

Town of Shirley
Finance Committee

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Policy on Reserve Fund Transfers- Approved 01/13/2015

Purpose: The purpose of this policy statement is to identify the criteria the Finance Committee will use to rule on requests for transfers from the Reserve Fund. The creation and use of the Reserve Fund is governed by Chapter 40, Section 6 of the Massachusetts General Laws.

The Reserve Fund is a sum of money appropriated at Town Meeting to be used at the discretion of the Finance Committee to cover “extraordinary or unforeseen expenditures” that arise during the year. This means that if the Finance Committee does not feel that a request is sufficiently unforeseen or extraordinary as defined below, it is not eligible for a Reserve Fund transfer.

Extraordinary: a) Beyond what is usual, ordinary, regular, or established; a cost not arising from normal activities in the course of business. b) Exceptional in character, amount, extent, degree, etc.; noteworthy, remarkable

Unforeseen: unexpected, unanticipated; not able to be predicted at the time the budget was set.

Policy:

- The Finance Committee requests that it be alerted when a board or department believes that a developing situation may necessitate a Reserve Fund transfer, especially for large amounts. This will help the Finance Committee to forecast overall needs, ensure funds are available for the most critical needs, and advise boards and departments in advance whether the Reserve Funds may or may not be available.
- A representative of the requesting organization should plan to be present at the meeting to defend and explain the request. This will ensure that questions from the Finance Committee can be answered and prevent a denial or delay of approval. If being present is a hardship, please contact a member of the Finance Committee to try and answer any questions in advance.
- Requests for Reserve Fund transfers should be submitted in a manner that allows for the Finance Committee to post a meeting agenda in compliance with Open Meeting Law to address the request. If there is an immediate emergency, the Finance Committee is allowed to convene an emergency meeting under Open Meeting Law.
- Massachusetts General Law strictly forbids expenditures in excess of appropriation (except for snow and ice removal). Therefore, departments should never incur expenses in excess of appropriation anticipating approval of a Reserve Fund transfer.
- The Finance Committee may require that the requesting department deplete other funds before the transfer request is considered.

- Reserve Fund transfers are intended to minimize the need for Special Town Meetings but are not intended to replace the Town Meeting. If a Town Meeting is held between the event prompting the transfer request and submission of the request, the committee will be justified in rejecting the request. In order to approve a transfer request, the Finance Committee should be of the opinion that the request would be approved by a Town Meeting.
- The Finance Committee cannot approve any Reserve Fund request for a purpose that Town Meeting has already voted against. In other words, the Finance Committee cannot “overrule” Town Meeting. The receiving account must not have had its appropriation level explicitly set by the Town Meeting at a level below the budget recommendation. Such action by the Town Meeting will be deemed as an indication to limit the respective account.
- If a budget line item in a department or special article requires multiple Reserve Fund transfers over several years, that department should increase the amount requested for its budget at the Annual Town Meeting. After several years of additional Reserve Funds needed, it may be difficult for the Finance Committee to consider another request for the same reason as “extraordinary or unforeseen”.
- The transfer request must be for a legal expenditure.
- No transfer request will be approved after July 15th (fifteen days after the end of the fiscal year for which the transfer would be effective).
- The total Reserve Fund recommended appropriation for any fiscal year may not exceed five percent of the tax levy for the pending fiscal year, based on recommendations by the Massachusetts Department of Revenue.
- No direct expenditures may be made from the Reserve Fund. Funds may only be transferred from the Reserve Fund to other operating accounts. A majority vote of the Finance Committee is required to approve such a transfer. For the purpose of this policy, this is defined as a majority of the committee members present at a posted, legal meeting of the Finance Committee.
- Reserve Fund transfer requests must be submitted using the **attached form**. The request should include three copies of the request form as well as any supporting documentation (an explanation of the expense, estimate of the cost, evidence of an emergency or extraordinary nature). Identify the “Source of Funds” as the Finance Committee Reserve Fund. Complete all sections of the form.

