



REGULATIONS
OF THE
TOWN OF MADISON
BOARD OF FINANCE

Revised: June 18, 2012

Approved: October 21, 1998
Revised: May 23, 2001
Revised: August 22, 2001
Revised: December 17, 2003
Revised: May 18, 2005
Revised: June 15, 2005
Revised: May 23, 2007
Revised: September 19, 2007
Revised: October 17, 2007
Revised: March 19, 2008
Revised: September 18, 2008
Revised: March 18, 2009
Revised: April 22, 2009
Revised: May 20, 2009
Revised: November 18, 2009
Revised: April 21, 2010
Revised: July 14, 2010
Revised: February 16, 2011
Revised: April 14, 2011
Revised: May 19, 2011
Revised: October 19, 2011
Revised: March 21, 2012

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Section 1. Creation and Modification of Policies and Procedures

Purpose

To ensure the orderly conduct of town business, all policies and procedures need to be reviewed regularly and modified as required.

Policy

In accordance with the Charter of the Town of Madison and the Statutes of the State of Connecticut, the Board of Finance of the Town of Madison maintains regulations which prescribe the financial and accounting activities of the town government which apply to the financial systems and accounts used by all boards, commissions and departments of the Town of Madison.

An Accounting Procedures Manual prepared by the Finance Department and approved or amended by a vote of the Board of Finance, shall be considered part of these policies.

These policies and procedures may be approved or amended only by a vote of the Board of Finance.

Procedures

Additions, deletions and changes to Board of Finance policies or procedures may be requested by the Board of Selectmen, Board of Education, or the Board of Finance.

Requests for additions, deletions or changes to the Accounting Procedures Manual may be reviewed by the Board of Education (where applicable the Director of Finance, and the Board of Selectmen) prior to consideration by the Board of Finance.

All requests for additions, deletions or changes to the Board of Finance Regulations or the Accounting Procedures Manual shall be presented at a meeting of the Board of Finance and approved by vote of the Board.

These Policies and Procedures shall be reviewed by the Board of Finance at least once during each five-year period.

Section 2. Reserve and Capital Project Funds

Purpose

To appropriate sums of money on an annual basis which will accumulate to provide funding for long-term financial obligations of the town.

Policy

New reserve and capital project funds may be created only by a vote of the Board of Finance.

Monies held in these funds shall earn interest at the same rate as the general fund of the Town.

All interest earned by reserve and capital project funds shall be transferred to the general fund of the Town.

The audited annual financial statement shall report the total appropriations into and out of each reserve and capital project fund during the preceding year.

Procedures

Creation of Reserve and Capital Projects Funds

Creation of such a fund may be requested by the Board of Selectmen, the Board of Education, or the Board of Finance. The request will specify in writing:

- Proposed name and type of fund - reserve or capital project
- Purpose of the fund
- Initial funding requests; should be greater than \$10,000.
- Schedule of anticipated budget appropriation requests, anticipated non tax reimbursements, and estimated expenditures from the fund for a five year period
- Sunset date for fund or review date of five years from inception if no sunset is anticipated
- Accounting procedures necessary for the administration of the fund.

Appropriations to Reserve and Capital Projects Funds

All appropriations to reserve or capital project funds shall be recommended by the Board of Finance and approved by the legislative body through the annual budget process or as otherwise specified by Town Charter. The Board of Selectmen and/or the Board of Education may request that the Board of Finance recommend such an appropriation but such request is not to be considered binding upon the Board of Finance.

- Both the annual budget document and the budget summary as published in the local newspaper shall include separate sections entitled “Reserve Funds” and “Capital Projects Funds”.
- Appropriations for reserve and capital project funding shall be listed in the budget document and published summary, and the actions of the Budget Referendum shall constitute approval or disapproval of the appropriation amounts listed for that budget year.
- The annual budget document as recommended by the Board of Finance will contain an itemized listing of projected expenditures for Major Roads Capital Project Fund.

Expenditures from Reserve and Capital Projects Accounts

Requests for expenditures from reserve and capital project funds shall be approved by the Board of Selectmen in accordance with the specific administrative procedures for each fund, as defined in Appendices A and B of this document.

Identified projects within reserve and capital project funds shall be assigned an account number prior to request for expenditures, and the Director of Finance shall certify that funds are available for said project.

- All expenditures for the project shall be assigned to that account for purposes of tracking these expenditures.
- Expenditures may be made only in accordance with the stated purpose of the reserve and capital project account.

Reimbursements to Reserve and Capital Projects Funds

Reimbursements to these funds may be from grants, donations, returns, refunds or payments in lieu of services. They may be credited to a reserve or capital project fund with the approval of the Director of Finance and as specified in the Madison Accounting Procedures Manual.

Discontinuance of Reserve and Capital Projects Funds

A reserve or capital project fund may be discontinued by vote of the Board of Finance. The Board of Selectmen, the Board of Education or the Director of Finance may also request that the Board of Finance discontinue a reserve or capital project fund. The Board of Selectmen, the Board of Education and the Director of Finance shall be notified of such proposed action at least sixty days prior to a scheduled vote. Funds remaining in discontinued reserve or capital project funds shall be transferred to the general fund of the Town.

Reporting of Reserve and Capital Projects Funds

Reports shall be prepared periodically by the Finance Department summarizing expenditures, appropriations and current balances of reserve and capital project funds, and such reports presented at a regular meeting of the Board of Finance.

The Board of Selectmen shall have prepared by the first day of March of each year a report showing beginning balance, approved appropriations, estimated expenditures, reimbursements and projected year-end balances for each reserve and capital project fund. The Board of Selectmen shall have prepared by the first day of March of each year a five-year schedule of proposed appropriations and anticipated expenditures from and reimbursements to each reserve and capital project fund.

