

FUND BALANCE POLICY

Town of Hudson, NH
(Adopted: May 24, 2011)

PURPOSE AND SCOPE

The purpose of this policy is to ensure that there will be adequate liquid resources to protect the Town of Hudson’s financial stability against emergencies, economic downturns, as well as to contribute to the continuity of financial operations. This policy recommends the minimum required fund balance reserve and the allowable uses of fund balance reserves.

DEFINITIONS

Fund Balance: Accumulated equity balance in a governmental fund resulting from operations over the years. This is the difference between fund assets and fund liabilities.

General Fund: Fund used to account for basic governmental services supported mainly by tax revenue. Accounts for all financial resources not required to be accounted for in another fund.

Unrestricted Fund Balance: The total of committed fund balance, assigned fund balance, and unassigned fund balance.

FUND BALANCE RESERVES - GENERAL FUND

Fund Balances recommended by the NH Department of Revenue Administration (DRA) and the Government Finance Officers Association (GFOA) are as follows:

If the Annual Budget Is:	Unrestricted Fund Balance DRA Recommended:		Unrestricted Fund Balance GFOA Recommended:	
	5%	10%	8%	17%
\$45,000,000	\$2,250,000	\$4,500,000	\$3,600,000	\$7,650,000
\$50,000,000	\$2,500,000	\$5,000,000	\$4,000,000	\$8,500,000
\$55,000,000	\$2,750,000	\$5,500,000	\$4,400,000	\$9,350,000
\$60,000,000	\$3,000,000	\$6,000,000	\$4,800,000	\$10,200,000
\$65,000,000	\$3,250,000	\$6,500,000	\$5,200,000	\$11,050,000
\$70,000,000	\$3,500,000	\$7,000,000	\$5,600,000	\$11,900,000

Minimum Balance: The Town shall manage operations to maintain a minimum unrestricted fund balance of 5% of the general fund operating appropriations, the state education tax amount, the local school net tax commitment, and the County appropriations.

Target Balance: The Town shall work toward maintaining an unrestricted fund balance at a minimum of 8% of the general fund operating appropriations, the state education tax amount, the local school net tax commitment, and the County appropriations.

If the Annual Budget Is:	Minimum Balance:	Minimum Target Balance:
	5%	8%
\$45,000,000	\$2,250,000	\$3,600,000
\$50,000,000	\$2,500,000	\$4,000,000
\$55,000,000	\$2,750,000	\$4,400,000
\$60,000,000	\$3,000,000	\$4,800,000
\$65,000,000	\$3,250,000	\$5,200,000
\$70,000,000	\$3,500,000	\$5,600,000

Plan for Target Balances: The unrestricted fund balance target level shall be achieved by conservatively estimating revenues and limiting the amount of fund balance used to reduce the tax rate.

Fund Balance Uses: The Board of Selectmen may appropriate any amount of unrestricted fund balance in excess of the minimum balance to offset property taxes as part of the final adopted budget for a fiscal year. The Board of Selectmen may appropriate unrestricted fund balances for emergency purposes, as deemed necessary, even if such use decreases the fund balance below the minimum balance, subject to the provisions of NH RSA 32:11. Emergency purposes do not include the offsetting of property taxes.

Selectman Maddox said we are deferring this but this was a great effort by the Town Engineer and Westin and Sampson. We don't want more pump stations. We want one good adequately sized and get that pony pump off of this. So this kind of takes care of a multiple of sins with one agreement. Again, kudos to Mr. Webster.

Vote: Motion carried 5-0.

H. GPS Unit - Trimble 89000-21 GEOXT 60000 System

Chairman Jasper recognized Town Engineer Gary Webster.

Mr. Webster said looking through the money he had left over and at our GPS unit. We've had it for 5, 6 years now. As soon as we bought the thing, it was outdated. Anytime we have a fix we have to bring it up there. They don't even make batteries for it any more. So we have 4 batteries in there and they only last 1 hour a piece. When the interns go out, they have to have them all charged and keep switching them back and forth. We spent about \$700 in repairs on it already. It is old. I was looking around for something that was comparable to it. At one time what happened we had to have a guy from Toronto, Canada to come here and teach us how to use it and had to pay for it. It wasn't cheap. The unit wasn't bad - I believe it was around \$6,000 at that time. I actually went to the distributor on this new type of unit. He's a lot more than what MTS, which is the Maine Technical Source. They're the ones that supply New Hampshire. They knocked \$1,500 off of it. One thing they had in there they had \$800 in training. We don't need training because my interns know how to do it. They're going to give us \$450 on a trade in on the existing unit that we do have. It still runs. The newer unit is much better in the woods because it has a flood light on it and it can pick up the coordinates and the satellites in the woods where the other one we don't. We have a hard time because it wasn't made for that. I figured this is the last chance we're going to be able to get anything for it for a while. I figured it would be a good idea if we could get it. The final price was \$10,320 from Maine Technical Source in Yarmouth, Maine. That's the one we bought the other unit from.

Chairman Jasper asked Mr. Webster to tell us about the account that you're taking this from. Mr. Webster said he's taking out of 5585-225 - outside engineering services.

Motion by Selectman Coutu, seconded by Selectman Luszey, to approve the purchase of a Trimble 89000-21/GEOXT-6000 System from Maine Technical Source in the amount not to exceed \$10,320.00, which includes a trade-in of \$450.00. Said funds to come from Account 5585-225 leaving a balance of \$7,520.47.

