

**AN ORDINANCE REGARDING THE ADOPTION OF FINANCIAL
MANAGEMENT POLICIES**

**BE IT ORDAINED BY THE COUNCIL OF THE CITY OF NORWICH, THAT
AN ARTICLE VI – SECTIONS 7-131 THROUGH 7-132.4 – AS MORE
PARTICULARLY SET FORTH HEREIN BE ADDED TO CHAPTER 7 OF THE
CODE OF ORDINANCES OF THE CITY OF NORWICH:**

Article VI – Financial Management Policies

7-131 – Unrestricted Fund Balance of the General Fund

The city shall maintain an adequate unrestricted fund balance (UFB) in its General Fund. The UFB is the amount of fund balance that is not constrained by externally enforceable legal or contractual restrictions.

7-131.1 – Contingency Appropriation

During the annual budget process, the city shall include a contingency appropriation. The contingency appropriation may be used to offset unanticipated, unbudgeted revenue shortfalls or expenditure overages which cannot be mitigated by reducing other operating expenditures.

Any unspent and unencumbered contingency appropriation, along with any operating surpluses in the General Fund shall close out into the UFB at the end of the fiscal year.

7-131.2 – Size of Unrestricted Fund Balance

The city shall accumulate a UFB of not less than 12% of the current fiscal year's budgeted expenditures and operating transfers.

7-131.3 – Permitted Uses of Unrestricted Fund Balance

UFB may be used to absorb operating deficits caused by unanticipated, unbudgeted revenue shortfalls or expenditure overages which cannot be mitigated by utilizing the contingency appropriation. However, UFB shall not be used in the place of normal operating revenues in the annual budget process.

To the extent that UFB exceeds 17% of the current fiscal year's budgeted expenditures and operating transfers, the Council of the City of Norwich may appropriate, by ordinance, some portion of such excess for one or more of the following purposes:

- a) Additional capital improvements beyond those required by Charter Chapter VII, Section 17 which can be demonstrated to reduce the future operating expenses of the city
- b) Make transfers to a bonded projects fund to pay for projects with authorized, but unissued debt
- c) Retire existing debt early
- d) Make employer contributions to the Pension or Other Post-Employment Benefits Trust Funds above the amount required by 7-132.4
- e) Fund projects and other expenditures for which the City of Norwich is authorized to incur indebtedness pursuant to Charter Chapter VIII, Section 1

7-131.4 – Replenishment of Unrestricted Fund Balance

Should the Unrestricted Fund Balance of the General Fund, having reached the minimum level set in 7-131.2, fall below that minimum level, in the fiscal year following such occurrence, the city shall increase the contingency appropriation called for in 7-131.1 according to the following schedule:

- a) If the UFB is below 8% of the current fiscal year's budgeted expenditures and operating transfers, the city shall restore UFB to the 8% level within two budget cycles.
- b) If the UFB is greater than 8%, but below 10% of the current fiscal year's budgeted expenditures and operating transfers, the city shall restore UFB to the 10% level within five budget cycles.
- c) If the UFB is greater than 10%, but below 12% of the current fiscal year's budgeted expenditures and operating transfers, the city shall restore UFB to the 12% level within five budget cycles.

7-132 – Pension and Other Post-Employment Benefits Funding

The city shall have actuarial valuations of its pension and other post-employment benefits ("OPEB") plans performed at least biennially.

7-132.1 – Actuarial Cost Method

The city shall use an actuarial cost method which conforms to the current actuarial standards of practice and allocate normal costs over a period beginning no earlier than the date of employment and should not exceed the last assumed retirement age. The selected actuarial cost method should be designed to fully fund the long-term costs of contractual benefits while equitably allocating the costs over the employees' period of active service.

7-132.2 – Actuarial Asset Method

The city shall recognize actuarial gains or losses on the differences between actual investment returns and the assumed rate of return over no longer than five years on a straight-line basis.

7-132.3 – Amortization of Unfunded Actuarial Accrued Liability

- a) Generally – The Unfunded Actuarial Accrued Liabilities (“UAALs”) that exist as of the last published valuation date prior to the adoption of this ordinance shall be amortized over no longer than 25 years. Changes in UAALs that occur after this date shall be amortized over no longer than 20 years.
- b) Plans closed to new entrants – The UAAL amortization for such plans shall be treated the same as in a) until such plans have no remaining active members. When a plan is closed to new entrants and has no remaining active members, changes in the UAAL shall be amortized over no longer than 10 years.

7-132.4 – Contributions

- a) Generally – The city shall contribute the amount recommended by its actuary each fiscal year unless the amount varies by more than 15% +/- from the previous year. This variance shall be calculated by division (e.g., Norwich Public Utilities, Norwich Public Schools, Police, Fire, Volunteer Fire, and all other General City).
- b) Contribution recommended by actuary is less than 85% of the previous year’s contribution – The city shall contribute an amount equal to 85% of the previous year’s contribution.
- c) Contribution recommended by actuary is greater than 115% of the previous year’s contribution – The city shall contribute an amount equal to 115% of the previous year’s contribution.

Mayor Debercy Hinchey

Alderman Mark M. Bettencourt

Alderman William Eyberse

Purpose: To establish policies with respect to the unrestricted fund balance of the general fund and contributions to the pension and other postemployment benefits funds.