Section 3. Lease / Purchase Agreements

Purpose

To ensure the assessment of the full budgetary impact of every lease / purchase agreement.

Policy

No agency, board or commission, including the Board of Education, shall enter into a lease/purchase agreement unless it shall have first been approved by the Board of Finance, and any lease/purchase agreement not so approved by the Board of Finance shall be void and not binding upon the Town. This regulation shall be construed to supplement and be in addition to the requirements of the lease/purchase policy of the Town which includes review prior to execution by the Town Attorney or the Board of Education Attorney and other applicable agencies.

Procedures

When any town Board, Commission or agency is considering plans to enter into a lease / purchase agreement, it must appear before the Board of Selectmen to outline the following:

- Rationale for lease / purchase of property or equipment
- Total cost, including an amortization schedule
- Length of lease
- Lease document including non-appropriation of funds clause
- Liability and warranty statements

Vendor selection should be accomplished according to the regulations of the acquiring board or commission.

The entire lease / purchase agreement should be distributed to the Board of Finance in a meeting packet.

Approval will be by a vote of the Board of Finance.

Adopted: November 5, 1996

Revised: December 17, 2003

Section 4. Beach and Recreation Activities Account

Purpose

To provide the Beach and Recreation Commission with a financial vehicle which shall be used to establish programs funded by users fees.

Policy

A revolving account has been established for the Beach and Recreation Commission for activities that can document that they will be sufficiently supported by the users of the programs to pay all of the direct costs of the program and contribute a goal of 25% to the overhead cost.

The Town of Madison Beach and Recreation Department fee assistance program assists residents in over-coming financial limitations so that they may participate in recreation programs. Eligibility for the program may be determined by the Department of Youth and Family Services and recommended to the Beach and Recreation Department. Consideration for maintaining a goal of 25% of direct program costs for each program activity offered will be offset by documentation of assistance provided to program participants.

User-funded programs complying with this definition will not be included as separate line items in the annual budget.

Procedures

Program Approval

Each program will be reviewed in detail and approved by the applicable Board or Commission before the program is advertised. Any program that does not meet the 25% contribution to overhead will not be run without express approval of the Beach and Recreation Commission. If contribution of 30% or more to overhead is continually achieved on an individual program, that program fee should be reduced. All programs and program fees are subject to the Board of Selectmen review and approval. All programs must meet the below criteria before they are started. This includes a policy, liability and cost analysis to insure that:

- All liability exposure is known and properly covered with insurance.
- Any individual program that is expected to exceed \$20,000 in revenue shall be considered a major program and shall be reviewed by the Board of Selectmen prior to implementation.
- All instructors shall be paid through the regular payroll process. Exception: Any instructor who owns his or her own business shall be paid upon completion of said

program. Instructors who own their own business shall, prior to the start of a course, show proof of insurance for both general liability and workers' compensation.

Program Controls

- As part of the annual budget presentation, the Beach and Recreation Commission will project the next year's activity. This will include both an expense and revenue figure with general back up data. This program, along with a six-month status report of the current program, will be presented to the Boards of Selectmen and Finance in January or February of each year (at the budget workshop) for review and approval.
- Only program funds will be allowed in and out of this account. Donations, capital expenditures and Town line item approved dollars will not be allowed in this account. A designated amount of seed money will remain in the account for the following year start up.

Program Review

Program review and reports on the revolving account will be provided as requested, to the Boards of Selectmen and Finance.

Approved by Board of Finance August 22, 2001

Revised by Board of Finance March 18, 2009

Revised by Board of Finance May 19, 2011

Section 5. Unassigned Fund Balance

Purpose

To maintain an amount of unreserved funds within the total unassigned fund balance to be available for unforeseen contingencies.

Policy

The sum of all components identified for the unassigned fund balance level is a minimum of 10% of annual operating expenditures with amounts exceeding the minimum up to the discretion of the Board of Finance.

Rationale

The Town of Madison is required by Town Charter and Connecticut State Statutes to adopt a balanced budget for each fiscal year. Actual results of operations usually vary from the initial budget plan. Sufficient levels of unassigned fund balance can ensure the continued orderly operation of town government and provision of services to residents and the continued stability of the tax structure. Local governments that have sufficient levels of unreserved fund balance can avoid or reduce budget cutbacks or tax increases if budget shortfalls develop during the fiscal year. State government support of local education expenses and other State grants and reimbursements has varied dramatically from year to year. Final State legislative action occurs after the local budget is approved.

The Town of Madison's formal unassigned fund balance policy maintains adequate unencumbered reserve funds to accomplish the following objectives:

- (1) Maintain adequate reserves to support one months expenditures
- (2) Maintain adequate reserves to maintain sufficient funds available for appropriation for unforeseen expenditures or unforeseen shortfall in revenue after adoption of the annual budget
- (3) Maintain adequate reserves for mill rate relief in subsequent budget years
- (4) Maintain additional levels of reserves as deemed appropriate by the Town Board of Finance.

The maintenance of unassigned levels is not to be construed as surpluses or over taxation by the town; rather it is an element of sound fiscal management required for sustaining a high credit rating and financial management flexibility.

Approved May 23, 2001
Revised March 21, 2012

Section 6. Debt Service

Purpose

To standardize and rationalize the issuance and management of debt by the Town of Madison.

