


**ACTION ITEM
BOARD OF SUPERVISORS**

DATE August 19, 2008

TO. Board of Supervisors
FROM Anthony J. Romanello, ICMA-CM
County Administrator 
ISSUE Discuss Draft Revised Financial Policies

STAFF RECOMMENDATION Approval

BUDGET IMPACT N/A

ATTACHMENTS: (2)

- [1] Background Report [] Reso/Ord/Proc #
- [2] Financial Policies [] Reso/Ord/Proc #
(Side-by-Side Comparison)
- [] [] Reso/Ord/Proc #

REVIEW. [] County Administrator's Office _____
[] Legal _____
[] _____

- [] Consent Agenda [] Other Business [] Public Hearing
- [] Discussion Item [] Presentation [] Unfinished Business
- [X] New Business

PRESENTATION BY Mark Dudenhefer and Bob Woodson

ELECTION DISTRICT N/A

BACKGROUND REPORT

The Board Committee of Mr Dudenhefer and Mr Woodson has worked with staff to revise the County's financial guidelines Attachment 2 is a side-by-side comparison of the current guidelines and the proposed revisions

Principles of High Performance Financial Management

Adopted June, 2005

The Stafford County Board of Supervisors hereby establishes its *Principles of High Performance Financial Management* to prudently manage the people's resources through

- Accountable and straightforward allocation of resources
- Planned strategic use of financial resources to ensure sustainability
- Maintaining and upgrading the County's bond ratings
- Balanced tax burden from residential and commercial sources

DEBT LIMITATIONS

- General obligation debt shall not exceed 4.5% of the assessed valuation of taxable real property
- General fund debt service expenditures (County and Schools) shall not exceed 12% of the general government budget
- Capital lease debt service shall not exceed 2% of the general government budget with 2/3 allocated to the Schools and 1/3 allocated to the County. Capital lease debt may only be used if the following four criteria are met
 - 1 Capital lease purchase is eligible under state law for such financing, and,
 - 2 Useful life of the purchase equals or exceeds the term of the debt, and,
 - 3 Total purchase exceeds \$100,000, and,
 - 4 Sufficient funds are available to service the capital lease debt

CAPITAL IMPROVEMENT PROGRAM (CIP) AND BONDED DEBT SERVICE AFFORDABILITY GUIDELINES

- A five-year CIP allocating capital improvement funds between the Schools and General Government will be adopted annually
- CIP projects will be no less than \$500,000 each
- Each year's available debt service will be established by increasing the prior year's actual debt service by the percentage of general fund revenue changes averaged over the last 5 years

Draft – July, 2008

The Stafford County Board of Supervisors hereby establishes its *Principles of High Performance Financial Management* to prudently manage the people's resources through

- Accountable and ~~straightforward~~ transparent allocation of resources
- Planned strategic use of financial resources to ensure sustainability
- Maintaining and upgrading the County's bond ratings
- Balanced tax burden from residential and commercial sources

DEBT LIMITATIONS

- General obligation debt shall not exceed 4.5% of the assessed valuation of taxable real property
- General fund debt service expenditures (County and Schools) shall not exceed 12% of the general government budget
- Capital lease debt service shall not exceed 2% of the general government budget with 2/3 allocated to the Schools and 1/3 allocated to the County. Capital lease debt may only be used if the following four criteria are met
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UNDESIGNATED FUND BALANCE

- The County shall maintain an undesignated fund balance that is not less than 10% of annual general fund revenues. Use of the undesignated fund balance below this amount will be restricted to only significant unexpected declines in revenues or unanticipated emergency expenditures. Following any use of undesignated fund balance, the County will replenish the undesignated fund balance within three fiscal years.

- After the yearly audit and in consideration of current financial conditions, the Board of Supervisors may allocate amounts in excess of the minimum undesignated fund balance as follows:
 - a. The School Operating Fund unreserved (available) balance will be re-appropriated annually to the School Board for capital or start-up expenditures.

 - b. The amount in excess of the minimum undesignated fund balance will be divided equally between the Schools and General Government and shall be used only for one-time expenditures.

