

CITY OF KEENE

R-2017-26

Seventeen

In the Year of Our Lord Two Thousand and

A RESOLUTION Relating to FISCAL POLICIES

Resolved by the City Council of the City of Keene, as follows:

WHEREAS: the National Advisory Council on State and Local Budgeting (NACSLB) has developed a comprehensive set of recommended practices on budgeting; and

WHEREAS: one key component of those recommended practices calls for the adoption of fiscal policies by the local legislative body to help frame resource allocation decisions; and

WHEREAS: the Government Finance Officers' Association (GFOA) has endorsed the recommended practice developed by the NACSLB; and

WHEREAS: it is the intent of the City Council, by this resolution, to articulate this financial blueprint as clearly and completely as possible.

NOW, THEREFORE, BE IT RESOLVED that the fiscal policy should be reviewed and adopted by the City Council on an annual basis in the month of July, and

NOW, THEREFORE, BE IT FURTHER RESOLVED by the City Council of the City of Keene that its fiscal policies are as follows:

PART 1 – Budgetary Policies

I. Budget

- A. The City shall annually adopt and appropriate budgets for the following funds
 - 1) General Fund
 - 2) Parking Fund
 - 3) PC Replacement Fund
 - 4) Solid Waste Fund
 - 5) Sewer Fund
 - 6) Water Fund
 - 7) Equipment Fund
- B. All appropriated budgets shall be balanced.
- C. All appropriations for annual operating budgets (exclusive of capital projects) shall lapse at fiscal year-end unless encumbered by a City of Keene purchase order that is recorded in the Finance Department computer system on or before June 30th of any year, or as authorized by the City Manager in writing, on a case-by-case basis. Those encumbrances shall be reported to the City Council in an informational memorandum by the first week of August-September each year.
- D. The budget document shall provide multi-year projections of revenues and expenditures/expenses including property taxes and utility (water and sewer) rates.
- E. The budget will take into consideration the City's Policies on unassigned Fund Balance at the end of June,

- F. The City of Keene will have as a goal to contain its General Fund debt service and current revenue capital outlay appropriations, on a five (5) year average, at or less than ten fifteen percent (10%15%) of the General Fund operating budget.
- G. Upon completion of any project, any residual funds shall be returned to the fund that provided the original appropriation.
- H. Property Taxes.
 - 1) The City shall limit its property tax revenue increases to a rolling three (3) year average of the Boston CPI, (as of June 30th) net of expenditures required by law, and debt service payments. The City chooses to utilize the CPI, not because it reflects inflation in the City's costs, but because it reflects the overall inflation in what citizens purchase. This manages City spending such that increases in a citizen's tax bill are in line with increases in all of their other expenses. The goal is to have the cost of City services as a percentage of a taxpayer's total expenses remain constant.
 - 2) Property Tax Credits and Exemptions. All exemptions and credits will be reviewed with the City Council every three (3) years unless there are legislative changes that cause a review to occur on a more frequent basis.
 - 3) The State has chosen to solve its revenue problem by downshifting expenses to the local communities and tapping into the broad based property tax at the local level. Downshifting is an effective strategy for the State; however, it is unsustainable at the local level and would quickly lead to a significant reduction in City services. The City is sensitive to these added expenses to the taxpayers and will attempt to limit the impact; however, as a State expense, the City will pass through the State downshifting to the taxpayers.

II. Capital Improvement Program

- A. The City of Keene shall prepare a capital improvement program (CIP) with a span of six (6) years.
- ~~B. The CIP shall be updated annually. The CIP will include all projects anticipated to be undertaken in the ensuing six (6) year period that have an estimated cost in excess of \$20,000 and an anticipated useful life of at least five (5) years.~~
- B. All capital projects or equipment purchases that have an estimated cost of at least \$20,000 and an estimated useful life of at least five years will be included in the capital improvement program (CIP) planning process. These projects may include capital asset preservation projects (designed to preserve the functionality and condition of major infrastructure systems and City facilities) with an estimated cost of at least \$20,000 and which increase the useful life of the asset by at least five years.
- C. The CIP shall contain revenue projections and rate impacts that support estimated operating costs as well as the proposed capital program. Expenditures included in each year of the CIP (operations, debt service and capital) will be equal to estimated revenue available to finance proposed activity in each year of the CIP. Cost and revenue estimates in projected years will be presented for planning purposes, and are based upon the then current best available information.