Policy

Debt financing, to include general obligation bonds and general obligation bond anticipation notes, lease/purchase agreements, and other obligations permitted to be issued or incurred under Connecticut law, shall only be used to purchase capital assets that cannot be acquired from either current revenues or fund balance/retained earnings or capital project funds or fund infrastructure improvements and additions. Assets acquired with debt should last longer than the time it takes to repay that debt.

The Town will endeavor to limit this ratio of debt service to ten (10) per cent of the total Town budget including debt service.

Procedures

Assumption of Additional Debt

The Town shall use an objective analytical approach to determine whether it can afford to assume new general-purpose debt beyond what it retires each year.

- The criteria used shall be the ratio of net annual debt service expenditures to total budgeted expenditures in the General Fund. The State pays part of the principal and interest for some of the Town's school construction bonds, for example, which lowers the property tax burden of repaying the debt.
- In preparing the Town's Capital Improvement Plan, the Town will limit the dollar amount of bonds that are planned to be issued each year. The limit will be that the annual debt service repayment schedule that results from the proposed bond issues will not exceed the above target.

Debt Structure

Debt shall be in serial or term form maturing in annual or semiannual installments of principal that may mature from one (1) to twenty (20) years, or three (3) to twenty (20) years, commencing no later than thirty-six (36) months from the initial bond date for general purpose and school purpose bonds. Sewer bonds may be amortized for thirty

(30) years as authorized by Connecticut General Statutes. Principal payments may be equal in amounts or in amounts of principal not one of which shall exceed by more than fifty per cent the amount of any prior installment, as authorized by/or modified by Connecticut General Statutes.

Call Provisions

Call provisions for bond issues shall be made as short as possible, consistent with the lowest interest cost to the Town. When economically feasible, all bonds shall be callable only at par.

Sale Process

The Town shall use a competitive bidding process in the sale of debt unless the nature of the issue warrants a negotiated sale. The Town shall attempt to award the bonds based on a true interest cost basis. However, the Town may award bonds based on a net interest cost basis as long as the financial advisor agrees that the net interest cost basis can satisfactorily determine the lowest and best bid.

Rating Agencies

Full disclosure of operations and open lines of communication shall be made to the rating agencies. Town staff, with assistance of financial advisors, shall prepare the necessary materials and presentation to the rating agencies. Credit rating(s) will be sought from Moody's, Standard & Poor's and/or Fitch as recommended by the Town's financial advisor. The Town shall endeavor to at a minimum to keep its current bond rating with a goal to improve.

Continuing Disclosure

The Town is committed to continuing disclosure of financial and pertinent credit information relevant to the Town's outstanding securities and will abide by the provisions of the Securities and Exchange Commission Rule 15c2-12 concerning primary and secondary market disclosure.

Debt Refunding

Town staff and the financial advisor shall monitor the municipal bond market for opportunities to obtain interest savings by refunding outstanding debt. As a general rule, the present value savings of a particular refunding shall exceed 2.0% of the refunded maturities.

Interest Earnings

Interest earnings received on the investment of bond proceeds shall be accounted for separately and deposited in the General Fund to be used to assist in paying the interest due on bond issues.

Approved September 18, 2002

Section 7. Grants

Purpose

To ensure that all funding sources are considered as an integral part of the Town finances.

Policy

No officer, board, commission or other agency of the Town of Madison may accept or reject on behalf of the Town any grant having a value in excess of ONE THOUSAND DOLLARS without first obtaining the approval of the Board of Selectmen and the Board of Finance.

The conditions of the funding must concur with all provisions of the Town Charter and Board of Finance Regulations.

All funding received will be properly deposited in the accounts of the Town and be administered in accordance with the terms of the grant, Board of Finance Regulations, and in compliance with all State and Federal Regulations.

Procedures

The Decision to Pursue External Funding:

Town officers, boards or commissions are encouraged to explore funding sources for special projects or programs that will enhance the service provided by departments of the town of Madison when local funding is unavailable for this purpose. The Board of Education will continue to operate under their current District Policy #3281 (document attached) for Grants, Gifts and Donations.

This decision to pursue outside funding shall be based on consideration of the following factors:

1. Does the funding provide equipment / services related to health or public safety?
2. Does the funding provide recreational / educational opportunities for residents?
3. Does the funding add to staff workload? If so, consult with the Departments effected for cost and scheduling requirements.
4. Does the funding place restrictions on the town?
5. Does the funding imply endorsement of any business or product by the Town of Madison?

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6. Does the grant maintain fairness and equity among town departments?
 7. Have all yearly costs, not covered by Grant funding, been determined or estimated prior to approval?

Applications Without Matching Fund Requirements:

Department heads shall submit requests for grant funding to the Director of Finance or his / her designee for review prior to submission to the granting agency. The Director of Finance or his / her designee shall investigate the conditions of funding sources and decide which of these warrant further consideration by the Board of Selectmen and the Board of Finance. He / she can bring any grant proposal to the First Selectman for further review, but shall bring grant applications to the First Selectman for review if the acceptance of the funding commits the town to future dedication of its own resources.

Applications with Matching Fund Requirements:

If the proposal includes any provisions for cost sharing or matching funds by the town, the source of that funding must be clearly described. If the receipt of the grant funding would require any action by the Board of Selectmen or Board of Finance (a line item transfer or special appropriation) the grant proposal must be conceptually approved by those board chairs prior to submission. The First Selectman or Board of Finance Chair may request a hearing before their entire Board prior to giving their approval.

Approved November 20, 2002

Section 8. Self-Insurance Plan / Health Care Benefits

The Internal Service Fund was established in June 1994 to implement the funding of a self-insurance plan for health care benefits for the employees of the Town and the Board of Education. The Fund functions as both a source of Annual Funding and as a Reserve fund.

