

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 previously adopted still guide the Town's financial management, we have evaluated the policies based upon our experience and changes in law, the economy and market conditions. The codification of these principles demonstrates 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. It is fully understood that Town Meeting retains the full right to appropriate funds and incur debt at levels it deems appropriate, subject of course to statutory limits such as Proposition 2 ½.

The principles outlined in this policy are designed to ensure the Town's sound financial condition now and in the future. Sound Financial Condition may be defined as:

- *Cash Solvency* - the ability to pay bills in a timely fashion
- *Budgetary Solvency* - the ability to annually balance the budget
- *Long Term Solvency* - the ability to pay future costs
- *Service Level Solvency* - the ability to provide needed and desired services

It is equally important that the Town 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.

Financial Goals

1. It shall be the Town's goal to maintain the highest possible bond rating.
2. It shall be the goal of the Town to achieve and maintain a balance in the General Stabilization Fund of from 5% to 10% of its operating budget.
3. In order to assure long-term solvency, it shall be the goal of the annual budget to meet the actuarial annual required contribution (ARC) necessary to fully fund the Town's future pension, health care and other post-retirement benefits.

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

Policy Principles

1. The Town Administrator 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 tax levy "new growth" revenues, local receipts, state aid, and available

TOWN OF DEDHAM
OVERALL FINANCIAL MANAGEMENT POLICIES

- funds and a report on the status of maintaining or achieving the goals stated herein.
2. The town will avoid budgetary procedures that balance current expenditures at the expense of meeting future years' expenses, such as postponing expenditures, accruing future years' revenues, rolling over short-term debt.
 3. 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. In addition:
 - a. Fund balances 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. New operating costs associated with capital projects should be funded through the operating budget but reflected in the capital improvement plan.
 - c. 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.
 4. The Town will maintain a Stabilization Fund as its main financial reserve in the event of an emergency or extraordinary need. Expenditures of the General Stabilization Fund shall be made only upon the recommendation of a two-thirds majority of the Board of Selectmen and of the Finance Committee
 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 2% 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."

Policy Endorsement



Chairman, Board of Selectmen



Town Treasurer



Chairman, Finance Committee



Chairman, School Committee



Town Administrator



Finance Director



School Superintendent

Dated: 5/2/12

Revisions

Rev 0: August 8, 1998

Rev 1: February 5, 2003

TOWN OF DEDHAM

DEBT MANAGEMENT POLICY

A. Introduction

The use of long-term debt is a common and often necessary way for a community to address major infrastructure and equipment needs. It is also a means of spreading the cost of large capital projects over a larger, changing population base. However, when a local government incurs long-term debt, it establishes a fixed obligation for many years. Accumulation of such fixed burdens can become so great that a local government finds it difficult to pay both its operational costs and debt service charges. Great care and planning must therefore be taken when incurring long-term debt to avoid placing a strain on future revenues. The purpose of this policy is to establish guidelines governing the use of long-term debt and demonstrate our commitment to full and timely repayment of all debt issued.

Massachusetts General Laws, Chapter 44, Sections 7 & 8 regulate the purposes for which municipalities may incur debt, and the maximum maturity for bonds issued for each purpose. MGL Ch 44, Sec 10 specifies the debt limit for towns as a percentage of Equalized Valuation. There are two "annual" limitations applicable to municipal debt. First, if a municipality borrows \$5 million in a fiscal year, it may be subject to a federal arbitrage penalty, unless the money raised by borrowing is spent within certain time periods (10% within 6 months; 45% within 12 months; 75% within 18 months; 100% within 2 years-5% contingency allowed). If a borrowing is over \$10 million (in one calendar year), it is considered not to be "bank qualified." (N.B. These limitations do not apply to loans from a state agency, such as the MWRA and MWPAT.) "Non-qualified" issues prohibit some banking and underwriting institutions from bidding on the Town's debt, since the bidder, if holding the security in portfolio, will not be allowed to deduct the interest expense (IRS Code 1986 Section 265 (b) (3)).

