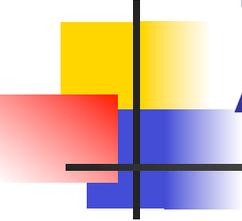


# The Fiscal Stability Act and New Reporting Requirements for Fire Districts

2014 – H 7944 Substitute A as amended and S 2778 as amended

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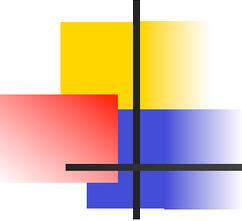
Rosemary Booth Gallogly, Director, Department of Revenue  
Susanne Greschner, Chief, Division of Municipal Finance  
James Savage, Division of Municipal Finance  
Kimberly Prasinos, Division of Municipal Finance  
July 30, 2014



# Reasons for Creation of Fiscal Stability Act (FSA)

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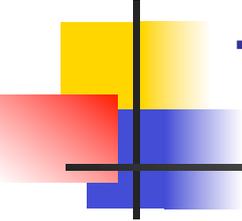
- Concern over contagion effect on other municipalities' market access and/or cost
- State has a compelling interest in the fiscal health of municipalities
- Underfunded pensions were a widespread problem
- Other post employment benefits at local level also have large unfunded liability
- Rating agencies and the municipal credit markets look to the state to exercise strength and control in these situations



# Fiscal Stability Act - Purpose

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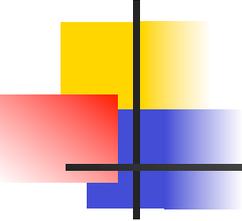
- To provide a mechanism for the State to work with cities and towns, as well as fire districts, undergoing financial distress that threatens the fiscal well-being, public safety and welfare of such cities and towns, or other cities and towns or the state, and
- To provide stability to the municipal credit markets for Rhode Island and its cities and towns through a predictable, stable mechanism for addressing cities and towns in financial distress



# The Fiscal Stability Act

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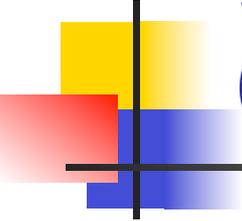
- Creates three levels of State oversight and control
- Prohibits municipalities and fire districts from filing for judicial receivership and clarifies that the Superior Court has no jurisdiction to hear such matters



## § 45-9-3 Fiscal Overseer (Level I)

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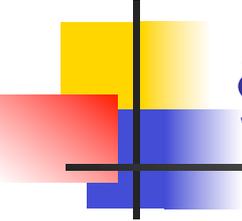
- By request of the municipality (jointly from chief elected official and city or town council), or, for a fire district, by request of the governing body as established by charter
- The Director of revenue may appoint a fiscal overseer if the director finds, in his or her sole discretion, if criteria as specified in the statute apply



## § 45-9-5 Budget Commission (Level II)

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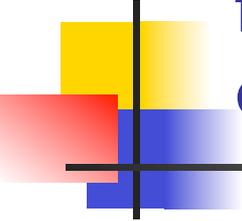
- May be established if the fiscal overseer, in consultation with the auditor general, makes certain findings, as defined in the statute, or
- By request of municipality (jointly from chief elected official and city or town council), or, for a fire district, by request of the governing body as established by charter



## § 45-9-7 Receiver (Level III)

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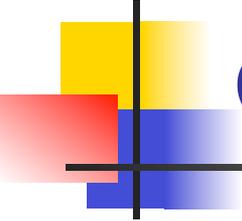
- Director of revenue may appoint a receiver if budget commission recommends appointment of receiver after concluding that its powers are insufficient to restore fiscal stability to the city or town, or fire district
- Director of revenue, in consultation with the auditor general, may skip fiscal overseer and budget commission by appointing a receiver in a fiscal emergency



## **§ 45-9-10 Appointment of administration and finance officer/advisor upon abolition of fiscal overseer, budget commission or receiver**

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- Municipality or fire district exiting state oversight must appoint an administration and finance officer for a period of 5 years
- Responsibilities listed in statute
- Costs shared between municipality, or fire district, and state



# Current Application of FSA

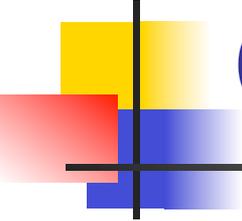
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- Central Falls has Administration and Finance Officer
- East Providence has Finance Advisor
- City of Woonsocket has a Budget Commission since June 2012
- Central Coventry Fire District has Receiver
- Informal involvement with other communities

# Other State Reporting

- Applicable to all fire districts -

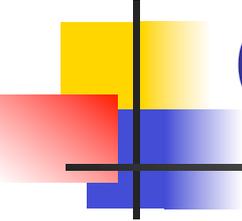
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# Reporting Requirements - Overview

