



TOWN OF PLAINVILLE – Board of Selectmen **Financial Priorities**

Adopt a Free Cash Policy

The Board of Selectmen and Finance Committee should work with the Town Administrator and Finance Director to develop a sound policy on the use of free cash. For many years, Plainville has relied on the use of free cash to help balance the operating budget. This is not a recommended practice as the levels of free cash are unpredictable. In the formal policy, the Town should consider designating certain percentages of free cash for appropriation to the General Fund Stabilization Fund, the Other Post Employment Benefits (OPEB) Reserve fund, and lastly to fund small capital projects.

Build Up General Stabilization Fund

The Board of Selectmen and Finance Committee should work with the Town Administrator and Finance Director to adopt a policy for the Town General Stabilization Fund. The Department of Revenue recommends that the Town maintain a minimum of 5% of the Town's annual operating budget in the general stabilization fund. The amount kept in a town's stabilization fund can have a significant impact on its financial position and associated bond rating. In addition to adopting a formal policy, the Town should develop a strategy and goals to achieve this minimum level over the course of the next several years

Increase Funding for Other Post Employment Benefits (OPEB)

The Town should consider increasing the amount it appropriates annually to cover anticipated OPEB liabilities. This large unfunded liability continues to increase every year, and the small amounts that the Town has been able to appropriate over the last several years are far less than the amounts recommended by the most recent OPEB actuarial study and audit.

Budget for Snow and Ice Expenses

The Town has maintained the same appropriation for Snow and Ice removal of \$52,000 a year for decades. However, the actual costs for snow and ice removal have ranged from \$337,000 - \$462,000 annually for the last five years. This creates an unfunded line item that automatically must be covered in the operating budget the following year. The Town should be raising and appropriating a more realistic snow and ice budget. At a minimum, the Town should consider a gradual increase over the next several years to bring this funding to a more realistic and financially appropriate level.

Adopt a Debt Service Policy

The Board of Selectmen and Finance Committee should work with the Town Administrator and Finance Director to adopt a Debt Service Policy. Four years ago, the Town created a ten year capital plan to address the need for replacement of aging equipment and infrastructure of the town. In the subsequent years that followed the formation of the plan, Town Meeting appropriated significant capital projects to help address the equipment and infrastructure replacements that had been neglected for decades. While this type of capital investment is still necessary and a vital component of properly managing the town assets, debt service and interest costs have become major drivers in the operating budgets. It will be important for the town to keep an appropriate balance between needed capital investments and the percentage of the operating budget dedicated to paying debt and interest on capital projects.

Gaming Revenue Stabilization Fund

The Town has been using the Gaming Revenue Stabilization Fund for two main purposes. The first purpose is to pay the debt and interest payments for the new Municipal Building Complex and the purchase of Hawkins Woods. This costs us approximately \$2,050,000 per year. The second, utilized in FY18, FY19, and FY20, is to pay some of the general fund capital expenses in the budget for that fiscal year from the Gaming Revenue Stabilization Fund. Last year we paid approximately \$400,000 from the Gaming Revenue Stabilization Fund for this purpose. The Town is entering a 5 year period now for Gaming Revenue where our revenue model changes from a guaranteed \$2,700,000 per year to a value of 1.5% of the Gross Gaming Revenue. Based on the last 12 months, this would be a payment of approximately \$2,279,235. Starting with year 11 of the agreement (Calendar Year 2025) the payment will increase to 2% of the Gross Gaming Revenue.