

From: Sandy Pooler, Finance Director  
 To: Town Meeting Members  
 Re: Articles 3 & 4, OPEB Funding and Stabilization Fund Transfer  
 Date: October 22, 2012

*Article 3. Other Post Employment Benefits (OPEB) Trust Fund*

After the 2012 Annual Town Meeting, the Legislature appropriated a higher State Aid amount than the Town had estimated. Town meeting passed a balanced budget that does not rely on this additional State Aid. It can now appropriate the additional State Aid to the OPEB Fund, which Town Meeting established in 2010 to set aside funds for the health insurance benefits of Town retirees. This would be the first appropriation of funds into the OPEB Trust Fund since the fund was established.

**Recommendation – Appropriate \$585,342 to the OPEB Fund.**

*Article 4. Transfer to Stabilization Fund*

The Town’s financial policy provides:

*Financial Policy B(3). Reserves, including the combined balance of Free Cash and Stabilization Fund, should be maintained at 5 – 15% of general fund operating revenues. The primary object of the Town’s reserve policy is to provide the Town the flexibility to sustain service levels despite the adverse financial impacts of economic downturns and unforeseen and extraordinary expenses.*

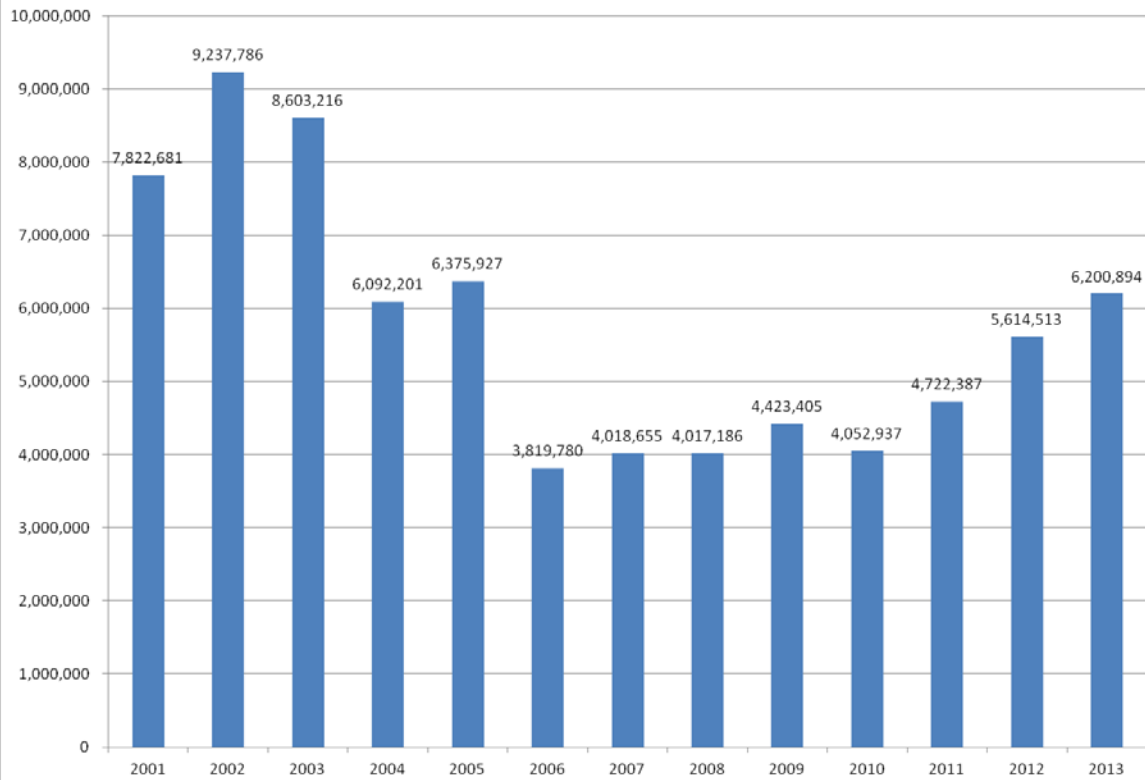
*Financial Policy B(3)(a). The Town will endeavor to maintain a certified Free Cash balance equal to at least 5% of general fund operating revenues. Unappropriated Free Cash in excess of the 5% benchmark may be appropriated to the Stabilization Fund in furtherance of the objectives outlines in paragraph b) of this policy.*

This article would transfer from Free Cash to the Stabilization Fund the amount of Free Cash that is in excess of 5% of the FY13 General Fund operating budget. Free Cash and Stabilization Funds would total 9.3% of the General Fund operating budget, near the mid-point of the financial policy goal.

**Recommendation – Transfer \$1,002,440 from Free Cash to the Stabilization Fund.**

FY13 General Fund Budget		Stabilization Fund		OPEB Fund current balance
\$66,481,225		\$1,874,393		\$0
DOR Certified Free Cash		Add \$1.0 million Free Cash		Proposed appropriation
\$4,326,501		\$2,876,833		\$585,342
5% of Budget		Stabilization as a % of budget		
\$3,324,061		4.3%		
Free Cash above 5%, transfer to Stabilization Fund		Free Cash plus Stabilization (Reserves)		
\$1,002,440		\$6,200,894		
Free Cash as a % of Budget		Reserves as a % of budget		
5.0%		9.3%		

### Free Cash and Stabilization Total Balances



### Reserve Funds' Sources

