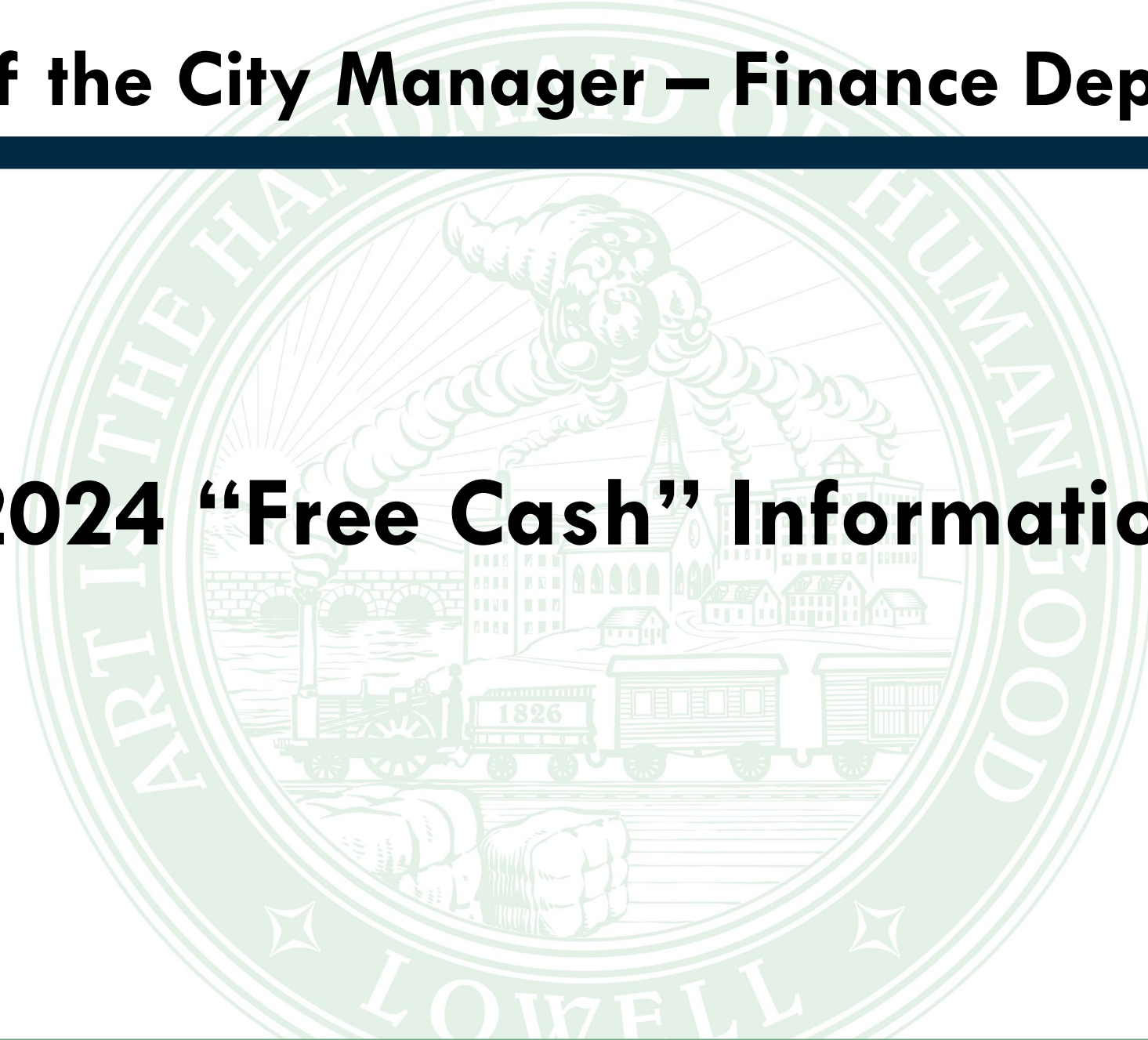


# Office of the City Manager – Finance Department

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## FY2024 “Free Cash” Informational



