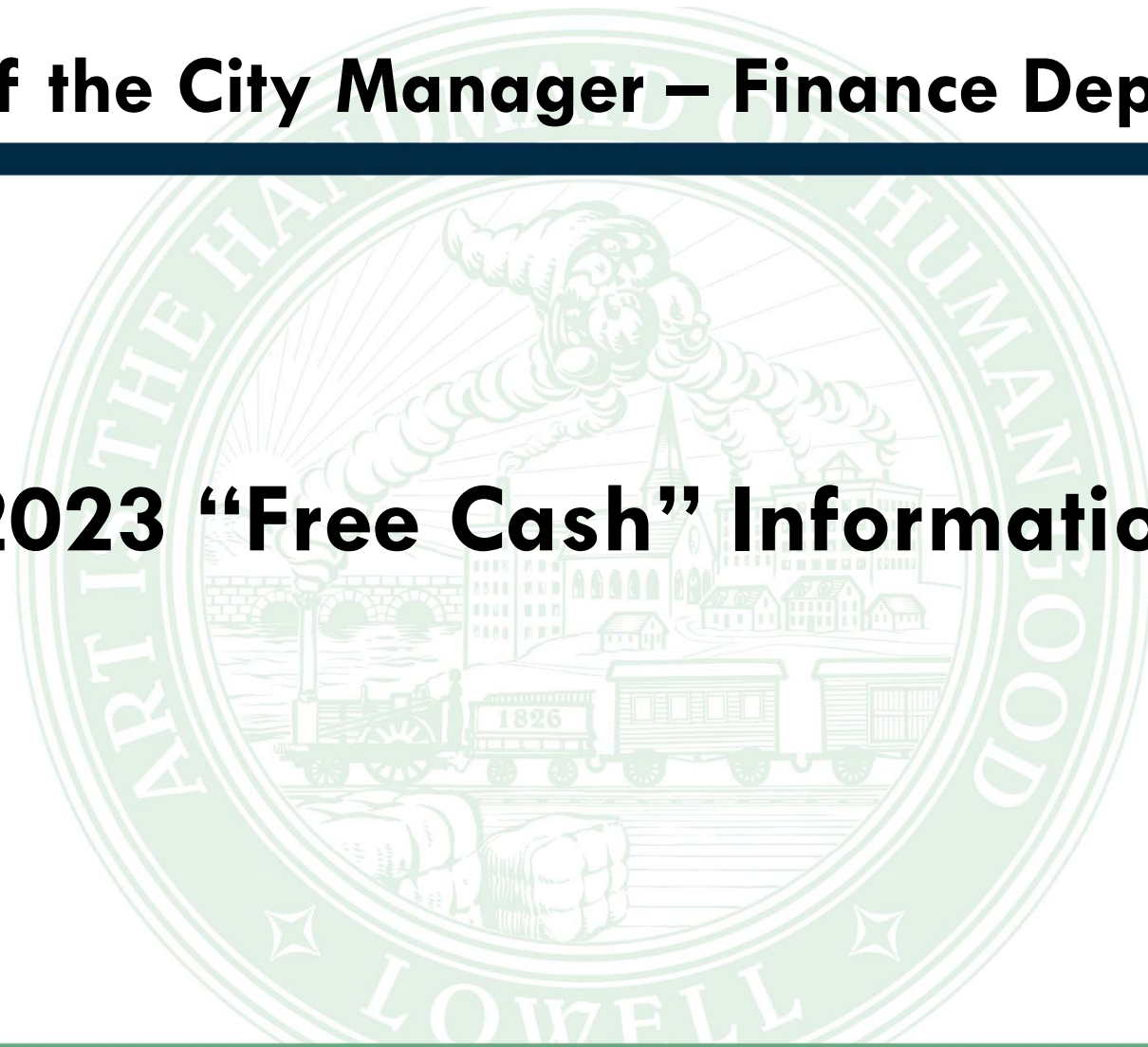


# Office of the City Manager – Finance Department

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## FY2023 “Free Cash” Informational



