an examination of the procedures used to estimate revenue as well as provide information to the public regarding Marshfield's revenue condition.

Revenue Policy Two ensures that revenue estimation will be conducted prudently, in a conservative manner. Overly optimistic estimates can create the appearance of a balance budget when in reality a deficit will result. According to Massachusetts State Law, any deficit that remains at the end of one fiscal year will be automatically deducted from the budget of the next; overly optimistic revenue estimates will drive reduced public spending in the next fiscal year. Underestimation of revenue can also present problems as it prevents revenue from being used to benefit the public in the year it was raised.

Many services provided by Marshfield benefit all residents, though others benefit only the specific users of service (building inspections, water and sewer hook-ups, marriage licenses). Revenue Policy Three is designed to ensure that user fees – fees charged for specific services provided to individuals – cover the costs of providing those services. If fee revenue is insufficient to support these services then the costs of these individual services will be paid by all taxpayers. The general taypayer will be forced to pay the cost of a plumbing inspection, for instance, that does not benefit them.

- Revenue Policy 4: Marshfield may build into its revenue base from one fiscal year to the next an increase in each revenue category of no more than 3%, with the exception of real and personal property taxes,

- Revenue Policy 5: Any revenue increase in excess of this 3% shall be considered upwardly volatile revenue and may only be expended to increase reserve fund levels or to fund non-recurring capital expenditures.

Revenue Policies Four and Five relate to "upwardly volatile revenue". In brief, upwardly volatile revenue occurs when one or more revenue sources increase at an atypically fast rate, The danger of upward revenue volatility is that a community can become dependant on an artificially high level of revenue that exists merely because of a strong economy. This revenue may decrease sharply or disappear entirely when the economy contracts, leaving critical services under funded if the upwardly volatile revenue was not used wisely.

Revenue Policy Four prevents Marshfield from building into the "base" of its revenue model an increase in any source of greater than 3%. Property tax revenue is excepted from this limitation because it is already limited – to a lower level – by Proposition 2 ½ .

Revenue Policy Five limits the use of upwardly volatile revenue to ways that will prevent Marshfield from depending on unstable revenue while simultaneously strengthening Marshfield's financial position. Use of this revenue to build reserve fund balances will help Marshfield prepare for cyclical revenue contractions while strengthening our financial condition and giving us much-needed financial flexibility. Use of this revenue to make non-recurring capital investments will provide a service benefit to our taxpayers by improving our physical infrastructure. It will also develop a soft reserve fund by allowing us to "get ahead" of our capital plan. This will allow Marshfield to forego a portion of its capital investment in the future if necessary, saving operating money without impacting our long-term capital plan.

- Revenue Policy 6: Marshfield will maintain property assessment for the purpose of taxation at full and fair market value, as prescribed by State law.

Revenue Policy Six ensures that Marshfield continues to regularly assess the value of property in Marshfield. Regular reassessments are required by Massachusetts State Law and are critical to ensuring the fairness of our system of property taxation.

**Policies With Regard to Self Supporting Operations**

- Self Supporting Policy 1: The Director of Public Works shall annually

recommend to the Board of Public Works rates and fees for the Water, Sewer, and Solid Waste Department

- Self Supporting Policy 2: Rate and fees proposed for the Enterprise Funds shall include all direct and indirect costs (such as the costs of payroll, property and liability insurance, legal services, etc.).

Self-supporting operations are generally those that provide specific benefits to individual service users without assisting the public in general. Because benefits accrue to individuals and not the general public, these services should be paid for entirely by service users through user fees, not through general tax revenue. Use of general tax revenue to support these services forces all residents to help pay for services (and therefore benefits) that accrue to certain individuals, not everyone. Tax dollars should not be used to finance operations that can and should be self-supporting because this drives a reduction in other government services.

Self Supporting Policy One requires that rates and fees in the Water and Sewer Departments be submitted and reviewed annually by the Board of Selectmen. This will provide the Board of Selectmen and the public the opportunity to discuss and decide upon these rates and fees each year.

Self Supporting Policy Two requires that rates and fees for the Enterprise Funds reflect the true and total cost of providing those services. This is intended to prevent these operations from forcing costs upon the general taypayer who may not receive the benefit of these services. A corollary to this is that the rates and fees for these departments should not provide for the appropriation of money to the Town's General Fund, as to do so would force costs on ratepayers in excess of those needed to provide the service they are receiving.

