

FINANCE COMMITTEE RESERVE FUND POLICY

PURPOSE

To ensure the Finance Committee's reserve fund is restricted to its appropriate purpose, this policy sets guidelines for requesting and making transfers from the fund.

APPLICABILITY

Applicable to the Finance Committee, Town Administrator, and Town Accountant, as well as to all town officials and employees with spending authority (referred to here as "department heads"), this policy pertains to all aspects of managing the Finance Committee's reserve fund.

POLICY

In accordance with state law, funds from the Finance Committee's reserve may be transferred to an departmental account for extraordinary or unforeseen expenditures. Generally, if a cost could have been anticipated through a diligent budget process, it does not qualify as unforeseen. Notwithstanding, budgets established by town meeting action sometimes contain errors, omissions, or estimates. Use of the reserve to address these occurrences may be approved if the amounts involved are small or if the issue would cause significant disruption in the provision of Town services. The Finance Committee will consider transfer requests prior to a scheduled special town meeting only if urgent action is required to maintain a town service or function.

Whenever reasonable, it is preferable to authorize changes to existing budgets through actions at regularly scheduled town meetings or via the Board of Selectmen's and Finance Committee's authority to approve line-item transfers at fiscal year-end under M.G.L. c. 44, § 33B. In no case will reserve transfers be used to void or bypass legitimate town meeting decisions. No transfer request will receive approval after July 15 for a prior fiscal year.

Monies may only be transferred from the reserve fund to other operating accounts. No direct expenditures may be made from the reserve fund at any time.

Although the finance committee has ultimate authority for determining the qualifying circumstances for a transfer, department heads must first submit reserve fund transfer requests to the Town Administrator so that officeholder can monitor the Town's overall budget status and potentially offer alternative solutions.

A. Appropriation to the Reserve

The Town will annually appropriate a sum to the reserve to cover extraordinary or unforeseen expenditures arising during the year that cannot be absorbed within departmental budget appropriations. The target appropriation range shall be between 0.5 and 1 percent of the general fund operating budget.

B. Transfer Requests

Department heads must manage operations without the expectation of receiving reserve transfers to fill shortfalls and therefore should request realistic appropriations for each upcoming year.

During the fiscal year, department heads must make their best efforts to stay within their budgets and employ their line-item transfer authority to avoid the need for any reserve fund transfer.

If, after consulting with the Town Accountant, a department head determines that a reserve transfer is needed, he or she will make the request by completing the form included in this manual's appendix and submitting it to the Town Accountant for review and feedback who then will forward it to the Town Administrator, along with any relevant supporting documents. Acting as point-person for the reserve requests, the Town Administrator will review and monitor their frequency and appropriateness. If a practical alternative solution for the request is not available, the Town Administrator will forward the request document(s) to the Finance Committee along with an action recommendation.

C. Finance Committee Decision

Upon receiving a transfer request from the Town Administrator, the Finance Committee Chair will include it as an agenda item at an official meeting of the committee. The relevant department head should attend the meeting to explain and defend the request. This will ensure the Committee's questions can be answered and prevent any delay of action.

Approval or denial will be decided by a majority vote of Finance Committee members in attendance at the meeting at which the vote is taken. To qualify for a reserve fund transfer, the following requirements must be met:

- The expense is legal.
- No other departmental funds are available.
- The purpose is not to augment salaries.
- A regularly scheduled town meeting is not forthcoming.
- Repetitive, annual reserve fund transfer requests for the same line item do not qualify as they cannot be considered either extraordinary or unforeseen.
- The Committee's consensus is that town meeting would approve the request.

The Finance Chair will note the result of the decision on the request form, sign it, and provide copies to the Town Administrator, Town Accountant, and requesting department head.

D. Disposition of Residual Balances

Any unexpended balance of a reserve fund transfer remains earmarked and shall not be used for another purpose. Any remaining reserve fund balance closes to free cash at fiscal year-end.

REFERENCES

[M.G.L. c. 40, § 6](#) [M.G.L. c. 30A, § 20](#) [M.G.L. c. 44, § 33B](#)

Division of Local Services (DLS) Guidance: [Guide to Financial Management for Town Officials \(p.30\)](#) and [City, Town and District Reserves](#)

EFFECTIVE DATE

This policy was adopted on March 21, 2018

REQUEST FOR TRANSFER FROM THE RESERVE FUND

Town of Sandisfield, MA

The undersigned requests a transfer from the reserve fund in accordance with M.G.L. c 40, § 6.

Amount requested: _____

Name of appropriation to receive the transfer: _____

Appropriation account number: _____ Appropriation current balance: _____

Specific purpose of the transfer: _____

This expenditure is unforeseen or extraordinary for the following reason(s):

_____	_____	_____
Date	Requester Signature	Requester Title

_____	_____
Date	Town Accountant Signature

Town Administrator's recommended action: _____

_____	_____
Date	Town Administrator Signature

Action of the Finance Committee

Date of meeting: _____ Vote tally: Yes ____ No ____ Abstained ____

Approved transfer amount: _____

Finance Committee Chair Signature