



City of Gardner - Executive Department
Mayor Michael J. Nicholson

October 6, 2022

Hon. Elizabeth J. Kazinskas, Council President
 And City Councilors
 Gardner City Hall, Rm 121
 95 Pleasant St
 Gardner, MA 01440

RE: Correspondence regarding Municipal Finances and Free Cash Regulations

Dear Madam President and Councilors,

At the meeting of the City Council on October 3, 2022, during new business, Councilor James Boone stated the following:

“The second thing I wanted to mention, in our Public Safety meeting the Board of Health Director, Lauren Saunders, mentioned she's going to need about \$200,000 to fix the pumps at the landfill and she was hoping to get money from our free cash. But last I heard, we spent almost all of our free cash, so I'm hoping that the Finance Committee can deliberate on this and the Mayor and figure out what needs to be done for the landfill”

And,

“Follow-up: Mr. Mayor, if I'm not mistaken, that Leominster used to keep tons of free cash available and they had all this excess funds and we're down I think last I saw \$60,000.”

And,

“Last follow-up if I may Madam President, Mr. Mayor, so there will be money in case it's needed to spend at the landfill?”

As a reminder to the Council, as I have stated in the past on several occasions, the regulations regarding the use of Free Cash, issued by the Massachusetts Department of Revenue state that free cash **cannot be used** between the period from June 30th of any given year until the Division of Local Services Director of Accounts certifies a community's free cash from the previous fiscal year.

Furthermore, free cash is a one-time funding source, not a revolving account, therefore it renews with a different amount every year, as it is solely based on the amounts certified from the previous fiscal year.

As such, statements like, “we spent almost all of our free cash,” are misleading, as free cash is different every year. The Department of Revenue does recommend that municipalities spend their certified free cash amounts down to as close to \$0 annually as they can, as it is a one-time revenue source. However, any remaining balances at the end of the fiscal year do carry over into the next year. Though any carry-over amounts are still restricted to not be used or appropriated until the full aggregate amount is certified by the Commonwealth's Division of Local Services Director of Accounts.

Attached, please find the guidance and regulations issued by the Commonwealth on these matters, previous correspondence I have sent to the City Council regarding this matter, and the City's free cash history from 2015 to present showing 1) how much the City has had certified in free cash each year, 2) how much of that year's free cash was expended, 3) the amount of free cash that was carried over to the next year (listed as “remainder”), and 4) where that free cash amount came from in that year's certification calculation.

Respectfully Submitted,

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