David Campo

From:	JOHN SHEEHAN <sheehanjw@sbcglobal.net>
Sent:	Friday, May 22, 2020 1:43 PM
To:	David Campo
Cc:	Ronald Fedor; Maryellen McConnell; Kimberly Allen
Subject:	Back up Material for Transfer to Undesignated Fund Balance CNR
Attachments:	Fund Balance Est 043020.pdf; Fund Balance Policy November 2015.pdf

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Dave - Since there does not appear to be any backup for the BOF Request to Transfer $1 million from the Unassigned Fund Balance of the General Fund to the Undesignated Fund Balance of the Capital Non Recurring Expenditure (CNR) Fund I offer this material and, as an individual member of the BOF, my reasoning for approving this request.

1. According to the latest Unassigned Fund Balance Status report as of April 30, 2020 the estimated Ending Unassigned Fund Balance on June 30, 2020 is $17,452,102.
2. According to the BOF Fund Balance Policy, "The Town will maintain an unassigned fund balance as of June 30th of each year between 10% and 13% of the subsequent fiscal year's budgeted General Fund Revenue." This generally means that the unassigned fund balance should be between 10% and 13% of the approved budget for the coming fiscal year.
3. The approved budget for FY2021 is $95,978,230. Ten percent of that is $9,597,823 and thirteen percent of that is $12,477,170.
4. Transferring $1 million from the unassigned fund balance to the Undesignated Balance of the CNR would reduce that balance to $16,452,102. This is well above the thirteen percent higher range.
5. After restoring the $100,883 of the Undesignated Fund Balance to the Municipal Complex line, the CNR Undesignated Fund Balance is $53,686.59. The recommended $1 million will provide additional funds for any Capital Projects that may be proposed in FY2021. These funds have already been provided by the taxpayers in the past and do not impact any FY2021 taxes. It may also save future taxpayers if the projects are funded from the Undesignated Fund Balance rather than future tax levies.

It is my hope that the Representative Town Meeting will agree with my analysis and approve the transfer.

Bill Sheehan

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To: Board of Finance Members

From: Town Accountant

Date: May 13, 2020

Subject: Status of General Fund Unassigned Balance

Unassigned Fund Balance:

Unassigned balance 06/30/19	16,781,193
Projected revenues in excess of (less than) budgeted through 04/30/20	670,909
Estimated Ending Unassigned Balance	17,452,102

TOWN OF WATERFORD

FUND BALANCE POLICY

OBJECTIVE

The Town of Waterford feels it necessary to maintain an adequate unrestricted fund balance in the General Fund to provide for a sound financial base for current and future budgets as well as mitigating risks such as revenue shortfalls or unexpected expenditures. An adequate level of unrestricted fund balance will also assist the Town in maintaining its bond rating.

DISCUSSION

Waterford recognizes the new Fund Balance components below in accordance with Government Accounting Standards Board (GASB) Pronouncement #54

- **Non Spendable Fund Balance** – Amounts that cannot be spent because they are either:
  - Not in a spendable form such as long-term receivables, inventory, or prepaid expenses
  - Legally or contractually required to be maintained intact, such as an endowment fund
- **Restricted Fund Balance** – Amounts that have legally enforceable constraints placed on their use by external parties or external laws and regulations.
- **Committed Fund Balance** – Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's *highest level of decision-making authority (RTM)*
- **Assigned Fund Balance** – Amounts intended to be used for specific purposes, but are neither restricted nor committed
- **Unassigned Fund Balance** – Amounts that do not fall within any other classification.

POLICY

The Town will maintain an unassigned fund balance as of June 30th of each year between 10% and 13% of the subsequent fiscal year's budgeted General Fund revenue.

The use of General Fund Unassigned Fund balance in excess of the maximum level shall be limited to one-time, non-recurring purposes. Examples include Capital Projects, transfer to Capital Non-recurring fund, emergency/storm response, debt service mitigation, land acquisition, and other one-time, non-recurring uses determined to be in the best financial interest of the Town.

The General Fund Unassigned Fund Balance may be appropriated as authorized by the RTM, upon approval by the Board of Finance.

General Fund Unassigned Fund Balance in excess of the maximum level will not be allocated to ongoing operations to avoid a revenue gap in subsequent budget years.

For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly, unassigned fund balance.

If Unassigned Fund Balance falls below the minimum level, the Board of Finance will propose a plan to restore it to the minimum 10% level within three years..

EFFECTIVE DATE

Board of Finance approved this policy effective November 18, 2015.