

To: Town Meeting Members
From: Finance Committee
Re: Reconciliation of Budgetary Fund Balances

The Town will benefit from an extraordinary amount of Budgetary Fund Balances, or "Free Cash", which will be available to fund items in this year's Warrant. Among the reasons for the unusually high amounts of Free Cash were strong new growth and a one-time recovery of personal property taxes. In addition to these funds, the Town will benefit from a large, unencumbered balance in the Reserve Fund, due in large part to the mild winter we have experienced. Since these proceeds will impact a number of separate Warrant articles, both in this and the Special Town Meeting which will convene on May 14th, we thought that it would be helpful to provide an overview of how the Finance Committee recommends that those funds be allocated.

The guiding principle which we followed in our deliberations was that extraordinary receipts not be used to fund normal operating expenses. Nonetheless, our budgetary process is such that some basic level of Free Cash is customarily generated every year. Consequently, it has been our practice to incorporate some Free Cash into the Operating Budget. Specifically, the practice is that not more than 2% of the adjusted operating budget for the prior fiscal year (in this case FY 2011) or the actual turn back for that fiscal year, whichever is less, should be used for operating expenses in the next fiscal year (in this case FY 2013). Based on this, \$1,346,989 of the "certified" Free Cash balance of \$5,366,720 was available for this year's operating budget. The balance, or \$4,019,731, was available to appropriate for Cash Capital and reserve fund items. In addition, we project that the balance in the Reserve Fund will be approximately \$880,000.

In recommending the appropriation of these monies, we emphasized allocations to the specialty stabilization reserve funds, such as the Capital Improvement and Capital Facilities Funds, the CIF and CFF, respectively. The purpose of the CIF is to reserve funds for the acquisition and/or the replacement of capital equipment, and/or to make building improvements with an aggregate cost of less than \$250,000. The purpose of the CFF is to reserve funds for design, maintenance, renovation or reconstruction relating to the structural integrity, building envelope or mechanical/ electric or plumbing systems of existing capital facilities that are under the jurisdiction of the Town manager. These Funds are intended to be used only when cash or debt funding sources for the expenditure in question are otherwise unavailable.

The attached sheet documents the allocations that we are recommending, first for the Free Cash and then for the anticipated unencumbered balance of the Reserve Fund. Our goal was to achieve a comparable level of funding for the specialty stabilization funds relative to the proposed target funding levels for each fund. In as much as the Athletic Facility Improvement Fund, if approved, will be in its first year, its funding level will lag behind that of the other funds.

Because the funding will be a two step process, involving articles in both the Annual and Special Town Meetings, this will require action at both meetings.

	Free Cash	Fund	Fund	% of Target
	Balance	Target	Balance	Funded
			After Approp.	After Approp.
Free Cash Certified for Appropriation in FY 2013	5,366,720			
Annual TM Article 10 FY13 Operating Budget	\$ 1,346,989	\$ 4,019,731		
Annual TM Article 30 General Fund Cash Capital	\$ 2,631,633	\$ 1,388,098		
Annual TM Article 32 Fire Ladder Truck	\$ 750,000	\$ 638,098		
Annual TM Article 34 DPW Complex Renovation	\$ 40,000	\$ 598,098	\$ 701,000	70%
Annual TM Article 38 Workers Comp Reserve Fund	\$ 125,000	\$ 473,098	\$ 282,728	31%
Annual TM Article 39 Athletic Facility Fund	\$ 282,728	\$ 190,370	\$ 611,688	82%
Annual TM Article 40 Capital Improvement Fund	\$ 50,000	\$ 140,370	\$ 874,487	58%
Annual TM Article 41 Capital Facility Fund	\$ 140,370	\$ -		
TOTAL	\$ 5,366,720			

	Reserve Fund	Fund	Fund	% of Target
	Balance	Target	Balance	Funded
Reserve Fund FY2102 projected balance	880,000			
DPW DeFazio Parking Improvements	\$ 150,000	\$ 730,000		
Minuteman School Capital Assessment	\$ 30,352	\$ 699,648		
STM Article 10 Workers Comp Res Fund	\$ 200,000	\$ 499,648	\$ 901,000	90%
STM Article 11 Capital Improvement Fund	\$ 35,000	\$ 464,648	\$ 646,688	86%
STM Article 12 Capital Facility Fund	\$ 415,000	\$ 49,648	\$ 1,289,487	86%
TOTAL	\$ 830,352			