

RESOLUTION 2017-07

A RESOLUTION OF THE COMMISSIONERS OF ST. MICHAELS TO ADOPT UPDATED FISCAL POLICY GUIDELINES FOR THE TOWN OF ST. MICHAELS

WHEREAS, the Commissioners of St. Michaels, Maryland (the "Commissioners" or "Commission"), a body corporate and politic and a political subdivision of the State of Maryland, hereby declare the policies contained herein to be the official Fiscal Policy Guidelines of the Town of St. Michaels (the "Town"); and

WHEREAS, at all times and in all respects the Fiscal Policy Guidelines of the Town shall conform to, and be executed and accomplished within, all applicable federal, State, and local laws, rules, and regulations, including but not limited to Articles 23A, 24, 31 of the Annotated Code of Maryland and the Charter of the Town of St. Michaels, as they may be hereinafter amended; and

WHEREAS, in the interest of the good governance of the Town, the Commissioners of St. Michaels embrace the need to provide guidelines that will influence and guide the financial management practices of the Town; and

WHEREAS, in 2016 the Commissioners commissioned a comprehensive Full Reserve Study (the "Reserve Study") that examined the physical assets of the Town government; the repair and replacement schedules for Town property, equipment and infrastructure; the financial mechanisms to adequately fund the depreciation of the Town's physical assets in accordance with generally accepted municipal accounting standards, and potential funding sources to implement the recommendations from the Reserve Study; and

WHEREAS, the Commissioners determined it to be in the best interests of the Town to implement certain recommendations resulting from the Reserve Study and to amend the Charter and certain fiscal management policies of the Town accordingly; and

WHEREAS, this Resolution is intended update the Fiscal Policy Guidelines of the Town, consistent with the Town Charter changes adopted by the Commissioners pursuant to Charter Amendment Resolution No. 2017-05 implementing elements of the Reserve Study, by rescinding and replacing Town Commissioners Resolution 2013-05.

NOW THEREFORE, BE IT RESOLVED that the Commissioners of St. Michaels hereby rescind Resolution 2013-05 and adopt the following updated Fiscal Policy Guidelines for the Town:

SECTION 1

I. FISCAL POLICY GUIDELINES - OBJECTIVES

This fiscal policy is a statement of the guidelines and goals that will influence and guide the financial management practices of the Town of St Michaels, Maryland. A fiscal policy that is adopted, adhered to, and revised regularly is recognized as the cornerstone of sound financial management.

Effective fiscal policy:

- Promotes long-term financial stability by establishing clear and consistent guidelines;
- Promotes the view of linking long-run financial planning with day to day operations;
- Enhances short-term and long-term financial credit ability by helping to achieve the highest credit and bond ratings possible;
- Contributes to the Town's ability to insulate itself from fiscal crisis; and
- Provides the Town's Commissioners, citizens and professional management a framework for measuring the fiscal impact of government services against established fiscal parameters and guidelines.

The following fiscal policy statements, guidelines and Town Charter and Code provisions are applicable:

I. PROCUREMENT POLICIES

Refer also to Town Charter § C-62 - Purchasing and Contracts.

All purchases and contracts for the Town government shall be made by the Commission.

A. Except as provided in the Charter § C-62B, C and D (listed below), all expenditures for supplies, materials, equipment, construction of public improvements, or contractual service involving \$5,000 or more shall be made on written contract. The Commission shall obtain sealed bids, in such manner as may be prescribed by ordinance, for all such written contracts. The written contracts shall be awarded to the bidder who offers the lowest or best bid, quality of goods and work, time of delivery or completion, and responsibility of bidders being considered. All such written contracts shall be approved by the Commission before becoming effective. The Commission may reject all bids. The Town at any time in its discretion may employ its own forces for the construction or reconstruction of public improvements without receiving bids. All written contracts may be protected by such bonds, penalties, and conditions as the Town may require.

B. Purchases and contracts under \$5,000 may be made by the Commissioners

and/or the Town Clerk/Manager, provided the funds have been appropriated in the budget for the use intended. All expenditures for supplies, materials and services greater than \$1,000 will require competitive pricing. Price comparisons including vendors contacted and price quotes must be documented.