**Capital Planning Policies**

- Capital Policy 1: The Capital Improvement Program will directly relate to the long-range plans and policies of the Town.

- Capital Policy 2: A five-year Capital Improvement Plan shall be proposed by the Town Administrator to the Board of Selectmen annually. The first year of the Capital Improvement Plan shall include the proposed capital improvements for the forthcoming fiscal year.

- Capital Policy 3: Except as required by an emergency, all approved capital Projects must be part of the adopted Capital Improvement Plan.

Capital Policy One merely states that the Capital Improvement Plan (CIP) must conform to the policies and long-term plans of the Town. The Plan must be consistent with our financial plans – it can not cause an unacceptably high level of debt to be incurred for instance – and should be something that strengthens and provides an overall benefit to our community. Conformance with municipal policies and long-term plans will ensure this occurs.

Capital Policy Two requires that the CIP be a five-year plan that is updated annually and submitted to the Board of Selectmen each year. This plan shall be created by the Town Administrator and Capital Budget Committee with input from the Treasurer with relation to funding sources.. The CIP is a "rolling plan" in that the first year of the plan is always the upcoming year, and years two through five represent the next four years. In this way the CIP always looks ahead four years, facilitating the planned and rational replacement, upgrade and acquisition of capital.

Capital Policy Three requires that all capital projects approved for funding be part of the CIP. The CIP is a long-term document that will facilitate planning and improve the means by which capital investment decisions are made. Funding items that are not in the CIP will undermine the effectiveness of the CIP – "why should I bother to plan if items can be funded without planning?" – and will likely result in inefficiency. Capital investments can often by made in ways that are complimentary to each other, reducing cost or inconvenience through proper sequencing. Funding capital projects that have not been approved through the capital improvement process will likely lead to inefficiency and will undermine the Town's effort to rationally plan for its future and long-term growth.

- Capital Policy 4: The Capital Improvement Plan shall include a multi-year forecast of annual debt service requirements of items in the Plan to permit the examination of the future implication of debt issuance.

- Capital Policy 5: Decisions to undertake specific capital improvements shall include in their analysis the identification and cost estimation of additional operational funding and personnel requirements.

- Capital Policy 6: All proposals for capital improvements shall include sources of funding for each capital improvement or category of capital improvement. Pay-as-you-go capital funding shall be considered as a financing source for each proposed capital improvement.

Capital Policy Four ensures that the CIP demonstrates the full cost (principal and interest) of approved projects that require the issuance of debt. This analysis will help policy

makers make decisions based on the total impact of a project on our community and permit longer term planning as current decisions can be made based on their future implication on the Town's debt service budget and overall capacity.

Capital Policy Five requires that all proposed capital investments include in their analysis not only capital costs but also the cost of additional personnel required as a result of the capital investment (new teachers required for a new school, for example) as well as increased operational costs. This will ensure that capital investments are made will full knowledge of the entire cost of the project.

Capital Policy Six requires the identification of a funding source for each proposed capital investment. This policy helps make each proposal more "real" by ensuring that funding is tied to each capital item. The CIP is intended to be both an identification of needs and a working document that results in the actual funding of capital. To do so requires that each capital item be proposed with funding sources attached so individual investments can be undertaken after they are reviewed and approved.

**Financial Reserve / Stabilization Policies**

- Reserve Policy 1: The Town shall maintain a reserve fund balance of $100,000 in the general fund, and $100,000 in each of the Enterprise Funds respectively

- Reserve Policy 2: The amount of money to be held in 'Free Cash' shall not be less than 2% or more than 8% of the approved General Fund operating revenue, less debt exclusions

- Reserve Policy 3: The Town shall maintain the stabilization reserve fund of at Least 3% of operating revenues, less debt exclusions As prescribed by DOR best practices, however, at no time may an appropriation into this fund exceed 10% of the previous year's real property tax levy, nor can the fund exceed 10% of the equalized value of the Town.

Financial reserves protect the Town from unforeseen increases in expenditures, reductions in revenues, unforeseen downturns in the economy, or any other extraordinary events. Reserves are also a source of funding for capital construction and replacement projects. Reserves should normally average between 5% and 15% of the Town's General Fund operating revenue less debt exclusions and Chapter 70 (School Aid).

