

# COMMONWEALTH OF MASSACHUSETTS

## *CITY OF SPRINGFIELD FINANCE CONTROL BOARD*

### EXECUTIVE ORDER

#04-09-13-2009

**This Executive Order is issued pursuant to the provisions of Chapter 169 of the Acts of 2004, *An Act Relative to the Financial Stability of the City of Springfield*.**

---

Pursuant to the authority granted under section 4(d)(7) of Chapter 169 of the Acts of 2004, the Springfield Financial Control Board hereby amends Title 4 of the Revised Ordinances of the City of Springfield, 1986, as amended, through further amendment, by adding a new Chapter 4.44 thereto: Financial Ordinances

---

AMENDING TITLE 4, OF THE REVISED ORDINANCES OF THE CITY OF SPRINGFIELD, 1986, AS AMENDED HEREBY FURTHER AMENDED BY ADDING A NEW CHAPTER 4.44 THERETO: FINANCIAL POLICIES.

Title 4, of the Revised Ordinances of the City of Springfield, 1986, as amended, hereby further amended by adding the following new Chapter 4.44 thereto:

#### Chapter 4.44

#### FINANCIAL ORDINANCES

#### Sections:

- 4.44.010 Compliance with finance laws
- 4.44.020 Ordinances with regard to the budget.
- 4.44.030 Revenue policies.
- 4.44.040 Policies with regard to self-operations.
- 4.44.050 Capital planning policies.
- 4.44.060 Financial reserve policies.
- 4.44.070 Debt policies.
- 4.44.080 Policies regarding cash management.
- 4.44.090 Polices regarding financial reporting and reconciliation.
- 4.44.100 Polices regarding financial responsibilities of departments.
- 4.44.110 Policies regarding grants.

4.44.010 Compliance with finance laws. A. All city employees, agents, boards, commissions and authorities shall comply with all General Laws, Special Acts of the Commonwealth, and city ordinances that relate to finance and financial management.

B. By September 30 of each year, the finance department shall provide to all departments an update regarding the financial policies and ordinances of the city of Springfield. By November 1 of each year, the law department shall provide to all departments an annual update regarding changes to municipal finance law and regulations that may impact departmental operations.

4.44.020 Ordinances with regard to the budget. A. The mayor shall propose to the city council and the city council shall adopt balanced budgets in which non-one-time revenue equals or exceeds expenditures.

B. The city will not balance the budget by using one time or other nonrecurring revenues to fund ongoing expenditures. Transfers from "free cash" and a "stabilization reserve fund" shall be the only exception; appropriation from free cash or a stabilization reserve fund to fund ongoing expenditures shall require a written disclosure by the chief administrative and financial officer of the size of the appropriation, the remaining balance in reserve after said appropriation and a projection as to how the city will finance these recurring expenses in upcoming fiscal years.

C. The city will not use budgetary procedures that balance the budget at the expense of future years, including postponing or deferring payment of expenses already incurred, accruing future year revenues, or rolling over short-term debt.

D. The annual budget shall include the following sections: the expenditure budget, a summary of the city's financial condition, an analysis of revenues used in the proposed budget, a proposed allotment schedule for the budget as required by Chapter 656 of the Acts of 1989, an analysis of outstanding debt and a summary of the city's capital condition, including municipal buildings, infrastructure, equipment, rolling stock and information technology.

E. The city's annual budget shall be adopted at the level of departmental salaries, expenses and capital.

F. The budget will provide for adequate maintenance and the replacement of capital plant and equipment. In the event

that the budget is not able to provide for adequate maintenance and replacement of capital plant and equipment, the city will identify and report on the funding gap and the maintenance, equipment and capital which are not funded in the proposed budget. All budgetary procedures will conform with existing state and local regulations.

G. The chief administrative and financial officer shall produce and issue a four (4) year financial plan for the city by March 30<sup>th</sup> of each year. Said plan shall be comprised of reasonable revenue estimates and all expenditures the city may reasonably experience during said period. All assumptions contained in the forecasts shall be clearly presented within the forecast document.