Selectman Maddox said this is a case of here's a piece of equipment that you're going to need all summer long. When it breaks, and I guess there's some very fine wires that are going to it, it takes days to get it fixed. You have to send it out to wherever. Again, this is a tool that we need to have in house.

Vote: Motion carried 5-0.

I. Fund Balance Policy

Chairman Jasper recognized Finance Director Kathy Carpentier.

Good evening gentlemen. Ms. Carpentier comes before you today to ask for your concurrence on a fund balance policy. The Governmental Accounting Standards Board (GASB) issued Statement No. 54. It's a fund balance reporting and governmental fund type definitions. It is used to address how fund balances are reported from town over town. We do not currently have a fund balance policy. It is my opinion that we should adopt this statement and adopt a fund balance policy. I have drafted a policy for your review and approval, and I have obtained an legal opinion showing that the provisions are compliant with Statutes, laws, and regulations.

Selectman Coutu said relative to adopting this policy, will this make our auditing process when they're looking at it a little more easier for them to accept. Ms. Carpentier said no. I believe it's more for the layman users to see what part. If you look at our fund balance right now, it just says \$5.7 million. It gives the users a look at what's restricted, what's non-restricted, what's committed, what's assigned. Those are all things we're doing but it's all in that one number that they currently see in the audit report. Selectman Coutu said it is a GASB compliant recommendation to help us go a little bit anyway. Ms. Carpentier said it is. If we do it right now, we will be in compliance by the end of this fiscal year and we'll be right on time. There is no more additional costs for doing this. It's just a different way of looking at the fund balance.

Mr. Malizia said if you had a bond rating (inaudible) it would allow them to compare our town to other towns that have adopted it. It does give you at least that benefit if possibly you needed a bond rating or something financial. It just gives them another way for citizens or the rating agencies to look at your town and evaluate it apples to apples.

Motion by Selectman Coutu, seconded by Selectman Luszey, to adopt GASB Statement No. 54 to record Fund Balance as of June 30, 2011 as recommended by the Finance Director and to adopt the Fund Balance Policy as reviewed by legal counsel and recommended by the Finance Director.

Selectman Maddox asked if this now means that we have always been shooting to be between 5 and 10 percent. We're actually going to now be over the 10 percent utilizing this even though the numbers with the dollar amount is still exactly the same. Ms. Carpentier said the dollar amount is exactly the same. What I did on page two of your document is try to compare apples to apples. The top page, and this would be looking back at last year June 30, 2010, that's how we currently would look at it. Down below would be the bottom part. So it would go from a 9.4 percent to a 10.6 percent. The Fund Policy at the back is just saying that your minimum would be 5 percent and your target would be 8 percent. If this Board or future Boards decided some other number, you could change the policy or you could still practice to be at a 10 percent if that's what this Board chose.

Again, Selectman Maddox said we are now above what even we were shooting between 5 and 10. I'm just making sure that we went from 9.4 to 10.6 by just moving some numbers around. I want to make sure we're understanding what that means Mr. Chairman. Chairman Jasper will keep that in mind. The way things are going, I think the fund balance is just going to continue to go down. It probably will be somewhat irrelevant.

Ms. Carpentier said if you look at the second to last page, we've always operated on the 5 to 10 scale, that's the Department of Revenue has always targeted to be between 5 and 10. The GFOA, which is the Government Finance Officers Association has recommended 8 to 17. There are probably no communities out there doing 8 to 17 percent.

Chairman Jasper didn't think that really changed. We said 7 ½ was our target before. I don't think that's significant.

Vote: Motion carried 5-0.

J. Application and Participation Agreement - LGC

Chairman Jasper recognized Town Administrator Steve Malizia.

Mr. Malizia said in front of you there's an Application and Participation Agreement from the Local Government Center, which is basically a risk management pool. As you're aware, we get our property liability insurance as well as a piece of our health insurance from LGC, Local Government Center. It's been probably 16 years or more that we've had an agreement and they've asked that we renew our agreement. It doesn't commit. It just means that we are still purchasing those insurance products. I had the opportunity to give this to our attorney for review. He sees no issues with it. He recommends it. Again, this is where we procure our property and liability insurance as well as a piece. Not all but a significant piece of our health insurance. In order to keep participating, LGC has asked that we sign this Agreement.

Motion by Selectman Coutu, seconded by Selectman Luszey, to approve the Local Government Center Application and Participation Agreement for the Town of Hudson's participation in the Health Trust and Property Liability Trust and to authorize the Chairman of the Board of Selectmen to sign the Application and Participation Agreement on behalf of the Town of Hudson.

Selectman Maddox asked if this was the group that is still in debate with the State in regards to how much money they're holding in that pool. Mr. Malizia believed this is the organization that's been having discussions, debate, or something regarding the amount of surplus they've retained for their insurance. Selectman Maddox asked if any of this new document changed anything from what is existing today. Not that Mr. Malizia was aware of when he had Attorney Buckley review it. It doesn't commit us. I'm not aware that it does.

Vote: Motion carried 5-0.

K. IT Action Report - Computer Virus

Chairman Jasper recognize IT Director Lisa Nute.

Thank you Mr. Chairman. As you may have heard, Ms. Nute said we had a little incident. I had passed out an after action report as was requested. I am here tonight to briefly give you an overall of what happened. If you would like to go into details on the actual virus, its habits, how it moved, timeline or anything like that, I would ask that we go into nonpublic for security reasons.