



TOWN OF TYNGSBOROUGH

Town Offices
25 Bryants Lane
Tyngsborough, MA 01879
Tel: (978) 649-2300 Ext. 100 | Fax: (978) 649-2320

REPORT OF THE FREE CASH POLICY SUBCOMMITTEE

OCTOBER 2, 2013



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To the Board of Selectmen:

Introduction (purpose & process)

The Free Cash Policy Subcommittee was established by the Board of Selectmen to recommend a policy regarding the use of Free Cash for review and consideration by the Board of Selectmen. The Committee was made up of the following members: Karyn Puleo on behalf of the Board of Selectmen, Robert Mullin on behalf of the Finance Committee, and Herbert Desrosiers on behalf of the School Committee.

Identification of priorities to fund and why

Over the past five years, the Town has utilized Free Cash to sustain the annual operating budget (see attachment #1). Given the fluctuation in the amount of available Free Cash from year-to-year, the Committee believes that the use of Free Cash should be prioritized towards funding expenses other than the operating budget.

Additionally, the Committee reviewed the status of the following funds: stabilization, capital asset stabilization, Other Post Employment Benefits, and sick/vacation buyback. Maintaining a healthy balance within these funds is critical because they provide a reserve to offset deficiencies in the annual operating budget, fund unanticipated capital needs, and fund short- and long-term employee benefit obligations.

The balances in these funds are as follows: stabilization, balance of \$772,535; capital asset stabilization, balance of \$164,601; Other Post Employment Benefit, balance of \$40,000; and sick/vacation buyback, balance of \$0.





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Recommendation

The Subcommittee recommends, after the appropriation of Free Cash to reimburse the School Department for annual Medicaid expenses, Free Cash be allocated to the following funds within the following percentage ranges:

Fund	Purpose	Desired amount or liability	Recommended Funding as percent of Free Cash (after Medicaid)
Stabilization	Sustain operations during the worst budget years; "rainy day" fund	5%-15%	7.5% - 20%
Capital Asset Stabilization	Make capital purchases or offset debt for capital purchases	\$200,000 annually	7.5% - 20%
Other Post Employment Benefits	Pay for long-term retiree health insurance	\$17 million liability	3% - 15%
Sick/vacation buyback	End-of-employment obligations per statute or contract	\$294,000	3% - 15%

A detailed chart with examples is attached (see attachment #2).

Conclusion

The Subcommittee believes that by allocating funds to the four identified categories, the Town will both reduce its reliance on Free Cash to fund operations and begin to more aggressively build up important reserve / liability funds, resulting in improved financial health in the long-term.

This plan was approved by the Free Cash Policy Subcommittee on October 2, 2013:


Karyn Puleo
Selectwoman


Robert Mullin
Finance Committee Member


Herbert Desrosiers
School Committee Member

cc: Finance Committee
School Committee



TOWN OF TYNGSBOROUGH
USE OF FREE CASH

FY09		AVAILABLE FUNDS AS OF JULY 1, 2008				Certified by Mass DOR - Director of Accounts		528,875.00
RECAP	DATE OF VOTE	MTG	EFFECTIVE DATE	FY	ART	DESIGNATION/PURPOSE	AMOUNT	
RECAP FY10	02/10/09	STM	02/10/09	FY 9	ART 1	TO FUND VETERANS' BENEFITS	(80,000.00)	
RECAP FY10	02/10/09	STM	02/10/09	FY 9	ART 1	ASSESSORS RECLASSIFICATION	(52,500.00)	
RECAP FY10	02/10/09	STM	02/10/09	FY 9	ART 2	CAPITAL ASSET STABILIZATION	(200,000.00)	
RECAP FY10	02/10/09	STM	02/10/09	FY 9	ART 3	RESERVE FUND	(20,000.00)	
RECAP FY10	02/10/09	STM	02/10/09	FY 9	ART 4	TYNGSBOROUGH PUBLIC SCHOOLS	(44,212.00) (REPRESENTS MEDICAID REIMBURSEMENTS)	
RECAP FY10	02/10/09	STM	02/10/09	FY 9	ART 5	TYNGSBOROUGH PUB SCH - SCHOOL LUNCH FUND	(25,000.00)	
RECAP FY10	06/16/09	ATM	07/01/09	FY 10	ART 12	REDUCE THE TAX RATE	(100,000.00)	

7,163.00 BALANCE OF UNAPPROPRIATED FREE CASH
 NOTED ON THE FY10 RECAP

FY10		AVAILABLE FUNDS AS OF JULY 1, 2009				Certified by Mass DOR - Director of Accounts		538,819.00
RECAP	DATE OF VOTE	MTG	EFFECTIVE DATE	FY	ART	DESIGNATION/PURPOSE	AMOUNT	
RECAP FY10	03/02/10	STM	03/02/10	FY 10	ART 3	CAP ASSET STABILIZATION	(228,100.00)	
RECAP FY10	03/02/10	STM	03/02/10	FY 10	ART 4	HIGHWAY CONSTRUCTION/MAINT SALARIES	(27,750.00)	
RECAP FY10	03/02/10	STM	03/02/10	FY 10	ART 5	TYNGSBOROUGH PUBLIC SCHOOLS	(107,103.00) (REPRESENTS MEDICAID REIMBURSEMENTS)	
RECAP FY10	03/02/10	STM	03/02/10	FY 10	ART 9	TO FUND STREET LIGHTING CONSULTING AGREEMENT	(7,318.00)	
RECAP FY10	05/18/10	ATM	05/18/10	FY11	Art 1	TO FUND VETERANS' BENEFITS	(20,000.00)	
RECAP FY11	05/18/10	ATM	07/01/10	FY11	ART 14	2 HEAVY DUTY RIDE ON MOWERS - HGWAY	(18,000.00)	
RECAP FY11	05/18/10	ATM	07/01/10	FY11	ART 15	TYNGSBOROUGH PUB SCH - FLR SCRUBBER	(10,000.00)	

