



CITY OF KEENE

R-2007-02-A

Seven

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 Mayor and City Council of the City of Keene have adopted a budgetary process in which the Mayor and City Council focus on public policy guidelines in advance; and

WHEREAS: that process calls for a public hearing to be held early in February on the proposed Capital Improvement Program and proposed fiscal policies; and

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

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

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:

i. Governmental Funds

- 1. General Fund – shall be used to account for those governmental activities that are not recorded in one of the other City Funds that have been established under the authority of the City Council

2. Special Revenue Funds:

- a. Grants Fund – shall be used for those activities that are funded in part or in whole by contributions from other entities
- b. Parking Fund – shall be used to account for the operations, maintenance and capital outlay needs of the municipal parking areas
- c. PC Replacement Fund – shall be used to account for the on-going replacement of PC’s and certain peripherals, and desk top software utilized by all City departments
- d. Solid Waste Fund – shall be used to account for the activities of the transfer and recycling operations and for post-closure costs associated with the closed landfill

- 3. Capital Projects Fund – shall be used to account for the capital projects funded by any of the governmental funds

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ii. Proprietary Funds

1. Enterprise Funds

- a. Sewer Fund – shall be used to account for the operations, maintenance, and capital outlay needs of the sewer collection and treatment systems
- b. Water Fund – shall be used to account for the operations, maintenance, and capital outlay needs of the water treatment and distribution systems

2. Internal Service Funds

- a. Equipment Fund – shall be used to account for the operations, maintenance and capital outlay needs of fleet services

II. Budget

a. The City shall adopt appropriated budgets for the following funds

- i. General Fund
- ii. Parking Fund
- iii. PC Replacement Fund
- iv. Solid Waste Fund
- v. Sewer Fund
- vi. Water Fund
- vii. Equipment Fund

b. All appropriated budgets shall be adopted annually.

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 July 15 of every year.

d. The City Council shall be presented with a budget for each of the funds that have an appropriated budget annually, and each shall be balanced.

e. Upon completion of any project, any residual funds shall be returned to the fund that provided the original appropriation.

f. The City will consider life time costs and environmental impacts when purchasing goods.

III. Revenues

a. One-time revenues. One-time revenues will only be applied toward one-time expenditures; they will not be used to finance on-going programs or services. On-going revenues should be equal to, or greater than, on-going expenditures.

b. Diversity. The City will strive to diversify its revenues in order to maintain needed services during periods of declining economic activity and/or during periods of property tax pressures.

c. Designation of Revenues.

- i. Each year, the City shall designate and set aside 50%, not to exceed \$100,000 annually, of the prior year's collections for the Land Use Change Tax for conservation purposes. Expenditure of funds to be made upon approval of the City Council. Balance of said sum not to exceed \$500,000.

- ii. Direct reimbursements from other entities shall be used to offset the appropriate City expense.
 - iii. Except for the provisions stated above, or as provided otherwise by Federal or State law, or by local ordinance, no unanticipated revenues shall be designated for a specific purpose(s) unless directed by the City Council.
- d. **Property Taxes.**
- i. The City shall limit its property tax revenue increases to the Boston CPI, net of expenditures required by law, and debt service payments.
 - ii. **Property Tax Credits and Exemptions. All exemptions and credits will be reviewed with the City Council every three years, unless there are legislative changes that cause a review to occur on a more frequent basis.**
- e. Non-property tax revenues. The City will maximize the utilization of payments in lieu of taxes and user fees and charges.

IV. Fees and Charges

- a. Certain services provided by the City of Keene will be assigned a fee or charge for the users of the service, dependent upon how the community benefits from the provision of those services.
 - i. In the event that the benefit is community-wide, there will be no user fee or charge assessed.
 - ii. 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
 - i. 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).
 - ii. Fees and Charges will be set at something less than full cost recovery when:
 1. A high level of cost recovery will negatively impact the delivery of service to low-income groups.
 2. Collecting the fees and charges is not cost effective.
 3. There is no intended relationship between the amount paid and the benefit received (e.g. social service programs).
 4. There is no intent to limit the use of the service (e.g. access to parks and playgrounds).
 5. 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.
 - iii. Fees and Charges will be set at, or above, full cost recovery when:
 1. The service is also provided, or could be provided, by the private sector.
 2. The use of the service is discouraged (e.g. fire or police responses to false alarms).