There are two components that determine the amount of the budget appropriation needed each year for the prudent operation of the Fund.

1. Annual Budget Allocation: Each year the annual budget provides an appropriation to the fund on behalf of both the Town and the Board of Education that reflects the estimated costs of health benefits for the upcoming year.

Other income to the fund includes employee cost sharing, payments by retirees, COBRA coverage, and payments from the State Teachers Retirement Board.

The annual budget requests are to be determined as follows:

Separate calculations for the Town budget and the Board of Education budget.

The Director of Human Resources will provide the number of employees, retirees, and others who are to be covered in the upcoming budget year including proposed new positions.

The Administrator provides a health insurance cost figure per enrollee.

This totaled information will provide the estimated total liability for future health benefits.

Added to this is the dollar amount of waivers to be paid to employees who decline health insurance coverage.

The amount of employee cost sharing, payments from retirees, and others, and contributions from the State Teachers Retirement Board are then deducted to determine the appropriate budget request from the Board of Education and the Town.

2. Reserve Fund: The purpose of the Reserve Fund portion is to provide for two eventualities: both of them liabilities. The first liability is the concept of Excess Cost Coverage. The operation of the Internal Service Fund includes the purchase of excess cost insurance that provides an annual maximum liability for both individual claims and also the aggregate of all claims in a fiscal year. The cost of this insurance coverage is included in the estimated cost per enrollee provided by the Administrator. The overall excess cost coverage begins when the aggregate claims experience is greater than 125% of the estimated claims for the upcoming year. It is therefore prudent for the Fund to maintain a Reserve balance equal to 25% of each year's projected costs. The second potential liability is Claims Lag. In the operation of a health insurance plan, there is the concept of "claims incurred but not yet recorded". The length of the period deemed to be "claims lag" is defined as three months. This second potential liability is estimated to be 25% of current claims and would be payable by the Fund if and when the fund is terminated. While there are two reasons to maintain a balance in the Fund of 25% of next year's expenditures, the Board of Finance has taken the position that it is prudent to maintain a reserve balance of only 25 per cent.

Prior to final budget preparation the Board of Finance should review the information that forms the basis of the budget requests and adjust for any changes during the budget process.

Given that the Internal Service Fund is the Town's largest operating reserve fund, the role of the Board of Finance in the budgeting process for the health insurance line items requires consideration of many factors. In determining the final budget line items for health insurance, the Board of Finance should include the following: The cost estimates provided by the Administrator reflect their "book of business" and their view of cost trends; The Board of Finance should compare the Administrator's trends to the trend of the actual Madison costs and also review our employment and retirement patterns and their effect on future health benefit costs. Also included in this review is the actual cash balance in the Internal Service Fund, and the level of funding required to provide for the appropriate Reserve Fund. The Board of Finance should make any adjustments it deems advisable after their review of the information provided.

During the fiscal year the Administrator shall provide a monthly report of claims experience.

The Finance Department and the Human Resources Department shall maintain financial records as required to operate the "Internal Service Fund".

Board of Finance Approved October 17, 2007

Section 9. Requests for Annual Appropriations

Purpose

To shorten the time required for analysis and to standardize the annual budget presentations to the Board of Finance.

Policy

Boards, Commissions and others wishing to procure funds from the Town of Madison must make a budget request to the Board of Selectmen and Board of Finance during the annual budget workshops.

Not later than April 15, the Board of Finance will recommend a preliminary budget.

The Board of Finance shall publish its recommended budget on or before May 15.

Procedures

All requests for annual funding must be prepared according to a standard format including:

- Line item categories
- Actual receipts of previous years
- Actual expenditures of previous fiscal year
- Current year's budget
- Estimated revenues projected for current fiscal year
- Estimated expenditures projected for current fiscal year
- Amount of requested funding

Approved by the Board of Finance: December 17, 2003

Section 10. Accounting Procedures Manual

Purpose

To standardize accounting procedures.

Procedures

The Accounting Procedures Manual will be maintained in the Department of Fiscal Services by the Director and updated as required. This separate document, in a loose-leaf binder, will be available for review.

Section 11. Establishing Salary for Selectmen

Purpose: To establish salaries and benefits for the First Selectman and other Selectmen in a timely manner that is consistent with Town budgets and free from conflicts of interest.

Procedures: As part of budget preparation for the year in which municipal elections are held, the Board of Finance will set the salaries and benefits of the First Selectman, Acting First Selectman, and other Selectmen, such salaries benefits to take effect on January 1 following the election, i.e. midway in the first full budget year after the elections.

The Board of Finance may request assistance from the Director of Human Resources in surveying comparable compensation levels in other towns.

Salaries will be in effect for two years or longer if no subsequent change is made.

A subcommittee of the Board of Finance may be assigned to oversee data preparation for scheduling, costing and funding and make initial recommendations.

Approved by the Board of Finance 12.20.2006.