H. Within two (2) weeks of the start of the fiscal year, the comptroller shall encumber all personnel service funds in all departments for the entire fiscal year for each budgeted position then occupied by an employee.

I. The comptroller shall provide to the mayor and city council a monthly report of revenues and expenditures at the line item level.

4.44.030 Revenue policies. A. The city's annual budget shall include a revenue budget that is created in line item detail for City operations.

B. The City will estimate its revenue using conservative methods and present this along with the balanced budget.

C. The chief administrative and financial officer shall review and propose to the city council an updated fee schedule for each of the city's departments no less than every two (2) years to ensure the cost of services is being adequately recovered.

D. The city may build into its revenue base from one fiscal year to the next an increase in each revenue line item of no more than three percent (3%), with the exception of

1. Real and personal property taxes, whose increase shall not exceed the revenue permitted under law, with New Growth set at a level certified by the Assessors as reasonable.

2. Chapter 70 (school) aid and school building assistance payments from the Commonwealth, which shall be budgeted in an amount no greater than the estimates provided by the Commonwealth of Massachusetts, and

3. Certain fees and fines, which may increase more than three percent (3%) only if the underlying cost of the fee or fine is increased. In such an instance, the city may budget the entire increase associated with the fee and/or fine so long as said revenue assumptions are certified as reasonable by the chief administrative and financial officer.

E. Any revenue increase in excess of the three percent (3%) limit established herein shall be considered upwardly volatile revenue and may only be expended to increase reserve fund levels or to fund non-recurring capital expenditures.

F. The city will maintain property assessment for the purpose of taxation at full and fair market value, as prescribed by State law.

G. The city shall collect all revenue using fair and consistent methods, exercising all powers provided to it under law. On or before May 30<sup>th</sup> of each year, the city shall commence tax title proceedings against all properties that owe property taxes to the city.

4.44.040 Policies with regard to self supporting operations. A. The city shall annually adopt the rates and fees for all enterprise fund activities, and the chief administrative and financial officer shall propose no less than every two years the rates and fees for all other rate- and fee-supported services in city government.

B. In the event that an enterprise fund requires General Fund or other support because its revenue does not fully support its operations, the finance director and relevant department head shall make a report to city council regarding the fund, its revenue and expenditure position and the reason a deficit occurred.

4.44.050 Capital planning policies. A. For purposes of this ordinance, the term "capital" shall refer to a facility, object or asset costing more than twenty-five thousand dollars (\$25,000) with an estimated useful life of ten (10) years or more.

B. The capital improvement program will directly relate to the long-range plans and policies of the city.

C. The capital improvement plan shall be issued by March 30<sup>th</sup> of each year and shall be produced by and in the form designated by the chief administrative and financial officer. At a minimum, the capital improvement plan shall be a "rolling" five (5) year plan which shall be submitted to the city council for approval annually.

D. The capital improvement plan shall be reviewed by the capital improvement planning committee and shall include all capital expenditures proposed by the various departments. The committee shall recommend in each year of the plan the capital investments to be funded, and how these expenditures should be financed.

E. The capital improvement planning committee shall be comprised of the city's chief administrative and financial officer or his/her designee, the finance director, a representative from the city council, the director of parks, buildings and recreation management, the budget director, the planning director, the director of capital asset construction, the director of public works and the director of community and economic development or other officials with different titles who perform the duties of said positions. Any member with an interest in a capital item before the committee shall recuse him/herself from deliberations regarding said items. The committee shall provide its recommendations in writing to the mayor and city council. Any capital funding request that is at variance from the committee's recommendation shall be accompanied by a written justification of the variance, including a comparison of cost-benefit analyses for the effected projects.

F. Except as required by an emergency, all approved capital projects must be part of the adopted capital improvement plan. Capital projects that were not included in the capital improvement plan may not be conducted unless an emergency has occurred and a written report explaining the emergency has been provided to the city council.