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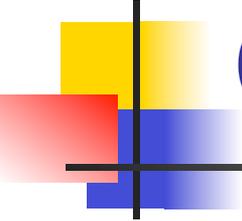
- Tier 1:
  - Audit of district's prior fiscal year annual financial statements;
  - For new fiscal year:
    - Tax Certification (Template FD-1)
    - Adopted Budget (Template FD-2 and budget details as attachment)
    - Quarterly Report (Template FD-3A and budget details as attachment)



# Reporting Requirements - Overview, cont.

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- Tier 2:
  - Self-Reporting Financial Template and Engage CPA for Agreed-Upon Procedures;
  - For new fiscal year:
    - Tax Certification (Template FD-1)
    - Adopted Budget (Template FD-2 and budget details as attachment)
    - Quarterly Report (Template FD-3A and budget details as attachment)



# Reporting Requirements – Overview, cont.

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- Tier 3:
  - Self-Reporting Financial Template (Unaudited);
  - For new fiscal year:
    - Tax Certification (Template FD-1)
    - Adopted Budget (Template FD-2 and budget details as attachment)
    - Quarterly Report (Template FD -3B and budget details as attachment)

# Tax Roll Certification

## Form FD - 1

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- Tax roll shall be certified by fire district's tax assessor, treasurer or other appropriate fire district official and sent to the town clerk, town treasurer, tax assessor or tax collector, and to the Division of Municipal Finance no later than 30 business days prior to its annual meeting\*

# Tax Roll Certification, cont.

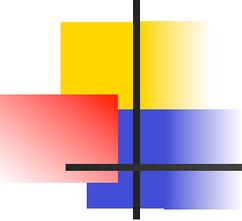
## Form FD - 1

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- \*This deadline is in accordance with the new law, but DMF will recommend a technical correction next session.
- It is not possible for many fire districts to adhere to this deadline
- Therefore, fire districts can send a PROPOSED tax roll certification 30 days prior to the districts' annual meeting and a FINAL tax roll certification 60 days after the first tax bill is mailed to the taxpayer.

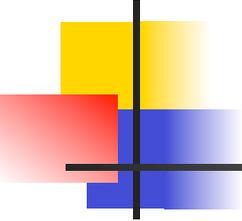
# Quarterly Reports (§ 45-12-22.2)

## Form FD - 3



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- Quarterly reports must be submitted on or before the 25th day of the month succeeding the end of each fiscal quarter to the Division of Municipal Finance and the Auditor General, certifying the status of the budget.
- Each quarterly report submitted must be signed by the chair of the governing body and the treasurer/CFO.



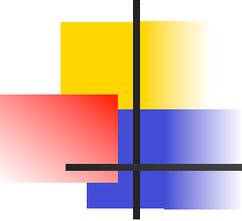
# Quarterly Reports (§ 45-12-22.2)

## Form FD – 3, cont.

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- The report has to be sent to members of the fire district governing body and members of the town council. The Division may rely on the written representations made by the governing body of the fire district in the plan and is not required to perform an audit.

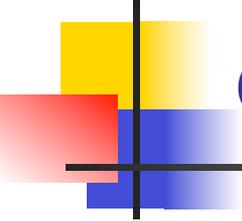
# Quarterly Reports: Corrective Action Plan (§ 45-12.22.2) Form FD – 3, cont.



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- If any of the quarterly reports project a year-end deficit, the treasurer/CFO or other fiduciary, as applicable, shall submit to the Division of Municipal Finance and the Auditor General a corrective action plan on or before the last day of the month succeeding the close of the fiscal quarter, which provides for the avoidance of a year-end deficit or structural deficit that could impact future years.

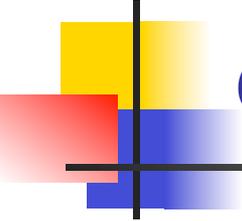
# Quarterly Reports: Corrective Action Plan (§ 45-12.22.2) Form FD – 3, cont.



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- The plan may include recommendations as to whether an increase in property taxes and/or spending cuts should be adopted to eliminate the deficit.
- The plan shall include a legal opinion by legal counsel that the proposed actions under the plan are permissible under federal, state, and local law.

# Quarterly Reports: Corrective Action Plan (§ 45-12.22.2) Form FD – 3, cont.



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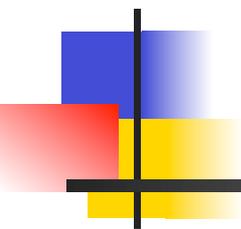
- If the Division of Municipal Finance concludes the plan submitted is insufficient and/or fails to adequately address the financial condition of the fire district, the Division of Municipal Finance can elect to pursue the remedies identified in § 45-12-22.7.

# Adopted Budget (§ 44-5-69)

## Form FD – 2

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- Adopted Budgets are to be sent to Division of Municipal Finance within 30 days of final action of the budget.
- Each Adopted Budget submitted must be signed by the chair of the governing body and the treasurer, as well as the chief financial officer.



Thank You!

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Visit website for more information:

<http://www.dor.ri.gov>

<http://www.municipalfinance.ri.gov>