

**Clarke County Fiscal Policy**

Distribution: County Administration, All County Department Heads, Circuit Court Clerk, Commissioner of the Revenue, Commonwealth Attorney, Joint Administrative Services, Purchasing, School Administration, Sheriff, Social Services, Treasurer, Voter Registrar

**Record of Revision**

| Revision No. | Revision Date | Description  | Final Approval |
|--------------|---------------|--|----------------|
| New          | 11/20/2001    | New Document   |                |
| 1            | 11/16/2004    | <ul style="list-style-type: none"> <li>o Add to EXPENDITURE POLICIES Section C (6) the following: "In addition: a. The Clarke County Easement Authority shall be funded from unexpended local tax funding at the end of the fiscal year that results from savings in local expenditures in all funds other than the School and Social Service funds. The goal shall be to take the first \$150,000 in local tax savings from the prior year and use that money to fund the Authority in the subsequent year. Further, that all revenues received from the application of roll-back tax be wholly dedicated to the Conservation Easement Program.</li> <li>o Add to EXPENDITURE POLICIES Section C (6) b) Balances resulting from sale proceeds of "investment oriented" projects shall first be considered for use on additional projects that will promote economic development and lead to larger tax revenues in the futures.</li> <li>o Add to REVENUE POLICIES a Section 8 to read as follows: Waiver of Revenue. Requests for waiver of fees, charges, or other revenue based on charitable or other reasons, shall not be granted. The Board may consider requests for donations for charitable or other organizations during their annual budget process.</li> </ul> |                |
| 2            | 1/23/2014     | Add in Expenditure Polices Section C "Expenditure Accountability" add a new section 9 "Donations"  |                |
| 3            | 1/20/2015     | Revenue Policies, Section 3, User Fee Creation, add sentence to end: "User Fee revenue shall be used only for related program expenditure." Section 8, Waiver of Revenue, add sentence to end: "Emergency Medical Service Fees may be waived where collection of such fees are deemed by the County Administrator to not be in the best interest of protecting public safety."   |                |
| 4            | 06/20/2023    | Financial Planning Policies:<br>Section A, Item 6: Change approval of contingency funds from Board of Supervisors to County Administrator with notification to   |                |

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|  |  | <p>the Board of Supervisors. Section A, Item 17: Updated definition of capital projects budget.</p> <p>Revenue Policies:</p> <p>Item 3: Add language stating that user fees are deposited into the General Fund.</p> <p>Expenditure Policies: □ Section A, Item 6: Add several debt ratios to be used as examples of how to evaluate debt levels. Section B, Item 2: Increases stabilization designation from 3% to 5%. Section B, Item 6: Clarifies that review of reserves and designations occurs when finalized numbers are received from auditors. Section C, Item 4: Establishes that organizational units are able to transfer within their operating budgets as long as no long-term commitments are created. Remove ability to transfer between capital and operating budgets, which contradicted the existing Board approval requirement for those transfers. Remove requirement that the Board approve transfers from personnel costs to operating expenses. Section C, Items 5&amp;6: Clarifies that public hearings related to supplemental budget requests will be held when required by the Code of Virginia. Section C, Item 8: Clarifies that the annual financial report is the same document as the annual audit.</p> |  |
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## Clarke County Fiscal Policy

### Statement Of Policy Purpose

Clarke County and its governing body, the Board of Supervisors, is responsible to the County's citizens to carefully account for all public funds, to manage County finances wisely and to plan for the adequate funding of services desired by the public, including the provision and maintenance of facilities. These policies of the Board of Supervisors are designed to establish guidelines for the fiscal stability of the County and to provide guidelines for the General Government and all autonomous and semi-autonomous agencies receiving transfers from the governmental funds. The policy shall apply to such agencies except to the extent such agency has independent legal authority for the adoption or implementation of policies inconsistent herewith. These policies will be reviewed and updated periodically by the Board of Supervisors.

### Policy Goals

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

- Contributes significantly 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;
- Simplifies citizen review and comment on spending priorities;
- Promotes the view of linking long run financial planning with day to day operations;
- Promotes expenditures consistent with specifics set in the budget;
- Provides for an early warning system if it appears budgetary goals will not be met; and
- Provides the County and its citizens a framework for measuring the fiscal impact of government services against established fiscal parameters and guidelines.