The maintenance of adequate operating reserves is essential to the financial strength and flexibility of the Town as a whole. Adequate operating reserves are an integral part of the financial structure of the Town and allow it to mitigate current and future financial risks associated with revenue shortfalls, unanticipated expenditures and natural disasters.

Reserve Policy One requires the maintenance of a Reserve fund balance of $100,000. This will ensure sufficient cash flow to finance ongoing operations and permit the Town to absorb unpredictable revenue shortfalls. This fund is to be replenished each Fiscal year.

Reserve Policy Two requires that between 2% and 8% of General Fund operating revenues be held as Free Cash. Free Cash is the portion of undesignated fund balance certified by the Department of Revenue, Division of Local Services, as available for appropriation during the current fiscal year, or which may be used as a revenue during the next budget cycle. Free Cash provides for the temporary financing of unforeseen opportunities or needs of an emergency nature and is the most flexible of all general reserve funds. It is understood that the Town may not comply with this policy in the immediate term as it deals with its current financial crises but the expectation is that is will achieve compliance as soon as possible.

Reserve Policy Three requires that at least 3% of the Town's General Fund operating revenue be held in the Stabilization Reserve Fund. The purpose of this reserve is to provide long term financial stability for the Town while improving our financial flexibility and credit worthiness. The legal structure for stabilization reserve funds is detailed in Chapter 40 §5B of Massachusetts General Law (MGL) and Chapter $40 §6

**Debt Policies**

Debt policies are intended to sustain or enhance a government's financial stability, to evaluate a government's long-term capability to issue and repay debt, and to control debt issuances. Strong debt policies that are followed by a community also improve credit worthiness by establishing controls on the amount of debt that can be issued as well as its impact. Improved bond ratings result in lower interest rates that generate savings for taxpayers.

- Debt Policy 1: The Town shall comply with debt limitations as detailed in Massachusetts General Law.

Debt Policy One requires that the Town limit the total amount of debt it issues pursuant to Massachusetts General Law. In brief, the Town shall not issue debt with an aggregate principal value exceeding 5% of the equalized valuation of taxable property without prior approval from the Commonwealth. The Town may issue debt with an aggregate principal balance of up to 10% of equalized valuation with approval of the Commonwealth.

- Debt Policy 2: The Town shall manage the issuance of debt in line with the following debt ratios:
  - General Fund debt service as a percentage of net general fund revenues (as defined in 'Capital Planning' section) – not to exceed 5%.
  - Enterprise Fund debt service as a percentage of enterprise operating revenue – not to exceed 25%.
  - Percentage of Total Debt that will be retired at the end of ten years – 65% (minimum).

Debt Policy two sets forth the total amount of debt the Town of Marshfield will have outstanding at any one time. Debt Policy Two provides stricter standards for debt issuance and requires that outstanding debt conform to various ratios deemed appropriate for the Town or for debt issuers in general. This provides a finer level of control than the overall debt ceiling authorized by Massachusetts General Law and ensures that our debt does not negatively impact our taxpayers even though its aggregate amount is in conformance with State Law.

- Debt Policy 3: Short-term debt, such as bond anticipation notes, tax anticipation notes, or grant anticipation notes, may be used when it provides immediate financing and an interest rate advantage, or if there is an advantage to delaying long-term debt until market conditions are more favorable.
- Debt Policy 4: Any bond anticipation debt will be retired within twelve months after completion of the project it financed.
- Debt Policy 5: Short term debt will not be rolled over beyond two years Without a principal pay down or as prescribed by state law.

Debt Policy Three permits the Town to issue short-term debt to meet immediate financing needs. The primary reason for issuing short-term debt is to provide "bridge financing" for capital projects. This financing is needed to actually conduct many bond-backed capital projects and allows the Town to avoid the expense of the multiple bond issuances that would be required without short-term borrowing. This policy also permits borrowing in anticipation of the receipt of awarded grants, borrowing for cash flow purposes in anticipation of revenue and the temporary use of short-term debt when it is preferable to the issuance of long-term debt.

Debt Policy Four requires that all bond anticipation notes (BAN's) issued to finance a capital project be extinguished within six months of the completion of the project they

financed. This policy prevents the Town from carrying BAN's beyond the period in which they are necessary, reducing the interest rate risk the Town will face and ensuring the timely close out of capital projects.

