

COMMISSIONER'S ORDINANCE NO. O-05-19

AN ORDINANCE REPEALING ORDINANCE NO. O-14-17, THE CITY'S FISCAL STABILITY ORDINANCE, AND CREATING A NEW CHAPTER OF THE CODE OF ORDINANCES TITLED GENERAL FUND OPERATING RESERVE FUND POLICY, ESTABLISHING A REVISED FORMAL POLICY REGARDING THE LEVEL OF GENERAL FUND OPERATING RESERVE FUNDS TO BE HELD FOR CONTINGENCIES AND OTHER APPROVED PURPOSES AND THE CONDITIONS WHEN THE BALANCES SHALL BE EXPENDED OR COMMITTED.

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WHEREAS, the City of Covington enacted its Fiscal Stability Ordinance by adoption of Commissioners' Ordinance O-50-15; and

WHEREAS, the City of Covington amended the Fiscal Stability Ordinance by the adoption of Commissioners' Ordinances O-11-16, O-14-17; and

WHEREAS, the City of Covington suspended a portion of the Fiscal Stability Ordinance as it relates to interfund transfers for FY 2018-2019 through adoption of Section 6 of the FY 2018-2019 Budget Ordinance, O-26-2018; and

WHEREAS, the Fiscal Stability Ordinance was intended to establish guidelines to enhance fiscal stability for City employees, public safety, infrastructure, economic development and City operations; and

WHEREAS, the Fiscal Stability Ordinance requires City staff to perform transfers between certain City funds to satisfy requirements of the ordinance; and

WHEREAS, City staff have determined the required interfund transfers impair the City's ability to present a balanced budget as required by applicable Kentucky law; and

WHEREAS, City staff believe the intent and purpose of the Fiscal Stability Ordinance, specifically the themes of responsibility, sustainability, and investment, can be achieved through alternative financial practices and procedures without the need to impair the City's ability to present a balanced budget; and

WHEREAS, the Government Finance Officers Association of the United States and Canada recommends that municipal entities such as the City of Covington establish a formal policy relating to the maintenance of fund balances within the City's General Fund, and other funds.

NOW THEREFORE,  
BE IT ORDAINED BY THE BOARD OF COMMISSIONERS OF THE CITY OF  
COVINGTON, KENTON COUNTY, KENTUCKY:

Section 1

This Ordinance supersedes all other City Ordinances, except as otherwise noted herein.

Section 2

A new chapter of the Covington Code of Ordinances, 1984 edition, is hereby added as follows:

**TITLE IV: FINANCIAL REGULATIONS**

**CHAPTER 40: [Reserved]**

**CHAPTER 41: CITY INDUSTRIAL REVENUE BOND POLICY**

**CHAPTER 42: GENERAL FUND OPERATING RESERVE FUND POLICY**

Section 3

Sections 42.01 through 42.09, which read as follows, are added to and amend the Covington Code of Ordinances:

**§42.01 INTENT AND PURPOSE.**

**It shall be the policy of the City to establish and maintain a prudent level of financial resources to guard against service disruption in the event of unexpected revenue shortfalls or unpredicted expenditures.**

**§42.02 POLICE AND FIREMAN'S RETIREMENT PLAN FUND AND CITY EMPLOYEES' RETIREMENT PLAN FUND.**

**It shall be the policy of the City annually to fund the Police and Fireman's Retirement Plan Fund, and the City Employees' Retirement Plan Fund based on the most recent Actuarial Valuation Report of each Retirement Plan Fund. Such funding shall be provided for from the City's General Fund.**

**§42.03 GENERAL FUND OPERATING RESERVE FUND.**

**(A) The General Fund Operating Reserve Fund is accumulated and maintained to provide stability and flexibility in responding to unexpected adversity and/or opportunities.**

**(B) The policy establishes the amounts the City shall strive to maintain in its General Fund Operating Reserve Fund, how the Fund shall be funded and the circumstances under which the Fund may be used.**

**(C) In addition, the policy is intended to document the appropriate reserve level to protect the City's credit worthiness.**

**(D) It is the goal of the City to maintain a General Fund Operating Reserve Fund Balance equivalent to at least three months of budgeted operating revenues to meet the general operating expenses of the City during periods of economic uncertainty. The General Fund Operating Reserve Fund balances can provide for operations and continued tax stability should budgetary shortfalls occur.**

