



# CITY OF KEENE

R-2015-05

602

In the Year of Our Lord Two Thousand and .....  
Relating to Fiscal Policies

A RESOLUTION .....

*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 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
    - o 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
    - o 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

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- Capital Projects Fund – shall be used to account for the capital projects funded by any of the governmental funds
- ii. Proprietary Funds
  - 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
  - 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 30<sup>th</sup> 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. The budget document shall provide projections of revenues and expenditures/expenses beyond the subject year.
- f. Upon completion of any project, any residual funds shall be returned to the fund that provided the original appropriation.
- g. Partner City Committee
  - i. For the Partner City Committee, general fund appropriations shall be accounted for and expended separately from donations and proceeds from fund raising activities.
  - ii. Each year, if the city council approves a general fund appropriation, that amount shall be transferred into a distinct non-lapsing account. The Partner City Committee is authorized to spend this appropriation, as well as the donations and proceeds from fund raising activities, for activities associated with their purpose, as defined in the city code. At year end, the balance remaining in the non-lapsing account funded by general fund appropriations shall be reviewed by city staff. To the extent that any

balance remaining exceeds the total of the two most recent appropriations, the excess shall be returned to the general fund as surplus.

### III. Purchasing

- a. Environmental Preferred Purchasing. To the greatest extent possible and within budgetary constraints, the City of Keene will consider life-time costs and environmental impacts when purchasing goods and services.
  - i. Practices will be developed, implemented and adhered to that will reduce waste by increasing product efficiency and effectiveness.
  - ii. Products that minimize environmental impacts, toxins, pollution, and hazards to worker and community safety will be given preference to the greatest extent practicable.
  - iii. To the greatest extent possible and within budgetary constraints, the City of Keene will purchase products that:
    - o include recycled content,
    - o are durable and long-lasting,
    - o conserve energy and water,
    - o use agricultural fibers and residues,
    - o reduce greenhouse gas emissions.
  - iv. To the greatest extent possible and within budgetary constraints, the City of Keene will incorporate green building principles and practices into the planning, design, construction, management, renovation, operation, and demolition of all City facilities.
- b. Collaboration. The City may seek collaboration with other interested governmental entities or agencies to consolidate when possible and practicable employees, services, and the purchase of materials, supplies, and other consumables, when doing so:
  - i. reduces duplication of effort,
  - ii. provide for the efficient and effective use of public resources, and
  - iii. conforms to budgetary parameters and remain cost competitive.

### IV. 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 **\$25,000 for conservation purposes, funded through the allocation of the Land Use Change Tax (LUCT). If the prior years' LUCT revenues are less than \$25,000, the General Fund will provide the difference from general revenues to ensure an annual contribution of \$25,000. Additionally, in the years when the LUCT revenues exceed \$25,000, 50% of the amount over \$25,000 will be designated for the conservation purposes, with the total annual designation not to exceed \$100,000.** 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.

V. 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:
    - o A high level of cost recovery will negatively impact the delivery of service to low-income groups.
    - o Collecting the fees and charges is not cost effective.
    - o There is no intended relationship between the amount paid and the benefit received (e.g. social service programs).
    - o There is no intent to limit the use of the service (e.g. access to parks and playgrounds).
    - o 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:
    - o The service is also provided, or could be provided, by the private sector.
    - o The use of the service is discouraged (e.g. fire or police responses to false alarms).
    - o The service is regulatory in nature and voluntary compliance is not expected (e.g. building permits, plans review, subdivisions).

- iv. Ambulance:
  - o Service fees shall be set at 75% above the Medicare-determined usual and customary charge.
  - o 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
  - o 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 either by ordinance, resolution or by action of a council committee.
- g. 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.

VI. 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. The CIP shall contain revenue projections and rate impacts that support estimated operating costs as well as the proposed capital program.
- e. 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.
- f. The CIP will be reviewed by the Finance Committee of the City Council and by the Planning Board.
- g. The CIP will be the subject of a public hearing before it is adopted.
- h. The funding requests in the first year of the adopted CIP will be included in the next annual budget document.
- 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.

VII. 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 current revenue capital outlay appropriations, on a five-year average, at or less than 15% of the General Fund operating 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)
  - iii. Other financing tools such as tax credits that leverage the City’s initial investment in a project.

VIII. 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:
    - o Prolongs the useful life of the asset
    - o Adapts the asset to a new or different use
    - o Substantially increases the value of the asset
    - o 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.

IX. 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 carry forwards authorized and 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 or laws or regulations or other governments. All other net assets are reported as unrestricted.

X. Stabilization Funds

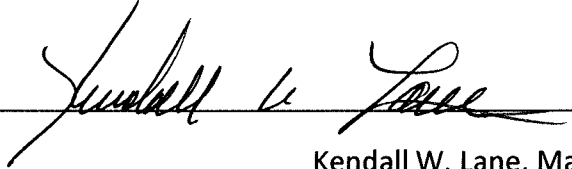
- a. Unassigned Fund Balance.
  - i. That portion of available funds within each fund that can be used to offset emergency expenditures, a downturn in collection of significant revenues, or other unforeseen events.
    - o Unassigned fund balance for the General Fund will be maintained at between seven (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.
    - o Fund balances 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. Self-funded health insurance.
  - i. 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 months of estimated claim costs.
- c. Capital Reserves.
  - i. Capital Reserves, classified as committed funds, 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. Hazardous Waste Site Capital Reserve – for the clean-up, mitigation and testing associated with the old City landfill located at 580 Main Street
5. Transfer/Recycling Center Capital Reserve – for the repair and replacement of existing infrastructure, systems and equipment
6. City Hall Parking Deck Capital Reserve – for the repair and replacement of existing infrastructure, systems and equipment
7. Wells Street Parking Facility Capital Reserve – for the repair and replacement of existing infrastructure, systems and equipment
8. Landfill Closure Capital Reserve – for the closure and post-closure costs associated with the City landfill located at Route 12 North.
9. Wastewater Treatment Plant Capital Reserve – for the repair and replacement of major components of plant, including equipment and building
10. Martel Court Pumping Station Capital Reserve – for the repair and replacement of major components of station, including equipment building
11. Sewer Infrastructure Capital Reserve – for the repair and replacement of existing infrastructure, systems and equipment including pump stations and the collection system
12. Water Treatment Facility Capital Reserve – for the repair and replacement of major components of facility including pumps, controls, chemical systems, etc., and building components
13. 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
14. Fleet Equipment Capital Reserve – for the replacement of vehicles and equipment under the control of Fleet Services
15. Bridge Capital Reserve – for the construction, reconstruction and rehabilitation of bridges.
16. Downtown Infrastructure and Facility Improvement Capital Reserve – for infrastructure and facility improvements in the downtown.

## XI. 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



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Kendall W. Lane, Mayor

PASSED February 19, 2015