Massachusetts General Law allows communities, subject to voter approval, to exclude certain debt from the limits imposed by Proposition 2 ½ ("excluded debt"). A voter-approved exclusion for the purpose of raising funds for debt service costs is referred to as a debt exclusion. The Town considers this to be an important component of its debt management program. All references to debt service ceiling limits and debt strategies which follow are exclusive of such voter approved exclusions.

B. Capital Improvement Plan

It is the goal of the Town to provide a safe, pleasant and sustainable physical environment for its residents and businesses. The Town will establish and maintain a five (5) year Capital Improvement Plan (CIP), which will support that goal and which will include all proposed projects and acquisitions that meet the Town's criteria for capital items. Projects and acquisitions within the CIP will be prioritized as to the needs of the Town, the ability to fund them and foreseeable circumstances. The Town will establish policies for the verification of costs and schedules, for the addition and removal of items, for the review of long-standing low priority items, and other procedures that will ensure long-term foresight, stability and fairness.

For the purposes of the CIP, "capital items" are assets or improvements to assets acquired through construction or purchase, each of which is non-recurring and has a useful life greater than one year. Design or feasibility studies directly related to such assets may be included in the CIP. The funding of capital items should reflect the prioritized needs of the departments, the financial circumstances of the Town, and the economic environment of the region. However, the following are the recommended guidelines.

TOWN OF DEDHAM DEBT MANAGEMENT POLICY

C. Capital Improvement Financing

Capital items costing less than \$10,000 each need not be included in the CIP and should be funded in the annual operating budget.

Capital items costing more than \$10,000 but less than \$250,000, including improvements of a scheduled and recurring nature, such as safety equipment and vehicles, may be funded from available funds: free cash, prior year special article surpluses, grants, etc., unless they are improvements to buildings.

Improvements to buildings and capital items costing more than \$250,000, such as large vehicles and roofs, roads and sidewalks, should be paid by borrowing. The debt service for that borrowing would be paid from the operating budget until the maturity of the bonds.

Very large building projects, such as new, replacement or improvements to buildings costing \$4,000,000 or more, may be funded by borrowing paid for from debt exclusions or town reserves. The Town will maintain a Major Capital Facilities Stabilization Fund for such a purpose.

Lease-purchase agreements may be authorized to allow the Town to take advantage of special conditions or circumstances, where the terms are advantageous to the Town.

Short-term debt may be used to provide necessary cash flow prior to bond sales, in order to start capital projects on optimal construction or acquisition schedules. However, when possible and economic, the Town will use its cash on hand to fund projects until bonds are issued.

The scheduling of bond issues will be arranged to provide the necessary on-going funds for each capital project.

D. Debt Guidelines

General Fund Debt Service: A limit on debt service costs as a percentage of the town's total budget is especially important because of Proposition 2 ½ constraints on the town's budget. At the same time, the community's regular and well-structured use of long-term debt signifies the municipality's commitment to maintaining and improving its infrastructure. Municipal credit analysts often use 10% as a maximum benchmark for financial soundness.

The Town will observe a debt service "ceiling" of 10% for non-excluded debt service, meaning that annual debt service payable on non-excluded bonded debt should not exceed 10% of the annual operating budget. The ceiling of 10% is calculated based on the Town Operating Budget as stated in Article 3 of the Annual Town Meeting. The Town will also plan for a debt service "floor" of 2% as an expression of support for continued investment in the town's roads, sewers, public facilities and other capital assets.

Debt Maturity Schedule: As previously stated, Chapter 44 of the General Laws specifies the maximum maturity for bonds issued for various purposes. A town may choose to borrow for a shorter period than allowed by the statutory limit. A reasonable maturity schedule not only reduces interest costs but balances the need to continually address capital improvements. The Town will, by policy, establish a goal of issuing debt for shorter periods than the maximum allowable when the statutory

TOWN OF DEDHAM DEBT MANAGEMENT POLICY

limit exceeds 10 years. Exceptions may be made when grants, reimbursements or other situations warrant.

E. Debt Strategies

Alternative Financing Strategies: The Town will continually pursue opportunities to acquire capital by means other than conventional borrowing, such as grants, and low-or zero- interest loans from state agencies such as the Massachusetts Water Pollution Abatement Trust (MWPAT), Massachusetts School Building Authority (MSBA) or the Massachusetts Water Resources Authority (MWRA).