Debt Policy Five requires that principal pay down occur on short-term debt carried for more than two years. Short-term debt generally only places an interest cost on a community (that is, no principal pay down is required). This may provide an incentive to carry short-term debt for as long as possible, though the result is a debt balance that never gets smaller. This policy is consistent with Internal Revenue Service rules regarding short-term debt and will help the Town reduce the long-term cost of the capital projects by paying down principal before long-term bonds are issued.

- Debt Policy 6: The term of debt issued to finance capital improvements or procurements may not exceed the useful life of the asset or improvement.

Debt Policy Six ensures that debt will not be outstanding beyond the useful life of the asset it purchased or improved. This is consistent with best practices in municipal finance and prevents future taxpayers from paying for capital investments from which they are not benefiting.

- Debt Policy 7: The Town shall conduct debt financing on a competitive basis unless for reasons of market volatility, unusual financing structure or a complex security structure the Town would be better served through a negotiated financing.

Debt Policy Seven requires that the sale of Town debt be conducted in a competitive manner (that is, sold on the open market) unless there is an advantage to negotiating the sale with large investors. This policy provides flexibility to conduct negotiated sales in instances when it is preferable to do so (in complicated bond issuances and when unique circumstances surround a community and its credit quality).

**Student Activity Policies**

- The Student activity accounts would be established going forward as special revenue accounts in the Towns General Ledger
- The receipt turnovers would be handled the same way all other school receipts are processed.
- The turnovers must be brought to the treasurer's office.

- The school will be provided with stamps with the correct account number and school labeled on them as well as deposit tickets labeled to each school.
- The receipts will go through the cash management system (ZOBRIO) and all funds will be deposited in our general depository but identified in the G/L system by their respective revenue accounts.
- Our Accounts Payable process works very well, all invoices go through accounting and checks for student activity events must go through the warrant ahead of time so a check can be ready for pick up or mail. (We can also encourage vendors to send an invoice ahead of time.)
- In the event of a situation where a School activity must be paid for and for whatever reason a check was not requested, a vendor check may be issued by the Treasurer's office with proper back up and sign off by the appropriate school officials. ( Principals, Superintendents, and School Business Manager)
- The Treasurer will then present the backup documentation and sign off as well as a copy of the check to the accountant in line with the current practices. **This is not encouraged**. But this would be the failsafe procedure.
- In the event that The Treasurer or Assistant Treasurer is not in the office and a check is required, The Town Administrator may ask the Accountant to issue a check (there will be a signature stamp in the safe which can be used in an emergency situation)

Student Activity Accounts are to be accounted for the in the same manner as all other revenues and expenses. Student activity tracking for the programs in which the schools oversee the daily operations will be identified on the general ledger and monitored by the Fiscal Team. This will stream line the school operations and help with the reporting requirements of DESE.

**Receipt and Turnover Policy**

- All cash paying customers should be given a cash receipt. These cash receipts should be pre-numbered in a bound book, if an existing procedure is not already in place and approved by the Treasurer's Office or through use of a log that identifies name, address, cash amount, date and # of item provided ( sticker, permit..etc)
- All checks should be made payable to the 'Town of Marshfield" and must be endorsed with a deposit stamp provided by the Treasurer's Office which states "Town of Marshfield for Deposit Only" and indicates the receiving department at the time of receipt.
- All cash and checks received should be kept in a locked and secured area. At the end of the day, cash must be secured in one of the vaults if it cannot be deposited. The cash should be counted by the responsible Department before

being left in the vault and recounted when it is picked up the next day.

- All departments should report and turn in all receipts collected by their department daily, in the case of departments handling large amounts of money, or not less frequently than weekly. A Schedule of Departmental Receipts to the Treasurer must be submitted in person to the Treasurer/Collector's Office with cash and checks and a copy must also be submitted to the Accounting Department.
- Any department which receives $100 or more in cash must turnover those funds to the Treasurer's Office same day.
- Whenever a new type of receipt is collected, a general ledger account number must be obtained from the Town Accountant.
- NEVER allow someone to cash a check (vendor or payroll) with receipts from your office.
- NEVER give change on check payments. Overpayments will be refunded through the warrant.
- Whenever there is cash in a deposit, the department must have one signature from the department turning money over to the Treasurer's office as well as one signature from an employee from the Treasurer's Office

The Receipt and Turnover Policy is designed to establish a standard policy on how cash is treated throughout Town Departments. All cash is handled and accounted for the same way and can be traced in a consistent manner.