G. All capital expenditure decisions shall analyze the potential use of alternative energy and fuel/energy efficient technologies and devices, and the use of recycled materials and environmentally preferable products.

H. The capital improvement plan shall include a multi-year forecast of annual debt service requirements for items in the plan to permit the examination of the future implication of debt issuance.

I. Each capital item in the capital improvement plan shall be accompanied by an analysis that includes the identification and cost estimation of additional operational and personnel costs associated with that capital improvement.

J. All proposals for capital improvements shall include a proposed source of funding for each capital improvement. Pay-as-you-go capital funding shall be considered as a financing source for each proposed capital improvement.

K. As part of a comprehensive capital improvement program, the city shall maintain net tax-financed capital improvement expenditures (pay as you go) at a level of one and one-half percent of local source revenue.

L. The finance director shall review the finances and status of all capital projects no less than annually. For a non-construction capital expenditure, the city shall conduct project close out within six (6) months of project completion.

For a construction-related capital expenditure, the city shall conduct project close out within nine (9) months of the end of construction. The city shall release unexpended bond proceeds within six (6) months of project close out and may reuse said proceeds consistent with the provisions of Massachusetts General Law.

4.44.060 Financial reserve policies. A. The city shall maintain an undesignated fund balance of between five percent (5%) and fifteen percent (15%) of general fund revenues, less debt exclusions.

B. In the event that the city's undesignated fund balance falls below five percent (5%) of general fund revenues, less debt exclusions, a plan for specific expenditure reductions and/or revenue increases that will bring the city into compliance with the minimum fund balance requirement shall be submitted to the city council during the next budget cycle.

C. Pursuant to the provisions of Chapter 656 of the Acts of 1989, the city shall maintain a reserve for extraordinary expenses of at least one percent (1%) and not greater than three percent (3%) of the prior year's tax levy. No direct drafts shall be permitted from this fund, but transfers may be made from it in the same manner as required for other budgetary transfers.

D. The amount of money to be held in free cash shall not be less than three percent (3%) or more than six percent (6%) of General Fund operating revenue, less debt exclusions.

E. The city shall maintain a primary stabilization reserve fund equal to between five percent (5%) and fifteen percent (15%) of General Fund operating revenues, less debt exclusions. As prescribed by Massachusetts General Law, however, at no time may an appropriation into this fund exceed 10% of the previous year's property tax levy, nor can the fund balance exceed ten percent (10%) of the equalized value of the city.

F. Pursuant to the provisions of Chapter 169 of the Acts of 2004, the city shall annually fund a capital reserve of at least one and half percent (1.5%) of the committed property taxes from the prior fiscal year. Said fund may be expended on capital projects for which the city may issue bonds for a term of ten (10) years or longer as provided for in Chapter 44 of the Massachusetts General Laws.

G. Whenever the city is self insured for the purposes of property, liability and/or workers' compensation insurance, it shall maintain a Self Insurance Reserve Fund that may be expended to pay for the loss of or damage to municipal property, whose loss or damage would be covered by property and liability

insurance had the city purchased it. Said Reserve may also be used to pay justified damage, liability and workers' compensation claims against the city and shall be in the amount of 5% of the aggregate assessed valuation of City Hall, Symphony Hall and the Campanile.

4.44.070 Debt policies. A. The city shall comply with debt limitations as detailed in Massachusetts General Law.

B. The City shall manage the issuance of debt in line with the following debt ratios:

1. General Fund debt service as a percentage of general fund revenues, net of debt exclusions - not to exceed eight percent (8%).

2. Enterprise fund debt service as a percentage of enterprise operating revenue - not to exceed fifteen percent (15%).

3. Percentage of total debt that will be retired at the end of ten (10) years - at least sixty-five percent (65%).

C. Short-term debt, such as bond anticipation notes, tax anticipation notes, or grant anticipation notes, may be used when it provides immediate financing and an interest rate advantage, or if there is an advantage to delaying long-term debt until market conditions are more favorable.

