§ 55-b. Reserve fund for judgments and claims. 1. The town board of a suburban town may establish a reserve fund for the financing of all or part of the cost of payment of:

(a) Judgments or compromised or settled claims against the town; and

(b) Awards or sums payable by the town pursuant to a determination by a court, or an officer, body or agency acting in an administrative or quasi-judicial capacity.

2. The amount of any such fund shall not exceed the greater of thirty-three thousand dollars or five per centum of the total budget for such fiscal year at any one time, exclusive of any interest or capital gains realized from the investment of the money in such fund. Whenever an expenditure shall be made from such fund, additional money may be appropriated or transferred thereto in an amount which, together with all money remaining in such fund including any interest or capital gains realized from the investment of the money in such fund, shall not exceed the greater of thirty-three thousand dollars or five per centum of the total budget for such fiscal year.

3. There may be paid into such fund:

(a) Such an amount as may be provided therefor by budgetary appropriation or transfer or raised by tax therefor.

(b) Such revenues as are not required by law to be paid into any other fund or account, including the proceeds from the sale of any capital improvement or equipment owned by such town.

4. An expenditure may be made from the fund only by authorization of the town board and only for a specific object or purpose, the cost of which may be financed therefrom. Any expenditure made from such fund to pay all or part of the cost of a judgment, claim, award or determination arising out of the management, improvement, operation or maintenance of any special improvement district located in the town shall be charged back against such district and raised in the same manner as other district charges. Any amount so charged to a district shall be included in determining the amount of such fund, exclusive of any interest or capital gains realized from the investment of the money in such fund.