



Templeton Advisory Committee

General Stabilization Fund Policy

The Town of Templeton established the General Stabilization Fund to:

- **Provide a source of funding for significant, extraordinary, and unforeseen expenses.**
Without a General Stabilization Fund the Town would risk having to deal with a large single-year increase in the tax rate to generate enough revenue to cover the unanticipated expense.
- **Provide a mechanism for “stabilizing” the annual budget in the event that an economic downturn should severely depress property values resulting in a significant decrease in tax revenue.**
Again, without a General Stabilization Fund the Town would risk having to deal with a large single-year increase in the tax rate to generate enough revenue to “make up” the loss of tax revenue due to the erosion of the tax base. Alternatively, the Town could choose to make drastic reductions in Town services in order to avoid incurring expenses not covered by the available revenues.

In order for the General Stabilization Fund to be able to provide a reasonable “safety net”, it is critical that it be adequately funded. **The Advisory Committee believes that a prudent fiscal policy targets a General Stabilization Fund of 5% - 10% of the annual operating budget.**

The Town reaps two added financial benefits from the General Stabilization Fund:

- **Better interest rates on municipal borrowing**
The on-going commitment by the Town to have and maintain an adequate General Stabilization Fund is one of the criteria used by the investment community to determine the Town’s bond rating. A General Stabilization Fund that consistently does not meet the minimum level of 5% of operating budget would have a negative effect on the Town’s Bond Rating. A lower bond rating will result in the Town paying a higher rate of interest on any Municipal borrowing.
- **Interest Income on Fund balance**
The General Stabilization Fund is held in interest bearing accounts, or invested, and returns interest and/or dividend income to the Town.

Any disbursement from the General Stabilization Fund requires a two-thirds (2/3) vote of Town Meeting, rather than a simple majority.

The table on page 2 puts the General Stabilization Fund into perspective relative to the Town Budget. You will note that with additions to the Stabilization Fund from certified free cash in FY 2022 the stabilization fund will fall solidly within the 5-10% guidance set forth by the Advisory Committee.

REVISION HISTORY

REVISION NUMBER	AUTHOR	REVISION DATE	NEXT REVISION DUE
1	Matthew Rivard AC Chairperson	November 04, 2021	Three years from most recent revision date; or as needed for policy updates.



General Stabilization Fund Funding Proposal for FY2022 Operating Budget

Current Stabilization Fund Balance As of June 30, 2020	\$714,015.35
FY2021 Operating Budget	\$17,637,313.00
Fund Balance as % of FY2021 Operating Budget	4.05%
Current Stabilization Fund Balance As of June 30, 2021	\$968,401.86
FY2022 Projected Operating Budget	\$18,023,551.00
Fund Balance as % of FY2022 Operating Budget	5.37%
5% of Operating Budget – LOW STABILIZATION FUND TARGET	\$881,865.65
10% of Operating Budget – HIGH STABILIZATION FUND TARGET	\$1,802,335.10
Proposed Budget Consumption per Advisory Committee Recommendation	\$0.00
Percentage Increase	1.32%
Proposed New Stabilization Fund Balance	\$1,218,018.86
Fund Balance as % of Operating Budget	6.76%