

## Town of Sudbury

### Recommendations for the Use of Free Cash

Adopted by Finance Committee: 01/11/2016

This document sets forth the guidelines for the use of certified free cash for the Town of Sudbury. The amount of free cash available is certified by the Director of Accounts at the Massachusetts Department of Revenue's (DOR) Division of Local Services. Free cash is certified upon application by the Town after the end of the fiscal year (June 30).

To the extent the Town has certified free cash, the following guidelines should be adhered to:

- 1) The Town should maintain a level of unallocated free cash equal to at least one-half of one percent (1/2%) of the current year's operating budget. This reserve is to be used to the extent that there is a revenue shortfall in the current year's operating budget and can be used as an emergency revenue source with a majority vote at Town Meeting.
- 2) Excess free cash should be used to replenish the general stabilization fund to the extent that the fund balance is below five percent (5%) of projected general fund operating revenues for the next fiscal year. This will help us maintain our reserves within DOR guidelines. A transfer to the stabilization fund is subject to a 2/3 vote at Town Meeting.
- 3) To the extent there is surplus certified free cash remaining, the surplus may be used as voted on expenditures as voted by a majority at Town Meeting. However, use of free cash to fund shortfalls in the operating budget on an annual basis is generally discouraged.

These guidelines are to be reviewed by the Finance Committee on an annual basis and the committee may recommend changes as deemed necessary.