

## **Board of Finance Fund Balance Committee**

### **Recommendation to Board of Finance: September 2, 2014**

The Board of Finance Fund Balance Committee (FBC) has been meeting for a little over a year to make a recommendation to the Board of Finance of what the Town of Fairfield's Fund Balance Policy should be. The FBC consists of James F. Walsh, Mary LeClerc and Catherine Albin. After numerous meetings, review of credit agency requirements, review of numerous fund balance policies from other communities, review of fund balance levels for Towns and Cities throughout Connecticut and the current level of fund balance for the Town of Fairfield, the committee unanimously voted recommendations out of our committee to the full Board of Finance. It should be noted that the FBC did not write a formal policy yet as it wanted the full input of the Board of Finance and a vote on the parameters of such a policy before it spent its time drafting a formal policy to be adopted as a Resolution by the Board of Finance. The recommendations of the various parameters of a proposed Fund Balance Policy are below:

1. The Unassigned Fund Balance (Fund Balance) of the Town of Fairfield should be within a range of 8% (Floor) and 11% (Ceiling).
2. Since the Town has not achieved this minimum Floor level of Fund Balance, a time frame should be established to achieve it by the Board of Finance that is reasonable to the taxpayer. The process to achieve our goal of should be a two-step process:
  - a. First, the Board should establish a time frame to hit the minimum floor and make annual contributions over that time frame to hit that target; and,
  - b. Second, the Fund Balance should have a percentage increase in it every year based on percentage increase in the expenditure budget in order fo it to be maintained on a yearly basis.
3. In the event the fund balance is greater than eleven percent (11%) at the end of any fiscal year, the excess may be used in one or a combination of the following ways as recommended by the Board of Selectman, but approved by the Board of Finance in their sole discretion:
  - a. Transfer such excess to the Debt Service Fund for future debt payments.
  - b. Transfer such excess to the Capital or Nonrecurring Fund for future capital projects.
  - c. Use directly to reduce the tax rate in the subsequent year provided that care is taken to avoid a major fluctuation in the tax rate in succeeding years.
4. The Fund Balance should be monitored by the Board of Finance in the following ways:

- a. If the Fund Balance goes below the proposed floor of 8%, the Board of Finance needs to be advised of this fact at its next scheduled meeting;
- b. The Board of Finance will receive a report on the Fund Balance yearly at its Fourth Quarter Review Meeting; and
- c. Every three years the FBC will re-convene in order to determine whether our Fund Balance Policy needs to be updated.