



TOWN OF TRURO

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POLICY MEMORANDUM #42

Date: Adopted November 10, 2009; Revised March 9, 2021; rev 9/13/2022

**This policy was revised at the September 13, 2022 Select Board meeting solely to reflect the titles used in the Town Charter for the Town Manager and Select Board and to modify language to be gender neutral. No changes were made to the content of the Policy at that meeting.*

Subject: POLICIES REGARDING RESERVE FUND, FREE CASH, GENERAL STABILIZATION AND CAPITAL EXPENDITURES STABILIZATION FUNDS

Effective on the date above, the Select Board hereby adopts the following policies to guide appropriation to and use of the following funds:

Reserve Fund: Annually Town Meeting votes to fund a Reserve within the General Fund Operating Budget for the ensuing Fiscal Year. The purpose of this reserve is to provide funding to address any unanticipated, extraordinary and unforeseen expenditures that, due to the circumstances giving rise to the expenditure, require resolution prior to the next available Special or Annual Town Meeting. The Reserve Fund is administered by the Finance Committee who have sole discretion in determining the appropriateness of any request for transfer from the reserve. The desirable level of funding for the Reserve Fund is between one (1%) and three (3%) of the General Fund Operating Budget.

Free Cash: Free Cash is defined as the Town's remaining unrestricted funds available from operations in previous fiscal years, as certified by the Massachusetts Department of Revenue. The Town endeavors to maintain an ample Free Cash balance to provide sufficient financial flexibility and stability on an ongoing basis. Consequently, the Town is committed to utilizing a conservative approach in building its annual operating budget. The desirable available balance for free cash is no less than ten (10%) and not more than fifteen (15%) of the General Fund operating budget in any given year. Funds certified as Free Cash may be used within the operating budget to offset a given year's increased expenditures, to fund Capital projects or purchases and/or may be appropriated explicitly to reduce or stabilize the tax rate, at the recommendation of the Annual Town Meeting. Those funds not so expended may be appropriated to either the OPEB Trust Fund, Stabilization Fund or the Capital Expenditures Stabilization Fund as recommended by the Select Board to Town Meeting. The town shall endeavor to use no more than eighty-five percent (85%) of the Free Cash figure certified by the Massachusetts Department of Revenue in any year.

Stabilization Fund: The Stabilization Fund should be maintained at not less than 6-10% of the General Fund Operating Budget but should not exceed 15 % of the previous year's tax levy. The Select Board may recommend that Town Meeting transfer from Free Cash up to 2 ½ (two and one-half percent) of the prior year's levy to this fund.

Moneys from the Stabilization Fund may be used for unforeseen capital expenditures or to offset increased expenditures when the Select Board has made a declaration of unusually difficult economic conditions and has demonstrated that the expenditures are necessary for the continuing operation of the town.

Capital Expenditures Stabilization Fund: Moneys from the Capital Expenditures Stabilization Fund may be used only to meet future capital expenditures or extraordinary or emergency current capital expenditures necessary to acquire or replace capital assets. The expenditure of these funds shall require a declaration of extraordinary or emergency conditions by the Select Board. Capital assets are real assets with a minimum value of \$15,000.00. Some assets with a useful life of five years or more (such as personal computers) may be aggregated if they have a combined value of \$15,000 or more.



Kristen Reed



Robert Weinstein, Vice-Chair



John Dundas, Clerk



Susan Areson



Stephanie Rein
Select Board
Town of Truro