Amended by the Board of Finance 3.21.07

Appendix A. Reserve Funds

Approved Reserve Funds

1. **Revaluation Reserve Fund**
Purpose: Reserve Funds for Property Revaluation
Initial Appropriation: \$229,277 (actual as of 6/30/97)
Administrative Procedures: Expenditures out of fund must be requested by the Assessor and approved by the Board of Selectmen.
2. **Self-Insurance Reserve Fund**
Purpose: Reserve Funds for self-insurance associated with the Town of Madison's general insurance program. Funds used for payment of insurance deductibles, claims under deductible levels, loss prevention procedures, heart and hypertension medical obligations, unemployment payments and other related liability exposures.
Initial Appropriation: \$83,448 (actual as of 6/30/97)
Administrative Procedures: Expenditures out of fund shall be requested by the Director of Human Resources or the Director of Finance. Expenditures over \$1,000 shall be approved by the Board of Selectmen.
3. **Severance Reserve Fund**
Purpose: Reserve funds for severance related benefits for Town and Police employees. Funds used for the payment of accrued leave benefits upon termination, severance packages, early retirement programs and other related programs.
Initial Appropriation: \$133,012 (actual as of 6/30/97)
Administrative Procedures: Expenditures out of fund shall be requested by the Director of Human Resources and approved by the Board of Selectmen.
4. **SCRRA Fund:** Discontinued 8/15/2000
5. **Open Space Reserve Fund**
Purpose: Per Section 8-25b of the Connecticut General Statutes and Section 3.11.6 of the Madison Zoning Regulations, a fund was established to be used to preserve open space or acquire additional land for open space or for recreational or agricultural purposes.

Per Section 3.11.7 of the Madison Zoning Regulations, this fund shall be disbursed

according to all applicable State and Municipal requirements. However, the Planning and Zoning Commission may make recommendations to the Board of Selectmen regarding the use of such funds, taking into consideration recommendations made by the Madison Land Conservation Trust, the Madison Land Use and Acquisition Committee, and other similar organizations, town committees or commissions.

Initial Appropriation: At the August 20, 1998 Planning and Zoning meeting, the Commission approved a fee of \$5,300.00 in lieu of receiving open space for Section 3 of the Madison Ridge Subdivision.

Administrative Procedures: Expenditures out of the fund must be approved by the Board of Selectmen and the Board of Finance.

Amended by Board of Finance July 14, 2010

6. Property Tax Relief Reserve Fund

Purpose: Reserve Fund to apply against the 2008-2009 Budget

Initial Appropriation: \$163,228 / September 19, 2007

Administrative Procedures: To be automatically applied against the 2008-2009 budget expenditures in order to reduce the amount to be raised by property taxes.

Sunset Date: July 1, 2008

7. Planning Reserve Fund

Purpose: Reserve funds to support planning initiatives on the part of Boards and Commissions and departments. Funds used for payments for outside professional services for defined projects or initiatives such as the Plan for Conservation and Development (CT State Statute requires this be completed every 10 years) and planning, economic & facilities initiatives; projects proposed by the electorate which would require professional services to evaluate or design. In all instances, these would be one time only expenses that may require multiyear expenditures but would not require annual funding in the operating budget.

Initial Appropriation: \$50,000 Special Appropriation / \$50,000 2008-2009 Budget

Administrative Procedure: Expenditures out of the fund shall be requested by the Town Administrator and approved by the Board of Selectmen and the Board of Finance.

Approved by Board of Finance March 19, 2008

8. Energy Assistance Reserve / Heating

Purpose: To assist qualified Madison residents with energy assistance specifically related to heating cost, including fuel oil, gas, electricity or alternate source of energy.

Initial Appropriation: Reimbursement from local relief \$38,871.18

Administrative Procedures:

- All applicants will have their income verified according to the State of CT Guidelines for Energy Assistance
- All state and private sources must be utilized and exhausted before money from this reserve is used
- Application may be made for up to one hundred and fifty (150) gallons of oil (or its equivalent of natural gas electric heat or other energy source)
- Applications that fail to meet state guidelines but are within 110% of the state guidelines are eligible to apply for up to 150 gallons of oil (or its equivalent in natural gas, electric or other heat source)
- All expenditures from the reserve will be approved by both the Social Services Coordinator and the Director of Human Services.

Sunset date: When the initial appropriation of \$38,871.18 has been expended

Revision: April 22, 2009

Sunset date has been amended to accept funding received from energy assistance grants and rebates from Connecticut Light and Power programs.

Approved: Board of Finance September 17, 2009
Board of Finance April 22, 2009

9. GASB #45 Post Employee Benefits

Purpose: To begin funding the exposure for post-employment benefits provided to former employees based on actuarial calculations required by the Governmental Accounting Standards Board statement #45.

Determination will be made in the future regarding the establishment of a trust fund and termination of the reserve account established herewith.

Initial Appropriation: \$30,000 Town of Madison Budget 2008-2009

10. Madison Public Schools / External Placements for Special Education

Purpose: To provide funding for unanticipated Special Education placements for Special Education students for tuition and transportation related expenditures.

Funding Sources:

1. The Board of Education will recommend that a portion of the under-expended line items at the end of the fiscal year be transferred to the fund
2. Unexpended Excess Cost Grant from the State of Connecticut
3. Special Appropriations

Administrative Procedures:

The Board of Education will fund their budget line items for Special Education External Placements at a level sufficient to support anticipated expenditure requirements based on out placement data available during the annual budget development process.

The Board of Education will provide justification to the Board of Finance to support a request for funding from the Special Education External Placement Reserve account.

Board of Education application for Reserve funding will be processed by April 1st; however, the transfer will be processed at year end when the final deficit has been confirmed.

Appropriations out of fund must be requested by the Madison Board of Education and approved by the Board of Finance.

Initial Appropriation: \$75,000 (Unexpended 2008-2009 Budget)
\$ 5,000 (Unexpended 2008-2009 Excess Cost Grant)

Approved by Board of Finance: November 18, 2009

11. Funding for Promissory Note with Seashore Construction for property located at Nathan's Lane, Madison, CT

Purpose:

Addendum to the Lease Agreement between the Town of Madison and Durham School Services, L.P., the Lessee agrees to pay Lessor a one time lump sum payment in the amount of three hundred and twenty thousand (\$320,000) dollars on July 1, 2010 for the remaining rental payments under the lease.

