



REQUEST FOR BOARD ACTION

ITEM NO. 17.

DATE OF MEETING: April 19, 2010

REQUESTED BY: Dave McCole, Finance Director

SHORT TITLE: Resolution Adopting Amended Pender County Fiscal Policy

BACKGROUND: One of the 72 action items adopted by the Board of Commissioners in the 2010-2012 Board Priority Implementation Plan was to consider a new fund balance policy no later than June 30, 2010. The current Pender County Fiscal Policy (see attached) includes a section entitled the Preservation of Fund Balance. The policy simply provides for maintenance of a fund balance of at least \$5,000,000.

An amended Fiscal Policy is recommended providing for an updated fund balance policy (see attached). The recommended policy governs use of fund balance as well as preservation. The recommended policy provides for the following:

- provides for maintaining an undesignated fund balance of no less than 30% of the current fiscal year expenditure level (\$14,778,369 based on the FY 09/10 budget)*
- provides the BOCC may designate excess funds above this threshold for one-time funding purposes since this is a one-time funding source*
- provides the use of excess fund balance to meet recurring operational or working capital expenditures shall be prohibited, other than for expenditures deemed emergencies by the BOCC*
- provides the BOCC shall avoid using excess fund balance for tax rate stabilization or reduction purposes; and provides that in the event the BOCC uses excess fund balance for this purpose, requires that a future funding source be identified at the time of appropriation to meet future anticipated needs*

The recommended Fiscal Policy amendment also 1) incorporates the current practice of requiring a Purchase Order for all purchases over \$500.00, which was incorporated with the FY 09/10 budget (the former threshold was \$150.00); and 2) incorporates the recently adopted policy of requiring all expenditure requests for \$5,000 or more to be accompanied by a representative of the agency making the request. These are included in the Expenditure Control section.

SPECIFIC ACTION REQUESTED: To consider a resolution adopting the amended Fiscal Policy dated April 19, 2010, which includes incorporation of a new fund balance policy.

COUNTY MANAGER'S RECOMMENDATION

Respectfully recommend approval.



Initial

RESOLUTION

NOW, THEREFORE BE IT RESOLVED by the Pender County Board of Commissioners that:

the Board hereby adopts the amended Pender County Fiscal Policy dated April 19, 2010. The Chairman/County Manager is authorized to execute any/all documents necessary to implement this resolution.

AMENDMENTS:

MOVED _____ SECONDED _____

APPROVED _____ DENIED _____ UNANIMOUS

YEA VOTES: Tate ___ Blanchard ___ Brown ___ Rivenbark ___ Williams ___

Jimmy T. Tate, Chairman Date

ATTEST Date

PENDER COUNTY
FISCAL POLICY
April 19, 2010

The overall goal of the County's fiscal policy is to improve upon and maintain effective and efficient management of the public's resources. The policy statements that follow provide the "building blocks" for achieving this goal. The four categories include: budgeting, expenditure control, investment of idle funds, and preservation of general fund balance.

Budgeting

A comprehensive budget will be prepared annually for all funds to be expended by the County in accordance with North Carolina General Statute 159-8-13. The budget will be prepared in such a manner as to facilitate its understanding by citizens and elected officials. In addition to required public hearings, the Commissioners will hold work sessions on the budget that will be open to the public. Budgetary emphasis will focus on providing the maximum level of basic services, to the most citizens, in the most cost-effective manner, with due consideration being given to all costs and benefits - economic, fiscal, and social. The budget will provide for adequate maintenance of capital, plant and equipment and for their orderly replacement. Reports comparing actual revenues and expenditures to budgeted amounts will be prepared monthly and distributed to the Board of Commissioners. Revenue estimates will be incorporated into the annual budget document and will be conservative. The County will not balance the budget on unrealistic revenue projections.

