

 <b>City of Concord</b> <b>New Hampshire</b>	<b>OPERATING POLICIES &amp; PROCEDURES</b> <b>City of Concord, NH</b> <b>DEPARTMENT OF FINANCE</b>			
	<i>Title</i> <b>FUND BALANCE, RESERVES AND CIP SPENDING PRIORITY POLICY</b>			
	<i>Major Classification</i> <b>DEPUTY CITY MANAGER - FINANCE</b>			
	<i>Original Effective Date</i> <b>2-11-2013</b>	<i>Revision Date</i> <b>October 15, 2024</b>	<i>Procedure No.</i>	<i>Page No</i> <b>1</b>

## I. PURPOSE

This policy establishes the requirements for prudent care and management of City funds, provides for the proper execution of the City's fund balance to ensure the financial stability of the City, and codifies the spending priority of capital project revenues.

## II. ACCOUNTABILITY

The City Manager and Deputy City Manager/Finance in conjunction with the City's Fiscal Policy Advisory Committee and City Council, shall oversee compliance of this policy.

## III. DEFINITIONS

- A. GASB Statement No. 54 – Governmental Accounting Standards Board Statement No. 54 as it relates to governmental fund balance reporting.
- B. Fund Balance Classifications
  - 1. Non-spendable – Portion of fund balance that cannot be spent because the balance is (a) not in spendable form or (b) legally or contractually required to be maintained intact. (example: inventory or permanent funds)
  - 2. Restricted – Constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, or laws/regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation. (example: debt covenants or grant funds)
  - 3. Committed – Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority (Concord City Council). These funds cannot be used for any other purposes unless the same authority removes or changes the specified use by a similar action. The action to commit or remove/change the specific purpose should occur prior to the end of the reporting period, but any amount subject to the constraint may be determined in the subsequent period.
  - 4. Assigned – Amounts that are constrained with the intent to use for specific purposes but are neither restricted nor committed. Intent should be expressed by (a) the governing body itself, (b) a committee, budget or finance, or (c) an official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.
  - 5. Unassigned – This is the residual classification for the General Fund. This represents amounts that have not been restricted, committed, or assigned to a specific purpose. The General Fund should be the only fund that reports a positive unassigned fund balance.

## IV. POLICY

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**A. Requirements –**

**1. General Fund**

- a. Unassigned fund balance – It is the policy of the City to maintain a general operating fund unassigned fund balance level of 20.5% of operating expenses.
- b. Assigned fund balance – Upon adoption of this policy, the City Council authorizes the City Manager to assign fund balance for a specific purpose; so long that said purpose is in keeping with this policy, the wishes of the City Council and its Fiscal Policy Advisory Committee, and is in the best interest of the City.
  - i. Utilization of Assigned fund balance will be presented to the City Council for action during the fiscal year immediately following the fiscal year of assignment.
  - ii. Any assigned fund balance not acted upon and/or utilized for the specific purpose for which the City Manager assigned will lapse to unassigned fund balance on June 30 of the fiscal year immediately following the fiscal year of assignment.
- c. Balanced Budget – It is the policy of the City Council to annually adopt a General fund operating budget such that current revenues equal or exceed current appropriations, overlay and war service credits.

**2. Water and Sewer enterprise funds**

- a. Working Capital amounts – It is the desire of the City to maintain financially self-supporting Water and Sewer Funds with rate stability and to avoid large rate increases. Therefore, it is the policy of the City to, over time, achieve and maintain operating, capital and rate stabilization reserves of:
  - i. Operating – 25% of operating expenses less debt service and pay as you go capital.
  - ii. Capital – 25% of debt service or no less than \$500,000
  - iii. Rate Stabilization – 10% of operating revenue or no less than \$500,000.

**3. Special revenue funds**

- a. Operating fund reserves – It is the desire of the City to maintain financially self-supporting Special Revenue Funds with healthy financial positions. Therefore it is the policy of the City to, over time, achieve and maintain working capital reserves of:
  - i. Golf fund – a minimum of 20% of operating expenses including debt service and capital expenditures
  - ii. Arena fund – a minimum of 20% of operating expenses including debt service and capital expenditures

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- iii. Parking fund – a minimum of 20% of operating expenses including debt service and capital expenditures
- iv. Airport fund – a minimum of 20% of operating expenses including debt service and capital expenditures.
- v. Solid Waste fund – a minimum of 20% of operating expenses including debt service and capital expenditures.

#### 4. All funds

- a. CIP Spending priorities – It is the policy of the City to adopt spending priorities for capital projects approved by the City Council. Unless otherwise determined by the Deputy City Manager/Finance or the City Manager to be in the best interest of the City, expenditures for capital projects shall be spent according to the following funding hierarchy order:
  - i. Bonds/notes – expenditures as they relate to long term financing of a project will have the highest priority and be spent first.
  - ii. Grants and awards – expenditures as they relate to revenues from grants or other awards that are not intended to be paid back to the grantor shall have the second highest spending priority and shall be spent second.
  - iii. Capital Reserves – expenditures as they relate to revenues derived from capital reserve funds shall have the third highest spending priority and shall be spent third.
  - iv. Cash or Capital Transfers – expenditures as they relate to revenues derived from operating budget transfers shall have the lowest spending priority and shall be spent only after all available funds have been expended for the intended purpose.
  - v. Dependent funding sources – while it is understood that certain bonds/notes/grants/awards may have certain spending limitations or city matches attached to it, these funds shall be spent to their greatest extent possible to maximize the utilization of the funds in the above order.

#### V. SIGNATURE

Approved by:

 <b>City of Concord</b> <b>New Hampshire</b>	<b>OPERATING POLICIES &amp; PROCEDURES</b> <b>City of Concord, NH</b> <b>DEPARTMENT OF FINANCE</b>			
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Thomas J. Aspell, Jr. City Manager

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Date

## VI. REVISIONS

Action	Section(s)	Date	By
Original	All	Upon CC approval	BGL
Revised	IV A 1,2,3	11-9-15	BGL
Revised		10-15-24	BGL