

# **TOWN OF EAST GREENWICH**

## **FINANCIAL POLICIES (Adopted 8/25/08)**

### **I Fund Structure**

**All funds are intended to be self-supporting, with no subsidies from one fund to another required for operations or capital outlay. The Town will continue to conduct its financial activities through the use of the following funds:**

#### **A Governmental Funds**

- 1 General Fund – shall be used to account for those governmental activities That are not recorded in one of the other Town Funds that have been established under the authority of the Town Council**
- 2 Special Revenue Funds**
- 3 Grants Fund – shall be used for those activities that are funded in part or in whole by contributions from other entities**
- 4 Capital Projects Fund – shall be used to account for the capital projects funded by any of the governmental funds**

#### **B Proprietary Funds**

**Sewer Fund – shall be used to account for the operations, maintenance, and capital outlay needs of the sewer collection and treatment systems**

### **II Budget**

#### **A The Town shall adopt appropriated budgets for the following funds**

- 1 General Fund**
- 2 Sewer Fund**
- 3 All appropriated budgets shall be adopted annually.**

**B All appropriations for annual operating budgets (exclusive of capital projects) shall lapse at fiscal year end unless encumbered by a Town of East Greenwich 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 Town Manager in writing, on a case-by-case basis.**

**The Town Council shall be presented with a budget for each of the funds that have an appropriated budget annually, and each shall be balanced. Upon completion of any project, any residual funds shall be returned to the fund that provided the original appropriation. The Town 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.**

**Diversity. The Town 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.**

**Designation of Revenues. Direct reimbursements from other entities shall be used to offset the appropriate Town expense.**

**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 Town Council.**

#### **B Property Taxes**

**The Town shall limit its property tax revenue increases as proscribed by Senate bill 3050, net of expenditures required by law, and debt service payments.**

**Property Tax Credits and Exemptions. All exemptions and credits will be reviewed with the Town Council every three years, unless there are legislative changes that cause a review to occur on a more frequent basis.**

**Non-property tax revenues. The Town will maximize the utilization of payments in lieu of taxes and user fees and charges.**

#### **C Fees and Charges**

**Certain services provided by the Town of East Greenwich 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.**

**In the event that the benefit is community-wide, there will be no user fee or charge assessed.**

**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.**

## **IV Cost Recovery**

**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).**

### **A 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 Town of East Greenwich.**

### **B 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. 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).**

**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. Rate structures should be sensitive to the market price for comparable services in the private sector or other public sector entities.**

**All fees and charges shall be adopted by the Town Council either by ordinance or resolution. Fees and charges shall be reviewed on an on-going basis, and recommended changes brought forth to the Town Council for action, to ensure that they remain appropriate and equitable.**

## **V Capital Improvement Program**

**The Town of East Greenwich shall prepare a capital improvement program (CIP) with a span of six years. The CIP shall be updated annually.**

**The CIP will include all projects anticipated to be undertaken in the ensuing six-year period that have an estimated cost in excess of \$7,500 and an anticipated useful life of at least five years.**

**Each project funding-request shall originate from a town department and shall include the following information:**

- **A description of the project.**
- **A cost estimate.**
- **A priority ranking.**
- **An estimate of the operating budget impact.**
- **Estimated project life.**

**The CIP will be reviewed by the Town Council following a recommendation by the Planning Board.**

**The CIP will be the subject of a public hearing as part of the budget hearing process before it is adopted. The funding requests in the first year of the adopted CIP will be included in the next annual budget document.**

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

## **VI Debt**

### **A General**

**The Town of East Greenwich will periodically incur debt to finance capital projects. All issuances of debt are subject to Rhode Island General Law. Debt may be issued to fund those projects with a public purpose of a lasting nature, or as otherwise allowed by state law.**

**Debt will not be issued to provide for the payment of expenses for current maintenance and operation except as otherwise specifically provided by law. The Town of East Greenwich shall not incur debt that exceeds any limits set by state law.**

**All bonds are authorized by Resolution of the East Greenwich Town Council.**

**The Town of East Greenwich may use the services of a financial advisor to assist in preparing for, and executing, any sale of bonds.**

**The Town of East Greenwich has issued:**

**General Obligation Bonds – repayment is backed by the full taxing power of the Town of East Greenwich.**

**Competitive sale is the preferred method of sale, however negotiated sales may occur for a current or advance refunding, or for other appropriate reasons.**

## **B Term**

**Debt will be incurred only for those projects with a useful life of at least five (5) years.**

**The term of any debt incurred by the Town shall be limited to no greater than the expected useful life of the improvement.**

**The use of short-term financing, lease or lease-purchase agreements shall be kept to a minimum.**

**The Town of East Greenwich 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.**

**Other funding sources – to the extent they are available, the Town of East Greenwich will actively pursue:**

- 1 Grants that reduce the Town's initial investment in project/improvement.**
- 2 Grants that contribute to the on-going debt service for Town project(s).**

## **VII Capital Assets**

### **A General**

**The Town of East Greenwich 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).**

**Capitalization of equipment, buildings, land and improvements other than buildings (if one or more of the following criteria are met):**

**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**

**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:**

- **Prolongs the useful life of the asset**
- **Adapts the asset to a new or different use**
- **Substantially increases the value of the asset**
- **Does not substantially replace a current asset**

**All land acquisitions will be capitalized at cost (if known) or fair market value.**

**The total cost of placing an asset into service condition will be capitalized.**

## **B Capitalization of Infrastructure**

**Cost greater than or equal to \$10,000 and useful life greater than five years**

**The depreciation approach will be utilized for the reporting of all infrastructure**

**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.**

**Asset Classification: assets will be recorded within broad asset groups (e.g. land, buildings, etc.).**

**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**

**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.**

**Unallocated fund balance for the General Fund will be maintained at between eight point three (8.3) 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.**

**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 Miscellaneous**

**The Town will not enter into any tax treaties.**