



POLICY

2013-05

TO: Selectboard
FROM: Brian M. Palaia, Town Manager
RE: Undesignated Fund Balance Policy 2013-05, the 5th Policy of 2013
DATED: October 28th, 2013
EFFECTIVE DATE: Immediately

UNDESIGNATED FUND BALANCE POLICY Town of Milton

PURPOSE. The purpose of this policy is to establish guidelines for preserving an adequate Undesignated Fund Balance in order to sustain financial stability for the Town and to provide for prudent management of the Town's financial reserves. The Town's Undesignated Fund Balance is a surplus of funds that have accrued from unexpended operating budgets and unanticipated excess revenues.

The Undesignated Fund Balance provides the Town with a "rainy day" fund for use in unforeseen, unbudgeted situations, such as rapidly declining real estate values and tax collection rates; the loss of a major taxpayer; sudden changes in revenues or spending requirements imposed by the state or federal government, or unplanned litigation.

The Town of Milton therefore recognizes the importance of maintaining an appropriate level of Undesignated Fund Balance. After evaluating the Town's operating characteristics, diversity of tax base, reliability of non-property tax sources, working capital needs, state and local economic outlooks, and other contingent uses, the Town establishes the following goals regarding the Undesignated Fund Balance.

PROCEDURE. The minimum fund balance that the Town strives to maintain as undesignated is an amount equal 7.5% of the current general fund budget. The calculation will be based on the Undesignated Fund Balance number as reported in the Town's audited June 30 fiscal year-end financial report.

Once the Town achieves its minimum Undesignated Fund Balance goal, any excess funds may be utilized for other municipal fiscal purposes including, without limitation, additional capital improvement needs or debt reduction purposes. So as to avoid the excessive accumulation of Undesignated Fund Balance, the Town Manager and Selectboard will evaluate the Undesignated Fund Balance level so that it does not exceed 10% of the current general fund budget. The calculation will be based on the Undesignated Fund Balance number as reported in the Town's audited June 30 fiscal year-end financial report. Should the Undesignated Fund Balance exceed 10%, the Town Manager will make a

recommendation to the Selectboard to designate excess funds for specific purposes and transfers to other funds, including but not limited to the following in no priority order:

- Capital Reserve;
- Road and Sidewalk Reserve;
- Fire and Rescue Reserve;
- Emergency Management Reserve;
- Healthcare Stabilization Fund;
- Debt Service Fund; or
- Other funds or reserves that may be created.

In accordance with prudent budgeting practices, the Undesignated Fund Balance will not be used on a routine or one-time basis to lower taxes or to offset normal operation expenditures, unless done as part of a planned drawdown with a minimum drawdown period of five years.

This policy has been adopted by the Town to recognize the financial importance of a stable and sufficient level of Undesignated Fund Balance. However, the Town reserves the right to appropriate funds from the Undesignated Fund Balance for emergencies and other requirements the Selectboard believe to be in the best interests of the Town.

ADOPTION. The Milton Selectboard, acting in regular session on **October 28, 2013**, voted in favor of the **Undesignated Fund Balance Policy**, as outlined herein as **Policy 2013-05**, hereby rescinding all previous versions (including but not limited to Policy 12-01). Further, that this referenced Policy shall be part of the permanent record of the attachment of the same to the Minutes of the aforementioned meeting.

Dated at Milton, Vermont this 28th day of October, 2013

MILTON SELECTBOARD

Darren Adams, Chairperson

John Gifford, Vice-Chairperson

Pam McKenna, Clerk

Louis Mossey III

John Bartlett

Filed with the Milton Town Clerk's Office this 5th day of November 2013

Attest: _____ Milton Assistant Town Clerk