**OPEB / Investments**

- OPEB funds are long-term investments. Given a stated discount rate target, this long-term approach enables Marshfield to invest in long-term assets, such as equities, which tend to have high returns over many years but whose price volatility precludes their use by those with shorter time horizons. By keeping a long-term focus in mind at all times, we hope to weather the periodic bad times.

- Marshfield expects this long-term view to provide better results than will be earned by those who pick short- term investments or who liquidate securities during turbulent times. We also expect that equities will serve as a hedge against eroding trust fund values due to long-term inflationary trends.

- The investment allocation will be to appropriate, at The Special Fall Town meeting, after certification and availability of free cash by DOR that the Town places, with Approval of The Town Administrator and recommendation of The Treasurer that 25% of The Local option Meals Tax as stated of the Tax

Recapulation sheet, or no amount greater than $100,000 of the Certified Fiscal year be turned over to the to the OPEB investment fund.

- M.G.L. Chapter 203C: Section 1 known as the Massachusetts Prudent Investor Act, states that a trustee shall invest and manage trust assets as a prudent investor would, considering the purposes, terms, and other circumstances of the trust, including those set forth in subsection c. In satisfying this standard, the trustee shall exercise reasonable care, skill, and caution. A trustee's investment and management decisions respecting individual assets shall be considered in the context of the trust portfolio as a part of an overall investment strategy reasonably suited to the trust.

- Among circumstances that a trustee shall consider in investing and managing trust assets are such of the following as are relevant to the trust or its beneficiaries: 1) general economic conditions; 2) the possible effect of inflation or deflation; 3 )the expected tax consequences of investment decisions or strategies; 4) the role that each investment or course of action plays within the overall trust portfolio; 5) the expected total return from income and appreciation of capital; 6) other resources of the beneficiaries; 7) needs for liquidity, regularity of income, and preservation or appreciation of capital; and 8) an asset's special relationship or special value, if any, to the purposes of the trust or to one of the beneficiaries.

- A trustee shall make a reasonable effort to verify facts relevant to the investment and management of trust assets. A trustee may invest in any kind of property or type of investment consistent with the standards of this chapter. A trustee, who has special skills or expertise, shall have a duty to use such special skills or expertise.

- A trustee shall reasonably diversify the investments of the trust unless, under the circumstances, it is prudent not to do so.

- Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

- The Investment Manager or Treasurer will purchase investment grade securities with a high concentration in securities rated A or better at time of purchase. Lower-quality investments may only be held through diversified vehicles, such as mutual funds or exchange-traded funds. There will be no limit to the amount of United States Treasury and United States Government Agency obligations.

- Custodial Risk

- The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Town will not be able to recover deposits or

- will not be able to recover collateral securities that are in the possession of an outside party.

  The Treasurer will engage only those institutions with proven financial strength, capital adequacy, and overall affirmative reputation in the municipal industry.

- Concentration of Credit Risk

  Concentration of credit risk is the risk of loss attributed to the magnitude of a town's investment in a single issuer. The Investment Manager will diversify the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. Securities of a single corporate issuer (with the exception of the United States Government and its Agencies) will not exceed 5% of the portfolio value.

- Interest Rate Risk

  Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Investment Manager will manage interest rate risk by managing duration in the account.

- Standards of Care

  The standard of prudence to be used shall be the "Prudent Person" standard and shall be applied in the context of managing an overall portfolio. Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs; not for speculation, but for investment considering the probable safety of their capital as well as the probable income to be derived.

- Equity

  The equity portion of the portfolio should consist of a diversified mix of investments (individual equities, mutual funds and exchange-traded funds) suitable to achieve the objective of capital appreciation. Individual equity holdings in any one company should not exceed 5% of the market value of the portfolio.

- No funds may be invested in direct real estate, private placements or letter stock. The Investment Manager shall not engage in margin transactions, short sales or any other such specialized investment vehicles. The manager of a specific mutual fund and exchange-traded fund, however, may engage in short sales as part of an overall investment strategy.

- Fixed Income

- Investments in fixed income securities will be made principally for income and capital preservation. Selection should be made from liquid, investment grade corporate debt, convertible debt and obligations of the United States Government and its agencies. Lower-quality investments may only be held through diversified vehicles such as mutual funds or exchange-traded funds.

