HAYWOOD COUNTY FISCAL POLICIES

Procedures and goals to guide financial management practices

Haywood County, North Carolina

ADOPTED BY

THE HAYWOOD COUNTY BOARD OF COMMISSIONERS

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Fiscal Policies

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OBJECTIVES

This fiscal policy is a statement of the guidelines and goals that will influence and guide the financial management practices of the County of Haywood, North Carolina. A fiscal policy that is adopted, adhered to, and regularly reviewed is the cornerstone of sound financial management. Effective fiscal policy:

1. Contributes significantly to the County's ability to insulate itself from fiscal crisis,

2. Enhances short-term and long-term financial credit ability by helping to achieve the highest credit and bond ratings possible,

3. Promotes long-term financial stability by establishing clear and consistent guidelines,

4. Directs attention to the total financial picture of the County rather than single issue areas,

5. Promotes the view of linking long-run financial planning with day to day operations, and

6. Provides the Board of Commissioners, citizens and the County's professional management team a framework for measuring the fiscal impact of government services against established fiscal parameters and guidelines.

7. This policy will be reviewed annually by the County Staff and any changes approved by the Board of Commissioners.

BUDGET DEVELOPMENT

1. The County budget process begins with a Board of Commissioners meeting no later than February each year.

2. The County's budget process will be in accordance with the Local Government Budget and Fiscal Control Act.

3. The Finance Department will maintain a system for monitoring the County's budget during the fiscal year. This system will provide opportunity for departments and management to monitor and evaluate monthly financial information on expenditures and performance at both the department and fund level.

4. The County will focus on using one-time or other special revenues for funding special projects, not continuing County operations.

5. The County will pursue an aggressive policy seeking the collection of current and delinquent property taxes, licenses, permits and other fees due to the County.

6. For services that benefit specific users, the County shall establish and collect fees to recover the costs of those services. The Commissioners shall determine the appropriate cost recovery level when establishing user fees. Where feasible and desirable, the County shall seek to recover full direct and indirect costs. User fees shall be reviewed on a regular basis to calculate their full cost recovery attainment levels, to compare them to the current fee structure, and to recommend adjustments where necessary.

7. The County shall take immediate corrective actions if at any time during the fiscal year expenditure and revenue updates are such that an operating deficit (i.e., projected expenditures in excess of projected revenues) is projected at year-end. Corrective actions can include a hiring freeze, expenditure reductions, fee increases, or use of fund balance. Expenditure deferrals into the following fiscal year, short-term loans, or use of one-time revenue sources shall be avoided to balance the budget, for recurring expenditures.

8. The County will review the financial position of nonprofit corporations or organizations receiving funding to determine the entity's ability to carry out the intended purpose for which funding was granted. For organizations receiving $5,000 or more in any fiscal year, the County may require the nonprofit to have an audit or review performed for the fiscal year in which the funds are received and to file a copy with the County.

CAPITAL IMPROVEMENT BUDGET

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 Haywood County Public Schools and Haywood 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 Haywood County Public Schools and Haywood 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, while considering changes in population, changes in real estate development, or changes in assumptions in the capital budget projections.

6. The County, in consultation with the Haywood County Public Schools and Haywood 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 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 Haywood County Public Schools and 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 adopt the most cost effective financing consistent with prudent financial management.

FINANCIAL RESERVES

1. Unrestricted Fund Balances (as defined by GASB Statement 54) will be funds that remain available for appropriation by the County Commissioners after all "non-spendable amounts, restrictions and required reserves defined by State statutes, have been calculated. The County will define these remaining amounts as "available fund balances."

2. The County will strive to maintain an available General Fund balance at the close of each fiscal year of at least 11.0% of the total annual operating budget.

3. The Board of Commissioners may, from time-to-time, appropriate available fund balances that will reduce available fund balances below the 11.0% threshold for the purposes of a declared fiscal emergency or other such global purpose as to protect the long-term fiscal security of the Haywood County. In such circumstances, the Commissioners will adopt a plan to restore the available fund balance to or above the threshold within 36 months from the date of the appropriation. If restoration cannot be accomplished within such time period without severe hardship to the County, then the Commissioners will establish a different but appropriate time period.

4. The excess available fund balance may be used to fund one-time capital expenditures or other one-time costs, or may be transferred to a Capital Reserve Fund for future use for a specific purpose within a specified time frame.

CASH MANAGEMENT AND INVESTMENT

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.

   a. Safety of principal is the highest objective of the Investment Policy. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to minimize credit risk and interest rate risk.
   b. The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the maturity of investments to meet the anticipated cash needs. Since all possible cash demands cannot be anticipated, the portfolio will consist largely of securities with active resale markets.
   c. The portfolio shall be designed with the objective of attaining a market rate of return. Return on investment is of secondary importance compared to the above described safety and liquidity objectives. The investments prescribed in this policy are limited to relatively low risk securities; therefore, management anticipates investment portfolio will earn a fair return relative to the risk being assumed.

2. The Finance Director will establish a Cash Management Program that maximizes the amount of cash available for investment. The Program shall address at a minimum; Accounts Receivable/Billings, Accounts Payable, Receipts, Disbursements, Deposits, Payroll and Debt Service Payments.

3. Up to one-half (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.

4. 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.

5. Cash Flows will be forecasted and investments will be made to mature when funds are projected to be needed to meet cash flow requirements.