- D. Each project funding-request shall originate from a City department and shall include the following information (as applicable):
- 1) A description of the project.
 - 2) A cost estimate and funding profile.
 - 3) A project time line.
 - 4) ~~A priority ranking.~~
 - 5) ~~4) An estimate of the operating budget impact.~~
 - 6) ~~5) A reference to alignment with City Council GoalsCommunity Goals.~~
 - 7) ~~6) A reference to alignment with the Comprehensive Master Plan (Focus Area).~~
- E. CIP Funding Methodology
- 1) Whenever possible, CIP projects will be funded with available resources, examples of which are current revenues, grants, donations, and reserves, but not debt.
 - 2) Appropriate uses of debt include project such as:
 - a) One time nonrecurring investments (ex. the construction of a new asset, or the expansion or adaptation of an existing asset to provide added service delivery capacity or to meet changing community needs.
 - b) Projects necessary due to regulatory requirements (ex. water treatment plant expansion due to EPA permit changes) when resources other than debt are not available.
 - c) Projects necessary due to asset or system operational failure or obsolescence when resources other than debt are not available.
- E.F. The CIP shall be reviewed by the Finance, Organization and Personnel Committee and the Planning Board.
- F.G. The CIP will be the subject of a public hearing before adoption.
- G.H. The funding requests in the first year of the adopted CIP will be included in the next annual budget document.
- H.I. Upon project completion, any residual funds shall be returned to the fund that provided the original appropriation unless otherwise directed by the City Council.

PART 2 - Financial Policies

- I. Fund Structure
- A. All funds are intended to be self-supporting, with no subsidies from one fund to another required for operations or capital outlay.
 - B. The City will continue to conduct its financial activities through the use of the following funds:
 - 1) Governmental Funds
 - a) General Fund – shall be used to account for those governmental activities that are not recorded in one of the other City Funds.
 - b) Special Revenue Funds:
 - i. Grants Fund – shall be used for those activities that are funded in part or in whole by contributions from other entities.
 - ii. Parking Fund – shall be used to account for the operations, maintenance and capital outlay needs of

benefits from the provision of those services.

- 1) In the event that the benefit is community-wide there will be no user fee or charge assessed.
- 2) In the event that the service benefits a finite and definable sector of the community then that group will be assessed a fee or charge for provision of the service.

B. Cost Recovery

- 1) Cost recovery goals should be based on the total cost of delivering the service, including direct costs, departmental administration costs, and organization-wide support costs (e.g. accounting, human resources, data processing, insurance, vehicle maintenance).
- 2) Fees and Charges will be set at something less than full cost recovery when:
 - a) A high level of cost recovery will negatively impact the delivery of service to low-income groups.
 - b) Collecting the fees and charges is not cost effective.
 - c) There is no intended relationship between the amount paid and the benefit received (e.g. social service programs).
 - d) There is no intent to limit the use of the service (e.g. access to parks and playgrounds).
 - e) Collecting the fees would discourage compliance with regulatory requirements and adherence to said requirements is self-identified, and as such, failure to comply would not be readily detected by the City of Keene.
- 3) Fees and Charges will be set at, or above, full cost recovery when:
 - a) The service is also provided, or could be provided, by the private sector.
 - b) The use of the service is discouraged (e.g. fire or police responses to false alarms).
 - c) The service is regulatory in nature and voluntary compliance is not expected (e.g. building permits, plans review, subdivisions).
- 4) Ambulance:
 - a) Service fees shall be set at two hundred fifty percent (250%) above the Medicare-determined usual and customary charge.
 - b) A fee will be implemented for those instances when responses that involve the use of drugs or specialized services are provided but there is no transport.
 - c) There will be no charge for responses determined by the Fire Department to be "public assists."

