

TOWN OF BEDFORD
OPERATING POLICY MANUAL

Chapter: Finance

Issue (Effective) Date: July 1, 2017

Approval Date: June 13, 2017

Approved By: Town Council

LONG-TERM FINANCIAL PLANNING

Section 1. PURPOSE

This policy is to document the Long-Term Financial Planning objectives of the Town of Bedford (“Town”). The purpose of this policy is to serve as the Town’s long-term growth and operating blueprint in an effort to ensure the Town’s on-going financial sustainability spanning beyond the current budget cycle. The primary objectives of this policy are to establish a framework to guide the Town in planning, decision-making, and to create a purposeful approach to aligning short-term actions with long-term financial strategies. This policy is intended to assess the implications of today’s decisions on future budgets with respect to changes in economic conditions.

Section 2. POLICY

- A. The Town will maintain long-term fiscal solvency by identifying significant future expenses, liabilities, problems and resources that are not included or recognized in the annual budget. The Town will highlight critical areas which have, or are expected to have, an impact on the financial condition of the Town over the next three (3) years. Specific goals and objectives will be developed for each structural deficiency.
- B. The Town shall engage in long-term financial planning to align financial capacity with service objectives by financing ongoing operating expenditure requirements, and whenever possible capital infrastructure, from ongoing sustainable revenues sources using a pay-as-you-go methodology.
- C. Reserve Funds are a critical component of the Town’s long-term financial plan. These funds are used to provide for one-time or short-term requirements, provide for future replacement or acquisition of capital assets if possible, and to provide flexibility to manage debt. Building of Reserve Funds shall primarily be accomplished through:
 - a. Allocation of Operating Surplus:
 - i. Any General Fund operating surplus over \$50,000 at the end of the fiscal year will be transferred to the Unrestricted General Fund Reserve Account. Any General Fund operating deficits will be funded from the Unrestricted General Fund Reserve Account.
 - ii. Any Solid Waste Fund operating surplus over \$50,000 at the end of the fiscal year will be transferred to the Unrestricted Solid Waste Fund Reserve Account. Any Solid Waste Fund operating deficits will be funded from the Unrestricted Solid Waste Fund Reserve Account.
 - iii. Any Electric Fund operating surplus over \$50,000 at the end of the fiscal year will be transferred to the Unrestricted Electric Fund Reserve Account. Any Electric Fund operating deficits will be funded from the Unrestricted Electric Fund Reserve Account.
 - b. Operating Budget Allocation to Reserve Funds:
 - i. The contribution to each respective Reserve Fund will continue after each annual budget cycle to sustain asset management strategies.

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- D. The Town shall ensure that ongoing expenditure requirements are satisfied by ongoing revenue sources such as user fees, taxation, and grants. Town Council will establish fees and taxation that will yield the target proportions essential to service delivery and sustainability. Council will ensure that both operating and capital costs are considered when establishing fees and taxation.
- E. The Town shall ensure long-term financial sustainability through the preparation and annual review of a five (5) year Capital Improvement Plan (CIP) which will identify asset replacement needs and infrastructure capital work plans versus corresponding revenue generation and/or funding gap.
- F. The Town shall actively seek additional sustainable revenues from the state and federal governments sufficient to bridge the infrastructure funding for capital renewal and/or replacement projects that would otherwise be unaffordable.
- G. Long-term debt financing shall only be considered for new, non-recurring infrastructure rehabilitation/replacement requirements, for tangible capital assets unable to be expensed with current funding streams and for projects where the cost of deferring expenditures exceeds debt-servicing costs.

Section 3. OBJECTIVES

- A. The primary objectives of the Long-Term Financial Planning Policy shall be as follows:
 - 1. Ensure long-term structural soundness and continuous improvement in the Town's financial position.
 - 2. Maintain and/or improvement of the Town's service level standards.
 - 3. Ensure that the Town achieves full cost recovery when possible for the provision of services.

Section 4. PROCEDURES

- A. Town Council:
 - 1. Approve Long-Term Financial Planning Policy.
 - 2. Monitor compliance to the Long-Term Financial Planning Policy through maintaining budgetary control throughout the budget adoption and ongoing operating budget process.
- B. Town Staff:
 - 1. Propose revisions to the Long-Term Financial Planning Policy.
 - 2. Identify significant future expenses, liabilities, problems and resources that are not included or recognized in the annual budget and develop specific goals and objectives to manage each structural deficiency.
 - 3. Prepare an annual review of a five (5) year Capital Improvement Plan (CIP).
 - 4. Actively seek additional sustainable revenues from the state and federal governments.

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5. Recommend when long-term debt financing should be considered.
6. The Town Manager is authorized to adjust this policy in response to evolving governmental practices where necessary.

Section 5. REVISIONS

- A. This policy was approved and adopted by the Town Council on June 13, 2017.

Revisions

Original-June, 2017