

TOWN OF RICHMOND RESTRICTED AND UNRESTRICTED UNASSIGNED FUNDS POLICY

PURPOSE: The purpose of this policy is to establish guidelines for the management of any restricted or unrestricted unassigned funds.

Unassigned Funds increase when revenue is received in a Fiscal Year, and accumulated across fiscal years, as a result of either underspending the budgeted expenses, or receiving unbudgeted revenue within a fiscal year. Such an example is when FEMA money is received in a current year for unbudgeted expenses that occurred in prior years.

Unassigned Funds decrease either intentionally or unintentionally. An example of an intentional increase is when a budget is put in place that utilizes unassigned funds to reduce revenue required from property taxes. An example of unintentional expenses is when there is an unplanned event, such as a weather disaster, that triggers expenses not included in the budget.

Restricted unassigned funds pertain strictly to the **Highway Department** and cannot be used for any expenses that fall outside of the Highway Department.

Unrestricted unassigned funds pertain to **all non-Highway, and Highway Departments.**

AUTHORITY: The Selectboard has the authority to put forth a budget, to be voted on by the Town's people, that will utilize unassigned funds to reduce the amount of taxes required to support the expenses in the budget.

The Selectboard has the authority to approve the use of unassigned funds for items or services, in a current fiscal year, that were not voted on as part of the current fiscal Year Town budget.

SAFEGUARDING FUNDS: Unassigned funds cannot be intentionally increased by utilizing a specific budget line, or by intentionally raising more taxes than necessary to cover the budgeted expenses. Unassigned funds are not an actual fund, they exist only in the form of the cash that is in the bank. The unplanned or planned use of the unassigned funds should be monitored, along with the Town's banking account balances, as the current year and as an accumulation of years.

GUIDELINES: The guidelines for the use of assigned funds is ~~as follows:~~
Options/Philosophies

- **As a percentage** of the budget. ~~In my search on the internet, and~~ by recommendation of Rick Brigham from Sullivan & Powers ~~a few years ago, I found references that it is~~ suggested 15 – 18% of the budget ~~should~~ be maintained in unassigned funds, in addition to the reserve funds which have intended future purpose.

- **As a time frame of the budget.** ~~We can maintain~~ **Maintain** a specified number of months' ~~worth of the~~ **yearly** budget in unassigned funds. ~~A percentage of the budgeted expenses minus the non-tax revenue to be received makes more sense because the expenses and revenue do not happen evenly throughout the fiscal year.~~
- **As a flat dollar amount** not related to the budget. ~~A flat dollar amount put forth in a policy is risky because the budget fluctuates from year to year.~~
- **Use all** of the unassigned funds. ~~Some people feel we should not have any money in unassigned funds and all of it should be used to offset the next budget. This is a dangerous practice because we will always have unpredicted weather-related emergencies that require immediate cash to get roads, bridges, and culverts into passable conditions for traffic. If all the money is spent down then we will need to take loans and pay interest. The process for obtaining a loan can take weeks before the actual cash is received. If an emergency happens at the time of year when we have not collected the first tax payment that can cause delays which can cause a hardship for the people in Town.~~
- **Put unassigned funds from the previous year toward the next budget as an offset for the specific department that came in under budget.** ~~This does not account for the current fiscal year which could come in over or under budget. However, if it is a really big number due to vacancy savings, and you know there are still vacancy savings occurring in the current fiscal year, then it makes sense to put the vacancy savings back into the next budget. The downfall to putting it all back into the specific department budget is addressing the departments that go over budget.~~
- **Use none** of the unassigned funds. This theory relates more to the restricted unassigned funds. Most of that exists due to FEMA funds coming in years after the expense occurs. ~~We know we will have future weather events that will trigger unbudgeted expenses.~~ If all this money is left on hand, ~~then~~ it helps to cover expenses now ~~while we wait years for the money to be reimbursed IF it is reimbursable. To put this in policy restricts you from using the restricted unassigned funds to help with the cost of equipment required for the Highway Department. Being able to utilize the restricted unassigned funds can reduce the cost of interest related to loans and the amount of tax revenue required to pay for equipment.~~

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 Everyone has different philosophies on this topic. Three years ago we did start using unassigned unrestricted funds to offset the budget. We have not started using restricted unassigned funds mainly because we knew we had some big expenses coming up related to a weather event that did expensive damage to a road.

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