C. All contracts involving professional services, such as accounting, architecture, auditing, consulting, computer maintenance and support services, engineering, law, planning, and surveying, may not be subject to competitive bidding, but may be negotiated by the Town Clerk/Manager with the approval of the Commission or by the Commission itself. All professional service provider contracts/relationships shall be reviewed annually.

D. The Town may contract with any contractor who offers goods, services, insurance, or construction on the same terms as provided to (i) the State of Maryland; (ii) any other state of the United States of America; (iii) any county or local governments or agencies of the State of Maryland or any other state of the United States of America [the entities listed in (i), (ii) and (iii) shall collectively be referred to as "governmental entities"], which governmental entities have arrived at those terms through a competitive procurement procedure requiring bids, proposals from bidders, and analysis of responsive bids in accordance with the applicable laws of such governmental entities.

II. CAPITAL POLICIES

Capital Asset Threshold:

Items with a cost greater than \$5,000 (material and labor) with a useful life of at least two (2) years are capital.

Individual capital items with a cost greater than \$5,000 with a useful life of at least two (2) years will be added to the asset schedule and depreciated.

Individual items with a cost less than \$5,000 with a useful life of at least two (2) years will not be depreciated, but may be accounted as capital outlay.

The Town will maintain all physical assets at a level adequate to protect the Town's capital investment and to minimize future maintenance and replacement costs.

Capital Improvement Program (CIP):

The Town will develop a plan for capital improvements and review and update the plan annually. Additional projects can be added to the CIP at any time, but funding for projects added in this manner are subject to normal operating budget constraints.

Appropriations for all capital improvement projects are approved on an annual basis. All uncompleted projects must be reconsidered annually to determine if unspent funds need

to be recommitted to a given project or reallocated to other planned projects.

Capital Funding:

The Town will identify the estimated costs and potential funding sources for each capital project proposal before it is submitted for approval.

Operating expenditures will be programmed to include the cost of implementing the approved CIP and providing all manpower, operating costs and capital outlay required by the program.

The Town will attempt to determine the most cost-effective and flexible financing method for all new projects. In doing so the program is expected to:

- increase opportunities to obtain funding from outside sources, such as the State and federal government;
- assist in the planning, budgeting and coordinating the operation and capital efforts of the various Town departments;
- result in a more favorable bond rating by giving evidence of effective management.

Disposition of Capital Items:

All assets are the property of the Town.

Assets that no longer have a value to the Town may be sold, scrapped, discarded or traded-in on a replacement asset. Real estate may be sold or otherwise disposed of after being declared surplus (per Town Code Chapter 63).

Assets that are recorded on the asset schedule that have been disposed of must be written off. For the assets that are not fully depreciated, the remaining book value must be accounted for. In the case of capital asset components, the amount to be written off must be approved by the Town Manager.

Assets sold or scrapped: The remaining book value of the asset will determine the gain or loss on the sale of the asset. All proceeds from the sale of assets will be allocated to the appropriate fund.

III. TOWN FUNDS

See Town Charter § C-62.2.

The Town Commissioners shall segregate Town monies into separate funds to help ensure the Town's long-term financial stability. Advised by the Town Clerk's recommendation, the Town Commissioners shall establish by resolution the balances maintained in such funds and the methods for maintenance. The following funds shall be established and maintained as the Town Commissioners deem appropriate

from time to time. These funds shall be initially capitalized in the amounts described, by transferring money from the accounts currently called the Electric Utility Fund, General Fund, Capital Fund, etc..

A. General Operating Fund. A fund used to account for all activity, assets and liabilities of the Town except those assigned for other purposes in another specific fund. This fund is the primary operating fund that contains uncommitted resources that may be used for the Town's general purposes.

B. Repair and Replacement Fund. A fund used to cover anticipated expenses for the repair and replacement of Town facilities, equipment, and infrastructure, otherwise known as reserve elements, as identified in a formal reserve study, which may be updated from time to time at the Town Commissioners' discretion and may be further defined and described by resolution. This fund's purpose is to maintain adequate reserves for the repair, maintenance and replacement of Town assets over time.