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### Financial Planning Policies

#### *A. Budget Development and Review.*

1. **Annual Budgeting.** The Board of Supervisors will establish a budget annually.
2. **Budget Format.** Financial information presented to the Supervisors should include prior year original budget and actual expenditure, current year original budget, as well as estimates for the budget year under consideration.
3. **Budget Process.** The Board of Supervisors will provide guidance to the County Administrator as to its budgetary goals and assumptions. The Board of Supervisors shall also establish a calendar at the outset of the budget process including date by which all departments and agencies shall submit budget requests. The County Administrator will summarize these requests as submitted and present them to the Board of Supervisors and their committee, along with estimates of County revenue. The Board of Supervisors may at this time provide additional direction to the County Administrator. If so, the County Administrator is to work with account managers to revise expenditure and revenue requests based on the revised goals and assumptions of the Board of Supervisors. It is expected that such revisions will require several iterations. Account managers that strongly disagree with their respective budget allocations may request to speak directly to the Board of Supervisors or their committee to present their opinions.
4. **Matching Financial Flows.** The County's goal is to pay for all recurring expenditures with recurring revenues and to use nonrecurring revenues for nonrecurring expenditures. "Nonrecurring" shall mean that the revenue or expenditure may not persist from one year to next. Examples of nonrecurring revenues include one-time grants, windfalls resulting from changes in collection cycles, carryover from prior years, extraordinary delinquency collections, insurance claims, etc. Examples of nonrecurring expenditures include new building construction projects, substantial renovations, technology enhancements, expenditures related to one-time revenues as above, and one-time payments to outside organizations exceeding \$50,000. Examples of recurring capital expenditures include capital asset replacements of vehicles, technology, and building components where a recurring annual amount can be established.

A summary of proposed expenditures and revenues evaluated by their financial flow characteristic shall be presented during the budget process.

5. **Objective Revenue and Expenditure Estimation.** The County will estimate its annual revenue and expenditure by objective, analytical processes with accuracy the primary goal, but with caution regarding unpredictable revenue sources and uses. Statements

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of estimation methods and corresponding assumptions shall accompany revenue and expenditure estimates.

6. **Contingency Accounts.** The County will maintain contingency accounts in its budget for expenses which regularly occur, but for which a particular departmental budgetary account cannot be predicted. Such expenses include personnel costs such as annual leave payouts and professional services costs such as legal expenses. Contingency budgets shall only be expendable by authorized transfer of the County Administrator with notification to the Board of Supervisors to the appropriate departmental account.
7. **Relationship of Expenditure and Revenue Accounts.** An element of the budget presentation must readily establish the relationship between the revenues and expenditures of the County's several departments and programs.
8. **Economy of Requests.** The individual agency budget submissions must present the most economical plan possible for achieving its objectives.
9. **Staff Economy.** Any proposed staff increases or reorganizations must be supported with quantified evidence of need and justification that shows that the most economic approach has been taken.
10. **Productivity Analysis & Citizen Satisfaction.** Where possible, agencies will integrate performance measurements and productivity indicators into their budget requests. At the very least budget requests should show some numerical data summarizing goals or objectives met, the number of people served, the number or size of projects completed, or some similar measure of output.
11. **Program Expansions.** Proposed program expansions must be submitted as budgetary increments requiring detailed justification. Every proposed program expansion will be scrutinized in terms of the goals it purports to attain, and will include analysis of long term fiscal impacts.
12. **Existing Service Costs.** The justification of existing programs may be required during budget reviews.
13. **Administrative Costs.** In all program areas, administrative overhead costs should be controlled. Functions should be reviewed in an effort toward reducing duplicative activities within the General government and the autonomous and semiautonomous agencies that receive appropriations from the governmental funds.
14. **Capital Plan.** The County will annually develop a five-year capital plan for capital improvements of the general government.

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15. **Operating Budget Impacts of Capital Budget Decisions.** The County will coordinate development of the capital budget with development of the operating budget. Future operating costs associated with new capital projects will be projected and included in operating budget submissions and forecasts.
16. **Capital Cost Estimates and Proposed Funding Sources.** The County will identify the estimated cost and potential funding source for each capital project proposal before it is submitted to the Board for inclusion in the budget. Life-cycle costing, which takes into account the full cost of a capital asset over time, should be employed by staff prior to submission to the Board.
17. **Asset Acquisition, Replacement, and Maintenance.** Operating budgets will provide for minor and preventive maintenance expenditures that are generally ongoing in nature. The capital projects funds will provide for larger, one-time expenditures, including fixed assets as defined in the Purchasing Policy, and those expenditures with one-time funding sources such as grants.

### *B. Long-range Planning.*

The County will develop a long-range revenue needs analysis as established in the Economic Development Resolution adopted January 19, 1999, as amended.

### *C. Asset Inventory.*

The County will inventory and biennially assess the condition of all capital assets. This information will be used to inform the budget process.

