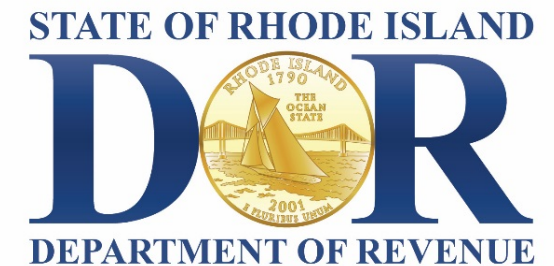


Rhode Island's Fiscal Stability Act and Municipal Transparency Portal

December 2, 2016



The Fiscal Stability Act (FSA)...

Fiscal Stability Act:

- Was established in response to the city of Central Falls seeking protection under Chapter 9 of the US Bankruptcy Code
- Provides multiple tiers of state support for fiscally unstable municipal entities

Creates three levels of State oversight and control:

1. Appointment of a Fiscal Overseer
2. Appointment of a Budget Commission
3. Appointment of a Receiver

Reserves the authority to seek judicial relief to the executive branch

- Prohibits municipalities from filing for judicial receivership in state court
- Municipalities cannot file for bankruptcy in federal court without state authorization

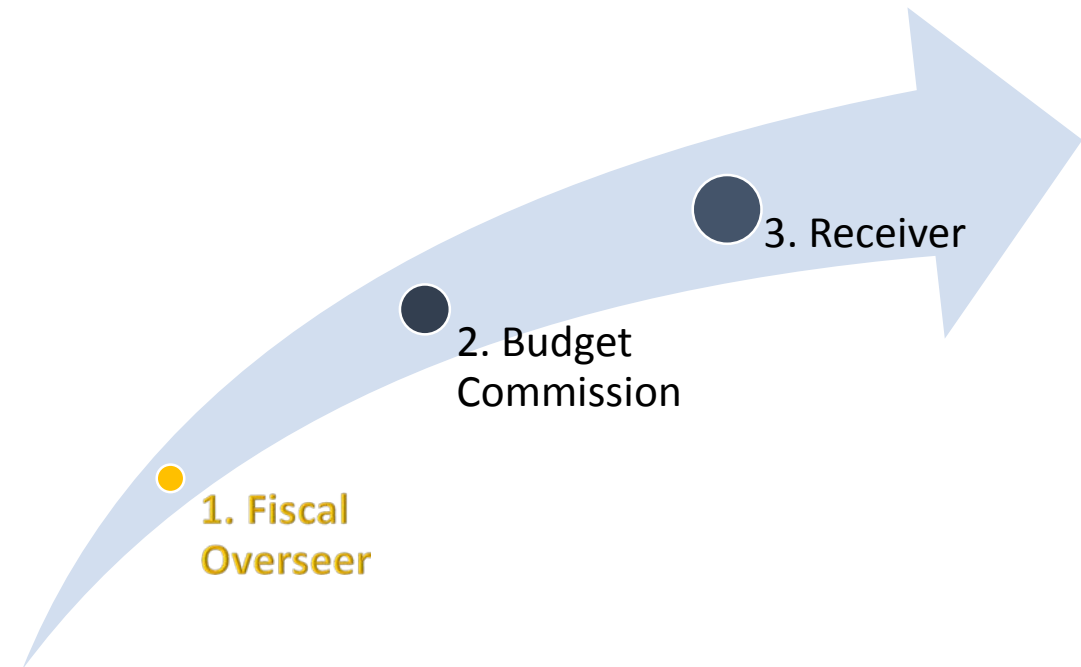
Preserves state and municipal access to the capital markets

Addresses cities and towns as well as fire districts

- The latter will not be covered in this document

FSA § 45-9-3: Fiscal Overseer (Level I)