Debt Issuance: The Town will work closely with the Town's Financial Advisor and Bond Counsel to ensure that all legal requirements are met. This includes preparation of the all-important disclosure document (official statement), as well as preparation of the required documents to be signed by the Board of Selectmen and the Treasurer, and signed and notarized by the Town Clerk. The Town will obtain the lowest possible interest rate on its debt through the use of competitive bidding, unless in the opinion of the Treasurer and the Financial Advisor a lower rate can be settled in a negotiated sale.

F. Debt Monitoring

The Town will maintain adequate internal controls to monitor the use of borrowed funds so as to provide reasonable assurance as to compliance with appropriate laws and regulations and covenants associated with the debt. The Town Administrator's annual budget message will include a detailed analysis of outstanding debt and authorized and unissued debt.

G. Bond Rating

The community's bond rating is important because it influences the rate of interest the Town pays when selling bonds and notes as well as the level of market participation (number of bidders). Other things being equal, the higher the bond rating, the lower the interest rate. Bond analysts (Moody's, Standard & Poor's, Fitch) typically look at the following sets of factors in assigning a credit rating:

Debt Factors: debt per capita, debt as a percentage of equalized valuation, rate of debt amortization and the amount of exempt versus non-exempt debt.

Financial Factors: operating surpluses or deficits, free cash as a percent of revenue, state aid reliance, property tax collection rates, unfunded pension and other post employment benefits liabilities.

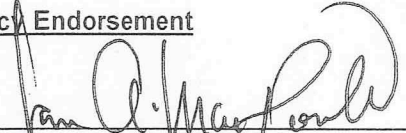
Economic and Demographic Factors: property values, personal income levels, tax base growth, tax and economic base diversity, unemployment rates and population growth.

Management Factors: governmental structure, the existence of a capital improvement plan, the quality of accounting and financial reporting, etc.

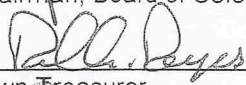
The town will continually strive to improve its bond rating through sound financial management, improved receivables management, accounting and financial reporting, and increased reserves such as the Stabilization Fund.

**TOWN OF DEDHAM
DEBT MANAGEMENT POLICY**

H. Policy Endorsement



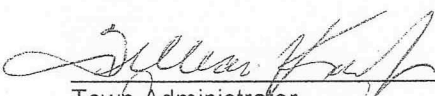
Chairman, Board of Selectmen




Town Treasurer



Chairman, Finance Committee



Town Administrator



Finance Director



Chairman, School Committee



Superintendent of Schools

5/2/12

Revisions:

Rev 0: August 18, 1998

Rev 1: February 5, 2003

TOWN OF DEDHAM INVESTMENT POLICY

SECTION I: The Investment of General Funds, Special Revenue 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 Town Retirement Board is responsible for the investment of the 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 the purpose 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 be placed at the highest possible rate of interest reasonably available, taking into account 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 Town's business.

Safety of principal is the foremost objective of the investment program. Investments will 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 lessened by diversification and prudent selection of investment instruments, and choice of bank or brokerage house. 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 made so as to achieve the best rate of return, taking into account safety and liquidity constraints as well as all legal requirements.

C. Investment Instruments

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 town of a lower interest rate. The Treasurer negotiates for the highest rates possible, consistent with safety principles.

The Treasurer may legally 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. The Trust invests in high quality "2a-7"-like eligible money market instruments of domestic and foreign issuers, U.S. Government securities, and repurchase agreements. Under

TOWN OF DEDHAM INVESTMENT POLICY

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 (C.D.'s). Unlimited amounts (up to one year) fully collateralized through a third party agreement.
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.) or Share Insurance Fund (S.I.F.). All bank accounts and C.D.'s in one institution are considered in the aggregate to receive the \$250,000 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 25% of the Town's cash. Their credit worthiness will be tracked by Veribanc, Sheshunoff, or other bank reporting systems. They will be diversified as much as possible. As a general rule, C. D.s will be purchased for no more than three months and will be reviewed frequently. These limits do not apply to fully insured deposits.
7. Repurchase Agreements ("Repos"), not to exceed ninety days.
8. Certain mutual funds, under Chapter 44, Sec. 55 of MGL, as amended by Chapter 314 of the Acts of 1996.

