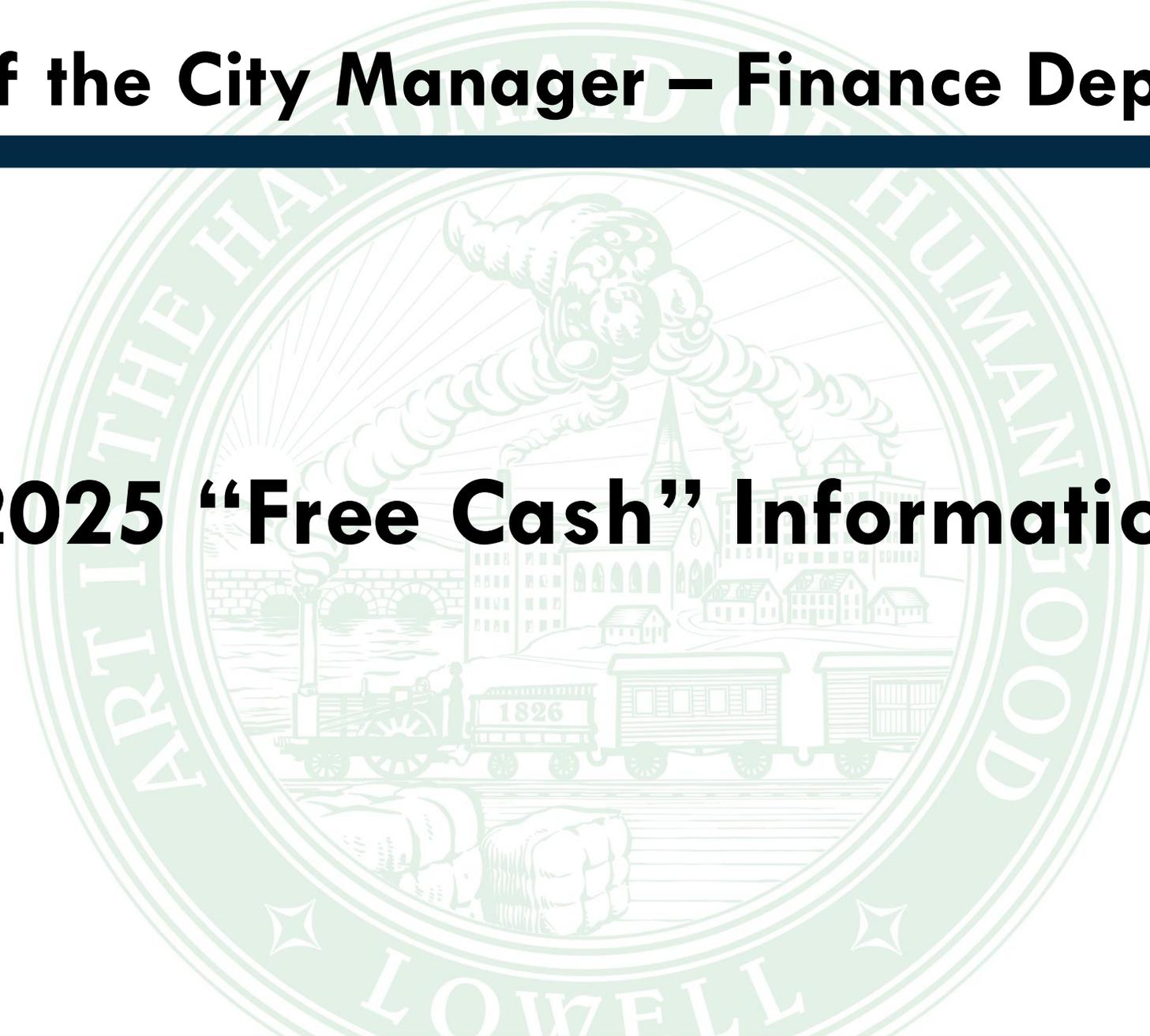


# Office of the City Manager – Finance Department

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## FY2025 “Free Cash” Informational



