

DRAFT 03-02-07  
Reserve Fund Presentation – Town Meeting 2007

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What is it?

"Rainy Day Reserve Fund" or "Budget Stabilization Reserve Fund" - not "tax stabilization" which is generally a term referring to municipal tax contracts with an individual landowner.

GOALS –

1. Promote long-term thinking about fiscal policy
2. Encourage accumulation of budgetary reserves during surplus years
3. Flexibility in addressing changing economic and fiscal circumstances
4. Best enable the town to absorb unexpected expenses without requiring deficit tax on subsequent years.

How it Works –

- ◆ Prohibit reserve withdrawal except for non-recurring uses.
- ◆ Funds may cover up to a maximum of 50% of a projected budget shortfall, if resulting from non-emergency expenses – the other 50% or more to be made up by current year budget cuts.
- ◆ Funds may cover up to 100% of a shortfall if caused by an emergency situation, unless grant eligible or potentially grant eligible to cover some or all of the costs.
- ◆ Reserve Goal = 5% of prior year's general revenue – some recommendations for states have been 10% to 15%, but since the property tax is a stable revenue source for the towns compared to the state's income and sales tax revenues, 5% should be acceptable for Richmond. General revenue is equal to the amount of current year property tax revenue plus any annual recurring revenues. (Example: With the FY2007 General Revenue = \$2,208,300, then the FY2008 Reserve Goal = \$110,415).
- ◆ "Super-majority" vote of Selectboard is required (4 in favor, instead of 3) to transfer Rainy Day Reserve funds to operating.
- ◆ 10.0% of the reserve maximum should be allocated annually until goal met with more funds in excess of 10% if there is a year end surplus. For FY08, the budget line for "Rainy Day Fund Reserve" would have been \$11,041, rounded up to \$11,100 for FY08 budgeting request to town voters.

Resources:

<http://www.cbpp.org/3-9-05sfp.htm> ; [http://resources.vlct.org/u/ga\\_03\\_11.pdf](http://resources.vlct.org/u/ga_03_11.pdf) ;

Examples: \$24,000 Deficit FY06 due to budgeting error/fuel costs; \$90,000 Dugway Slide FY06; \$60,000 Bridge Transfer Error FY02; \$30,000 Deficit FY03