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. Treasuries or agencies, and MMDT, no more than 25% of the Town's investments should be invested in a single financial institution unless that institution's investment is fully insured or collateralized, except during periods of increased cash flows but not longer than two months.

E. Authorization

The Treasurer and Assistant Treasurer have authority to invest the Town's funds, subject to the statutes of the Commonwealth cited above.

F. Ethics

The Treasurer-Collector and Assistant Treasurer, the Commissioners of Trust Funds, and any other officers authorized to invest town funds, shall refrain from any personal activity that may conflict or appear to conflict with the proper execution of the investment program or which could impair their ability to make impartial investment decisions. Said individuals shall disclose to the Town Administrator any material financial interest in financial institutions that do business with the town. They shall also disclose any personal financial investment positions or loans that could

TOWN OF DEDHAM INVESTMENT POLICY

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 Town should subscribe to and use one or more of the recognized bank rating services, such as Veribanc or Sheshunoff. Brokers should be licensed, 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. Proof of credit worthiness (minimum standards: at least five years in operation and a minimum capital of 10 million dollars)

H. Reporting Requirements

An annual report containing the following information will be prepared by the Treasurer and given to the Town Administrator and Finance Director. The 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.

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.

SECTION II: The Investment of Trust Funds and Bonds Proceeds

A. Scope

This section of the policy applies only to funds that could be invested long term (i.e.: bond proceeds, trust funds, and stabilization funds).

B. Bond Proceeds

Investment of Bond proceeds is governed by the same restrictions as general funds, with the additional caveat of federal arbitrage regulations. The investment goals are the same as those for general funds.

C. Trust Funds

The investment of trust funds for library purposes is subject to the direction of the Board of Library Trustees. Unless otherwise directed by the terms of the trust instrument, all other trust funds are under the jurisdiction of the Commissioners of Trust Funds. The investment goals are long-term preservation of capital and delimited liquidity.

**TOWN OF DEDHAM
INVESTMENT POLICY**

Trust Funds may be co-mingled and invested according to the prudent investor rule set forth in Chapter 203C of the General Laws. Each trust fund must be accounted for separately as to its unexpendable principal (if any), its expendable balance and its income.

D. 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 per cent of the equalized valuation of the town, and 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.

E. Other Post Employment Benefits Liability Trust Fund

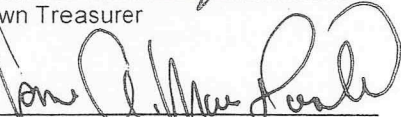
The OPEB Trust Fund was established by vote of Town Meeting on May 18, 2009 in accordance with section 20 of Chapter 32B of the General Laws. The Trust Fund shall be invested and reinvested by the Treasurer consistent with the prudent investor rule set forth in Chapter 203C of the General Laws.

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.

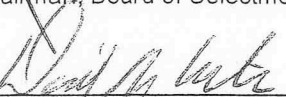
POLICY ENDORSEMENT



Town Treasurer



Chairman, Board of Selectmen



Chairman, Finance Committee



Superintendent of Schools



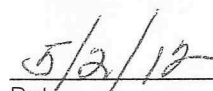
Town Administrator



Finance Director



Chairman School Committee



Date

Revisions:

Rev 0: August 18, 1998

Rev 1: February 5, 2003

**TOWN OF DEDHAM
CAPITAL POLICY & PROCESS**

Section I: Purpose and Scope

Purpose: The purpose of the Capital Policy is to document the capital process as that is currently in use by the Town and provide a step by step explanation of how capital expenditures are presented to Town Meeting for approval.

Definition: A capital improvement is defined as a physical betterment, including but not limited to the construction of a new buildings or facilities and the alteration of buildings or facilities, the purchase of land, or items of equipment having a useful life of 3 years or more. Any physical betterment having a cost of less than \$10,000 and is not of a unusual or non-recurring nature shall not be considered capital improvement

Scope: This policy is intended to be **comprehensive** and cover all capital items including land acquisition, construction of buildings, building improvements, furniture, fixtures, equipment, roads, sewer and other infrastructure of the Town, including Schools.