## Revenue Policies

1. **Diversification.** The County will try to maintain a diversified and stable revenue structure to shelter it from short-run fluctuations in any one revenue source.
2. **Periodic Review.** Budget to actual revenues shall be reviewed quarterly.
3. **User Fee Creation.** The County, where possible, will institute user fees and charges for programs and services in the County. Expenditure recovery rates will be established for these programs and services. These rates may be set for full cost recovery, or at some lesser rate, but should be expressed as a percent of total cost to include debt and capital costs as well as operational costs. User Fee revenue shall be deposited in the General Fund unless otherwise authorized by the Board of Supervisors.
4. **User Fee Review.** The County will regularly review user fee charges and related expenditures to determine if pre-established recovery goals are being met.

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5. **Tax Collection.** The County will follow an aggressive policy of collecting tax revenues.
6. **Intergovernmental Aid.** The County should routinely identify intergovernmental aid funding possibilities. However, before applying for or accepting intergovernmental aid, the County will assess the merits of a particular program as if it were funded with local tax dollars. Local tax dollars will not be used to make up for losses of intergovernmental aid without first reviewing the program and its merits as a budgetary increment. Therefore:
  - o The County Administrator must approve all grant applications.
  - o The Board of Supervisors must approve appropriations for grants.
  - o No grant will be accepted that will incur management and reporting costs greater than the grant amount.
7. **Accounts Receivable.** The County will record receivables in a timely manner and will provide appropriate collection methods.
8. **Waiver of Revenue.** Requests for waiver of fees, charges, or other revenue based on charitable or other reasons, shall not be granted. The Board may consider requests for donations for charitable or other organizations during their annual budget process.

## Expenditure Policies

### *A. Debt Capacity, Issuance, and Management*

1. **Financing Preference.** Emphasis will be placed upon continued reliance on a viable level of "pay-as-you-go" financing for capital projects. Debt issuance will be considered for multi-million dollar projects and for projects where subsidized financial terms are available.
2. **Restriction on Borrowed Funds.** The County will not fund current operations from the proceeds of borrowed funds. Capital leases may be utilized at the discretion of the Board of Supervisors.
3. **Alternative Sources.** The County, to minimize debt acquisition costs may use alternative financing mechanisms including the Virginia Public School Authority, the Virginia Resources Authority, lease revenue bonds, or other financing mechanisms that may be created.
4. **Revenue Bonds.** The County may issue revenue bonds for revenue supported activities. No referendum is required for revenue bonds.
5. **Matching Financial Flows.** When the County finances capital improvements, other projects, or equipment by issuing bonds or entering into capital leases, it will



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repay the debt within a period not to exceed the expected useful life of the project or equipment.

6. **Debt Ratios.** A number of debt ratios are used by localities to evaluate debt levels. The ratio of debt service expenditures as a percent of total governmental fund expenditures should not exceed 12%. Net debt as a percentage of estimated market value of taxable property should not exceed 5%. Net debt is defined as any and all debt that is tax-supported. Other ratios may be used as determined by the Board of Supervisors.
7. **Overlapping Debt.** Debt analysis will include a treatment of overlapping debt. Overlapping debt is a debt burden of citizens in a special district, or for a special purpose, which is not counted as the County's debt, but is a debt of its citizens.
8. **Full Disclosure.** The County will follow a policy of full disclosure in every annual financial report and financing official statement/offering document.

### *B. Reserve or Stabilization Accounts*

1. **Liquidity Designation.** The County will maintain a fund balance designation for fiscal cash liquidity purposes (i.e., fiscal reserve) that will provide sufficient cash flow to minimize the potential of short-term tax anticipation borrowing. This designation will be equal to 12% of current year originally budgeted general fund operating revenue.
2. **Stabilization Designation.** The County will maintain a fund balance designation to stabilize County finances during adverse conditions in an amount equal to 5% of current year originally budgeted general fund operating revenue. This source of funding shall be the last recourse in an appropriation decision, to be utilized only after elimination of all expenditure reduction and revenue enhancement options. This resource shall be used exclusively for:
  - severe revenue shortfalls
  - emergency expenditures
  - non-emergency expenditures resulting from severe economic stress
3. **Contingent Liability Designations.** The County will maintain fund balance designations for all contingent liabilities, such as loan guarantees, potential grant repayments, and other liabilities. The amount of the designations may be adjusted to reflect the risks involved. However, unless it is virtually certain a loan will be repaid, at least 50% of the loan should be covered with fund balance designations.
4. **Pay-as-You-Go Designation.** The County will maintain fund balance designations for pay-as-you-go projects.

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5. **Self-Insurance Reserves.** The County will maintain sufficient self-insurance reserves as established by professional judgement based on the funding techniques utilized, loss records, and required retention.
6. **Review of Reserves and Designations.** Reserves and designations should be reviewed once the financial numbers for the previous fiscal year are finalized by the auditors. Adequacy of reserves should be reevaluated whenever consideration is given to utilizing undesignated fund balance.
7. **Replenishment of Reserves and Designations.** Whenever one or more fund balances fall below targeted levels the Board of Supervisors must create a plan for replenishing such funds to the desired level.
8. **Undesignated Fund Balance.** The County should maintain an undesignated fund balance adequate to permit the Board of Supervisors to act in the public's interest on matters not foreseen during the budget process, but not qualified for use of the stabilization designation.

