

Budget Policy

I. Background

- A. This policy prescribes procedures and requirements of the budget formulation process, including the adoption of the Five-Year Financial Plan and the Capital Improvements Program (CIP).
- B. This budget policy also prescribes procedures and requirements of the budget management process.

II. Budget Calendar

- A. The following guidelines will be used in establishing the annual budget calendar:
 - 1. The proposed operating budget, Capital Improvements Program, and Five-year Financial Plan will be presented by the fourth Wednesday in February.
 - 2. Informational budget sessions and workshops will be presented between presentation of proposed budget and adoption of the budget, with special meetings held by the Board if necessary.
 - 3. The public hearing will generally be held by the first Wednesday in April with consideration of the public hearing not being held the week of spring break for the schools.
 - 4. The budget shall be adopted in accordance with applicable statutes.
- B. Budget Board meeting dates will be established as part of the Board of Supervisors' Meeting Schedule.

III. Budget Guidelines

- A. The overall objective of the budget is to provide a balanced financial plan in total and by fund that adheres to the County's mission statement, long range strategic plans and/or current initiatives.

A balanced budget is a budget with total expenditures equal to total revenues, including use of fund balance.
- B. Initiatives that are presented to the Board of Supervisors should ensure compliance with the mission statement.
- C. Annual recurring budget guidelines shall be focused in certain areas, with additional guidelines and/or objectives formulated, if applicable, by the County Administrator in the formulation of the proposed budget.
 - 1. Priority service levels
 - a. Education: Provide a funding plan for the Hanover County Schools that maintains favorable student -teacher ratios, provides appropriate instructional materials and provides appropriate capital infrastructure to limit overcrowding.
 - b. Public Safety: Provide staffing and equipment, for law enforcement and public safety departments to ensure that desired standards can be achieved and maintained in an effective and efficient manner.

2. Sound financial management practices
 - a. Mitigate the tax rate burden upon the citizens and dependency upon the real property tax rate through provision of service delivery in the most efficient and effective manner while maximizing opportunities for additional revenues from non-local tax sources (e.g., State revenues) and diversification of local revenue sources.
 - b. Prepare and adopt Five-Year Financial Plans and Five-Year Capital Improvements Program to describe funding sources and anticipated expenditures for operating and capital needs.
 - c. Provide recommendations which include recurring revenue to meet recurring expenses.
 - d. Ensure adequate reserves, limits on the County's debt burden, and maintenance or improvement of the County's bond ratings.
 - e. Include general obligation bond funding only if any required referendum is anticipated to be supported by the community.
3. Employee compensation
 - a. Provide adequate employee compensation including consideration of pay for performance increases, salary benchmark adjustments, if applicable, and a comprehensive benefits plan.
 - b. Ensure that compensation and benefits provided will be market sensitive and enable the County and School system to attract and retain outstanding employees.
4. Public Utilities
 - a. Operate a water and wastewater system as a self-supporting enterprise fund that provides high quality and reliable service delivery to customers, including the development of a capital improvement program.
 - b. Limit user and/or capacity fee rate increases to that which is needed to ensure long-term viability of the system.

IV. Five-Year Capital Improvements Program

- A. The Capital Improvements Program is a plan for capital expenditures and a means of planning for funding the following throughout the Five-Year Financial Plan:
 1. facilities, equipment, and vehicles with a unit cost greater than \$50,000; and,
 2. purchases for multiple departments that are generally:
 - a) managed by a single department/agency; and,
 - b) over \$50,000 annually in aggregate.
- B. General governmental projects will be funded by General Fund revenues (i.e. "pay as you go funding"). In general at least 10% of the total five-year general

government portion of the Capital Improvements Program should be funded by non-debt sources (e.g., General Fund, proffers and grants) over the five-year period.

- C. In designing a school capital improvement program, formulation of the Capital Improvements Program will illustrate that no individual school is over capacity by 20% for more than three consecutive years and meets the definition of overcrowding per the School regulations without consideration of attendance boundary adjustments or other appropriate measures.

V. Five-Year Financial Plan

- A. The plan will identify all major budget assumptions, including the anticipated collection of revenues, use of fund balance, expenditures, future operating costs of capital improvements, and proposed changes in service levels and fees.
- B. The plan will clearly describe proposed service levels and the means to finance such service levels over the five-year period.
- C. Compliance with debt and fund balance polices shall be maintained for each year of the plan.
- D. Reserve for Contingencies will be appropriated in the General Fund at an amount equal to at least 0.5% of the General Fund budget, net of capital improvement transfer.
- E. Financial plans enable the funds subject to such plans to be managed to maintain financial stability over the long-term by identifying current trends and future challenges; identifying the most appropriate mix of funding sources; analyzing debt options and timing to minimize borrowing costs; encouraging strong fiscal and operational management; and encouraging consistency and financial integrity.

VI. Public Utilities

- A. The costs associated with providing water and wastewater service shall be allocated between service types, uniform for similar types and classes of customers, and separate rates shall be established for each service type to avoid subsidies between services and match costs to the benefits derived by the ratepayer.
- B. Rates will be established using a generally accepted rate setting methodology that would include analysis of revenue requirements, cost of services, rate design and rate implementation impact.
- C. Utility projects, including debt service as applicable, will be funded by capacity fees as it pertains to increased capacity and improvements for new customers and by user fees in the maintenance and rehabilitation of the overall system for the existing customer.

VII. Budget Adoption

- A. The budget adoption resolutions include approval for the reappropriation of all encumbered balances and capital project unencumbered balances at fiscal year-end.
- B. All related ordinance changes and other budgetary issues requiring Board of Supervisors approval will be presented to the Board for consideration with the proposed budget adoption.

- C. The Adopted Budget Document will be forwarded to the GFOA and other interested parties within 90 days of budget adoption for the Distinguished Budget Award program.

VIII. Budget Amendments

- A. Budget authorization levels are classified in three tiers for all non-education funds as follows:
 - 1. Department Heads are authorized to transfer up to \$2,000 per month within their departmental budget categories of personnel, operating or capital.
 - 2. The County Administrator is authorized to:
 - a. Transfer within departmental budget categories of personnel, operating and capital, or within departmental categories in the Capital Improvements Funds.
 - b. Transfer up to \$50,000 per month between departmental budget categories and/or departments and related capital projects.
 - c. Transfer up to \$50,000 per topic or issue for any revenue change (e.g., insurance recoveries, grants and gifts).
 - d. Transfer Reserve for Contingencies to departmental and/or capital budgets up to \$10,000 per topic or issue involving need for such reserve funding.
 - 3. Approval of the Board is needed for all other transfers, including those transfers that increase the County's total appropriated budget.
- B. Any transfer that increases the total revenues for any of the education funds shall require the approval of the Board of Supervisors following approval by the School Board.
- C. Public hearings and associated notice for budget amendments will be conducted in accordance with applicable statutes.

IX. Reappropriation of Balances

- A. Both unencumbered and encumbered funds for capital projects, and encumbered funds in departmental budgets, are reappropriated annually by the Board of Supervisors during the budget approval process.
- B. Except for those funds reappropriated by the Board, appropriations lapse on June 30.
- C. A review of capital projects will be conducted at year end to determine the necessity for reappropriated funds. Those which are determined to be unnecessary will be transferred to other uses, as determined by the County Administrator.