D. The city may use inter-fund and inter-account operating loans rather than outside debt instruments to meet short-term cash flow needs. Such loans may only occur if the affected fund or account has excess funding available and the use of these funds will not impact the fund's or account's current operations. All such loans shall be repaid by June 30<sup>th</sup> of each year.

E. Any bond anticipation debt will be retired within six (6) months after completion of the project it financed.

F. Short-term debt will not be rolled over beyond two (2) years without a principal pay down or as prescribed by state law.

G. The term of debt issued to finance capital improvements or procurements may not exceed the useful life of the asset or improvement so financed.

H. The city shall conduct debt financing on a competitive basis unless, for reasons of market volatility, unusual financing structure or a complex security structure the city would be better served through a negotiated financing.

I. In all instances in which the city issues bonds or notes of a term exceeding twelve (12) months, the city shall utilize the services of a financial advisor firm to advise it on structuring the transaction, issues related to the compensation paid to firms involved in the transaction and other items. Said

firm may not have served as underwriter for a city debt transaction during the thirty-six (36) months prior to the issuance of the bonds or note then being financed.

J. The finance director shall annually conduct and release to the public a report on the amount and affordability of debt issued by the city, using established and generally accepted benchmarks as a basis for comparison.

K. The city shall establish and maintain a debt schedule that avoids large increases in debt service on a year-to-year basis, and shall seek to use an "equal principal" repayment structure rather than level debt service structure.

L. The City may issue refunding bonds if the savings associated with the refunding are at least twice the cost of issuing the refunding bonds, there are positive savings in each year of the refunding bonds so issued, the present value of the savings is at least three percent (3%) of the par amount of the refinancing issuance, and the refunding bonds do not extend the term of the debt to be refinanced.

M. The city may not use bond proceeds to finance operating expenses other than those certified by the chief administrative and financial officer as being specifically related to implementation of the project. The city may not use bond accounts or bond proceeds as a source of inter-fund or inter-account operating loans.

N. The City shall comply with all Federal and State government laws and polices with regard to arbitrage earnings on bond proceeds.

4.44.080 Policies regarding cash management. A. The city shall manage its cash resources in a prudent and diligent manner with an emphasis first on safety of principal, second on liquidity and third on financial return on invested cash. The treasurer/collector shall ensure investment managers who invest municipal funds operate in a manner consistent with these requirements.

B. Except when cash is invested in the Massachusetts Municipal Depository Trust, the city shall not invest cash in instruments with a term exceeding three hundred sixty-five (365) days. Cash invested outside of the Massachusetts Municipal Depository Trust shall only be invested in cash, money market funds and certificates of deposit, with a preference for insured certificates of deposit where appropriate. The city shall not invest in derivatives of cash products or any structured financial vehicle.

C. The treasurer/collector shall submit a written report with regard to the city's cash investments to the office of internal audit no less than quarterly. Said report shall be in

the form required by the director of internal audit and shall document the city's cash investments in detail to ensure compliance with Massachusetts General Law and relevant policies and ordinances.

D. Except as otherwise provided for in Massachusetts General Law, all fees, fines and other revenue shall be collected by the office of the city collector. The finance director may permit individual departments to collect fees, fines and other revenue if, in his/her judgment, said department has established proper policies, procedures and controls and that said controls are followed at all times. All receipts collected by any department shall be forwarded to the city collector on a daily basis or on another schedule as may be approved in writing by the finance director.

E. The finance director shall develop, document and publish a system of internal controls for cash management, including but not limited to receipt of money, safeguarding of assets, verification of accuracy, use of financial computer systems, promotion of operational efficiency, proper segregation of duties and others.