6. Liquidity: No less than 20% of funds available for investment will be maintained in liquid investments at any point in time.

7. Maturity: All investments will mature in no more than thirty-six (36) months from their purchase date.

8. Custody: All investments will be purchased "delivery versus payment" and if certified 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), if necessary and cost effective.

9. 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 rated no lower than "AAA", and Commercial Paper meeting the requirements of NCGS-159 plus having a national bond rating.

10. 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.

11. Reporting: Not less than twice a year the Finance Director will report to the Manager on the Cash Flow Forecast for the ensuing twelve months. The Finance Director also will report on the interest earned in the past six months and on the current investment portfolio including: type of investment, purchase date, price, par amount, maturity date, coupon rate, and any special features. The Finance Director will also provide a Financial Summary inclusive of Investment Reporting to the Board of Commissioners monthly from October through June of each year, with a quarterly report for the quarter ended September of each year.

DEBT MANAGEMENT

1. The County will confine long-term borrowing to capital improvement or projects that cannot be paid from current revenues or fund balance except where approved justification is provided.

2. The County will use a balanced approach to capital funding utilizing debt financing, draws on capital reserves and current-year (pay-as-you-go) appropriations.

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. Where feasible, the County will explore the use of special assessment, revenue, or other self-supporting bonds instead of general obligation bonds.

5. Debt structures that result in significant "back loading" of debt should be avoided.

6. Prior to the issuance of new General Obligation (GO) debt, consideration shall be given to forecasted tax rate requirements, ratio of net GO debt to assessed taxable value, net GO debt per capita, and debt service payments to General Fund operating budget.

7. Direct net debt as a percentage of total assessed value of taxable property shall not exceed 2.5%. Direct net debt is defined as any and all debt that is tax-supported.

8. The ratio of direct debt service expenditures as a percent of total governmental fund expenditures shall not exceed 15%.

9. Debt ratios will be calculated annually and included in the review of financial trends.

10. The County may undertake refinancing of outstanding debt:
    a. When such refinancing allows the County to realize significant debt service savings (net present value savings equal to at least 3.0 percent of the refunded par amount) without lengthening the term of refinanced debt and without increasing debt service in any subsequent year; or
    b. When the public policy benefits outweigh the costs associated with the issuance of new debt and any increase in annual debt service; or
    c. When a restrictive covenant is removed to the benefit of the County.

11. The Finance Director shall maintain a system of record keeping and reporting to meet the arbitrage rebate compliance requirements for the federal tax code.

12. The County may employ municipal finance professionals to assist in developing a bond issuance strategy, preparing bond documents, and marketing bonds to investors.

13. The Finance Director will maintain good communication with bond rating agencies and provide periodic updates on the County's financial condition.

OTHER POST EMPLOYMENT BENEFITS

1. The County will use a deliberative process to ensure the sustainability of any OPEB it offers to employees. The County will carefully evaluate and design benefits to ensure benefits are sustainable.

2. The County will provide retiree healthcare pay-as-you-go OPEB costs

REVENUES

1. Ad Valorem Tax – as provided by the North Carolina Budget and Fiscal Control Act, estimated revenue from the Ad Valorem Tax Levy will be budgeted as follows:
   a. Assessed valuation will be estimated based on the actual values and growth patterns and will be estimated in a conservative manner.
   b. The estimated percentage of collection will not exceed the actual collection percentage of the preceding fiscal year, in accordance with state law.
   c. The property tax will be set each year based upon the cost of providing general government services, including meeting debt service obligations.

2. User Fees - The Board of County Commissioners (the Board) will set user fees annually by listing such fees within the Annual Budget Ordinance. The user fees will maximize charges for services that can be individually identified and where costs are directly related to the provisions of the service or the level of services provided. Emphasis of user fees results in the following benefits:
   a. The burden of the Ad Valorem tax is reduced
   b. User fees are paid by all users, including those exempt from tax
   c. User fees help minimize the subsidizing in any instance where there are requirements in order to qualify for the use of the service and the service is not provided to the general public.

3. Revenue initiating departments shall develop initial budget estimates of applicable revenues. Those estimates are to be supported by variables that comprise such revenue. Monitoring of the revenue budget shall be performed by the department and the Finance Department throughout the fiscal year. Compliance of revenues with all laws and regulations is primarily the responsibility of the revenue initiating department.

EXPENDITURES

1. Departmental budgets – Office and departmental budgets shall be monitored throughout the year by office and department heads, the Finance Director, and the County Manager. Budget compliance is the responsibility of these leaders.

2. The Departmental Fiscal Procedures, as maintained and updated annually by the County Finance Department, will address internal expenditure procedures and will be made available to all offices and departments.

3. Contracts – The County Manager, or his designee is authorized to execute necessary agreements within the term of the Budget Ordinance each fiscal year. For continuing contracts, funds will be appropriated in the annual budget ordinance to meet current year obligations arising under contract, in accordance with N.C. G.S. 160A-17.

4. Payroll will be processed in accordance with the requirements of the Fair Labor Standards Act. Overtime and benefit payments will be made in accordance with the County's Personnel Policy.

INTERNAL CONTROLS

1. The Finance Director is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the County are protected from loss, theft, or misuse.

2. The internal control structure shall be designed to provide reasonable assurance that these objectives are met.

3. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and that the valuation of costs and benefits requires the use of estimates and judgments by management.

4. Individual departmental internal control procedures are maintained in the finance office.