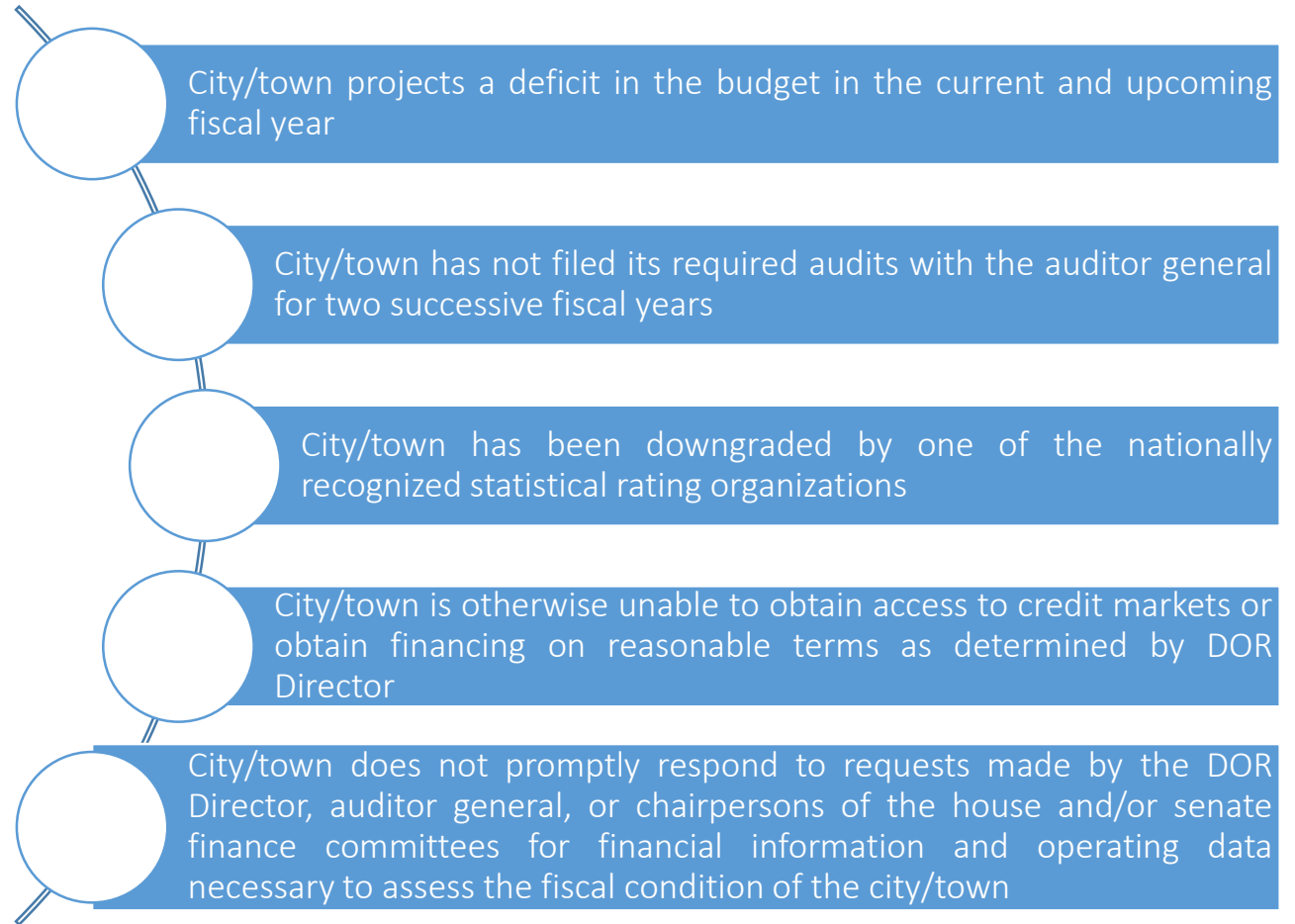
- The first level of support is the appointment of a “fiscal overseer” to review, supervise and/or approve certain municipal financial matters
- Within 120 days of appointment, the fiscal overseer shall develop a 3-year operating and capital financial plan, including a preliminary analysis of the city’s/town’s finances and initial deficit recommendations
- Additional powers:
 - Compel operational, performance or forensic audits, or other assessments
 - Employ, retain and supervise managerial, professional and clerical staff, at the expense of the city/town, subject to DMF approval



FSA § 45-9-3: Fiscal Overseer (Level I)

DOR Director **may** appoint a fiscal overseer:

- At request of the municipality (jointly from chief elected official and city or town council), or
- If municipality fails to comply with the requirements of §§ 45-12-22.1 – 45-12-22.5, (i.e., not filing a corrective action plan when projecting a year-end deficit), or
- If at least **2 out of the 5 criteria (listed right)** specified in the statute apply
- Example: East Providence



FSA § 45-9-3: Fiscal Overseer (Level I)

Responsibilities of the Fiscal Overseer

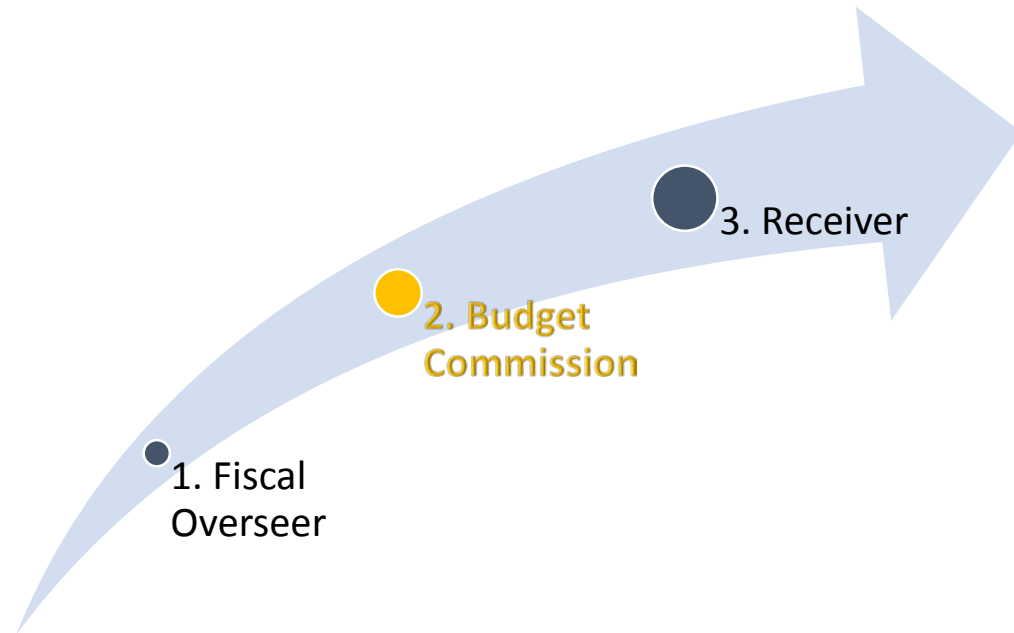
- Recommend sound fiscal policies for implementation to the city/town
- Supervise all financial services and activities
- Advise selected city/town employees
- Provide assistance in all matters related to municipal financial affairs
- Assist in development and preparation of municipal budgets and spending plans
- Review all proposed contracts and obligations
- Monitor the expenditures of all funds
- Approve the annual or supplemental budgets of the city/town and all of its departments
- Report monthly to the director of revenue, the auditor general, the governor, and the chairpersons of the house finance and senate finance committees on the progress of deficit reduction

Responsibilities of the Cities/Towns

- Submit all department budgets to the fiscal overseer for review and approval
- Submit all requests for municipal budget transfers to the fiscal overseer for review and approval
- Annually appropriate amounts sufficient for the proper administration of the fiscal overseer and staff, as determined in writing by the division of municipal finance. If the city/town fails to appropriate such amounts, the funds shall be deducted from the city's/town's distribution of state aid

FSA § 45-9-6: Budget Commission (Level II)

- The second stage, a budget commission, is established if the powers of the fiscal overseer are not sufficient to establish fiscal stability, or by request of the municipality
- A budget commission has significantly broader powers than those granted to a fiscal overseer
 - Includes the authority to exercise all powers of a city's/town's elected officials
 - The composition, duties and powers of a budget commission are spelled out in RIGL § 45-9-6

