

Free Cash

The accumulation and use of Free Cash, which is available undesignated fund balance of the General Fund, is an important component of the Town's overall financial management policies. These policies maintain the Town's ability to respond to emergencies, promote the stability of service levels and control the rate of tax levy change.

The undesignated fund balance may be appropriated in either of two forms: (1) for specific expenditures or (2) to reduce the tax levy that otherwise would be required. The available amount is calculated and certified each year by the Commonwealth's Department of Revenue based upon the balance sheet submitted by the Town.

The General Fund Balance, sometimes referred to as surplus or surplus revenue, is the amount by which cash and receivables exceed current liabilities and commitments. In a business sense, this might be thought of as liquidity. In a personal sense, it can be thought of as available savings—at least the

portion of savings that cannot be claimed by any other creditor and that is available without requiring the sale of property or other fixed assets.

It is customary for the Annual Town Meeting to allocate some portion of the General Fund Balance to the support of the ensuing year's expenditure plan. In some years these savings used are more than replenished from operations, while in other years the year-end return from unexpended appropriations and from revenues over estimates (if any) is insufficient to fully restore the Town's accumulated reserves. The sums voted by each annual Town Meeting for use in the ensuing fiscal period are deducted and reserved prior to each June 30 certification.

The Finance Committee's FY08 Budget Guideline plans for an allocation of \$500,000 (Article 13). The Committee annually reviews the Free Cash policy and has reaffirmed the commitment to keep the unused Free Cash Balance at or

above 5% of the total ensuing budget. This percentage of the budget is deemed to be a minimal level to enable the Town to cope with unexpected circumstances. As the Town has significant capital obligations looming with respect to the Concord-Carlisle High School, the Finance Committee has begun to discuss a strategy of designating a portion of the Free Cash balance in excess of the 5% floor as a long-term capital stabilization fund. This idea will be studied over the course of the next year.

Any favorable budget variances from current year operations (actual revenues in excess of the FY07 budget estimate, and/or any FY07 appropriations that remain unspent at year end) will become part of the June 30, 2007 Free Cash balance. This balance will be available to the next Annual Town Meeting in 2008 for allocation in support of future budgets. The results of current year operations are presently expected to restore the Free Cash balance proposed for allocation to the FY08 budget.

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Undesignated Fund Balance					
BALANCE			USED		
As of June 30	Certified	As % of next budget	Fiscal Year	To reduce tax rate	As percent of levy
2001	\$ 4,066,404	8.1%	2003	1,000,000	2.4%
2002	4,141,512	7.9%	2004	810,399	1.7%
2003	3,638,239	6.5%	2005	459,000	0.9%
2004	3,994,445	6.8%	2006	500,000	0.9%
2005	4,880,193	7.8%	2007	500,000	0.9%
			<i>proposed</i>		
2006	\$ 5,730,609	8.6%	2008	\$ 500,000	0.8%