

County of Roanoke Financial Policies

Board of Supervisors Work Session

January 24, 2017

Agenda

- Background and Objectives
- Current and Recommended Practices and Policies
- Financial Reporting
- Budget
- Capital and Debt Management
- Reserves
- Next Steps

Financial Policies Background

- Fiscal integrity is a top priority
- Provide basic framework for the overall fiscal management of government
- Careful fiscal planning and sound financial management provided for achievement of double A+ bond rating from leading rating agencies
- Last formal update in December 2004
- Revision provides for improved changes, strengthen fiscal accountability and documents County's current practices

Financial Policies Objectives

- Insulate from fiscal crises and economic disruption
 - Sound principles to guide decisions
 - Accurate and timely information on financial condition
 - Long-term financial planning
 - Operational principles which minimize the cost of government and financial risk
- System of financial security and internal controls
 - Prevent undue or unbalanced reliance on certain revenues
 - Provide essential public facilities and prevent deterioration of the County's public facilities
 - Enhance access markets by helping to achieve the highest credit and bond ratings possible
 - Protect and enhance the County's credit rating and prevent default on any debts

Financial Policies

Current Practices and Policies

- Balanced Budget
- Financial Improvement Policy
- General Fund Unappropriated Balance
- General Fund Revenues in Excess of Budget
- Unexpended Appropriations Policy
- Capital Reserves
- Fees and Charges
- Use of One Time Revenues
- Debt Policy

Financial Policies Recommended Changes to Practices and Policies

- Eliminate policies that are no longer in practice
 - General Fund Revenues in Excess of Budget
 - Unexpended Appropriations Policy
- Update policies that no longer match our practice
 - General Fund Unappropriated Balance
 - Capital Reserves
- Provide recommendations of policies/practices for improved fiscal accountability
 - One document to include Financial Reporting, Budget, Capital, Reserves, and Debt Management
 - Document and formalize current practices
 - Recommend reserve levels and best practices

Financial Reporting

Financial Reporting Compliance

- Generally Accepted Accounting Principles
- Government Accounting Standards
- Uniform Financial Reporting Manual
- Specifications for Audits of Counties, Cities, and Town
- Code of Virginia
- Circular A-133 issued by the U. S. Office of Management and Budget
- Government Financial Officers Association's Certificate of Achievement for Excellence in Financial Reporting and Distinguished Budget Presentation Award Program

Budget

Annual Budget

General Principles and Practices

- Provide for adequate maintenance and replacement of capital assets
- Provide for adequate funding of all retirement systems and other post employment benefits
- Operating costs associated with capital projects should be funded in the operating budget
- Maintain a budget control system
- Monitor and evaluate expenditures and revenues

Annual Budget Revenue Principles and Practices

- Strive to maintain a diversified and stable revenue system
- Annual revenues consist of local, state, federal, and other financing sources
- One-time revenues used to fund capital projects or other non-recurring expenditures
- Revenue estimates monitored on a regular basis
- A Revenue Team consisting of County staff and Constitutional Officers meets to review current trends and other economic data which impact revenues

Annual Budget Expenditure Principles and Practices

- Staff monitors expenditures throughout the fiscal year to ensure compliance with legal requirements and accounting standards
- County Administrator or his designee is authorized to transfer budget authority within funds
- Amendments impacting the level of budget authority must be approved by the Board of Supervisors
- **County Administrator or his designee is authorized to transfer funds up to \$50,000 within projects as part of the Capital Fund. Capital Fund Transfers exceeding \$50,000 must be approved by the Board of Supervisors.**

Capital

Capital Improvement Program (CIP) General Principles and Practices

- Projects generally must have an estimated useful life that exceeds five years and has a cost of least \$100,000
- First year of the CIP will be appropriated as part of the annual budget ordinance
- **Annually submit a 10-year CIP for review by the Board of Supervisors. Ten-year CIP will be balanced in each year of the plan with funding identified for all projects.**
- **Beginning in 2018, staff shall present as information to the Board a complete list of capital projects status and project financial information review**