The funding provides for the three remaining Promissory Note payments due Seashore Construction beginning September 15, 2011 thru September 15, 2013.

Initial Appropriation: \$320,000

Administrative Procedure: Expenditures out of the fund shall be requested by the Director of Financer and approved by the Board of Selectmen.

Sunset Date: Upon payment of the Promissory Note in full
Approved by Board of Finance April 21, 2010

12. Debt Service Reserve

Purpose: To provide funding for principal payments for Debt Service which increased substantially due to the recent bonding for Griswold, Senior Center and Ambulance Facility.

A special appropriation in the amount of \$500,000 will provide funding of \$300,000 for fiscal year 2011-2012 and \$200,000 for fiscal year 2012-2013.

Administrative Procedures: The reserve is the approved funding source for principal payments for debt service following the accounting procedures mandated for all expenditures.

Sunset Date: June 30, 2013

Approved by Board of Finance 2/16/2011

Amended by Board of Finance October 19, 2011

A special appropriation in the amount of \$500,000 will provide funding of \$40,000 for fiscal year 2011-2012, \$385,000 for fiscal year 2012-2013 and \$75,000 for fiscal year 2013-2014.

Sunset Date: June 30, 2014

Approved by Board of Finance October 19, 2011

13. Defined Contribution Plan Fund

Purpose: To provide funding for the implementation of a Defined Contribution Plan for new employees. Funding is required for Request for Proposal, consulting fees, management fees, and matching funds.

Initial Appropriation: \$45,000 Town of Madison line item transfer.

Administrative Procedure: Expenditures out of the fund shall be requested by the Director of Finance and approved by the First Selectman.

Approved by Board of Finance June 18, 2012

Appendix B. Capital Projects Funds

Approved Capital Projects Funds

1. Ambulance Replacement Fund

Purpose: Funds will be used to replace vehicles or other capital equipment belonging to the Town of Madison and used by the Ambulance Association. Such equipment shall have an anticipated life of more than five years and cost in excess of \$2,000.

Initial Appropriation: \$75,569 (actual as of 6/30/97)

Administrative Procedures: Expenditures out of the fund must be requested by Ambulance Board of Directors and approved by Board of Selectmen.

2. Madison Hose Company #1 / Vehicle Fund

Purpose: Funds will be used to replace major pieces of fire-fighting equipment belonging to the Town of Madison and used by Hose Company #1. Such equipment will have an expected life greater than seven years and cost in excess of \$25,000.

Initial Appropriation: \$341,657 (actual as of 6/30/97)

Review Date: 2003

Administrative Procedures: Expenditures out of fund must be requested by Hose Company #1 Board of Directors and approved by Board of Selectmen.

3. North Madison Fire Company / Vehicle Fund:

Purpose: Funds will be used to replace major pieces of fire-fighting equipment belonging to the Town of Madison and used by the North Madison Fire Co. Such equipment will have an expected life of greater than a seven years and cost in excess of \$25,000.

Initial Appropriation: \$253,286 (actual as of 6/30/97)

Administrative Procedures: Expenditures out of fund must be requested by North Madison Fire Co. Fire Chief and approved by Board of Selectmen.

4. Long Term Capital Maintenance Projects Fund

Purpose:

The intent of the Long Term Capital Maintenance Projects Fund is to provide an option for funding maintenance projects that result in long-life improvement for existing hard capital assets owned by the Town of Madison and the Madison Public Schools. Expenditures from this fund may occur in one year or over several years for an individual project.

In order to qualify for LOCAP funding, a project shall fall within one or more of the following qualified categories:

- Projects involving the capital maintenance, restoration, improvement, renovation, or component replacement of an existing building, structure, or land owned by the Town.
- Replacement of small stand-alone structures for the existing purpose, such as playgrounds, outdoor recreational structures, sheds, etc. are permissible.

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- Operating cost improvement projects for existing buildings should result in increased monetary efficiencies (e.g. energy conservation projects, utility cost savings, reduction in maintenance costs, etc.)

Eligible project expenses to be paid from this fund include engineering, planning, architectural design, construction, and implementation of approved projects.

This fund will have three line item distinctions:

- A) Buildings
- B) Land
- C) Related Facilities

Routine planned and cycled maintenance for Town and School buildings, land and facilities, including painting, carpeting, cleaning, plumbing repairs, electrical repairs, regular heating system maintenance and other normal repairs shall not be eligible for funding by the Long Term Capital Maintenance Projects Fund.

Initial Appropriation: \$300,000 (Budget Appropriation 7/96)

Administrative Procedures:

To assist with the implementation of these Board of Finance policies for Long Term Capital Maintenance Projects, a Joint Facilities Project Review Committee (JFPRC) will be formed. The JFPRC will be comprised of two members each from the Board of Selectmen, Board of Finance, and Board of Education, and no more than three (3) non-voting (ex officio) community advisors selected annually, one (1) selected by each Board at its discretion. The Director of Fiscal Services, or his or her designee from the Department of Fiscal Services, shall facilitate all meetings of the JFPRC but shall not be a member of the committee. A quorum is present when one member of each board is in attendance. The Director of Fiscal Services, the Director of Facilities, and the Director of Public Works shall serve as advisors to the JFPRC and may make recommendations to the Committee regarding project priority and funding.