- Securities of a single corporate issuer (excluding the United States Government and its Agencies) will not exceed 5% of the portfolio market value.

- No more than 20% of the portfolio's total market value will be invested in convertible securities.

- Individual corporate debt and preferred stock issues must be rated BBB or better – at the time of purchase -, as defined by Moody's and/or Standard & Poor's Rating Agency.

- There shall be no investments in fixed income or interest rate futures, and no engagement in any other specialized fixed income ventures. The manager of a specific mutual fund and exchange-traded fund, however, may engage in fixed income and interest rate futures as part of an overall investment strategy.

- 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.

- Performance Measurement and Evaluation

- The Treasurer will meet with the Investment Manager at least annually to monitor the performance of the Fund and the compliance with these guidelines.
- The Fund's performance will be measured by comparison with the stated objectives in comparison to respective benchmarks. To monitor the intermediate term performance of the Fund, the Treasurer will compare the Investment Manager's results to a blended benchmark to be determined in conjunction with the Investment Manager.
- Rebalancing of the portfolios should happen at least annually or more frequently if appropriate.
- The Investment Policy Statement will be reviewed at least every 3 years to ensure that it remains appropriate and complete

Creating an investment policy is the most critical phase of the entire investment process. The effects of a properly drafted vs. ineffective investment policy statement can be more important than the effects of good or poor investment management. To be successful, an investment policy needs to be appropriate for its setting and intended purpose. Under GASB rules, the discount rate should be the long-term expected yield on the investments to be used to pay benefits as they come due. These would be plan investments for a funded plan or a weighted average of expected plan and employer investments for a plan that is partially funded. Investments within an OPEB Trust will closely approximate pension fund-type investment securities. The policy statement is also designed to withstand "trustee risk" - the possibility that, at some stress point (most frequently an extreme decline in the stock or bond markets), those who oversee the funds may react in a manner detrimental to the long-term health of the Trust Fund.

**Credit Card Policy / Travel Expense Policy**

- NO ALCOHOL MAY BE PURCHASED UNDER ANY CIRCUMSTANCE
- NO TOBACCO OR MARIJUANA MAY BE PURCHASED WITH TOWN CREDIT CARDS
- An itemized receipt must be produced
- Department heads may use credit cards for Hotel Expenses
- Department heads may use credit cards for airline purchases related to Traveling on Town Business
- Department heads may use credit cards for Conference registrations
- Department heads and their staff may use credit cards for Lunch and Dinner while on official business for the Town for an amount not to exceed $75.00 per day
- NO PERSONAL ITEMS MAY BE PURCHASED WITH THE TOWN'S CREDIT CARD
- In the event that a credit card receipt goes missing, The Department head must repay the expense in full with a money order or cashier's check.
- While on Town related travel, taxi services are covered as business related expense.
- Parking is a covered business related expense

**Accounts Payable / Procurement Policy and Procedures**

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  - **Original Invoices Required:** We do not pay on copies or faxes. PDF is ok.

- **We Do Not Pay on Statements:** If you want to pay on a Statement then original invoices, slips or tickets are required to be attached.

- **We Do Not Pay Previous Balances:** We only pay current charges. If there is a previous balance you need to investigate that at the department level before you submit for payment. Also, make sure that payments made previously have been posted to the appropriate general ledger account.

- **We "DO" Pay Late Charges:** If applicable we will pay late charges

- **We Do Not Pay Sales Tax:** The Town is Sales Tax Exempt. Please notify company of our status. If they need a copy of our Sales Tax Exempt form let us know.

- **We "DO" Pay Other Taxes such as Meals Tax, Hotel Tax, Room Tax, Local Taxes, Fuels Tax, etc:**. We are only exempt from sales tax.

- **Remittances with Check**: We try to stay away from including any extra paper with the checks; however, if a remittance is required to be sent with check please provide the remit or a copy of the invoice with a note that they are to be mailed with the check. In addition to utilities, this usually happens with conference registrations, dues or training.