Expenditure Control

County management will employ tools designed to control expenditures to keep the property tax rate at its lowest possible level, while maintaining sufficient resources to operate effectively. Formal approval (by resolution) from the Board for all "non-routine" expenditures exceeding \$5,000 is required. This approval will be obtained in addition to the normal budget process. Routine expenditures are construed to be utility bills, legally required advertising, postage, fuel, and so forth. Emergency approval of purchase orders exceeding \$5,000 may be conveyed by the County Manager after consultation with the Chairman of the Board of County Commissioners and subsequent notification of the Board. An "emergency" is defined as a condition where non-action to correct a problem will cause a major disruption in services or inconvenience to the public. Vehicle insurance settlements may be accepted by the County Manager to repair vehicles when the amount of settlement is less than the value of the vehicle. The County Manager has the authority to approve a purchase order, capped at \$6,000, to repair such a vehicle that meets those conditions. Any insurance settlement involving a total loss of a vehicle would be brought before the Board of Commissioners for consideration.

County management will also require a purchase order for any purchases over \$500, allowing management to scrutinize the expenditure prior to commitment of County funds. Other controls include departmental approval and review by the Manager and/or Finance Officer for all travel exceeding \$100.

Property Controls

The County is required to maintain a fixed asset listing for financial and insurance records. Detailed inventory records will be maintained of assets at costs of \$500 and higher. The capitalization threshold, for financial reporting purposes, increased to \$5,000 effective July 1, 2001. The County Manager will be allowed to declare property as surplus and allow proper and legal disposal for property with a value of \$500 or less. This would not apply to vehicles or to any property that has been assigned a property identification number since 1999. Disposal of real or personal property shall be in compliance with the general statutes.

Investment of Idle Funds

The County will invest its idle funds in accordance with G.S. 159-30, into CDs issued by banks using the pooled

method of collateralization, and in the North Carolina Capital Management Trust - Cash Account. As CDs mature, the Finance Officer will call for quotes to ensure a competitive rate of return. The Finance Officer will manage these investments and determine the appropriate terms, percentage distributions, and rates. Board approval will be sought prior to committing to new investment options. The County uses a central depository system to manage its funds and allow the Finance Officer to maintain only the amount necessary to cover expenses in the demand account and to invest the remaining funds to achieve a greater return.

Preservation and Use of General Fund Balance

The Board of Commissioners recognize the financial strength of the County is measured largely by its available undesignated general fund balance. The goal of the County is to maintain an undesignated general fund balance of no less than 30% of the current fiscal year expenditure level for the following reasons:

- to ensure that sufficient operating funds are available in light of a County's erratic revenue cycle
- to provide for adequate funds for immediate relief in case of natural disaster (i.e. hurricanes, floods, etc.)
- to provide interest income through the wise investment of these funds to help stabilize the tax rate
- to reduce the cost of debt issuance by establishing a strong financial history

The Board of Commissioners may designate amount above this threshold (defined as excess fund balance) for one-time funding purposes. The Board recognizes that excess fund balance is a one-time funding source, and thus should only be used for one-time expenditures.

The use of excess fund balance to meet recurring operational or working capital expenditures shall be prohibited, other than for expenditures deemed emergencies by the Board of Commissioners. The Board shall make appropriations in the annual operating budget in order to pay for recurring operational, working capital and recurring capital replacement needs.

The Board of Commissioners shall avoid using excess fund balance for tax rate stabilization or reduction purposes. In the event excess fund balance is used for such purpose, the Board shall identify a future funding source other than fund balance at the time the fund balance is appropriated, to meet future expenditure needs.

Annual Independent Audit

The County will, in accordance with G.S. 159-34, have its financial accounts audited as soon as possible after the close of each fiscal year by a certified public accountant or by an accountant certified by the Commission as qualified to audit local government accounts. The results of the audit shall be presented to the Board of Commissioners annually in an open meeting as soon as it has been reviewed and approved by the Local Government Commission.

Adopted this 19th day of April, 2010.

Jimmy T. Tate, Chairman
Pender County Board of Commissioners

ATTEST:

Rick Benton, Clerk to the Board of Commissioners

PENDER COUNTY
FISCAL POLICY

The overall goal of the County's fiscal policy is to improve upon and maintain effective and efficient management of the public's resources. The policy statements that follow provide the "building blocks" for achieving this goal. There are four categories: budgeting, expenditure control, investment of idle funds, and preservation of general fund balance.

