

## **Manchester Essex Regional School District Reserve Policy**

### Policy Purposes and Scope

The Reserve policy is to provide guidance on the level of reserves to be maintained within each fiscal year. The School Committee's objective is to maintain adequate reserves to ensure operational stability, the District's ability to respond to unanticipated needs, and maintain good credit for the District. To achieve this, the School Committee shall seek to maintain a balance **of eight (8) percent of its annual operating and capital budget.**

### Definition of Reserves

The District's Reserves include the Excess and Deficiency Fund (E&D) and the Stabilization Fund.

#### Excess & Deficiency (E&D) Fund

Every regional school district shall maintain an excess and deficiency fund on its books of account. At the end of every fiscal year, any surplus or deficit in the district's general fund shall be closed to the excess and deficiency fund. On or before October 31 of each year, every regional school district shall submit to the Department of Revenue the forms and schedules as the Department of Revenue requires for the purpose of reviewing and certifying the balance in the regional school district's excess and deficiency fund.

The annual certification of E&D shall serve as the standard mechanism for reporting the E&D Fund balance. If the certified balance exceeds (5) five percent of the proposed budget, the regional school committee shall use the amount in excess of five percent as a revenue source for its proposed budget.

**Usage:** The School Committee will prioritize the use of E&D funds for capital or emergency needs, however, in extraordinary circumstances, the School Committee may consider using E&D Funds as additional revenue within a current fiscal year in order to cover unanticipated revenue shortfalls or to fund non-recurring or unforeseen operational expenditures that are deemed as either extraordinary or unavoidable. All use of E&D funds requires two-thirds vote of the School Committee.

#### General Stabilization Fund

The General Stabilization Fund was established, with the approval of Manchester and Essex Annual Town Meetings, in accordance with M.G.L. Chapter 71, Section 16G ½. The Stabilization Fund was created as a general-purpose Stabilization Fund.

Funds may be transferred into the General Stabilization Fund by two-thirds vote of the School Committee through the annual budget process or by budget amendment.

**Usage:** The General Stabilization Fund may be used for any purposes for which regional school districts may borrow money. In extraordinary circumstances, the Stabilization Fund may be considered as a funding source for operations. General Stabilization funds shall be appropriated by a two-thirds vote of the School Committee.

In the event total reserves exceed eight (8) percent, the School Committee may use Stabilization funds to offset the operating budget.

Through the Capital Planning Process, the School Committee may designate that a portion of the funds be used for large projects that may exceed the capital funding line item within the annual operating budget.

Legal References:

- M.G.L. 71:16B
- M.G.L. 71:16 B½
- M.G.L. 71:16 G½
- M.G.L. 40:5B
- 603 CMR 41.06
- 603 CMR 41.05

First Read - TBD

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