

CITY OF LOWELL  
COMMONWEALTH OF MASSACHUSETTS

In City Council

VOTE

**ORDERED,**

By the City Council of the City of Lowell by a Two-Thirds Vote, as follows:

That the amount of **Eight Million Nine Hundred Forty-Nine Thousand Forty-One and 00/100 (\$8,949,041.00) Dollars** be appropriated:

**FROM:** July 1, 2025 Certified Free Cash; more fully described in Attachment "A"

**TO:** Various Accounts; more fully described in Attachment "A"

**ORDER RECOMMENDED AND INTRODUCED BY:**



Thomas A. Golden Jr., City Manager





Conor Baldwin  
Chief Financial Officer

Austin Ball  
Deputy CFO

## MEMORANDUM

**TO:** Thomas A. Golden, Jr., City Manager

**FROM:** Conor Baldwin, Chief Financial Officer 

**CC:** Kelly Oakes, City Auditor

**DATE:** February 17th, 2026

**SUBJECT:** FY25 Free Cash Certification & Recommendation

The City has received notification from the Department of Revenue (“DOR”) that the “free cash” total has been certified as \$8.9 million for the general fund. This represents an amount within the 3% and 5% of the FY2026 annual budget, less the revenue received from State Aid, which does align with best practices recommended by the DOR. In addition to the General Fund, the DOR has certified the retained earnings of the city’s three enterprise funds for sewer, water, and parking at \$2.1 million, \$4.4 million, and \$3.4 million, respectively. It is important to note that “free cash” is not a measure of the money that Lowell has in the bank. Rather, free cash is the portion of the General Fund balance that the state certifies as available for appropriation after analyzing the year-end balance sheet and deducting all outstanding liabilities and grant deficits. Simply put, free cash is a community's unrestricted, available funds that may be used as a funding source for appropriations.

Free cash is generated when the actual operating results compare favorably with the budget. Specifically, free cash is generated when actual revenue collections are more than budget estimates, and when expenditures and encumbrances are less than appropriations, or both. The undesignated fund balance for the general fund, which is the starting point for the free cash calculation was \$15.8 million.

The major contributing factors to the FY26 certification total were excess local receipts of \$4.8 million as well as the total unencumbered and unexpended appropriations (i.e. “turn backs”) from departments, totaling \$3.9 million. Now that free cash has been certified, there are a number of outstanding financial obligations which can be satisfied. Most notable amongst these is the ability to “pay back” the city’s savings account, known as the stabilization or “rainy day” fund for amount appropriated to balance the FY2026 budget. The net result of some of these recommendations will afford the city a better reserve position, which is an important component of the city’s credit rating. The city’s credit has a direct bearing on the interest rate the city must pay to finance capital projects, such as the Lowell High School project, and has financial implications on the future debt service costs in the budget.

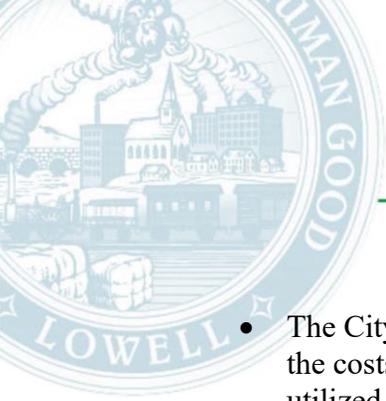


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The following are the finance department's recommendations for utilization of "free cash":

1. Replenish Reserves in the "rainy day" fund - **\$7,246,215.69**;
  - During the FY26 budget hearings, the Administration represented to the City Council that once free cash was certified, the stabilization account would be replenished for the \$2.8 million earmarked to reduce the tax rate in fiscal year 2026. In order to continue to ease the tax burden on residents in FY26 and despite rising fixed costs in the budget, the continued replenishment of reserves is necessary to maintain a healthy balance in the stabilization fund. The plan presented for appropriation by the City Council accomplishes this delicate balancing act. In addition to the \$2.8 million, the city also transferred \$2.3 million as an operating subsidy to the Parking Enterprise Fund as well as \$2 million in additional funding to the Lowell Public Schools.
2. Additional Funding for Workers Compensation claims - **\$682,378**
  - The law department has communicated a need for additional funding for worker's compensation claims for the schools and the city. This is not an uncommon need, as many of these totals are unknown when the budget is set, and the city is typically unable to appropriate sufficient funding to accounts in the law department due to budget constraints.
3. Appropriate free cash to the OPEB Trust, consistent with City policy - **\$447,000**
  - With this transfer, the OPEB Trust balance would be approximately \$19.8 million. While not sufficient to address the significant OPEB liability, continuous appropriations into the fund are a positive credit factor to ratings agencies. The Trust fund investments have suffered in the recent market, but the Council has committed, by policy, to continue to address the OPEB liability. This recommended amount, however, meets the 5% policy goal.
4. Funding for Various Traffic Calming Measures - **\$200,000**
  - The Traffic Engineer has asked for additional funding for various traffic calming improvements based off of recommendations the City Council has made. This funding would be used for; flashing beacons, ADA ramp compliance, roadway striping and other expenditures needed to improve the flow of traffic throughout the city.
5. Additional Funding for Clerk / Election- **\$160,000**;



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- The City Clerk and Elections Director have requested additional funding to supplement the costs borne by the city for the special election. This funding if approved will be utilized for replenishing the costs incurred during the special election as well as for software costs related to the voting equipment. Additional funding is also needed in the City Clerk's Office for City Council newspaper advertisements in order to get the Council through the rest of the fiscal year.
6. Funding for Treasurer's Office for postage- **\$150,000**;
- The City Treasurer's Office is the cost center for all postage expenses within the city. The Treasurer has communicated an additional need of funding in order to get us through the fiscal year.
7. Additional Funding for sick leave buy back - **\$63,447.31**
- Funding is needed for a deficit in the City Manager's sick leave buyback account. This account is the cost center for any contractually obligated sick time buyback for all departments, excluding the three enterprise funds. The sick leave buyback program was negotiated out of the CBA's several years ago however, some employees were grandfathered into this program.

These are fiscally prudent recommendations from the finance department. I have asked the law department to prepare the necessary vote for the City Council. Please let me know if there are any questions.



Thomas A. Golden, Jr.  
*City Manager*

February 17th, 2026

Mayor Erik R. Gitschier  
And  
Members of the Lowell City Council

Dear Mayor Gitschier and Members of the Lowell City Council,

I am pleased to inform you that the city has received notification from the Department of Revenue (“DOR”) that the city’s free cash has been certified in the amount of \$8,949,041. This number represents a strong FY2025 year-end, with the amount falling squarely within the DOR recommendation for generation of free cash. For Lowell, due to amount of State Aid received annually for education, the starting point for the calculation is less the amount of aid received from the Commonwealth.

I am hereby recommending that the accompanying vote be approved by the City Council to appropriate General Fund free cash for a number of necessary and timely transfers. The goal of these appropriations is twofold. First, to sustain the city’s strong financial position by replenishing and building reserves. And second, to use the remaining balance to fund outstanding obligations within the FY2026 budget as well as expand on the current capital projects the city is undertaking. Because free cash is a one-time source of revenue, these are the appropriate types of investments and will set the city up for future success. The DOR has also certified the retained earnings of the three enterprise funds.

The financial rationale for the recommendations is explained in a memorandum from the Assistant City Manager/ CFO and is enclosed with this letter.

Sincerely,

Thomas A. Golden, Jr.  
City Manager

Cc: Conor Baldwin, Chief Financial Officer  
Kelly Oakes, City Auditor