- C. The method of assessing and collecting fees should be made as simple as possible in order to reduce the administrative and support costs of collection.
- D. The City will periodically utilize the services of a collection agency when all other reasonable efforts to collect fees and fines have been exhausted; fees for such services to be paid from amounts collected.
- E. Rate structures should be sensitive to the market price for comparable services in the private sector or other public sector entities.
- F. All fees and charges shall be adopted by the City Council.
- G. Fees and charges shall be reviewed in accordance with a schedule developed by the City Manager that has each fee reviewed biannually. Recommended changes will be reviewed and approved by the City Council.

IV. Debt

- A. The City of Keene will periodically incur debt to finance capital projects. All issuances of debt are subject to State of New Hampshire Statutes, RSA 34 and 162-K.
- B. Debt may be issued to fund projects with a public purpose of a lasting nature or as otherwise allowed by State law.
- C. Debt will not be issued to provide for the payment of expenses for current maintenance and operation except as otherwise provided by law.
- D. The City of Keene shall not incur debt that exceeds any limits set by State law.
- E. All bonds shall be authorized by resolution of the City Council and require a two-thirds (2/3) vote.
- F. The City of Keene may use the services of a financial advisor to assist in preparing for, and executing, any sale of bonds. Said services shall be obtained as the result of a Request for Proposals (RFP) process, which shall be conducted at a minimum of every five (5) years.
- G. The City of Keene shall acquire the required services of bond counsel as the result of a Request for Proposals (RFP) process, which shall be conducted at a minimum of every five (5) years.
- H. Form. The City of Keene issues three types of bonds:
 - 1) General Obligation Bonds – repayment is backed by the full taxing power of the City of Keene.
 - 2) Tax Increment Financing Bonds – repayment is first backed by the revenue stream generated by increased revenues created within an established Tax Increment Financing District. To the extent that the increased revenues created within the district are not adequate, the repayment of the bonds would then be backed by the full taxing power of the City of Keene.
 - 3) Refunding Bonds – these bonds are issued to refinance outstanding bonds before their term in order to either remove restrictions on the original bonds and/or to take advantage of lower interest rates. Repayment is backed by the full taxing power of the City of Keene.
- I. Competitive sale is the preferred method of sale; however, negotiated sales may occur for a current or advance refunding, or for other appropriate reasons.
- J. Term.
 - 1) Debt will be incurred only for projects with a useful life of at least five (5) years.
 - 2) The term of any debt incurred by the City shall be limited to no greater than the expected useful life of the improvement.
- K. The use of short-term financing, lease, or lease-purchase agreements shall be kept to a minimum.
- L. Other funding sources – to the extent they are available, the City of Keene will actively pursue:
 - 1) Grants that reduce the City's initial investment in project/improvement.
 - 2) Grants that contribute to the on-going debt service for city project(s).
 - 3) Other financing tools such as tax credits that leverage the City's initial investment in a project.