Section II: Committees involved in the Capital Process

Building, Planning and Construction Committee (Chapter 26 of the Town Bylaws) is responsible for surveying the growth of the Town, the building needs of the community and the physical condition of all existing town buildings. There are seven members appointed by the Town Administrator, one member of the Planning Board, a registered professional engineer or architect, an attorney, a person employed in the construction industry or a related trade, and three other persons. The BPCC supervises the implementation of approved projects for the addition to or renovation of existing Town buildings and the construction of new Town buildings. The BPCC does not have jurisdiction over roads, bridges, sewer, sidewalks, parks and buildings under the control of the School Department.

Capital Expenditure Committee (Sections 8 & 9 of Chapter Three of the Town Bylaws) is responsible to make recommendations to the Finance Committee on all matters relating to expenditures for capital improvements in the Town. The Capital Expenditure Committee shall ascertain the annual expenditures for capital improvements and what will be required for the ensuing five years after conferring with the Finance Committee, Director of Finance, any Town boards, commissions, committees, officers, employees, etc. There are 5 members, three appointed by the Moderator, one member appointed by the Finance Committee and one member appointed by the Planning Board.

Finance Committee (Sections 1-6 of Chapter 3 of the Town Bylaws) is responsible for hearing and making recommendations on all articles which are to be considered by Town Meeting, including accepting a report of the Capital Expenditure Committee. There are nine members, all appointed by the Moderator, one from each district and two at large.

Mitigation Funds Committee (Section 21 of Chapter 4 Financial Affairs of Town Bylaws), advises and makes recommendations to the Finance Committee and Town Meeting as to the expenditure of funds on deposit in the Mitigation Stabilization Fund. The recommendations may be, but are not required to

**TOWN OF DEDHAM
CAPITAL POLICY & PROCESS**

be Capital in nature. The committee is made up of five members, three appointed by the Moderator, one appointed by the Board of Selectmen and one appointed by the Planning Board. The Mitigation Stabilization Fund was established to accept funds received from parties pursuant to developments in town.

School Building Rehabilitation Committee, established by a vote of Town Meeting in December of 2000, to initiate and direct engineering/architectural studies to determine the current physical condition of school buildings and to make recommendations as to rehabilitation and/or expansion. There are ten members: Superintendent of Schools or designee, School Principal, two members of the School Committee, one member of the Board of Selectmen, one member of the Finance Committee, one member of the Capital Expenditures Committee and four citizens of the Town appointed by the Moderator. The SBRC supervises the rehabilitation, expansion or construction of school buildings.

In addition to the above committees, depending on the nature of the project, a capital project may, prior to implementation, require permits from the Board of Appeals, Building Department, Conservation Committee and Planning Board.

Section III: Sources of Funding for Capital Expenditures.

General Obligation Bonds, issued for purposes and payable over periods as specified by law, as authorized by a two-thirds vote of Town Meeting. They are required to be payable in equal or declining principal payments. State law permits a Town to authorize debt up to 5% of its equalized valuation. Payments on the bonds are made within the Town's operating budget; debt payments for bonds issued on a Debt Exclusion are made from the additional taxes levied for that purpose.

Debt Exclusion, allows the town to raise additional taxes to pay for the debt incurred for a particular project. The amount of the payment is added to the tax levy for the life of the debt. Debt exclusion requires a two-thirds majority vote at town meeting and, once placed on the ballot by the Selectmen, a majority of the voters.

Free Cash, the net unrestricted balances of funds from operations of the previous year as a result of revenues collected in excess of estimates and unspent amounts from budgeted line items. The amount is certified by the Department of Revenue and is available for appropriation by Town Meeting.

Stabilization Fund, a fund designed to accumulate funds as a general reserve, for capital or for other future spending purposes, although it may be appropriated for any lawful purpose by a two-thirds vote of Town Meeting. The Town has a general stabilization fund (for a reserve), a mitigation stabilization fund (for payments from developers) and a major capital facilities stabilization .