The Committee will review all long-term capital maintenance project-funding requests submitted by the Board of Selectmen and/or the Board of Education on the “Request for Appropriation from the Long Term Capital Maintenance Projects Fund” form. The JFPRC will vote annually to recommend to the Board of Selectmen and Board of Finance those projects that should receive funding from the Long Term Capital Maintenance Projects Fund in the following budget year or through a special appropriation request. The JFPRC should forward their project(s) recommendation to be considered in the annual budget process by the end of the calendar year.

The JFPRC will do the following for each project request submitted, applying established standards/ criteria for project review:

- Assure that the proposed project scope is consistent with the Long Term Capital Maintenance Projects Fund parameters delineated in this regulation;
- Assign a priority status for each of the proposed projects;
- Analyze the funding required for each project and review of the cash flow projections for anticipated future projects;

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- Review the progress of approved projects;
 - Review and update the projects list for consideration by the Board of Selectmen and the Board of Finance;
 - Recommend to the Board of Selectmen and the Board of Finance to close a project upon completion and return the funds to the master account.

The Long Term Capital Maintenance Projects Fund is intended to be funded at a level sufficient to properly plan and complete capital maintenance projects for the buildings, land, and facilities owned by the Town of Madison and the Board of Education as needed while minimizing the need for the Town of Madison to incur debt to provide for necessary infrastructure. In the long term, projects will be paid for through savings in the Fund rather than with bond proceeds, which will require sufficient funds to be saved each year. The Board of Finance, in consultation with the Board of Selectmen and the Board of Education, shall annually determine the appropriate base level of annual contribution that is needed to assure the Fund will continue to support current and long-term capital maintenance project needs. The “Request for Appropriation from the Long Term Capital Maintenance Projects Fund” forms submitted to the JFPRC, the project priority list, projected projects lists and funding available will be reviewed to determine the base level of funding to be assigned in each fiscal year’s budget.

Projects approved by the JFPRC will be subject to the annual budget development process or the special appropriations process. The language of the referendum may include a provision for the cancellation of a project if a special timeline has not been met. The JFPRC shall recommend such language for consideration at the time that a project is presented. If bonding is necessary to provide funds for a proposed project either in whole or in part, approval for the project expenditure and the authorization to bond will be carried out in compliance with the Town of Madison Charter.

Termination of an Approved Project:

In accordance with CT State Statute Sec. 7-365, if through unforeseen circumstances, the start or completion of an approved project is not possible, the Board of Finance may recommend that action be taken by the legislative body to terminate the project. If the project was approved through referendum, the action to cancel said project must also be approved through referendum preferably at the annual budget referendum.

Grants and reimbursement payments from the State of Connecticut or other sources related to long-term capital maintenance projects funded through the Long Term Capital Maintenance Projects Fund will be deposited directly into the fund master account.

Background:

The Town of Madison operates significantly differently from most other local governments. In the forefront is a commitment to preserve and maintain the assets of the Town. Town assets are defined as school buildings, other town buildings and town owned land.

In most towns the maintenance and repair of school buildings is the responsibility of the Board of Education. Funds to accomplish this are included in the annual school-operating budget. In accordance with State statutes, school boards are not allowed to have a contingency fund.

Typically, they divert maintenance funds to meet unexpected expenses such as special-ed outplacements. Result: maintenance is postponed. Another provision of State law prohibits school boards from carrying forward money from year to year. This means they are unable to accrue enough money to pay for larger needs such as roof replacements. Eventually a crisis develops. The community goes the bonding route with added costs and interest expense.

In the mid 1990's the Town commissioned a local firm, then known as Facilities Resource Management, to study the assets of the Town, the organizational structure, and then to make recommendations. The report called for the consolidation of School and Town maintenance forces and the establishment of a town wide position of Facilities Manager. This was done. The lengthy report additionally detailed the work required in each facility with an estimated total cost of \$12 million.

In order to provide for a steady stream of money to address these needs, the Board of Finance set up the Long Term Capital Maintenance Fund. The phrase "long-term" is used to indicate that the maintenance work performed will have a long life, i.e. a boiler or roof, as contrasted with painting or carpeting.

Funding for the Long term Capital Maintenance Projects Fund began on June 30, 1996 with a special appropriation funded from year-end balances of the Board of Education in the amount of \$150,000. Additional funding in the form of special appropriations totaling \$4,033,040 continued through February 1999. The budget item in the Board of Education budget was moved to the Town budget and consolidated with the Town's appropriation. In order to fund the work as outlined in the Ten Year Plan, a minimum appropriation of \$980,000 was initiated with the goal of increasing the amount by three percent each year.

Revised by Board of Finance April 14, 2011

Revised by Board of Finance February 16, 2011

4.A Planned and Cycled Maintenance Fund

Purpose: To provide funding for planned and cycled maintenance requirements of the Town of Madison and Madison Public Schools. The repairs / maintenance projects shall be in support of all buildings owned by the Town of Madison.

Planned Maintenance items are generally limited to mechanical systems such as steam trap replacement, HVAC upgrades, repointing brick exteriors and classroom renovations. However, they may also include items such as pavement maintenance, fence repair and building shell maintenance such as doors and windows. Consideration may also be given to electrical and air quality upgrades.

Cycled Maintenance items include painting, both inside and outside, flooring replacement, ceiling replacement, lighting and roofing repairs.

Initial Appropriations: Funding from the Board of Education
Initial funding 2005-2006 \$220,000

Funding from the Town of Madison Budget
Initial funding 2005-2006 \$60,000

Administrative Procedures:

The responsibilities of the Joint Facilities Project Review Committee (Joint FPRC) would be expanded to include recommendations from the Board of Selectmen and Board of Education to provide funding for specific Planned and Cycled Maintenance projects.