120,548.00 BALANCE OF UNAPPROPRIATED FREE CASH
 NOTED ON THE FY11 RECAP

TOWN OF TYNGSBOROUGH
USE OF FREE CASH

		<i>Certified by Mass DOR - Director of Accounts</i>					
FY11 AVAILABLE FUNDS AS OF JULY 1, 2010						974,424.00	
RECAP	DATE OF VOTE	MTG	EFFECTIVE DATE	FY	ART	DESIGNATION/PURPOSE	AMOUNT
RECAP FY11	11/16/10	STM	11/16/10	FY11	ART 2	STABILIZATION	(150,000.00)
RECAP FY11	11/16/10	STM	11/16/10	FY11	ART 3	CAP ASSET STABILIZATION	(200,000.00)
RECAP FY11	11/16/10	STM	11/16/10	FY11	ART 4	SNOW EXPENSE	(25,000.00)
RECAP FY11	11/16/10	STM	11/16/10	FY11	ART 5	STREET LIGHT ACQUISITION	(10,000.00)
RECAP FY11	11/16/10	STM	11/16/10	FY11	ART 7	TYNGSBOROUGH PUBLIC SCHOOLS	(83,060.00) (REPRESENTS MEDICAID REIMBURSEMENTS)
RECAP FY11	11/16/10	STM	11/16/10	FY11	ART 12	LAND TAKINGS - CEDAR STREET	(2,000.00)
RECAP FY11	11/16/10	STM	11/16/10	FY11	ART 13	CTD. ANALYSIS TOWN ROADS AND PARCELS	(4,500.00)
RECAP FY12	06/07/11	ATM	07/01/11	FY12	ART 6	REDUCE THE TAX RATE	(499,000.00)

864.00 BALANCE OF UNAPPROPRIATED FREE CASH
NOTED ON THE FY12 RECAP

		<i>Certified by Mass DOR - Director of Accounts (Dec, 2011)</i>					
FY12 AVAILABLE FUNDS AS OF JULY 1, 2011						783,855.00	
RECAP	DATE OF VOTE	MTG	EFFECTIVE DATE	FY	ART	DESIGNATION/PURPOSE	AMOUNT
RECAP FY12	02/15/12	STM	02/15/12	FY12		CAP ASSET STABILIZATION	(150,000.00)
RECAP FY12	02/15/12	STM	02/15/12	FY12		TYNGSBOROUGH PUBLIC SCHOOLS	(116,878.00) (REPRESENTS MEDICAID REIMBURSEMENTS)
RECAP FY13	05/15/12	ATM	07/01/12	FY13		REDUCE THE TAX RATE	(516,977.00)

- BALANCE OF UNAPPROPRIATED FREE CASH
NOTED ON THE FY13 RECAP

TOWN OF TYNGSBOROUGH
USE OF FREE CASH

FY13		AVAILABLE FUNDS AS OF JULY 1, 2012		Certified by Mass DOR - Director of Accounts (Oct. 2012)		694,466.00	
RECAP	DATE OF VOTE	MTG	EFFECTIVE DATE	FY	ART	DESIGNATION/PURPOSE	AMOUNT
RECAP FY13	10/16/12	STM	10/16/12	FY13	ART 2	TYNGSBOROUGH PUBLIC SCHOOLS	(117,440.00) (REPRESENTS MEDICAID REIMBURSEMENTS)
RECAP FY13	10/16/12	STM	10/16/12	FY13	ART 4	TYNGSBOROUGH PUBLIC SCHOOLS	(280,048.00)
RECAP FY13	10/16/12	STM	10/16/12	FY13	ART 5	COMPENSATED ABSENCE FUND	(25,000.00) GF- SICK TIME/VACA TIME BUYOUT
RECAP FY13	10/16/12	STM	10/16/12	FY13	ART 6	REVERSE 911 SYSTEM	(20,000.00)
RECAP FY13	10/16/12	STM	10/16/12	FY13	ART 7	BRUSH DEBRIS REMOVAL 10/30/11	(7,500.00)
RECAP FY13	10/16/12	STM	10/16/12	FY13	ART 8	REPLACE HWY DEPT SIGNS	(5,000.00)
RECAP FY13	10/16/12	STM	10/16/12	FY13	ART 9	BLD DEPT SOFTWARE	(10,000.00)
RECAP FY13	10/16/12	STM	10/16/12	FY13	ART 10	ENGINEERING & DOCS FOR ROAD ACCEPTANCE	(25,000.00)
RECAP FY13	10/16/12	STM	10/16/12	FY13	ART 11	RELOCATE & STORE TOWN HALL RECORDS	(5,000.00)
RECAP FY14	05/21/13	ATM	07/01/13	FY14	ART 7	REDUCE THE TAX RATE	(199,478.00)
							BALANCE OF UNAPPROPRIATED FREE CASH
							-
							TO BE NOTED ON THE FY14 RECAP

Free Cash Analysis Tool

Amount of Certified Free Cash		\$ 400,000.00
Less:		
Medicaid Reimbursement to Schools		(100,000.00)
Stabilization Fund	10%	(40,000.00)
Capital Asset Stabilization Fund	20%	(80,000.00)
Stabilization Fund	5%	(20,000.00)
Unfunded Benefits Fund	5%	(20,000.00)
Balance Available for use		<u>\$ 140,000.00</u>