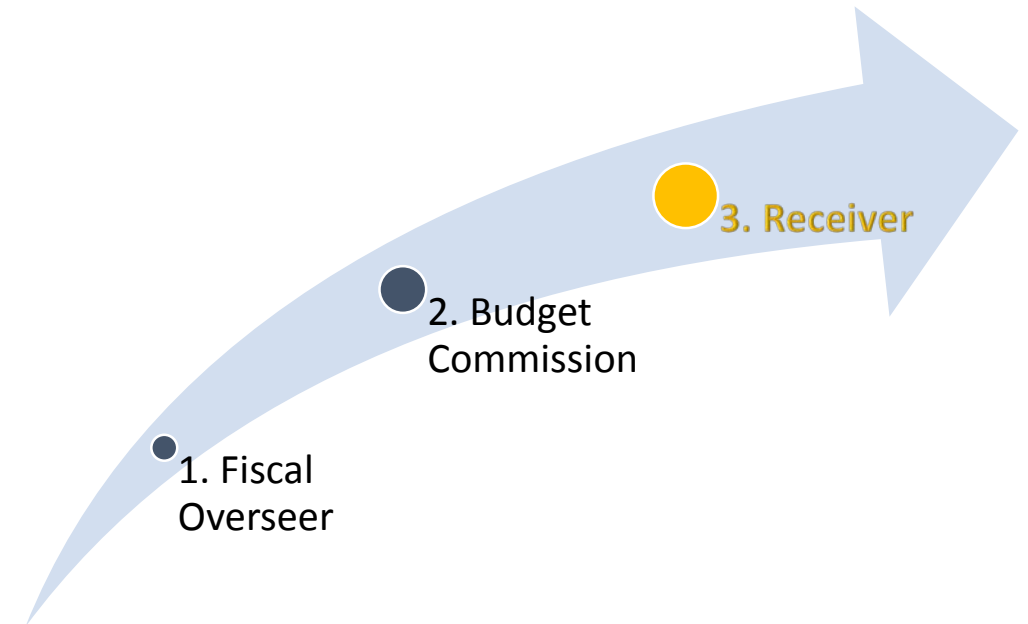


FSA § 45-9-5: Budget Commission (Level II)

- DOR Director **may** appoint a budget commission at the request of the municipality:
 - Request must come jointly from chief elected official and city or town council
 - **Example:** Woonsocket
- DOR Director **shall** appoint a budget commission if a fiscal overseer and DMF report that the city/town:
 - Is unable to present a balanced budget;
 - Faces a fiscal crisis that poses an imminent danger to the safety and welfare of the city/town or its property;
 - Will not achieve fiscal stability without the assistance of a budget commission; or
 - Should not be granted approval of its tax levy for the fiscal year
 - **Example:** East Providence

FSA § § 45-9-7, 8: Receiver (Level III)

- The final stage includes the appointment of a receiver to restore fiscal stability
- Powers of a receiver:
 1. Include all powers of the fiscal overseer and budget commission;
 2. Include all powers of elected and appointed officials and bodies of the city/town (receiver's powers supersede but officials shall be allowed to advise); and
 3. Include **the power to file for federal bankruptcy in the name of the city/town** under Chapter 9 of Title 11 of the United States Code, and to act on the city's/town's behalf in any such proceeding.



FSA § § 45-9-7, 8: Receiver (Level III)

- DOR Director shall appoint a receiver if budget commission recommends appointment of receiver after concluding that its powers are insufficient to restore fiscal stability to the city or town
- DOR Director, in consultation with the auditor general, may skip fiscal overseer and budget commission by appointing a receiver in a fiscal emergency (Example: Central Falls and CCFD)

FSA: Continued Oversight






State oversight continues for 5 years after termination of fiscal overseer/budget commission/receiver:

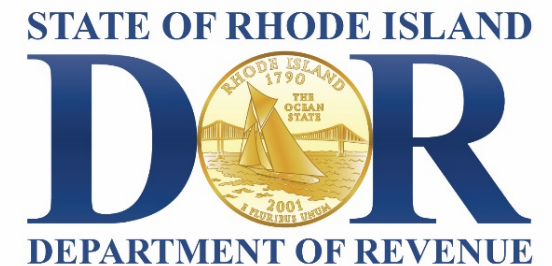
- If bankruptcy was filed for the city/town: administration and finance officer
- If no bankruptcy was filed for the city/town: finance advisor

Powers and duties of finance advisor/administration and finance officer are spelled out in RIGL §45-9-10 and 45-9-10.1

