

TOWN of COLCHESTER

Unassigned Fund Balance Policy (Draft - with changes from 12/02/2020)

		POTENTIAL USES ¹		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	Requires recommendation by the Board of Selectmen. Requires approval by at least 4 members of Board of Finance. Board of Finance shall adopt a plan that will restore the dollars to Unassigned Fund Balance to 10% over the next 2 fiscal years. ¹	N/A
	Confidence Zone 10% to 12%	Capital Projects	Should avoid bringing the Fund Balance below 10% ²	N/A	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. ¹
Repay Debt, If Permissible		N/A		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. ¹	N/A
High Confidence Zone >12%	Transfer to Other Funds	below 10% ²	The fund balance can be used for revenue in the next Fiscal Year Budget. (Mil Rate Relief) ³	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. ¹	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.
	Other One Time Items		Cannot bring the Unassigned Fund Balance below 12% ²	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. ¹	Should the Unassigned Fund Balance fall below 12% on subsequent Town audits, the Board of Finance shall adopt a plan to restore funds used to bring the Unassigned Balance back to 12% over the next 3 fiscal years. ¹
>15%	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.				

¹. Declarations of an ongoing emergency by other government entities can allow the BOS and BOF to create adjustments to the policy for the use of funds and planned restoration schedules.

². Based on the Unassigned Fund Balance and Expenses shown in the last Fiscal Year Town audit.

³. Because use of funds in the current year budget could create a need to replace these funds in the next budget through a tax increase, consideration should be given to allow these funds to be used in a way to allow potential availability over multiple budget years.