

# TOWN of COLCHESTER

## Unassigned Fund Balance Policy (Draft - 11/27/2020)

	POTENTIAL USES <sup>1</sup>		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 and Board of Selectmen		N/A	N/A
Confidence Zone 10% to 12%	Capital Projects	Should avoid bringing the Fund Balance below 10% <sup>2</sup>	N/A	N/A
	Repay Debt, If Permissible		Requires recommendation by the Board of Selectmen if it brings balance below 10%. Requires approval by a majority of the Board of Finance, but at least 3 members approving. If the appropriation results in the fund balance falling below 10%, the Board of Finance shall adopt a plan to restore the Unassigned Fund Balance to greater than 10% over no more than the next 2 fiscal years. <sup>1</sup>	
High Confidence Zone >12%	Transfer to Other Funds	below 10% <sup>2</sup>	The fund balance can be used for revenue in the next Fiscal Year Budget where temporary revenue shortfalls or temporary expense increases exist. (Mil Rate Relief)	Should not bring the Unassigned Fund Balance below 12% <sup>3</sup>
	Other One Time Items		Requires recommendation by the Board of Selectmen if it brings balance below 10%. Requires approval by a majority of the Board of Finance, but at least 3 members approving. If the appropriation results in the fund balance falling below 10%, the Board of Finance shall adopt a plan to restore the Unassigned Fund Balance to greater than 10% over no more than the next 2 fiscal years. <sup>1</sup>	Identify one time expenditure, expected temporary revenue reduction, or temporary expense increase to occur in next fiscal year. Requires approval by at least 4 members of the Board of Finance. Board of Finance shall adopt a plan to restore funds used to the Unassigned Balance over the next 5 fiscal years. <sup>1</sup>
>15%	<p>For Unassigned Fund Balance amounts above 15%, the Board of Selectmen and the Board of Finance shall identify for the taxpayers future purposes for this money rather than using it currently.</p> <p>The fund balance can be used for Capital Projects, Repaying Debt, Transfer to Other Fund Balances, Other One Time Uses or Budget Revenue in the next Fiscal Year Budget (Mil Rate Relief), without additional restriction beyond the normal process of using town funds if the use does not bring the Unassigned Fund Balance below 15%</p> <p>For amounts that bring the Unassigned Fund Balance below 15% (excess amounts), the guidelines for the 12% - 15% levels will apply for those excess amounts.</p>			

1. Declarations of an ongoing emergency by other government entities can allow the Town to create adjustments to the policy for uses of funds and planned restoration

2. Based on the current Adopted Budget.

3. Based on current Proposed Budget.