3. The service is regulatory in nature and voluntary compliance is not expected (e.g. building permits, plans review, subdivisions).
 - iv. Ambulance service fees shall be set at 30% above the Medicare-determined usual and customary charge.
- 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. Rate structures should be sensitive to the market price for comparable services in the private sector or other public sector entities.
- e. All fees and charges shall be adopted by the City Council either by ordinance, resolution or by action of a council committee.
- f. Fees and charges shall be reviewed on an on-going basis, and recommended changes brought forth to the City Council for action, to ensure that they remain appropriate and equitable.

V. Capital Improvement Program

- a. The City of Keene shall prepare a capital improvement program (CIP) with a span of six years.
- b. The CIP shall be updated annually.
- c. The CIP will include all projects anticipated to be undertaken in the ensuing six-year period that have an estimated cost in excess of \$20,000 and an anticipated useful life of at least five years.
- d. Each project funding-request shall originate from a city department and shall include the following information:
 - i. A description of the project.
 - ii. A cost estimate.
 - iii. A project time line.
 - iv. A priority ranking.
 - v. An estimate of the operating budget impact.
 - vi. A reference to Community Goals.
 - vii. A reference to Master Plans.
- e. The CIP will be reviewed by the Finance Committee of the City Council and by the Planning Board.
- f. The CIP will be the subject of a public hearing before it is adopted.
- g. The funding requests in the first year of the adopted CIP will be included in the next annual budget document.
- h. Upon project completion, any residual funds shall be returned to the fund that provided the original appropriation.

VI. Debt

- a. The City of Keene will periodically incur debt to finance capital projects. All issuances of debt are subject to State of NH RSA 34 and 162-K.
- b. Debt may be issued to fund those 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 specifically provided by law.
- d. The City of Keene shall not incur debt that exceeds any limits set by state law.
- e. All bonds are authorized by Resolution of the Keene City Council and require a 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 once 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 once every five (5) years.
- h. Form. The City of Keene has issued three types of bonds:
 - i. General Obligation Bonds – repayment is backed by the full taxing power of the City of Keene.
 - ii. 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.
 - iii. 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
 - i. Debt will be incurred only for those projects with a useful life of at least five (5) years.
 - ii. 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. The City of Keene will contain its General Fund debt service and capital outlay appropriations, on a five-year average, at or less than 15% of the General Fund budget.
- m. Other funding sources – to the extent they are available, the City of Keene will actively pursue
 - i. Grants that reduce the city’s initial investment in project/improvement
 - ii. Grants that contribute to the on-going debt service for city project(s)

VII. Capital Assets

- a. The City of Keene will develop and maintain a computerized capital asset system and database, including the necessary procedures and policies, to ensure the accurate and timely recording and reporting of additions, modifications, improvements, transfers and disposal of capital assets in accordance with generally accepted accounting principles (GAAP).
- b. Capitalization of equipment, buildings, land and improvements other than buildings (if one or more of the following criteria are met):
 - i. Cost (if known) or fair market value is greater than or equal to \$5,000 and useful life is greater than one year for new or replacement items

- ii. 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:
 - 1. Prolongs the useful life of the asset
 - 2. Adapts the asset to a new or different use
 - 3. Substantially increases the value of the asset
 - 4. Does not substantially replace a current asset
- iii. All land acquisitions will be capitalized at cost (if known) or fair market value
- iv. The total cost of placing an asset into service condition will be capitalized.
- c. Capitalization of infrastructure
 - i. Cost greater than or equal to \$10,000 and useful life greater than five years
 - ii. The depreciation approach will be utilized for the reporting of all infrastructure
- d. 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.
- e. Asset Classification: assets will be recorded within broad asset groups (e.g. land, buildings, etc.).
- f. 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.