Draft – July, 2008

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- Stafford County does not intend to establish a trend of using Fund Balance to finance current operations. As a nonrecurring source of revenue, any balance not needed for liquidity or financial cushion as noted above will be spent solely for nonrecurring uses. After the yearly audit and in consideration of current financial conditions, the Board of Supervisors may allocate amounts in excess of the minimum undesignated fund balance as follows:
 1. The School Operating Fund unspent unreserved (available) balance will ~~may~~ be re-appropriated annually to the School Board for capital, ~~or~~ start-up ~~or other nonrecurring expenditures.~~
 2. The County Operating Fund unspent unreserved (available) balance may be re-appropriated annually to County departments for capital, start-up or other nonrecurring expenditures.
 3. The amount in excess of the minimum undesignated fund balance will be reserved for future capital projects divided equally between the Schools and General Government and ~~shall be used only for one-time expenditures, in order to reduce the County's reliance on debt.~~

Principles of High Performance Financial Management

Adopted June, 2005

General Fund Budget Guidelines

- The school's share of the general government revenues will be 100% of meals tax revenues and a target of 69% of all other local tax revenues. The school operating transfer will be the difference between the school's share of general government revenues and school-related bonded and lease debt service
- An amount equivalent to 1% of general fund revenues will be set aside for pay-as-you-go capital projects
- An amount equivalent to 1% of general government expenses will be set aside for the operating budget contingency reserve

Draft – July, 2008

General Fund Budget Guidelines

- Stafford will prepare and approve an annual budget. The County will annually adopt and execute a budget for such funds as may be required by law or by sound financial practices and generally accepted accounting principles. The budget shall control the levy of taxes and the expenditure of money for all County purposes during the ensuing fiscal year. The County budget shall be balanced with all available operating revenues, including fund balance, and adopted by the Board of Supervisors.
- Each year as part of the budget process, five year projections of revenues and expenditures will be prepared.
- Stafford County does not intend to issue tax or revenue anticipation notes to fund operations. The County intends to manage cash to prevent borrowing to meet cash flow needs.
- The school's share of the general government revenues will be 100% of meals tax revenues and a portion a target of 69% of all other local tax revenues based on growth and the needs of school and County departments. At no time will the school's share be below the required local funding amount as defined by the Commonwealth. The school operating transfer will be the difference between the school's share of general government revenues and school-related bonded and lease debt service.
- An amount equivalent to 1% of general fund revenues expenditures will be set aside for pay-as-you-go capital projects.
- An amount equivalent to $\pm \frac{1}{2}$ % of general government expenses will be set aside for the operating budget contingency reserve.

Budget & Finance Committee

- The Chairman of the Board of Supervisors will appoint a Budget & Finance Committee each year.

Budget Reviews

- On a monthly basis, staff will provide written budget reports to the Board of Supervisors. Additionally, staff will provide quarterly budget and finance presentations at meetings of the Board of Supervisors.

Principles of High Performance Financial Management

Adopted June, 2005

Tax Trigger Provision

- General revenue increases that exceed revenue forecasts, and are not accompanied by additional costs in the annual budget process, provide a trigger to reduce the real estate tax rate

Periodic Policy Review

- The Board of Supervisors will review this policy no less than once every two years

Note General Government is defined as the General Fund plus the School Fund minus the School Transfer

Draft – July, 2008

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Draft Budget Procedures/Calendar (This entire section is new)

Month	Procedure
October	Work Session <ul style="list-style-type: none"> • Preliminary prior year balances • 1st quarter review of fiscal year • Preliminary budget overview to include <ul style="list-style-type: none"> ○ Revenue projection with no increase in equalized tax ○ Expenditures with no new initiatives other than required ○ Information on new revenues and expenditures ○ Budget calendar BOS/School Board Joint work session
November	Feedback/Consensus/Guidance from the Board Board priorities/Performance standards Proposed CIP work session
December	Public Hearing and adoption of CIP Audit Report
January	Work Session <ul style="list-style-type: none"> • Final prior year balances • Mid-year review • Revenue trends for upcoming budget • Feedback from Board
February	Receive School Budget by Mid-February
March, 1 st meeting	County Administrator presents Proposed Budget
March, 2 nd meeting	Budget work session
April, 1 st meeting	Budget work session
April, 2 nd meeting	Budget work session & public hearing
April, 3 rd meeting	Adopt budget