# Free Cash Certification - Background

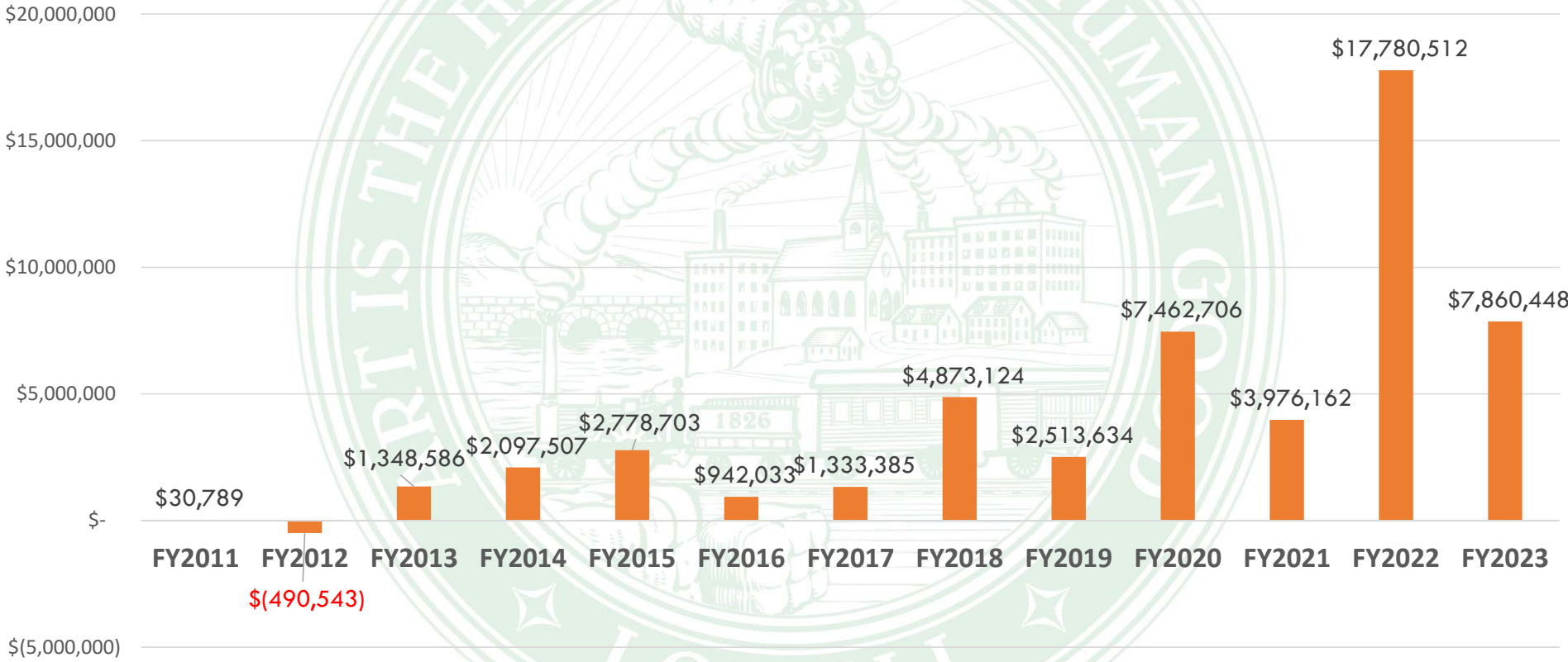
## What is “free cash”?

Free cash is a revenue source that results from the calculation, as of July 1, of a municipality's remaining, unrestricted funds from its operations of the previous fiscal year based on the balance sheet as of June 30. It typically includes actual receipts in excess of revenue estimates and unspent amounts in departmental budget line items for the year just ending, plus unexpended free cash from the previous year. Free cash is offset by property tax receivables and certain deficits, and as a result, can be a negative number.

## How much “free cash” is recommended?

According to the Department of Revenue (“DOR”), under sound financial policies, a municipality should strive to generate free cash in an amount equal to three (3%) to five percent (5%) of its annual budget. Lowell FY22 Budget (less state aid) = \$185.9 million.  
3% = \$5.57 million. 5% = \$9.29 million

# Free Cash Certification – Lowell’s History



# Free Cash Certification & Current Funding Needs

- The **Free Cash** certification for FY2023 is **\$7,860,448**;
- The major contributing factors to the FY2023 certification total were:
  - *FY22 Total Unencumbered/Unexpended Appropriations: \$5,832,760*
  - *FY22 Excess Local Receipts: \$3,890,533*
  - *FY22 Excess Cherry Sheet Receipts: \$450,865*
- The major funding needs/ obligations for FY2023, to be satisfied with free cash:
  - *Replenish the FY2023 amount “borrowed” from stabilization - \$3.17 million*
  - *Replenish the FY2023 amount to “stabilize” the Parking Fund - \$2.83 million*
  - *Various Legal Obligations - \$669,320.75*
  - *Add to reserves - \$307,000*
  - *Meet the OPEB Funding policy - \$214,693 (slightly less than 5%)*
  - *Expedite new recruits in the fire academy & provide additional fuel costs*
  - *Other funding needs (postage, LPD 911 software maintenance costs, worker’s comp, etc.)*

# Retained Earnings Certifications

- **Retained Earnings & Enterprise Fund** - All investment earnings and any operating surplus (actual revenues in excess of estimates and appropriations in excess of expenses) are retained in the enterprise fund rather than closed to the General Fund at fiscal year-end. The surplus is certified by the Director of Accounts as available is called “retained earnings”.
- The City utilizes enterprise fund accounting for water, sewer, and parking.

