

Reserve Fund Transfer Guidelines

Adopted by Sudbury Finance Committee: 12/14/20

Finance Committee Reserve Fund Transfer Guidelines

According to the Finance Committee Handbook produced by the Association of Town Finance Committees (updated October 2017):

"The law (Chapter 40 Section 6 M.G.L.) allows towns to appropriate money — either at the annual or special town meeting — into a reserve fund “to provide for extraordinary or unforeseen expenditures.” DOR has expressed its opinion that reserve fund transfers are appropriate:

- to provide for urgent or unforeseen expenditures that could not have been anticipated before town meeting; and/or;
- to allow immediate expenditures of funds in the event of an emergency (threat to public safety or health) when the delay of having to call a special town meeting could be potentially harmful.

In either case, the finance committee must approve all proposed transfers from a reserve fund. It is also understood that a reserve fund should not be used to reverse a vote of town meeting or as a “backdoor means of increasing the budget.”

Further, the Association of Town Finance Committees suggests that finance committees, “adopt their own reserve fund guidelines to supplement the state statute and should help other town officials gain a better understanding of appropriate uses of a reserve fund.”

Therefore, the Finance Committee adopts the following guidelines pertaining to Reserve Fund Transfer Requests:

1. The Finance Committee will evaluate transfer requests in accordance with governing law and Department of Revenue opinion, as summarized above. All transfer requests must include an explanation from the Town Manager as to why the request meets the criteria for reserve fund transfer.
2. In order to ensure appropriate review consistent with Open Meeting Law requirements, all transfer requests must be submitted in writing to the Finance Committee at least 5 business days (excluding holidays) prior to the meeting when the request will be considered. Requests received less than 5 days prior to a meeting will be held and considered at a subsequent meeting, unless the Chair or Co-Chairs allow for an exception, which they may do in extenuating circumstances.

These guidelines will be reviewed annually and may be updated by majority vote of the Finance Committee.