V. Capital Assets

- A. Capitalization of equipment, buildings, land and improvements other than buildings (if one or more of the following criteria are met):
 - 1) Cost (if known) or fair market value is greater than or equal to \$5,000 and useful life is greater than one (1) year for new or replacement items.
 - 2) In the case of modifications and upgrades, cost is greater than or equal to \$5,000 for equipment, and \$10,000 for buildings and other improvements and the changes accomplish one or more of the following:
 - a) Prolongs the useful life of the asset
 - b) Adapts the asset to a new or different use
 - c) Substantially increases the value of the asset
 - d) Does not substantially replace a current asset
 - 3) All land acquisitions will be capitalized at cost (if known) or fair market value.
 - 4) The total cost of placing an asset into service condition will be capitalized.
- B. Capitalization of infrastructure
 - 1) Cost greater than or equal to \$10,000, and useful life greater than five (5) years.
 - 2) The depreciation approach will be utilized for the reporting of all infrastructure.
- C. Depreciation: straight-line depreciation will be used to depreciate all depreciable capital assets over the estimated useful life of each asset, as determined by industry standards.
- D. Asset Classification: assets will be recorded within broad asset groups (e.g. land, buildings, etc.).
- E. Budgeting: the budgeting of capital assets will be in a manner that will facilitate the identification and recording of the asset in accordance with this policy.
- F. The City may develop, implement, and refine capital asset management programs (defined as an integrated business approach involving planning, engineering, finance, facilities management, utilities, technology and operations to effectively manage existing and new facilities and infrastructure to maximize benefits, manage cost, reduce risk, and provide satisfactory levels of service to community users in a socially, environmentally, and economically sustainable manner). The capital asset management plans should contain at least the following elements:
 - 1) Periodic inventories and assessment of the physical condition of City capital assets and infrastructure.
 - 2) Establishment of condition and functional standards for various types of asset.
 - 3) Criteria to evaluate infrastructure and facility assets and set priorities.
 - 4) Financing policies to maintain a condition assessment system(s) and promote sufficient funding for capital asset preservation, repair, and maintenance.
 - 5) Monitoring and development of periodic plain language status reports on the various components of the City's capital assets and infrastructure.

VI. Fund Balance Classification Policies and Procedures

- A. Fund Balance: Fund balance represents the difference between current assets and liabilities and shall be comprised of non-spendable, restricted, committed, assigned, and unassigned amounts defined as follows:
- 1) Non-spendable fund balance - includes amounts that are not in spendable form such as inventory or prepaid expenses or are required to be maintained intact such as perpetual care or the principal of an endowment fund.
 - 2) Restricted fund balance - includes amounts that can only be spent for specific purposes stipulated by external resource providers such as grantors or, as in the case of special revenue funds, as established through enabling legislation.
 - 3) Committed fund balance - includes amounts that can be reported and expended as a result of motions passed by the highest decision making authority, the City Council.
 - 4) Assigned fund balance - includes amounts to be used for specific purposes including encumbrances and authorized carry forwards or fund balance to be used in the subsequent fiscal year.
 - 5) Unassigned fund balance - includes amounts that are not obligated or specifically designated and is available in future periods.
- B. Spending Prioritization: when an expenditure is incurred that would qualify for payment from multiple fund balance types, the City uses the following order to liquidate liabilities: restricted, committed, assigned, and unassigned.
- C. Net assets: net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, laws or regulations, or other governments. All other net assets are reported as unrestricted.

VII. Stabilization Funds

- A. Unassigned Fund Balance.
- 1) That portion of available funds within each fund that can be used to offset emergency expenditures, a downturn in collection of significant revenues, or other unforeseen events.
 - a) Unassigned fund balance for the General Fund will be maintained at between seven percent (7%) and ten percent (10%) of the sum of the total of the General Fund annual operating budget and the property tax commitment for the school (both local and State) and the county.
 - b) Fund balances in all other budgeted funds should be maintained at between five percent (5%) and fifteen percent (15%) of the annual operating budget for that fund.
- B. Self-funded health insurance.
- 1) The City shall retain funds for its self-funded health insurance program. The intended purposes for these funds are to provide a measure to smooth rate fluctuations, to accommodate an unforeseen

increase in claims, and to provide financial protection from run-out costs in the event the City moves toward a fully insured plan. The amount retained shall not exceed three (3) months of estimated claim costs.

