

MEMO

Date: April 27, 2021

To: Matthew Sturgis, Town Manager

From: John Quartararo, Finance Director

Re: Fund Balance Policy Update

CC: Debra Lane, Town Clerk



Included with this memo are the following files:

1. Policy Fund Balance – Draft 04272021 – Redline and
2. Policy Fund Balance – Draft 04272021.

This is the first redrafting of the fund balance policy since its adoption in August 2011. Given our experience during the COVID pandemic, this policy update intends to assure that should there be a future emergency the Town will have sufficient resources to weather the situation. We were fortunate in that we did not experience a disruption to our revenue stream unlike municipalities across the country. In the future, we may not be as fortunate.

The policy updates the following items:

1. The target for the municipal unassigned fund balance is increased from 8.33% to 12.5% of the most recent fiscal year's operating revenues;
2. 8.33% equals an average of one month of operating revenue, while 12.5% equal an average of one and a half months operating revenue;
3. Updates the verbiage to include "most recent fiscal year's" revenue rather than operating revenues.
4. Note that the Town Council has the authority to supplementally appropriate excess funds after the start of the fiscal year.
5. The changes in items 3 and 4 are included in the Museum at Portland Head Light section. No other change was made in the target balance amount for the Museum.

The redline document shows where changes were made from the original policy to the proposed policy, and the second document is the final, policy statement with the proposed changes completed.