- **All New Vendors Require a W-9 and A "Request for New Vendor Form":** If you are using a new vendor that is not on the vendor list you will need to have them fill out a **Form W-9**. You will then need to submit to our office a **"Request for New Vendor Form"** with an original completed and signed W-9 Form. Once we set up the new vendor we will return the form to you with the vendor # so you can then submit for payment. We can print out an alphabetical list of vendors for your use, or, if you have access to Softright we can show you how to look up vendors.

- **Paid Receipts Required for Reimbursement**: When paying reimbursements directly to employees we will require a "paid" receipt along with a copy of a cancelled check, or a copy of the credit card or bank statement. The purchase must be made by the employee and the item shipped to the department address. An explanation of the reimbursement along with backup may also be required. If you are requesting reimbursement for **food**, an itemized receipt is required.

- **Mileage Reimbursement:** Please submit requests for mileage reimbursements in a timely manner-monthly at a minimum. Please include a MapQuest printout for backup when applicable. The 2019 mileage reimbursement rate is 54.5 cents/mile.

- **We do Not Reimburse for**: Alcohol or tobacco purchases, flowers for birthdays, anniversaries or bereavements.

- **Procurement Documentation Required:** Procurement information in accordance with the Uniform Procurement Act (Ch 30B) or other State guidelines

(Ch 149 or Ch 39M) for public purchases is required prior to payment being made:

- Purchases between $10,000 and $50,000 will need a completed "Quote Form", and if for services, a copy of an "Original" contract
- Purchases greater than $50,000 will require evidence of an RFP or IFB or RFQ and an "Original" copy of the contract
- If you're buying off of a state contract we will need a copy of the state contract information. (State award to vendor, description of goods & service, prices, etc)
- If you believe the purchase is exempt from procurement then please provide a written explanation stating your reasons. (Explanations required for items that are not listed on the exempt list)

- **Purchase Orders**: Purchase Orders are required for any purchases over $2,500, except for utilities and legal expenses. Usually these will be associated with the above procurement guidelines; therefore, the procurement documentation is required to come with the Purchase Order. All contracts require a purchase order. If there are times when a vendor requires a PO and it is under $2,500 you can process it through for Town Accountant approval only.

- The Town will also get three completive quotes when it enters into an agreement for purchases of goods and services on any amount of money under $10,000 to practice good government.

- **Travel Policy:** Town employees will receive permission from the Town Administrator for all travel

- **Voucher Stamp Required**:
- Department head's original signature for approval that goods & services were received and approved for payment. Signature stamp is unacceptable. A Department Head can designate another signor in place of his or her absence. An **Authorization to Sign Form** will need to be filled out by all departments and kept on file in The accounting office.

    - The voucher stamp should include:

- Complete Account # to Charge
- Vendor #
- Purchase order number if a purchase order is being charged
- $ Amount to Pay
- Date (This would be the date your filling out the stamp)
- Initials or name of person who is filling out the stamp

| **Goods & Services Received and Approved for Payment.** |
| --- |
| |

| | |
|---|---|
| ❖ Fund - Dept | ❖ |
| ❖ Schedule | ❖ |
| ❖ Account | ❖ |
| ❖ Cost Center | ❖ |
| ❖ PO # | ❖ |
| ❖ Vendor # | ❖ |
| ❖ Amount $ | ❖ |
| ❖ Date | ❖ |
| ❖ Checked | ❖ |

- **Accounting Rejection Slip**: When invoices are submitted that are missing required information to process, they will be returned to you by means of a **"Rejection Slip"**. Please do not take offense to this slip it's just the best way to handle insufficient submittals.

- **Invoices for payment (including appropriate backup, if applicable) are due to our office by the end of day Thursday for the following Friday Warrant (Check Run).** The warrant needs to be completed by Wednesday at 10:00am for review and approval. Then we forward it to the Board of Selectmen for approval. The Treasurer cannot release the checks on Friday until we have received back the signed warrant. Therefore, we need to stick to this deadline in order for the warrant to be approved.

## Future Financial Policies

These policies set forth an overall architecture for financial operations in the Town of Marshfield. They are transmitted with the assumption that the Town continues to convene with its "Fiscal Team", members of the Board of Selectmen and Advisory Board. Many other policies can be developed. Developing additional policies can be of significant benefit to our government because they will codify the best practices under which we seek to operate. An important piece to consider in closing is that these policies are designed to be adapted from time to time and will be examined and presented to the Board of Selectman for consideration.

Patrick D. Dello Russo

Treasurer-Collector