

**AN ORDINANCE AMENDING ARTICLE VI OF CHAPTER 7 OF THE CODE OF ORDINANCES
BY ESTABLISHING A NONLAPSING ACCOUNT FOR UNEXPENDED EDUCATION FUNDS
AND MODIFYING EXISTING FINANCIAL MANAGEMENT POLICIES**

WHEREAS, the Norwich Board of Education (BOE) has requested that the Council of the City of Norwich establish an unexpended education funds account pursuant to Section 10-248a of the Connecticut General Statutes; and

WHEREAS, the establishment of a nonlapsing account for unexpended education funds requires the modification of some of the terms of the existing financial management policies in order to be consistent with governmental generally accepted accounting principles; and

WHEREAS, further modifications should be made to existing financial management policies in order to remove language which is due to sunset in June 2022.

NOW, THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE CITY OF NORWICH, that the following sections be added or amended in Article VI of Chapter 7 of the Code of Ordinances:

Sec. 7-131. – Unassigned ~~Unrestricted~~ fund balance of the general fund.

The city shall maintain an adequate unassigned ~~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.

Sec. 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.

Except as set forth in Sec. 7-131.5, any ~~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.

Sec. 7-131.2. - Size of unassigned ~~unrestricted~~ fund balance.

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

Sec. 7-131.3. - Permitted uses of unassigned ~~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. UFB may be used in the place of normal operating revenues in the annual budget process.

To the extent that UFB exceeds 17 percent 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 section 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.

Sec. 7-131.4. - Replenishment of unassigned ~~unrestricted~~ fund balance.

Should the unassigned ~~unrestricted~~ fund balance of the general fund, having reached the minimum level set in Section 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 Section 7-131.1 according to the following schedule:

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

[New Section] Sec. 7-131.5 – Nonlapsing account for unexpended education funds of the general fund

The city will establish a nonlapsing account for unexpended education funds account pursuant to CGS Section 10-248a.

[New Section] Sec. 7-131.5.1 – Deposits into nonlapsing account

On or before 60 days following the close of a fiscal year, the Board of Education (BOE) may request and the City Council may approve the deposit of unexpended and unencumbered general fund budgeted appropriations for education into such nonlapsing account in the amount of up two percent of the budgeted appropriations for education for such fiscal year.

[New Section] Sec. 7-131.5.2 – Size of nonlapsing account

The nonlapsing account shall not exceed four percent of the budgeted appropriations for education for the current fiscal year.

[New Section] Sec. 7-131.5.3 – Expenditures from the nonlapsing account

In a motion approved at a regular meeting of the BOE, the BOE:

- 1. shall use the nonlapsing account to offset general fund education operating deficits; and
- 2. may use the nonlapsing account to make:
 - a. improvements to school buildings, facilities, and equipment, or
 - b. improvements to programs which will not create ongoing operating costs.

Purpose:

To amend financial policies to establish a nonlapsing account for unexpended education funds, make existing financial policies compatible with the existence of such a nonlapsing account, and remove language which will sunset in June 2022.

Alderman Stacy Gould
Alderman Derell Q. Wilson
Alderman Joseph A. DeLucia