VIII. Stabilization Funds

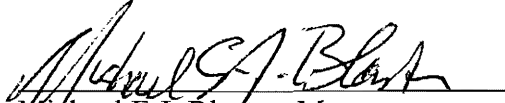
- a. Unallocated Fund Balance.
 - i. That portion of available funds within each fund that can be used to offset emergency expenditures, a downturn in collection of significant revenues, or other unforeseen events.
 - 1. Unallocated fund balance for the General Fund will be maintained at between ~~five (5)~~ **seven (7)** and ten (10) percent 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.
 - 2. Unallocated funds in all other budgeted funds should be maintained at between five (5) and ten (10) percent of the annual operating budget for that fund.
- b. Capital Reserves.
 - i. Capital Reserves are reserves established under State of NH 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 RSA 34, relating to Capital Reserve Funds for Cities.
 - ii. The City of Keene has established the following capital reserves:
 - 1. Fire Equipment Capital Reserve – for the acquisition or significant rehabilitation of fire apparatus
 - 2. Ambulance Capital Reserve – for the acquisition or significant rehabilitation of ambulances
 - 3. Intersection Improvements Capital Reserve – for the rehabilitation or reconstruction of existing intersections

4. Collection Development Capital Reserve – for the development of the collection of the Keene Public Library
5. Hazardous Waste Site Capital Reserve – for the clean-up, mitigation and testing associated with the old City landfill located at 580 Main Street
6. Railroad Land Project Capital Reserve –for the development of City-owned land located along the former railroad bed
7. Transfer/Recycling Center Capital Reserve – for the repair and replacement of existing infrastructure, systems and equipment
8. City Hall Parking Deck Capital Reserve – for the repair and replacement of existing infrastructure, systems and equipment
9. Wells Street Parking Facility Capital Reserve – for the repair and replacement of existing infrastructure, systems and equipment
10. Landfill Closure Capital Reserve – for the closure and post-closure costs associated with the City landfill located at Route 12 North.
11. Wastewater Treatment Plant Capital Reserve – for the repair and replacement of major components of plant, including equipment and building
12. Martel Court Pumping Station Capital Reserve – for the repair and replacement of major components of station, including equipment building
13. Sewer Infrastructure Capital Reserve – for the repair and replacement of existing infrastructure, systems and equipment including pump stations and the collection system
14. Water Treatment Facility Capital Reserve – for the repair and replacement of major components of facility including pumps, controls, chemical systems, etc., and building components
15. 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
16. Fleet Equipment Capital Reserve – for the replacement of vehicles and equipment under the control of Fleet Services
17. **Bridge Capital Reserve – for the construction, reconstruction and rehabilitation of bridges.**
18. **Main Street/Marlboro Street/Winchester Street Intersection Improvements Capital Reserve – for the design and construction of a round-about at the intersection of Main Street, Marlboro Street and Winchester Street.**

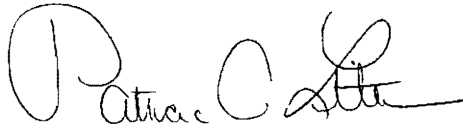
IX. Deposits of Excess Funds

- a. Objectives (in priority order):
 - i. Safety – the safety of principal is the foremost objective
 - ii. Liquidity – investments shall remain sufficiently liquid to meet the operational cash needs of the City of Keene
 - iii. Yield – taking in to account the priority objectives of safety of principal and liquidity, a market rate of return
- b. Authorized Investments:

- i. US Treasury obligations
- ii. US government agency and instrumentality obligations
- iii. Repurchase agreements with NH Banks acting as principal or agent, collateralized by US Treasury/Agency obligations
- iv. Certificates of Deposits in NH Banks (collateralized)
- v. NH Public Deposit Investment Pool


Michael E.J. Blastos, Mayor

Passed: March 1, 2007
A true copy; attest:


City Clerk

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