



REQUEST FOR BOARD ACTION

ITEM NO. 21.

DATE OF MEETING: October 21, 2013

REQUESTED BY: Claiburn B. Watson, Assistant County Manager/Finance Officer

SHORT TITLE: Resolution Authorizing Approval of Revised Fiscal Policy Guidelines for the County of Pender.

BACKGROUND: During the 2013-14 Budget Process, the County's Financial Advisor, Ted Cole with Davenport & Company, provided the Board of Commissioners with debt modeling and debt capacity information. Over the last several months, Davenport & Company and County staff have developed a Tax Supported Capital Funding Plan to assist the County in planning for its identified governmental and school capital needs.

As part of this work, Davenport and County staff developed a number of financial analyses that help to establish and measure the County's debt capacity and debt affordability. The overall goal is to continue to solidify and improve the County's overall financial standing.

In the course of meeting its capital needs, the County will need to access the municipal credit markets. To do so successfully, the County needs to be able to maintain or improve its current bond ratings (Moody's Aa2/Standard & Poor's AA-). Bond ratings are assessments of risk and are developed using a number of both quantitative and qualitative factors. Adopted and adhered to Fiscal Policies are viewed as credit strengths and have become more the norm rather than the exception in the municipal finance sector.

SPECIFIC ACTION REQUESTED: To consider a Resolution Authorizing Approval of the attached Fiscal Policy Guidelines for the County of Pender.

COUNTY MANAGER'S RECOMMENDATION

Respectfully recommend approval.


Initial

RESOLUTION

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

the attached Fiscal Policy Guidelines are hereby adopted for use by the County of Pender to assist County staff in planning for identified governmental and school capital needs. The overall goal is to continue to solidify and improve the County's overall financial standing. The Chairman/County Manager is authorized to execute any/all documents necessary to implement this resolution.

MOVED _____ SECONDED _____

APPROVED _____ DENIED _____ UNANIMOUS

YEA VOTES: Brown ___ McCoy ___ Tate ___ Ward ___ Williams ___

George R. Brown, Chairman 10/21/13
Date

ATTEST 10/21/13
Date

Fiscal Policy Guidelines

For:



Pender County, North Carolina

Adopted:

October 21, 2013

FISCAL POLICY GUIDELINES

Pender County, North Carolina

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FISCAL POLICY GUIDELINES

Pender County, North Carolina

FISCAL POLICY GUIDELINES - OBJECTIVES

This fiscal policy will influence and guide the financial management practice of Pender County, North Carolina. A fiscal policy that is adopted, adhered to, and regularly reviewed is recognized as the cornerstone of sound financial management. Effective fiscal policy:

- Contributes to the County's ability to insulate itself from fiscal crisis,
- Enhances short term and long term financial credit ability by helping to achieve the highest credit and bond ratings possible,
- Promotes long-term financial stability by establishing clear and consistent guidelines,
- Directs attention to the total financial picture of the County rather than single issue areas,
- Promotes the view of linking long-run financial planning with day-to-day operations, and
- Provides the County Staff, the County Board of Commissioners and the County citizens a framework for measuring the fiscal impact of government services against established fiscal parameters and guidelines.
- This policy will be reviewed periodically by County staff and any recommended changes will be reviewed by the Board of Commissioners for approval.

To these ends, the following fiscal policy statements are presented.

FISCAL POLICY GUIDELINES

Pender County, North Carolina

CAPITAL IMPROVEMENT BUDGET POLICIES

1. It is the responsibility of the County Board of Commissioners to provide for the capital facilities necessary to deliver services to the citizens of the County, as well as facilities for the Pender County Public Schools and Cape Fear Community College.
2. The County will consider all capital improvements in accordance with an adopted Capital Improvement Plan.
3. The Capital Improvement Plan is inclusive of Capital Improvements (renovations), Capital Replacement (vehicles and heavy equipment) and Major Capital Projects (new buildings).
4. The County will develop a five-year Capital Improvement Plan and review and update the plan annually. The Pender County Public Schools and Cape Fear Community College will submit their respective five-year capital improvement requests annually and will provide a prioritization for the improvements within their request for the County Commissioner's review.
5. The County will enact an annual capital budget based on the five-year Capital Improvement Plan.
6. The County, in consultation with the Pender County Public School and Cape Fear Community College, will coordinate development of the capital improvement budget with development of the operating budget. Future operating costs associated with new capital improvements will be projected and included in operating budget forecasts.
7. The Capital Improvement Plan will include the estimated costs for the County to maintain all County, Public School and, if applicable, Cape Fear Community College assets at a level adequate to protect the public's welfare and safety, the County's capital investment and to minimize future maintenance and replacement costs. A maintenance and replacement schedule will be developed and followed based upon these estimates.
8. The County, in consultation with the Pender County Public School and Cape Fear Community College, will identify the estimated costs and potential funding sources for each capital project proposal before it is submitted for approval.
9. The County will pursue the most cost effective financing consistent with prudent financial management.