C. Capital Reserves.

- 1) Capital Reserves, classified as committed funds, are reserves established under State of New Hampshire law, invested by the Trustees of Trust Funds, for several purposes that include the construction, reconstruction, or acquisition of a specific capital improvement, or the acquisition of a specific item or of specific items of equipment, or other purposes identified in NH RSA 34, relating to Capital Reserve Funds for Cities.
- 2) The City of Keene has established the following capital reserves:
 - a) Fire Equipment Capital Reserve – for the acquisition or significant rehabilitation of fire apparatus.
 - b) Ambulance Capital Reserve – for the acquisition or significant rehabilitation of ambulances
 - c) Intersection Improvements Capital Reserve – for the rehabilitation or reconstruction of existing intersections.
 - d) Hazardous Waste Site Capital Reserve – for the clean-up, mitigation and testing associated with the Old City Landfill located at 580 Main Street.
 - e) Transfer/Recycling Center Capital Reserve – for the repair and replacement of existing infrastructure, systems, and equipment.
 - f) City Hall Parking Deck Capital Reserve – for the repair and replacement of existing infrastructure, systems and equipment.
 - g) Wells Street Parking Facility Capital Reserve – for the repair and replacement of existing infrastructure, systems, and equipment.
 - h) Landfill Closure Capital Reserve – for the closure and post-closure costs associated with the City Landfill located at Route 12 North.
 - i) Wastewater Treatment Plant Capital Reserve – for the repair and replacement of major components of plant, including equipment and building.
 - j) Martel Court Pumping Station Capital Reserve – for the repair and replacement of major components of station, including equipment building.
 - k) Sewer Infrastructure Capital Reserve – for the repair and replacement of existing infrastructure, systems and equipment including pump stations and the collection system.
 - l) Water Treatment Facility Capital Reserve – for the repair and replacement of major components of facility including pumps, controls, chemical systems, etc., and building components.
 - m) Water Infrastructure Capital Reserve – for the repair and replacement of major components of existing infrastructure, systems and equipment including wells, lift stations, tanks, etc., and the distribution system.
 - n) Fleet Equipment Capital Reserve – for the replacement of

vehicles and equipment under the management of Fleet Services.

- o) Bridge Capital Reserve – for the construction, reconstruction, and rehabilitation of bridges.
- p) Downtown Infrastructure and Facility Improvement Capital Reserve – for infrastructure and facility improvements in the downtown.
- q) Transportation Improvements Capital Reserve - to fund, wholly or in part, improvements in the transportation system including roads, bridges, bicycle and pedestrian facilities, and intermodal facilities, except for parking.

D. The City Council may create and fund through annual operating budget appropriations various expendable trust funds as it deems necessary for the maintenance and operation of the City; and any other public purpose that is not foreign to the City's institution or incompatible with the objects of its organization. The trust funds will be administered by the Trustees of the Trust Funds.

VIII. Deposits of Excess Funds

A. Objectives (in priority order):

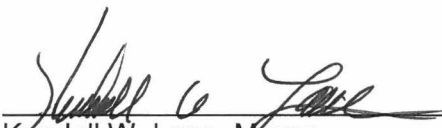
- 1) Safety – the safety of principal is the foremost objective.
- 2) Liquidity – investments shall remain sufficiently liquid to meet the operational cash needs of the City of Keene.
- 3) Yield – taking in to account the priority objectives of safety of principal and liquidity, a market rate of return.

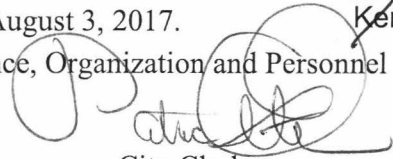
B. Authorized Investments:

- 1) US Treasury obligations.
- 2) US government agency and instrumentality obligations.
- 3) Repurchase agreements with New Hampshire Banks acting as principal or agent, collateralized by US Treasury/Agency obligations.
- 4) Certificates of Deposits in New Hampshire Banks (collateralized).
- 5) New Hampshire Public Deposit Investment Pool.

In City Council August 3, 2017.

Referred in Finance, Organization and Personnel Committee.


Kendall W. Lane, Mayor


City Clerk

PASSED September 7, 2017