C. Capital Fund. A fund used for capital projects and improvements, including the acquisition of property and assets not accounted for in the Repair and Replacement Fund.

D. Contingency Fund. A fund used to manage uncertain or unexpected emergencies, events, and risks.

E. Water System Enterprise Fund. A fund used to manage the Town's Water System finances. This fund may be used for all activity related to the Town's Water System, including capital expenditures.

IV. FUND RESERVE POLICIES

Definitions:

Available Fund Balances are unrestricted or unassigned funds that remain available for appropriation by the Town Commission after all commitments for future expenditures, and previous Town commitments have been accounted for.

Restricted Fund Balances are funds where the use is restricted by the Town Charter or otherwise by law.

General Operating Fund

This fund acts as a clearing account and contains revenues from several sources throughout the year. As a result, the balance will vary. A fund used to account for all activity, assets and liabilities of the Town except those assigned for other purposes in another specific fund. This fund is the primary operating fund that contains uncommitted resources that may be used for the Town's general purposes. The account will act as a budget stabilization fund and the balance should not go below \$800,000. Should the balance drop below \$800,000, it shall be replenished in the next fiscal year's budget.

Repair and replacement fund

Initial funding and other reserve study assumptions which define the starting base for the Repair and Replacement Fund (The Reserve Study) are defined in Attachment A.

The Commissioners will include yearly contributions to the Repair and Replacement Fund to ensure the projected ending reserve will be maintained. The yearly contribution to the fund, will be adjusted each year by any authorized changes to the Reserve Study.

A review of the Reserve Study and the Repair and Replacement Fund, conducted by a certified reserve study company will be completed every five (5) years, or as determined by the Commissioners, and the yearly contribution will be adjusted based upon the update.

Interest accrued on the money in the Repair and Replacement Fund will remain in the Fund. Opening transfer Balance \$5,965,000.

Capital Fund

The Capital Fund will be used to purchase new Town assets (capital items not currently included in the Repair and Replacement Fund). Once a new asset is purchased, it will be added to the assets listed in the reserve component list and maintained by the Repair and Replacement Fund. Opening transfer to the Capital Fund \$400,000.

Contingency Fund

This Fund will be used for emergency or unexpected needs which may not be covered by other available funds, insurance proceeds or grants from other governmental agencies. Expenditures from this fund may only be done when approved by a super majority of the Commissioners. If expenditures from this fund cause the balance to drop below the initial opening balance as designated by the Commissioners, funds shall be appropriated at 20% per year for five years until the funds are replenished to the original balance. Opening Balance to the Contingency Fund \$400,000.

Water System Enterprise Fund

This account is currently funded and the balance will change throughout the year as expenditures are made and revenues realized.

V. BORROWING AND DEBT SERVICE

Tax Anticipation Borrowing: See Town Charter § C-58.

General Obligation Borrowing: See Town Charter § C-59.

Debt Service: See Town Charter § C-60.

SECTION 2. BE IT FURTHER RESOLVED that this Resolution shall take effect upon the date of its adoption.

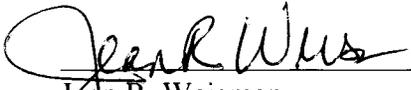
THIS RESOLUTION 2017- 07 HAVING BEEN PASSED by the following yea and nay vote of The Commissioners of St. Michaels on the 8th day of November, 2017 at 6:00 o'clock p.m. in the meeting room of the Edgar M. Bosley, Jr. Municipal Building, 300 Mill Street, St. Michaels, Maryland.

Boos ___yea___
Bibb ___yea___
Myers ___yea___
Harrod ___yea___
Windon ___yea___

I HEREBY CERTIFY that the above Resolution was passed by a yea and nay vote of The Commissioners of St. Michaels on the 8th day of November, 2017

THE COMMISSIONERS OF ST. MICHAELS

ATTEST:



Jean R. Weisman
Town Clerk/Manager

By:  (SEAL)

William E. Boos, President