# Free Cash Certification - Background

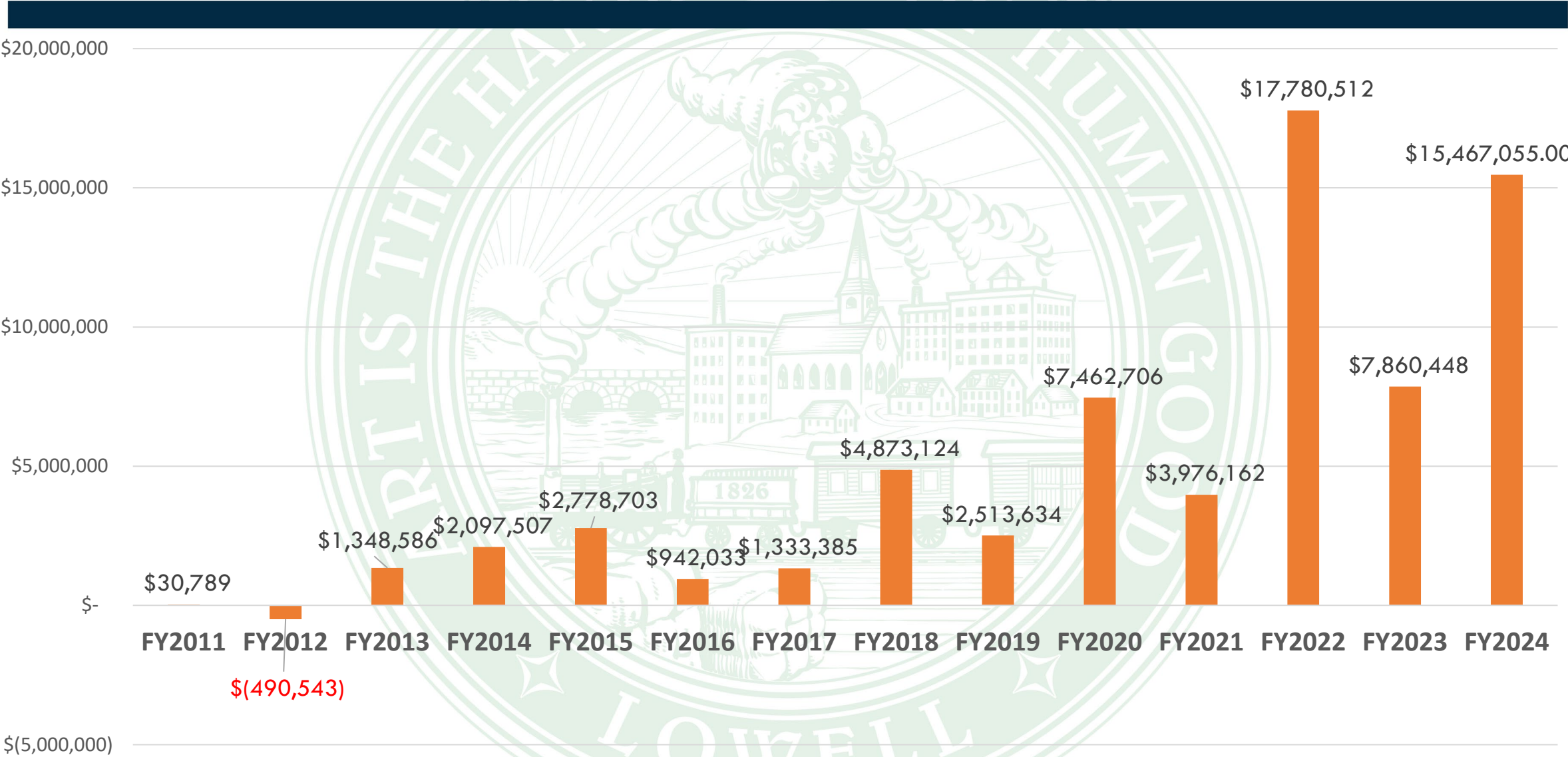
## What is “free cash”?

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 FY23 Budget (General Fund) = \$445.9 million.  
3% = \$13.4 million. \$5% = \$22.3 million

# Free Cash Certification – Lowell’s History



# Free Cash Certification & Current Funding Needs

- The amount of **Free Cash** certified by the Department of Revenue for FY2024 is **\$15,467,055**.
- **The major contributing factors to the FY2024 certification total were:**
  - *FY23 Excess Local Receipts: \$10,253,917 (interest earnings, etc.)*
  - *FY23 Total Unencumbered/Unexpended Appropriations: \$7,536,401 (salaries, health insurance)*
  - *FY23 Deficit in Cherry Sheet: **-\$2.3 million** loss of charter school reimbursement)*
  - *FY23 Misc. Reimbursements: Excess School Circuit Breaker, Grant reimbursements, etc.)*
  - *FY23 Grant Deficits (**-\$1.8 million** in School Department grant deficits)*
- **The major funding needs/ obligations for FY2024, to be satisfied with free cash:**
  - *Capital improvements, new equipment, line striping & pavement preservation - \$2 million*
  - *Replenish the FY2024 amount “borrowed” from stabilization - \$3.27 million*
  - *Legal settlements, judgements, worker's comp costs- \$4 million*
  - *Funding for collective bargaining/ negotiations - \$3 million*
  - *Meet the OPEB Funding policy - \$775,000 (5%)*

# 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**.