DOR Experience with FSA

	Central Falls	East Providence	Woonsocket	Central Coventry FD
<u>Step 1:</u> Fiscal Overseer		November 2011 ✓ Projected deficits ✓ Rating downgrade		
<u>Step 2:</u> Budget Commission		December 2011 ✓ Overseer/DMF report		
<u>Step 3:</u> Receiver	July 2010 ✓ Fiscal emergency			May 2014 ✓ Fiscal emergency
Bankruptcy	August 2011			December 2014
Bankruptcy End	October 2012 (Completed)			October 2015 (Dismissed)
FSA Resolution	April 2013	September 2013	March 2015	October 2015
DOR Continued Oversight	Admin & Finance Officer 2013-2018	Finance Advisor 2013-2018	Finance Advisor 2015- 2020	

Rhode Island's Municipal Transparency Portal



Municipal transparency portal

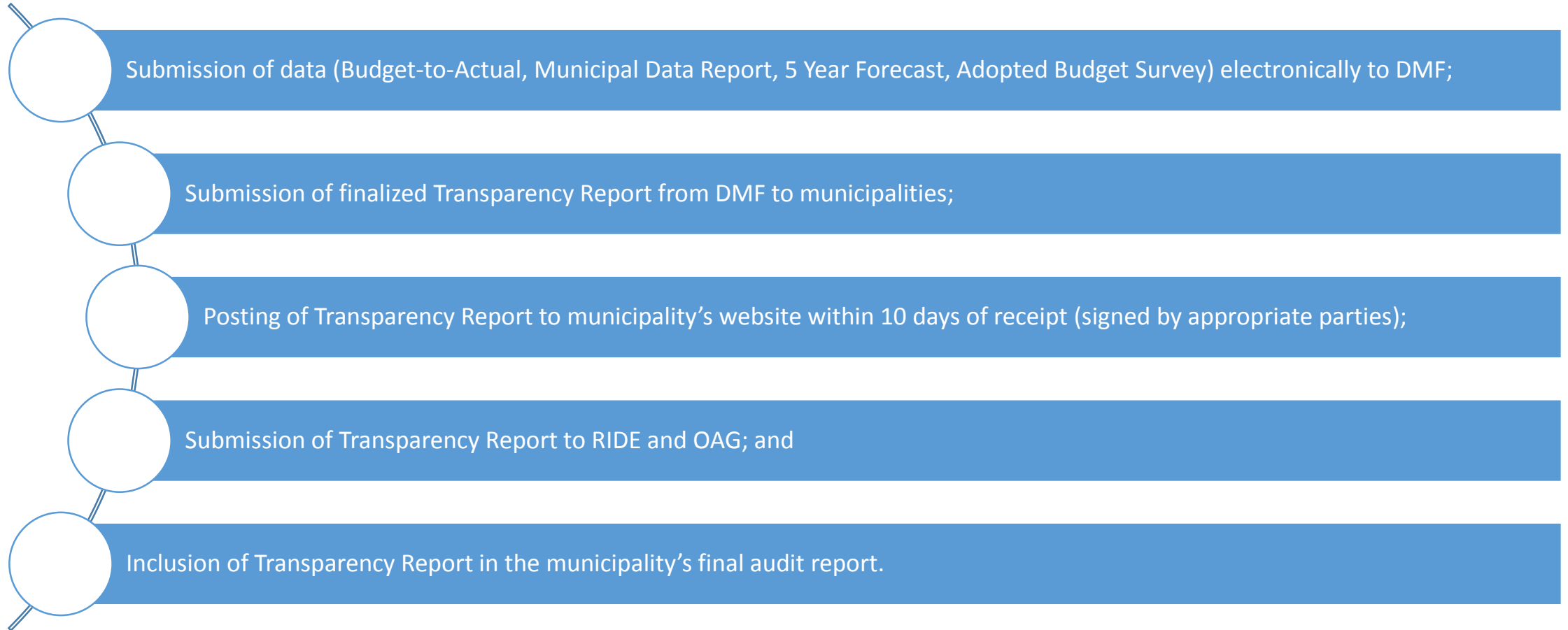
Portal Description:

- The municipal transparency portal enables public access to municipal datasets hosted online, improving the transparency, accessibility and accountability of city government
- The initial pilot will include 12 municipalities and one regional school district (RSD)