# Free Cash Certification - Background

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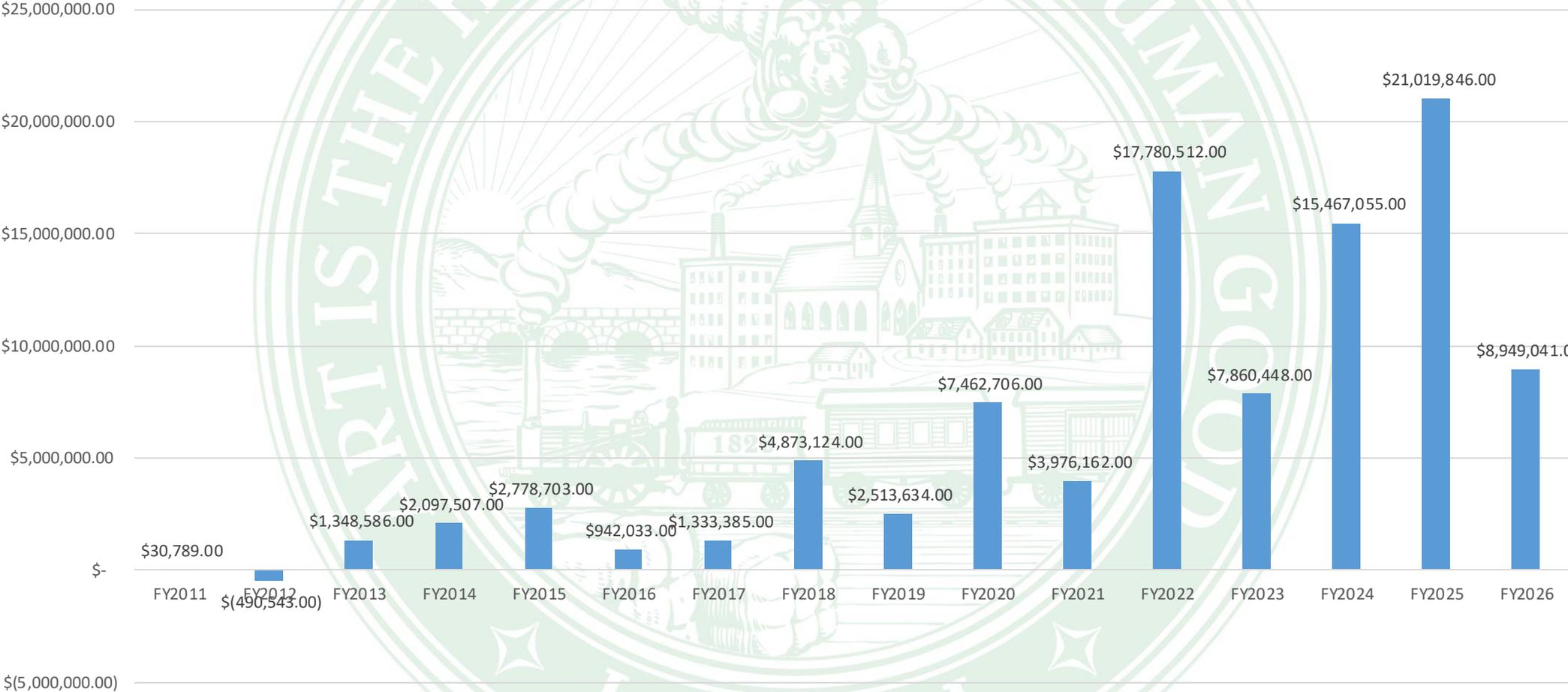
## What is “free cash”?

Free cash is a revenue source that results from the calculation, as of July 1, of a municipality 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.

# Free Cash Certification – Lowell’s History



# Free Cash Certification & Current Funding Needs

- The amount of **Free Cash** certified by the Department of Revenue for FY2026 is **\$8,949,041**.
- **The major contributing factors to the FY2026 certification total were:**
  - *FY25 Excess Local Receipts: \$4.8 million (interest earnings, MV Excise, ETC.)*
  - *FY25 Total Unencumbered/Unexpended Appropriations: \$3.9 million (salaries – city and school)*
- **The major funding needs/ obligations for FY2026, to be satisfied with free cash:**
  - *Replenish the FY2026 amount “borrowed” from stabilization (General Fund / Parking Enterprise / LPS)- \$7.24 million*
  - *Funding for workers compensation - \$675K*
  - *Meet the OPEB Funding policy - \$447K (5%)*
  - *Various Traffic Calming Measurers - \$200K*

# 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**.

## Sewer Enterprise

2022: \$2,818,930  
2023: \$1,299,349  
2024: \$2,155,539  
2025: \$2,132,187

## Water Enterprise

2022: \$2,776,245  
2023: \$462,795  
2024: \$2,759,348  
2025: \$4,469,713

## Parking Enterprise

2022: \$2,406,165  
2023: \$488,728  
2024: \$1,140,031  
2025: \$3,488,586