

# TOWN of COLCHESTER

## Unassigned Fund Balance Policy

		POTENTIAL USES				REQUIRED ACTION TO USE	
		Supplemental Appropriation		Budget		Supplemental Appropriation	Budget
Cautionary Zone	<10%	Specific Urgent and Unexpected Situation as deemed by the Board of Finance.		N/A		Requires approval by 4 members of Board of Finance,  Board of Finance shall adopt a plan that will restore the dollars used to the Unassigned Fund Balance over no more than the next 3 fiscal years.	N/A
Confidence Zone	10% to 12%	Capital Projects	Should avoid bringing the Fund Balance below 10% <sup>1</sup>	N/A		Requires approval by 3 members of the Board of Finance.	N/A
High Confidence Zone	>12%	Repay Debt, If Permissible		The fund balance can be used for revenue in the next Fiscal Year Budget where temporary revenue shortfalls or temporary expense increases exist.	Should not bring the Unassigned Fund Balance below 12% <sup>2</sup>		Identify one time expenditure, expected temporary revenue reduction, or temporary expense increase to occur in next fiscal year.  Requires approval by 4 members of Board of Finance,  Board of Finance shall adopt a plan to restore to Unassigned Balance, the lesser of dollars used or 15%, over no more than the next 5 fiscal years.
		Other Designated Accounts					
		Other One Time Items	If the appropriation results in the fund balance falling below 10%, the Board of Finance shall adopt a plan to restore the Fund Balance to greater than 10%				
	>15%	The fund balance can be used for Capital Projects, Repaying Debt, Transfer to Other Designated Accounts, Other One Time Uses. or Budget Revenue in the next Fiscal Year Budget, without restriction, if the use does not bring the Unassigned Fund Balance below 15%. Any excess amounts that bring the Unassigned Fund Balance below 15%, would use the guidelines for the >12% levels.					

<sup>1</sup> Based on the current Adopted Budget

<sup>2</sup> Based on Proposed Budget

R. Tarlov's Draft suggestions, October 21, 2020 BOF Meeting