The Joint FPRC will make the following determinations, applying established standards / criteria for project review:

- Assurance that the proposed project scope is consistent with the Planned and Cycled Maintenance guidelines
- Assign a priority status for each of the proposed projects
- Analysis of funding requirement for each project and review of the cash flow projections for anticipated future projects.

The Board of Selectmen and the Board of Education will be responsible for developing a reasonable five year plan for planned and cycled maintenance funding requirements that will be updated on an annual basis.

The Planned and Cycled Maintenance Fund is intended to be funded at a level sufficient to properly maintain the need for the Town of Madison and Madison Public Schools. The Board of Finance, in consultant with the Board of Selectmen and the Board of Education, shall determine a base level of funding to be maintained in the fund.

Projects approved by the Joint FPRC for Planned and Cycled Maintenance will be subject to the annual budget development process or the special appropriations process.

Approved: Board of Finance
June 15, 2005

4. B Responsibilities of the Joint Facilities Project Review Committee

The responsibilities of the Joint Facilities Project Review Committee (Joint FPRC) have been expanded to include review and make recommendations to the appropriate boards on space utilization requirements that may be targeted for the town of Madison and Madison Public Schools.

Approved: Board of Finance
September 17, 2008

5. Highway Equipment and Town Vehicle Fund

Purpose: To be used for the replacement of existing equipment, not the addition of new equipment. This shall not preclude the replacement of a particular piece of equipment for that of another type if the function will remain effectively the same. For purposes of this policy the

equipment shall be wheeled, motorized equipment used for the maintenance of roadways and grounds. An exception may be made for the purchase of mowing/grounds attachments.

Initial Appropriation: \$11,282 (actual as of 6/30/97)

Administrative Procedures: Expenditures out of fund must be requested by the Director of Public Works and approved by the Board of Selectmen.

Funding from this account may be used to provide vehicles (vans or trucks) for the shared Facilities Department. Appropriations from the Board of Education may be accepted in this fund.

Board of Finance action 2.21.07 to merge the Senior Bus Reserve Account with the Highway Equipment Account under the new name of Highway Equipment and Town Vehicle Account. \$18,997.93 transferred from Senior Bus Replacement

6. Major Roads Capital Fund

Purpose: To be used for major reconstruction of Town roads and associated infrastructure, including preliminary studies for planned projects. Funds shall not be used for normal surface maintenance such as pavement overlay or sealing. New improvements such as underground utilities; roadway widening or relocation beyond that are required by local, state or federal standards shall be funded as separate capital projects.

Initial Appropriation: \$672,161 (actual as of 6/30/97)

Administrative Procedures: Expenditures out of fund must be requested by the Director of Public Works and approved by the Board of Selectmen.

7. Technology Capital Projects Fund

Purpose: Funds will be used to purchase hardware, software and related professional support services for approved new or upgraded technology systems.

Initial Appropriation: \$91,651 (actual as of 6/30/97)

Administrative Procedures: Expenditures out of fund must be requested by the Director of Technology and approved by the Board of Selectmen.

8. Communications Fund (formerly Radio Equipment Fund)

Purpose: To provide funding for telecommunications and connectivity for all departments of public safety.

Initial Appropriation: The 2001-2002 Budget Request from the Police Department was reduced to \$50,000 and this amount was transferred to fund the new reserve.

Administrative Procedures: Expenditures out of fund must be requested by the Communications Strategic Planning Committee and approved by the Board of Selectmen.

Board of Finance action 2.12.07 to merge the Capital Project Reserve Funds for Radio Equipment and Communications under the Communications Fund.

Funding combined: Radio Reserve \$12,306.01 / Communications \$28,256.67

9. Police Vehicles

Purpose: Funds shall be used to replace patrol cars, required vehicle safety equipment for said vehicles and administrative vehicles.

Initial Appropriation: The 2002-2003 budget appropriated \$3,000.

Administrative Procedures: Expenditures out of fund must be requested by the Board of Police Commissioners and approved by the Board of Selectmen

10. Fire Protection Water Tanks

Purpose: Continuation of the current program to install firefighting water tanks in the non-hydrated areas of North Madison.

Initial Appropriation: The 2002-2003 budget appropriated \$10,000.

Administrative Procedures: Expenditures out of the fund must be requested by the North Madison Fire Department or the Director of Public Works and approved by the Board of Selectmen.

11. Town Fleet:

Purpose: To provide funding to maintain the required fleet of vehicles for various department heads as required to fulfill their job responsibilities.

Initial Appropriation: The 2002-2003 budget appropriated \$10,000.

Administrative Procedures: The Director of Public Works will request approval for the expenditure from the Board of Selectmen.

12. Bus Lease / Department of Senior Services / Merged with Highway Equipment

13. School Bus Parking Facility

Purpose: Reserve funds for design and construction of a School Bus Parking Facility.

Initial Appropriation: Town Meeting, April 6, 2005 appropriated \$500,000

Administrative Procedures: Expenditures out of fund shall be requested by the Director Public Works and approved by the Board of Selectmen. The Board of Selectmen will provide the Board of Finance with an estimated budget for expenditures from this account for its approval.

Sunset date: June 30, 2006

Approved: May 18, 2005

Amended: May 17, 2006

Revised Sunset date: June 30, 2007

Amended: May 23, 2007
Revised Sunset date: June 30, 2008
Revised Sunset date:

Appendix C. Revolving Account

- 1. Recreation Activities Account**
Sponsoring Commission: Beach & Recreation Commission
Seed amount: \$29,105
Date of origination: July 1992