### *C. Expenditure Accountability.*

1. **Balanced Accounts.** It is important that a positive undesignated fund balance and a positive cash balance be shown in all governmental funds at the end of each fiscal year.
2. **Mid-year Correction.** When unexpected deficits appear to be forthcoming within a fiscal year either spending during the fiscal year must be reduced, revenue enhanced, or fund balance designations modified to create a positive undesignated fund balance and a positive cash balance at the end of the fiscal year.
3. **Productivity Analysis & Citizen Satisfaction.** Where possible, the County will integrate performance measurements and productivity indicators into its management and budget review techniques. This should be done in an effort to continue to improve the productivity of County programs and employees. Productivity analysis and citizen satisfaction measurement should become a dynamic part of County administrations.
4. **Budgetary Control.** The Board of Supervisors should review budget to actual account reports on a monthly basis. The County will maintain budgetary control (preventing over-expenditure) within each organizational unit as follows:
  - Transfers within the operating budget shall be at the discretion of the organizational unit (five constitutional officers, JAS, Voter Registrar, County Administrator, and Social Services) except that no transfer shall create a new full-time or permanent part-time position or any other multi-year financial commitment without approval by the Board of Supervisors.

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- Transfers within the capital outlay budget: by approval of County Administrator, and with notification to the Board of Supervisors.
  - Transfers between funds: by approval of Board of Supervisors.
  - Supplemental appropriations: by approval of the Board of Supervisors.
5. **Supplemental Budget Requests.** Budget requests outside the normal budget process must be justified as being in the public's best and urgent interest. These requests are not balanced with the entire budget decision, and should therefore be reviewed with skepticism. Public hearings shall be held as required by the Code of Virginia
6. **Carryover Budget Requests.** Carryover budget requests are a type of supplemental appropriation. The County wants to encourage departments and agencies to manage their resources wisely. As a result, the decision making bias shall be to approve the use of carryover funds in subsequent years. However, the decision to approve carryover funds shall not be automatic. The Board will consider such factors as: 1. How much carryover is requested both as a percentage and in dollars; 2. Whether or not the department was granted a supplemental appropriation in a prior year; 3. How the money is to be used in the current year; 4. How much of an increase the department or agency received in the prior and current year budget; 5. the financial condition of the County; and, 6. the source of the carryover (ex. a purchase not made).
- a. The Clarke County Easement Authority shall be funded from unexpended local tax funding at the end of the fiscal year that results from savings in local expenditures in all funds other than the School and Social Service funds. The goal shall be to take the first \$150,000 in local tax savings from the prior year and use that money to fund the Authority in the subsequent year. Further, that all revenues received from the application of roll-back tax be wholly dedicated to the Conservation Easement Program.
  - b. Balances resulting from sale proceeds of "investment oriented" projects shall first be considered for use on additional projects that will promote economic development and lead to larger tax revenues in the futures.
7. **Financial Trend Monitoring.** The County will develop, and annually update, a financial trend monitoring system, which will examine fiscal trends from the preceding 5 years (trends such as revenues and expenditures per capita, liquidity, operating deficits, etc.).
8. **Review of Annual Financial Report/Audit.** The Board of Supervisors shall review the annual financial report/audit. This review shall include budget to actual comparison; a review of fund balance designations, and; a review of budget to actual variances from the prior year.

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9. **Donations.** The County may accept donations of cash, materials and labor from individuals or groups for purposes it deems to be in the best interest of the County. Because the scope and components of projects are frequently modified subsequent to the donation, the Board of Supervisors encourages the donor to write a general statement of purpose rather than a restriction to permit the efficient management of the project. If a donation is formally accepted with a documented restriction, the Board of Supervisors shall respect that restriction or request a modification from the donor. However, if the donation is not expressly restricted the Board of Supervisors shall do its best to honor the donor's general statement of purpose, but ultimately the donated funds may be utilized for such purposes as are determined by the Board of Supervisors.

### *D. Loans to Other Organizations.*

Loans to organizations outside the fiscal control of the County will be accompanied by an agreement laying out specific terms including a repayment schedule and a procedure for addressing defaulted payments.

## Cash Management Policies

1. **Pooled Cash.** When permitted by law, the County will pool cash from its various funds for investment purposes.
2. **Maximized Return on Investment.** The County will invest County revenue to maximize the rate of return while maintaining a low level of risk.
3. **Banking.** The County will regularly review consolidated banking services.

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