Capital Improvement Program (CIP) Pay-As-You-Go Financing

- No current policies governing pay-as-you-go financing
- Financing projects from current revenues indicates the County's intent to show purposeful restraint in incurring long-term debt
- As of January 2017, no explicit level or percentage for capital projects funded from current revenues has been adopted
- **County staff will engage the Budget and Fiscal Affairs Committee (BFAC) to review potential policy options**
- **County will explore for the Board's consideration a minimum percentage of annual revenues to be transferred to support the annual CIP**

Debt Management

Debt Management

Debt Limits

Current Debt Limits

- Net Debt as a percentage of assessed value will not exceed 3%
- The net debt per capita will not exceed a ratio of \$2,500
- General Obligation debt service as a percentage of general governmental expenditures will not exceed 10%

Recommended Changes

- All debt limits are recommended to stay the same except for adding “**...in the current year or subsequent years as calculated as part of the County’s Capital Improvement Program**” for each ratio

Reserves

Reserve Policies

General Fund Unappropriated Balance

Current Reserve Policy

- 11% of General Fund Balance
- At the end of each year, all general fund revenues in excess of budget will first go to unappropriated balance until maximum balance for next fiscal year is met then to capital reserves

Recommended Changes

- **Minimum of 12% of General Government Fund (C100)**
- **Include amount in annual budget to account for revenue growth and maintain fund balance**
- **Establish specific reserve levels for other General Fund accounts**

Reserve Policies

General Fund Unappropriated Balance

- Current application of General Fund Reserve Policy
 - The \$208,674,666 is inclusive of all General Fund funds including but not limited to:
 - Children's Service Act, Fleet Service Center, Communications / Information Technology, Criminal Justice Academy, and Fee Class
 - Those funds are part of the General Fund and maintain their own reserve on top of the 11% of the General Fund expenditures

Reserve Policies

General Fund Unappropriated Balance

- Revised application of Reserve Policy

Fund	Policy	Application Of Policy	FYE 2017 Proj. Balance	Actual % of Fund Balance	Policy Surplus/ Deficit
General Government	12% of annual expenditures	\$21,991,106	\$22,954,213	12.5%	\$963,107
Children's Services Act	25% of annual expenditures	\$1,726,422	\$1,169,892	16.9%	(\$556,530)
Criminal Justice Academy	25% of annual expenditures	\$78,001	\$137,744	44.1%	\$59,773
Fleet Services Center	10% of annual expenditures	\$308,277	\$256,814	8.3%	(\$51,163)
Communications/IT	10% of annual revenues excludes General Government Transfer	\$164,973	\$448,754	27.2%	\$283,781
Fee Class	20% of annual expenditures	\$1,075,784	\$898,742	16.7%	(\$177,042)

Reserve Policies Internal Service Funds

Current Reserve Policies

- Health Insurance
 - Historically used health consultant recommendations
- Risk Management
 - No formal policy
- Dental Insurance
 - No current policy (fully-insured)

Recommended Changes

- **Health Insurance**
 - **Level equal to claims outstanding plus 10% of next year's healthcare budget**
- **Risk Management**
 - **Level equal to claims outstanding plus 10% of next year's risk management budget and \$500,000 for auto/property claim**
- Dental Insurance
 - No recommended changes

Reserve Policies Internal Service Fund

Fund	Policy	Application Of Policy	Projected FYE 2017 Balance	Policy Surplus/ (Deficit)
Health Insurance	Level equal to claims outstanding plus 10% of next year's healthcare budget	\$1,649,383	\$1,392,722	(\$256,661)
Dental Insurance	No recommended policy-fully insured	\$0	\$0	\$124,846
Risk Management	Level equal to claims outstanding plus 10% of next year's risk management budget and \$500,000 for auto and/or property claim	\$3,010,906	\$2,860,906	(\$150,000)

Financial Policies Next Steps

- Staff will engage Budget and Fiscal Affairs Committee (BFAC) to review potential policy recommendations
- Staff will work on policy document
- County staff will present for Board approval

Questions and Comments