

City of Providence
STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

CHAPTER 2011-21

No. 387

**AN ORDINANCE AMENDING CHAPTER 21,
ENTITLED: "REVENUE AND FINANCE",
ARTICLE III, FUNDS."**

EFFECTIVE ~~XXXXXX~~ July 18, 2011

Be it ordained by the City of Providence:

**SECTION 1. The Code of Ordinances of the City of Providence, Chapter 21 ,
"Revenue and Finance," Article III, "Funds" is hereby amended to add Section 21-74
as follows:**

Section 1. Purpose

The purpose of this section is to implement sound fiscal practices with regard to the administration of reserve funds in the City of Providence. This section establishes requirements for the City to maintain adequate levels of cash balances in order to mitigate the impact of fiscal events such as unanticipated revenue shortfalls and emergency induced spending, as well as to provide predictability in long-range financial planning for the City.

Section 2. Definitions

Undesignated General Fund Surplus ("Rainy Day" Fund). The undesignated fund surplus or balance is generated when annual general fund assets are greater than annual general fund liabilities. Such undesignated funds can be authorized to replace unanticipated declines in revenue and emergencies.

Capital Assets Fund. The reserve fund that holds the net proceeds from the sale of City-owned property, **including the Capital Assets Fund-Fund-856.**

Continuing Appropriation Fund. The reserve fund that consists of portions of annual operating surpluses and grant funds that are to be used for capital and special projects, **including the Continuing Appropriation Account-Fund 657.**

Section 3. Administration and Reporting of Reserve Fund Accounts.

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The City shall implement policies regarding the administration, oversight, and reporting of all transactions involving reserve fund accounts, including the Undesignated General Fund Surplus (“Rainy Day” Fund), the Capital Assets Fund, and the Continuing Appropriation Fund, as follows:

- (a) The Mayor’s office shall **prepare and** submit to the City Council ~~for approval~~ a “Reserve Funds Policy and Procedure Manual,” to include the administration, oversight, and reporting ~~regarding~~ of all reserve funds under the control of the City. ~~Such manual shall be submitted not later than ninety (90) days upon passage of this section.~~
- (b) The Director of Finance shall submit to the Mayor and the City Council annually in ~~the month of September~~ by January 31st, a “Reserve Level Status Report.” Such report shall identify all activity during the most recent three-year period in the Undesignated Surplus (“Rainy Day” Fund), the Capital Assets Fund, ~~Fund 856~~ and the Continuing Appropriation ~~Account~~ Fund ~~657~~. The report shall detail transactions, and provide documentation of City Council approval for transfers from these ~~reserve fund~~ accounts where required, and reasons for use of funds. ~~in accordance with Section 810 of the Home Rule Charter and with subsection 4(d) of this ordinance.~~
- (c) ~~Transfers of funds into and out of any reserve accounts under the control of the City shall be made in accordance with Section 810 of the Home Rule Charter, and shall be made only subsequent to compliance with Subsection 3(a) and 3(b). No transfers shall be~~ No transfers of funds out of and/or out of any account designated as either the Undesignated General Fund Surplus (“Rainy Day” Fund) or the Capital Assets Fund shall be made prior to:
- a. Written request by the Mayor to the City Council, which shall include an explanation ~~and justification~~ for the transfer and proposed use of the funds, ~~signed by the Director of Finance;~~
 - b. Approval by majority vote of the City Council; and
 - c. Authorization by the City Treasurer.

Section 4. Undesignated General Fund Surplus

The following criteria, policies, and procedures shall apply to the Undesignated General Fund Surplus (“Rainy Day” fund):

- a) A minimum reserve balance shall be maintained in the “rainy day” fund of not less than five percent (5%), **with a fully-funded target of and up to** ten percent (10%), of the ~~general fund~~ **total budget expenditures for the current fiscal year.**
- b) A “Replenishment of Reserves” policy shall be strictly adhered to whenever the “rainy day” fund balance falls below the levels mandated in Subsection 4(a). The “Replenishment of Reserves” policy shall require the following:
 - i. Should the fund fall below the five percent (5%) minimum, the budget for the ensuing fiscal year shall include an appropriation in the amount necessary to restore the fund to the minimum level.
 - ii. Should the fund fall below the ten percent (10%) level, the budgets for the ensuing three (3) fiscal years shall include appropriations in the amount necessary to restore the fund balance to ten percent (10%).
- Use of funds from the “rainy day” reserve shall be limited to replacing unanticipated declines in revenues and **other** emergencies, as determined by the City Council ~~and as authorized, in accordance with Section 3 (c) herein.~~
- c) ~~A multi-year plan to fund the reserve at the financially responsible level as mandated in Subsection 4(a) shall be initiated upon passage of this section. Commencing with fiscal year 2013, allowable revenues shall be applied to the “rainy day” fund in the amount of between one percent (1%) and two percent (2%) in each ensuing fiscal year until the “rainy day” reserve is funded at the maximum level. Notwithstanding the foregoing, upon passage of this Ordinance, the replenishment of the reserves balances for the years set forth shall be as follows:~~

<u>Fiscal Year 2013</u>	<u>1% of total budget expenditures</u>
<u>Fiscal Year 2014</u>	<u>2% of total budget expenditures</u>
<u>Fiscal Year 2015</u>	<u>2% of total budget expenditures</u>

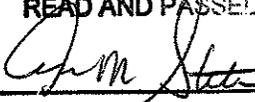
The following criteria, policies, and procedures shall apply to the Capital Assets Fund:

- a) Use of funds from Capital Assets ~~Funds Account~~ shall be limited to paying the principal on existing debt, or to finance capital projects in excess of \$100,000.
- b) The ~~M~~Mayor shall submit, at the time of the annual budget submission for the ~~ensuring ensuing~~ fiscal year, a Comprehensive Annual Capital Assets Reserve Plan for the use of any funds contained within the Capital Assets account, or any funds that the ~~M~~Mayor expects will be added to the Capital Assets account during the ensuing fiscal year. The plan shall limit the proposed use of funds to those in Subsection 5(a) and shall include:
 - i. Specific sources of and purposes for the allocation of all Capital Assets Account funds; and
 - ii. Capital expenditures planned for the ensuing fiscal year utilizing Capital Assets Account funds.
- c) The Director of Finance, no later than September 1st of each year, shall provide the ~~Mayor and the~~ City Council with a Capital Asset Account Report that compares the activity in the Capital Asset reserve account with the Comprehensive Annual Capital Assets Reserve Plan that was submitted for the previous fiscal year, as required by Subsection 5(b).

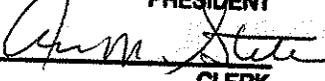
Section 6. Severability

If any word, phrase, clause, subsection, or section of this Ordinance is for any reason held unconstitutional or invalid by a court of competent jurisdiction, the invalidity thereof shall not affect the validity of any remaining portions of the Ordinance.

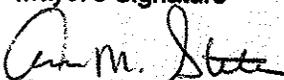
SECTION 2. This ordinance shall take effect upon passage.

IN CITY COUNCIL
 JUN 16 2011
 FIRST READING
 READ AND PASSED

 CLERK

IN CITY
 COUNCIL
 JUL 07 2011
 FINAL READING
 READ AND PASSED

 PRESIDENT

 CLERK

Effective without the Mayor's Signature


 Anna M. Stetson
 City Clerk