Budgeting

A comprehensive budget will be prepared annually for all funds to be expended by the County in accordance with North Carolina General Statute 159-8-13. The budget will be prepared in such a manner as to facilitate its understanding by citizens and elected officials. In addition to required public hearings, the Commissioners will hold work sessions on the budget that will be open to the public. Budgetary emphasis will focus on providing the maximum level of basic services, to the most citizens, in the most cost-effective manner, with due consideration being given to all costs - economic, fiscal, and social. The budget will provide for adequate maintenance of capital, plant and equipment and for their orderly replacement. Reports comparing actual revenues and expenditures to budgeted amounts will be prepared monthly and distributed to the Board of Commissioners. Revenue estimates will be incorporated into the annual budget document and will be conservative. The County will not balance the budget on unrealistic revenue projections.

Expenditure Control

County management will employ tools designed to control expenditures to keep the tax rate at its lowest possible level, while maintaining sufficient resources to operate effectively. Board action on June 2, 2003 made changes to the compliance thresholds. These tools include formal approval (by resolution) from the Board for all "non-routine" expenditures exceeding \$5,000. This approval will be obtained in addition to the normal budget process. Routine expenditures are utility bills, legally required advertising, postage, fuel, and water or sewer purchase contracts. Emergency approval of purchase orders exceeding \$5,000 may be conveyed by the County Manager after consultation with the Chairman of the Board of County Commissioners and subsequent notification of the Board. An "emergency" is defined as a condition where non-action to correct a problem will cause a major disruption in services or inconvenience to the public. Vehicle insurance settlements may be accepted by the County Manager to repair vehicles when the amount of settlement is less than the value of the vehicle. The County Manager has the authority to approve a purchase order, capped at \$6,000, to repair such a vehicle that meets those conditions. Any insurance settlement involving a total loss of a vehicle would be brought before the Board of Commissioners for consideration.

County management will also require a purchase order for any purchases over \$150, allowing management to scrutinize the expenditure prior to commitment of County funds. Other controls include departmental approval and review by the finance officer for all travel, and further approval by the county manager for travel costing more than \$200.

Property Controls

The County is required to maintain a fixed asset listing for financial and insurance records. Detailed inventory records will be maintained of assets at costs of \$500 and higher. The capitalization threshold, for financial reporting purposes, increased to \$5,000 effective July 1, 2001. The County Manager will be allowed to declare property as surplus and allow proper and legal disposal for property with a value of \$500 or less. This would not apply to vehicles or to any property that has been assigned a property identification number since 1999.

Investment of Idle Funds

The County will invest its idle funds, in accordance to G.S. 159-30, into CDs issued by banks using the pooled method of collateralization and in the North Carolina Capital Management Trust - Cash Account. As CDs mature, the finance office will call for quotes to ensure a competitive rate of return. The finance officer will manage these investments and determine the appropriate terms, percentage distributions, and rates. Board approval will be sought prior to committing to new investment options. The County uses a central depository system to manage its funds. This allows the finance officer to maintain only the amount necessary to cover expenses in the demand account and to invest the remaining funds to achieve a greater return.

Preservation of General Fund Balance

The financial strength of the County is measured largely by its available general fund balance. The goal of the County is to maintain a fund balance of at least \$5,000,000 for the following reasons:

- to ensure that sufficient operating funds are available in light of the County's erratic revenue cycle;
- to provide for adequate funds for immediate relief in case of natural disaster (i.e. hurricanes, floods, etc.);
- to provide interest income through the wise investment of these funds to help stabilize the tax rate;
- and to reduce the cost of debt issuance by establishing a strong financial history.

According to the North Carolina Local Government Commission staff, a local government entering a fiscal year with less than 8% undesignated, unreserved fund balance available will not have sufficient resources to meet its obligations until it begins receiving property taxes.

Annual Independent Audit

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