



ARTICLE 19: Appropriation to General Stabilization Fund

Mr. Dahlberg moves that the Town transfer the sum of \$1,093,584 from the Certified Free Cash Balance as of July 1, 2024 to the General Stabilization Fund.



What are Stabilization Funds?

In Massachusetts, stabilization funds, also known as "rainy day funds," are reserve accounts that municipalities can establish to set aside money for unforeseen expenses or future capital projects, with a majority vote required to appropriate funds into the fund and a two-thirds vote to appropriate them out. Massachusetts communities are permitted by M.G.L. Chapter 40, Section 5B, to set aside money each year to be held in a Stabilization Fund.



General Stabilization Funds

Purpose: To provide financial resources for emergencies or unforeseen events that cannot be supported by current general fund appropriations. .

- **Fund Use:** While a general stabilization fund may be appropriated for any lawful purpose, withdrawals should be limited to provide emergency funds for use in a major or significant event, such as natural disaster, an uninsured loss, damage to a capital asset, or prolonged decrease in revenue.
- **Target Balance:** Community's target balance for a general stabilization fund varies by budget, experience, and other available reserves. A recommended goal is typically in the five to seven percent of the current operating budget range.
- **Bond Ratings:** Rating agencies like Mood's consider a municipality's reserves, including stabilization funds, when determining its bond rating, which impacts borrowing costs.



Options to Funding Stabilization Funds

- Communities fund stabilization funds by setting aside a portion of their annual budget, typically through a majority vote of the town meeting or city council, and appropriating funds up to 10% of the previous year's tax levy.
- Free Cash - Communities also have access to free cash, which are the remaining, unrestricted funds from operations of the previous fiscal year.



Funding from Free Cash

UFB (Free Cash) - Conservative Est.	\$ 10,400,000
FY25 Budget	\$ 138,108,501
Minimum UFB (free cash) Balance - 5%	\$ 6,905,425
Minimum UFB (free cash) Balance - 6%	\$ 8,286,510
Minimum UFB (free cash) Balance - 7%	\$ 9,667,595
UFB (Free Cash) - Gross	\$ 10,400,000
LESS: Annual Town Meeting 2025 Spending	
Article 10 - CPS Operating Budget fund for McKinney-Vento Homeless Transportation program	\$ 69,906
Art. 25 - Transfer of Peabody Middle School and Appropriate Funds	\$ 100,000
Art. 33 - MCI Concord - Planning	\$ 250,000
Total - Town Meeting 2025 Spending	\$ 419,906
UFB (Free Cash) - Net Total	\$ 9,980,094
Less: Minimum UFB (free cash) Balance - 6%	\$ 8,286,510
UFB (Free Cash) - Available for Stab. Funds	\$ 1,693,584
Capital Stabilization Funds	\$ 100,000
Debt Stabilization Fund	\$ 500,000
General Stabilization Fund	\$ 1,093,584



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