Goals:

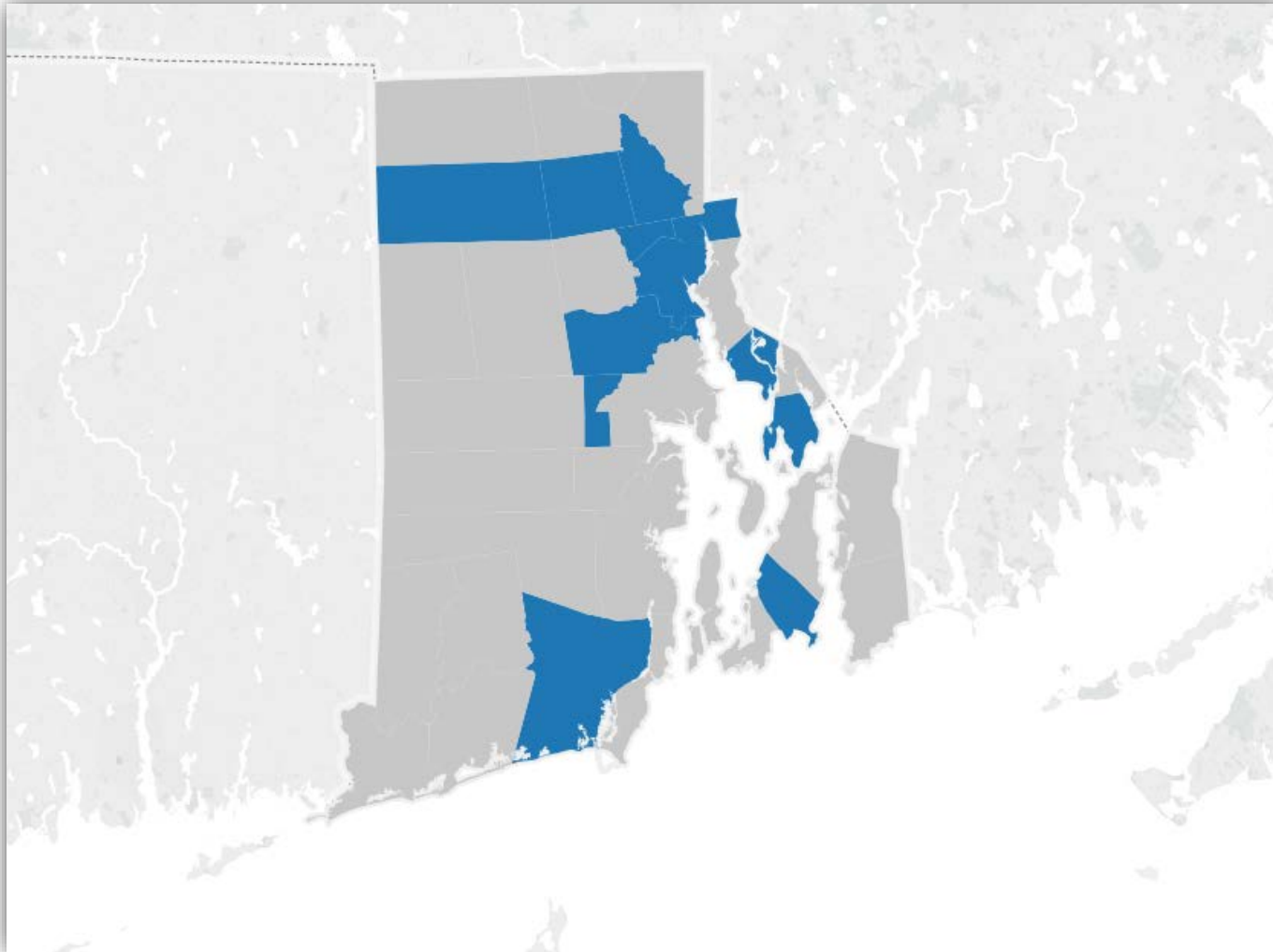
1. Improve current required reporting;
2. Unify the format of the adopted budget survey, 5-year forecast; and quarterly reports;
3. Provide for consistent definitions;
4. Streamline the process for municipalities;
5. Create a centralized location for municipal financial information; and
6. Provide for presentation of financial data through online Transparency Portal

Changes in reporting

- 
- Submission of data (Budget-to-Actual, Municipal Data Report, 5 Year Forecast, Adopted Budget Survey) electronically to DMF;
 - Submission of finalized Transparency Report from DMF to municipalities;
 - Posting of Transparency Report to municipality's website within 10 days of receipt (signed by appropriate parties);
 - Submission of Transparency Report to RIDE and OAG; and
 - Inclusion of Transparency Report in the municipality's final audit report.