**(E) The City shall evaluate the degree of risk it faces on an annual basis and make a decision as to the level of financial resources that it wishes to maintain not only for contingencies but for any transitional budgetary shortfalls.**

**(F) The funding of the General Fund Operating Reserve Fund will generally come from excess revenues over expenditures or one-time revenues.**

**(G) It is the intent of the City to limit use of the General Fund Operating Reserve Fund to address unanticipated, non-recurring needs. The General Fund Operating Reserve Fund shall not normally be applied to annual operating expenditures. The General Fund Operating Reserve Fund may, however, be used to allow time for the City to restructure its operations in a deliberate manner (as might be required in an economic downturn), but such use will only take place in the context of an adopted long-term plan.**

**(H) In the event that Reserves are used resulting in a balance below the three months minimum, a comprehensive plan shall be developed and included in the formulation of the five-year forecast presented during the annual budget process.**

**(I) To effectively manage the intent of this policy in light of the changing accounting nature of the General Fund Operating Reserve Fund, an annual review of the Fund shall be undertaken.**

**§42.04 SELF-INSURED LIABILITY FUND.**

**In order to provide for more reliable funding of the City's Self-Insured Liability Fund, a minimum of forty percent (40%) of the historical average of the previous five fiscal years of estimated liability, shall be allocated to and reserved in the Self-Insured Liability Fund.**

**§42.05 SELF-INSURED EMPLOYEE HEALTH PLAN FUND.**

In order to provide for more reliable funding of the City's Self-Insured Employee Health Plan, a Minimum Fund Balance equal to three (3) months' worth of claims' expense in the Employee Health Plan in a fiscal year, shall be reserved, based on an average of the most recent three (3) fiscal years' claims' expense amounts.

**§42.06 FLEET, EQUIPMENT, TECHNOLOGY, FACILITIES, AND OTHER CAPITAL PROJECTS FUND.**

In order to provide for the City's business needs so that services can be efficiently and effectively maintained and delivered, including fleet, equipment, technology, facilities, and other capital projects as determined by the Board of Commissioners, there is hereby established a Fleet, Equipment, Technology, Facilities, and other Capital Projects Fund. The proceeds realized from Ordinance 0-5-15, establishing an increase in the City's Insurance Premium License Fee from 10% to 12%, the increase of which shall be allocated to the Fleet, Equipment, Technology, Facilities, and other Capital Projects Fund.

**§42.07 INFRASTRUCTURE FUND.**

In order to provide for more reliable funding and investment in the City's infrastructure needs (streets, curbs, sidewalks, street lights, sewers, and bridges), there is hereby established an Infrastructure Fund. Funding for the Infrastructure Fund shall be from the City's General Fund.

**§42.08 COVINGTON ECONOMIC DEVELOPMENT PROGRAM FUND.**

To provide for more reliable funding of economic development projects, programs, and services in the City, there is hereby established the "Covington Economic Development Program Fund". On an annual basis, the net proceeds of leased facilities of the City shall be deposited into the General Fund, and a like amount shall be transferred to the "Covington Economic Development Program Fund" to assist the City with its economic development projects, programs, and services

**§42.09 TAX INCREMENT FINANCING FUND.**

In order to provide for the City's economic development needs, this Ordinance reiterates the commitment approved through Ordinance 0-58-12, as amended, and any subsequently adopted legislation, dedicating a specific percentage of the City's Incremental Revenues from City Real Property Ad Valorem Taxes and Occupational Taxes generated within the Tax Increment Financing (TIF) district to the TIF Fund.

Section 4

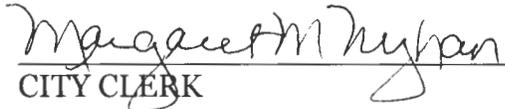
All ordinances or parts thereof in conflict herewith are, to the extent of such conflict, hereby repealed.

Section 5

That this ordinance shall take effect and be in full force when passed, published and recorded according to law. Publication may be in summary form.

  
MAYOR

ATTEST:

  
CITY CLERK

Passed: 3-12-19 (Second Reading)

2-26-19 (First Reading)

Meeting Date:						
ORD.: 1ST	2ND					
OR:						
	Bozman	Downing	Smith	Williams	Meyer	
Yeas	✓	✓	✓	✓	✓	
Nays						
Present, not Voting						