4.44.090 Policies regarding financial reporting and reconciliation. A. All department heads shall notify the chief administrative and financial officer in writing within one (1) week of becoming aware of non-compliance with any financial ordinance or policy of the city of Springfield. The chief financial officer shall provide a written report to the city council when the city fails to comply with any financial policy of the city of Springfield. Said report shall occur within three weeks of the failure to comply, and shall be updated no less than annually. This shall explicitly include instances of intentional non-compliance, such as the use of non-recurring revenue (reserves) to support the operating budget, failure to maintain minimum reserve fund levels, and others.

B. The comptroller shall produce and present to the mayor and chief administrative and financial officer a statement of monthly revenues and monthly expenditures, both of which shall be compared to budget estimates and historical trends.

C. The treasurer/collector shall reconcile the city's revenues and bank accounts on a monthly basis, within fifteen (15) business days of the close of each month.

D. The city shall reconcile revenues and expenditures for each fiscal year within two (2) months of the end of the fiscal year.

4.44.100 Policies regarding financial responsibilities of departments. A. All departments authorized to collect receipts

by the finance director shall remit them to the city collector on a daily basis, or on another schedule approved by the finance director in writing on a case by case basis.

B. All departments shall utilize the city's central accounting system and shall post all financial transactions thereto in a timely manner.

C. No department shall open an account in any financial institution or maintain a checkbook or other means of receiving or making payments without the prior written approval of the finance director and may not make any payment outside of the city's central financial system.

D. No department shall be permitted to over-expend a line item in its budget unless authorized to do so by Massachusetts General Law, and then only after following the procedures established in said Laws. Pursuant to Chapter 656 of the Acts of 1989, any department head who over-expends their budget may be held individually and personally liable and required to make payment to the city in the amount of the over-expenditure, with determination of said liability made by the mayor.

E. No department may seek procurement for any capital project for which funding is not legally available via appropriation, bond funding, grant funding, gift or other legal source unless specifically permitted by law. In instances where law permits procurement without a previously-identified funding source, said department must seek and receive the approval of the finance director prior to initiating procurement activity.

F. All departments that issue fines and tickets under law and city ordinance shall provide written monthly reports to the finance director of the number and dollar value of tickets issued and paid. Said report shall be reconciled prior to submission so as to provide an accurate accounting of collections and outstanding unpaid balances to date.

G. The city shall commence and actively pursue collections activities against properties which are delinquent on their property taxes and personal property taxes at the earliest timeframe permitted by law.

4.44.110 Policies regarding grants. A. The grant director shall oversee all grants for the city of Springfield and, to the extent permitted by law, for the Springfield public school department. With the approval of the chief administrative and financial officer, he/she shall establish policies and procedures regarding the management and administration of grants, including the submission of grant applications for funding.

B. Departments shall be encouraged to pursue all available grants funding consistent with the mission and strategic direction of the department and the city.

C. All grant applications shall be reviewed by the grant director prior to submission. Departments shall provide all information requested by the grant director in a timely manner to allow proper oversight and reporting to grantors and others.

D. To the extent allowed by the granting entity, all grant applications which seek to fund personnel costs shall request funding for fringe benefit costs. A department applying for a grant which can not pay for fringe benefits shall stipulate to the grant director in advance how the department will pay for the related fringe benefit costs.

E. Grant funds shall be expended prior to the expenditure of general fund operating budgets whenever possible. Grant reimbursements shall be submitted in a timely manner; a schedule for submitting grant reimbursements, which shall be binding on all parties, may be established by the finance director if he/she finds that reimbursements are not taking place in a timely manner.

F. Department heads shall notify the finance director no later than three (3) months prior to the expiration of a grant if they reasonably believe grant funds may be returned unspent to the granting agency.

G. All employees, entities, boards, commissions or others which submit grant applications requiring a city match shall identify an available source of funding which shall serve as the matching funding for the grant, prior to submitting the grant to the grant director for review.

H. No employee paid in whole or in part from the General Fund shall be moved to being funded by a grant without the prior written approval of the finance director. No employee who is paid in whole or in part from a grant shall be moved to being funded by the General Fund without the prior written approval of the finance director.

Approved as to Form

---

Associate City Solicitor