Pilot communities



Pilot municipalities include:

- Barrington
- Bristol
- Bristol-Warren Regional School District
- Cranston
- Glocester
- Lincoln
- Middletown
- North Providence
- Pawtucket
- Providence
- Smithfield
- South Kingstown
- West Warwick

Implementation guidance

Implementation guidance is provided to create a centralized location for municipal financial information – an important effort to enhance transparency and provide citizens with a clear and uniform view of key financial data for their city or town.

- **Goals:**

- Improve data consistency and comparability
- Establish guidelines consistent with generally accepted accounting principles
- Provide account definitions, mechanisms (forms and templates) for data collection, and answers to frequently asked questions
- Provide for meaningful comparisons among communities
- Foster collaboration, and facilitate exploration of shared services among communities.

Highlights of implementation guidance

Reportable Government Services

Purpose:

- Improve data consistency and comparability
- Definition is broader than activity included in General fund

Materiality test:

- May limit the inclusion of amounts in the Uniform Portal Data Collection Form when expenditures for an activity meeting RGS criteria represent less than 1% of the certified tax levy (or estimated levy when not certified) for applicable fiscal year.

Always to be included in RGS, regardless of materiality test:

- SAFER grants
- COPS grants
- CDBG grants used to fund salaries and other operating costs, but excluding revolving loan fund activities, where applicable

Highlights of implementation guidance

Employee Health Benefit Costs

- Establish guidelines, consistent with generally accepted accounting principles
- Enhance comparability of amounts reported
- Adopt practices that promote consistency for local government regardless of self-insured or third party risk pool/administrator

Police and Fire Detail

- Relevant in cases where external entities reimburse municipality for cost of providing police or fire personnel on—site for activity or event

School Reporting

- School operations presented in same format as municipal operations
- School reporting consistent with UCOA guidelines
- All school funds to be included in reporting to Municipal Transparency Portal
- Each MTP account is mapped to corresponding UCOA code

Questions?

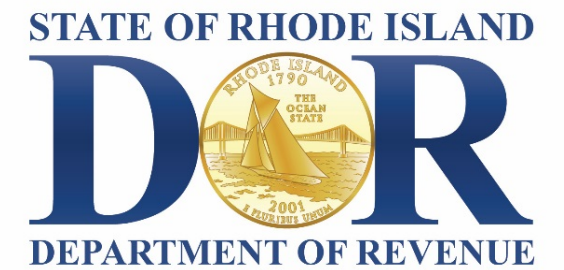
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Appendix



Appendix I: Requirements Apart from the FSA

- RIGL § 45-12-22.2 requires a municipality projecting a year-end deficit in its quarterly report to submit a corrective action plan for approval by DMF
- RIGL § 45-12-22.3 requires a municipality with a year-end deficit to submit a deficit reduction plan to eliminate the deficit over no more than 5 years, for approval by the auditor general
- RIGL § 45-12-22.7 allows DMF or the auditor general, if concluding that a corrective action plan or deficit reduction plan is insufficient, to pursue remedies including:
 - A petition to the Superior Court for mandatory injunctive relief;
 - Implementation of a budget commission; or
 - Withholding of state aid

Appendix II: Other FSA Restrictions

Administrative Expenses:

- City/town responsible for all administrative expenses incurred during state oversight
- Costs for administration and finance officer or finance advisor are shared 50/50 between city/town and state

Collective Bargaining Agreement:

- No CBA can be approved unless the fiscal overseer/budget commission/receiver has participated in the negotiations and provides certification that the CBA has no detrimental impact on municipal services; and
- Fiscal overseer/budget commission/receiver cannot reject or alter any existing CBA, unless by agreement, during the term of the CBA