Overlay Reserve (Allowance for Abatements)/Overlay Surplus, an account established annually to fund anticipated property tax abatements, exemptions and to offset the amount of uncollected taxes. Any balance in the account in excess of the amount remaining to be collected or abated can be transferred

**TOWN OF DEDHAM
CAPITAL POLICY & PROCESS**

into an Overlay Surplus account by the Assessors and may be appropriated by Town Meeting for any lawful purpose.

Operating Budget, capital expenditures can be funded within the regular operating budget. To accomplish this, other budget items would have to be reduced or increases in revenues allocated to a capital budget funding source.

Other Available Funds, prior special article appropriation balances, receipts reserved for appropriation, FEMA/MEMA reimbursements, insurance proceeds and other items authorized by law to be specifically used to fund appropriations.

General Proposition 2 ½ Override, residents can vote to increase the tax levy beyond the current limit and if approved, the increase is included in the budget for all future years.

Capital Outlay Expenditure Exclusion, a temporary increase in the tax levy to fund a capital item. Exclusions require a two thirds vote of the Selectmen and a majority of the voters. The exclusion is added only during the year when the project is funded.

Section IV: Current Capital Approval Process

Each year, the Town Administrator sends every Department, Board, Commission and Committee guidelines and forms for Capital Expenditure submissions for the current year and the four years following. Department Heads complete a capital equipment request, detail the need for the equipment, whether it is replacement or new, and the estimated useful life for the equipment given the historical use and method of replacement.

The Director of Facilities prepares an assessment of each facility and assigns a priority and recommended timeframe for completion. A consolidated 5 year capital plan is prepared by the Town Administrator in conjunction with the Director of Facilities and department heads. If a Capital request involves a Town Building it is also provided to the Building, Planning and Construction Committee for a hearing and recommendation.

The Mitigation Committee, using similar guidelines and forms, solicits requests for the current year if mitigation funds are available. The Mitigation Committee will hold a public hearing and make recommendations to the Town Administrator.

The Director of Finance will prepare a five year financial plan including grants, current revenues, mitigation, free cash, available funds and bonding capacity. Bonding capacity is defined as that amount of principal finally maturing and whether the capacity is from the operating budget or excluded debt. The Treasurer/Collector shall estimate the cost of issuing debt including the maturity schedule, interest rate and timeframe of bond offering.

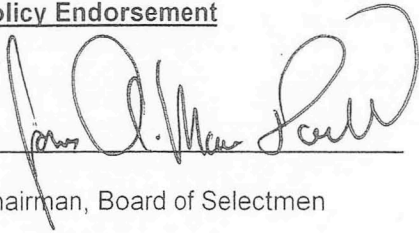
The requests are summarized by the Finance Department, and a detailed capital expenditure request book by department is assembled and distributed to the Capital Expenditures Committee (CEC) for

TOWN OF DEDHAM
CAPITAL POLICY & PROCESS

hearings. Once the hearings are complete, the Town Administrator, after consultation with the Finance Director on the amount of funds available for Capital purposes proposes an overall capital budget to the CEC. The CEC deliberates, approves/alters the proposal and makes a recommendation to the Finance Committee. The Finance Committee holds a hearing on the recommendation of the CEC and then votes it's recommendation to Town Meeting.

All of the above applies to the School Department capital projects, unless they relate to building rehabilitation or the construction of a new school. The School Building Rehabilitation Committee (SBRC) develops the plan for the renovation or expansion of school buildings and only when they have approved a project does it become part of the School Department's annual capital expenditure request.

Policy Endorsement



James A. Macauld

Chairman, Board of Selectmen



Bill Deys

Town Treasurer



Gillen

Town Administrator



Mariella P. Murphy

Finance Director



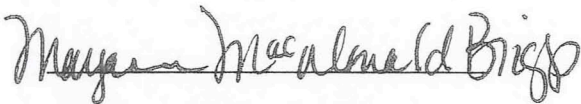
Ray M. Itri

Chairman, Finance Committee



June Moore

School Superintendent



Maryann Macalmond Briggs

Chairman, School Committee

Dated: 5/2/12

Revisions

Rev 0: N/A

TOWN OF DEDHAM CAPITAL POLICY & PROCESS

