

**RAINY DAY RESERVE FUNDS POLICY
TOWN OF POMFRET, VERMONT**

Approved November 15, 2023

POLICY PURPOSE. The purposes of this Rainy Day Reserve Funds Policy are to maintain sufficient and immediately available funds necessary to:

- Meet budgetary spending, regardless of the timing of tax payments;
- Meet plausible but unanticipated spending occurring as a result of economic downturn, natural disaster, or similar circumstances beyond the Town's control;
- Reduce the need for short-term borrowing; and
- Maintain a stable Town tax rate.

POLICY OBJECTIVE. The objective of this Policy is to establish a formula for maintaining these rainy day reserves, and to ensure they are used consistent with the purposes for which they were established.

RESERVE FUNDS PURPOSE. On March 7, 2017, voters of the Town established (1) a "Town Rainy Day Reserve Fund" to cover unanticipated revenue shortfalls and to pay non-recurring and unanticipated town fund expenses and (2) a "Highway Rainy Day Reserve Fund" to cover unanticipated revenue shortfalls and to pay non-recurring and unanticipated highway fund expenses, each in accordance with 24 V.S.A. § 2804(a).

RESERVE FUND EXPENDITURES. All expenditures from the rainy day reserve funds shall require approval by a majority of Selectboard members at a duly warned meeting, upon a finding that such expenditure is consistent with the purpose of the applicable rainy day reserve fund and the purpose of this Policy. In accordance with 24 V.S.A. § 2804(a), expenditure of the rainy day reserve funds for any other purpose shall require the authorization of a majority of the voters present and voting at a duly warned annual or special town meeting.

RESERVE FUNDING FORMULA. The Selectboard will fund the rainy day reserve funds at the following levels:

- *Town Rainy Day Reserve Fund (No. 470).* One-sixth (i.e., two months) of the average actual annual expenditures from the Town Fund (No. 100) for the immediately preceding three fiscal years.

For example, actual annual expenditures from the Town Fund were \$435,949, \$466,779 and \$562,096 in Fiscal Years 2021, 2022 and 2023, respectively. As a result, the Town Rainy Day Reserve Fund should be funded at \$81,379 as of the beginning of Fiscal Year 2025.

- *Highway Rainy Day Reserve Fund (No. 475).* One-sixth (i.e., two months) of the average actual annual expenditures from the Highway Fund (No. 150) for the immediately preceding three fiscal years.

For example, actual annual expenditures from the Highway Fund were \$1,102,154, \$1,067,616 and \$1,209,605 in Fiscal Years 2021, 2022 and 2023, respectively. As a result, the Highway Rainy Day Reserve Fund should be funded at \$187,743 as of the beginning of Fiscal Year 2025.

RESERVE FUND TRANSACTIONS. If at the end of a fiscal year, the balance in the Town Fund or Highway Fund is negative, the Selectboard shall direct the Treasurer to transfer from the related rainy day reserve fund, as of the last day of such fiscal year, the amount necessary to zero the negative balance.

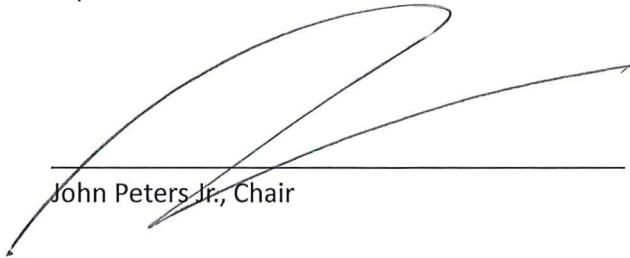
If at the end of a fiscal year, the balance in a rainy day reserve fund is less than 85% of the amount prescribed by the formula herein, the Selectboard shall include in the regular budget, or by separate article on the next annual town meeting warning, an appropriation necessary to replenish the deficient rainy day reserve fund.

If at the end of a fiscal year, the balance in a rainy day reserve fund is more than 115% of the amount prescribed by the formula herein, the Selectboard may include in the regular budget, or by separate article on the next annual town meeting warning, an appropriation up to such excess amount to any other purpose, including to reduce current taxes to be raised.

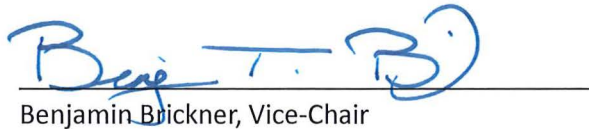
The Selectboard may decline to make a transfer or appropriation described in this Policy upon a finding that such transfer or appropriation would be inconsistent with the purpose of this Policy.

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APPROVED by the Selectboard this 15th day of November, 2023, and effective until amended or repealed.



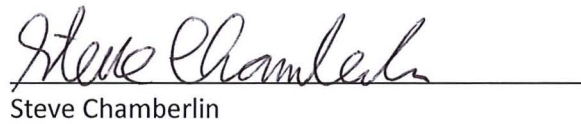
John Peters Jr., Chair



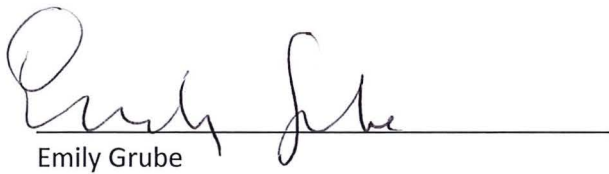
Benjamin Brickner, Vice-Chair



Meg Emmons



Steve Chamberlin



Emily Grube