FISCAL POLICY GUIDELINES

Pender County, North Carolina

DEBT POLICIES

1. The County will confine long-term borrowing to capital improvements or projects that cannot be financed from current revenues except where approved justification is provided.
2. The County will take a balanced approach to capital funding utilizing debt financing, capital reserves and pay-as-you-go funding that will provide the least financial impact on the taxpayer.
3. When the County finances capital improvements or other projects by issuing bonds or entering into capital leases, it will repay the debt within a period not to exceed the expected useful life of the project.
4. Net debt as a percentage of estimated market value of taxable property shall not exceed 2.5%. Net debt is defined as any and all debt that is tax-supported.
5. Debt Service expenditures as a percent of total governmental fund expenditures shall not exceed 15.0%. Should this ratio exceed 15%, staff must request an exception from the Board of Commissioners stating the justification and expected duration of the policy exception.
6. Payout of aggregate outstanding tax-supported debt principal shall be no less than 55% repaid in 10 years.

FISCAL POLICY GUIDELINES

Pender County, North Carolina

RESERVE POLICY

1. The County will strive to maintain a targeted Unassigned Fund Balance, as defined by the Governmental Accounting Standards Board, at the close of each fiscal year equal to 20% of General Fund Expenditures. Unassigned Fund Balance in excess of 20% of General Fund Expenditures may be appropriated from time to time for pay-as-you-go capital and other one-time uses.
2. The County Board may, from time-to-time, utilize fund balances that will reduce Unassigned Fund Balance below the 20% target for the purposes of a declared fiscal emergency or other such purpose as to protect or enhance the long-term fiscal security of Pender County. In such circumstances, the Board will adopt a plan to restore the Unassigned Fund Balance to the target level within 36 months. If restoration cannot be accomplished within such time period without severe hardship to the County, then the Board will establish a different but appropriate time period.

FISCAL POLICY GUIDELINES

Pender County, North Carolina

BUDGET DEVELOPMENT POLICIES

1. The Budget Process will be compliant with the North Carolina Local Government Budget and Fiscal Control Act.
2. One-time or other special revenues will not be used to finance continuing County operations but instead will be used for funding special projects.
3. The County will pursue an aggressive policy seeking the collection of current and delinquent property taxes, utility, license, permit and other fees due to the County.
4. Budget amendments will be brought to the County Board for consideration as needed.

FISCAL POLICY GUIDELINES

Pender County, North Carolina

CASH MANAGEMENT / INVESTMENT POLICIES

1. It is the intent of the County that public funds will be invested to the extent possible to reduce the dependence upon property tax revenues. Funds will be invested with the chief objectives of safety of principal, liquidity, and yield, in that order. All deposits and investments of County funds will be in accordance with N.C.G.S. 159.
2. Up to fifty percent (50%) of the appropriations to Non-County Agencies and to non debt-supported capital outlays for County Departments can be encumbered prior to December 31. Any additional authorization shall require the County Manager's written approval upon justification. The balance of these appropriations may be encumbered after January 1, upon a finding by the County Manager that there is a reasonable expectation that the County's Budgeted Revenues will be realized.
3. The County will use a Central Depository to maximize the availability and mobility of cash for all funds that can be legally and practically combined.
4. Liquidity: No less than 20% of funds available for investment will be maintained in liquid investments at any point in time.
5. Maturity: All investments will mature in no more than thirty-six (36) months from their purchase date.
6. Custody: All investments will be purchased "payment-verses-delivery" and if certificated will be held by the Finance Officer in the name of the County. All non-certificated investments will be held in book-entry form in the name of the County with the County's third party Custodian (Safekeeping Agent).
7. Authorized Investments: The County may deposit County Funds into: Any Board approved Official Depository, if such funds are secured in accordance with NCGS-159 (31). The County may invest County Funds in: the North Carolina Capital Management Trust, US Treasury Securities, US Agency Securities specifically authorized in GS-159 and Commercial Paper meeting the requirements of NCGS-159 plus having a national bond rating.
8. Diversification: No more than 5% of the County's investment funds may be invested in a specific company's commercial paper and no more than 20% of the County's investment funds may be invested in commercial paper. No more than 25% of the County's investments may be invested in any one US Agency's Securities.
9. Allocation: Investment income will be allocated to each participating fund or account based on a fair and equitable formula determined by the Finance Director.