



Town of Topsfield Finance Committee

Reserve and Capital Policies

Introduction

Policies of the Topsfield Finance Committee relative to reserves and capital expenditures follow.

These policies are designed to contribute to the maintenance of stable local taxation, the continuation of Town services and the protection and preservation of Town property.

Further, they are intended as guidelines and goals for the present and future Town Finance Committees. At the discretion of any sitting Finance Committee, these policies may be modified or actions taken in variance with them, based upon economic conditions or other factors related to Town financial conditions. All modifications of, or variances from these policies should be detailed in the annual Finance Committee letter to the Town.

March 24th, 2010

- ⇒ Free Cash may be used to maintain positive cash flow, avoid temporary borrowing and be available for unanticipated revenue shortfalls. The Free Cash balanced should be maintained at a minimum of \$600,000 at the commencement of each Fiscal Year.
- ⇒ The Reserve Fund may be used to provide for extraordinary or unforeseen expenditures. These include urgent or unforeseen expenditures that could not have been anticipated before Town Meeting, and/or in the event of an emergency threat to public health or safety when the delay of calling a special Town Meeting could be harmful. The Reserve Fund should be established annually having considered, among other relevant factors, the prior five (5) fiscal years approved Reserve Fund Transfers.
- ⇒ The Stabilization Fund is a Town special reserve account. Stabilization Fund monies may be appropriated for any municipal purpose, and cannot be earmarked. The Stabilization Fund should be maintained at minimum of \$1,000,000 with a minimum annual contribution of \$10,000. When circumstances allow, the Finance Committee should recommend the establishment of a Special Purpose Stabilization Fund to Town Meeting to enable funding for long term capital planning.
- ⇒ A minimum of \$100,000 excess Levy Capacity should be maintained annually.
- ⇒ Unused funds appropriated by Warrant Article at Town Meeting should be transferred or otherwise utilized within three years from Town Meeting approval.
- ⇒ Revolving Funds are used by certain Town departments to support the services or programs of those respective departments. Balances of Revolving Funds should be monitored annually to prevent excess accumulation. Scrutiny should be given to the initiation of new Revolving Funds, as other methods are deemed preferable.
- ⇒ The acquisition of capital items may be funded by an appropriation to raise and assess taxes, from Free Cash, or from the Stabilization Fund. When utilizing the Stabilization Fund for this purpose, care should be taken that an adequate funding level is maintained. The creation of a Special Purpose Stabilization Fund for significant capital purchases should be considered. When fiscal conditions allow, a regular program of capital improvements should be implemented and maintained.