Financial Policy Guidelines

For:

PRINCE EDWARD COUNTY, VIRGINIA

Adopted: May 11, 2021

FISCAL POLICY GUIDELINES
Prince Edward County, Virginia

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FISCAL POLICY GUIDELINES - OBJECTIVES

This fiscal policy is a statement of the guidelines and goals that will influence and guide the financial management practice of Prince Edward 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,

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

- Provides the Board of Supervisors and the citizens a framework for measuring the fiscal impact of government services against established fiscal parameters and guidelines.

To these ends, the following fiscal policy statements are presented.

CAPITAL IMPROVEMENT BUDGET POLICIES

1. The County will consider all capital improvements in accordance with an adopted capital improvement program.

2. The County will develop a five-year plan for capital improvements and review and update the plan bi-annually.

3. The County will enact an annual capital budget based on the five-year capital improvement plan. Future capital expenditures necessitated by changes in population, changes in real estate development, or changes in economic base will be calculated and included in capital budget projections.

4. The County 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.

5. The County will use intergovernmental assistance to finance only those capital improvements that are consistent with the capital improvement plan and County priorities, and whose operating and maintenance costs have been included in operating budget forecasts.

6. The County will maintain all its assets at a level adequate to protect the County's capital investment and to minimize future maintenance and replacement costs.

7. The County will project its equipment replacement and maintenance needs for the next several years and will update this projection each year. From this projection a maintenance and replacement schedule will be developed and followed.

8. The County will identify the estimated costs and potential funding sources for each capital project proposal before it is submitted for approval.

9. The County will attempt to determine the least costly and most flexible financing method for all new projects.

DEBT POLICIES

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

2. 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. Target debt ratios will be annually calculated and included in the review of financial trends.

3. Net debt as a percentage of estimated market value of taxable property should not exceed 3.0%. Net debt is defined as any and all debt that is tax-supported. This ratio will be measured annually.

4. The ratio of debt service expenditures as a percent of total governmental fund expenditures should not exceed 12.0%. This ratio will be measured annually.

5. Payout of aggregate outstanding tax-supported debt principal shall be no less than 50% repaid in 10 years.

6. The County recognizes the importance of underlying and overlapping debt in analyzing financial condition. The County will regularly analyze total indebtedness including underlying and overlapping debt.

7. As feasible, on all General Fund supported, debt-financed projects, the County will make a down payment of at least 5 percent of total project cost in the aggregate from current resources.

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

9. The County will retire tax anticipation debt, if any, annually and will retire bond anticipation debt within six months after completion of the project.

RESERVE POLICIES

1. The County will establish an emergency reserve to pay for needs caused by unforeseen emergencies, including unanticipated expenditures of a nonrecurring nature, or to meet unexpected small increases in service delivery costs. This reserve will be budgeted at not less than 0.5% of the general fund.

2. Unassigned fund balances at the close of each fiscal year should be at least 30% of general fund revenues. Use of the undesignated fund balance shall be limited to one-time expenditures as approved by the Board of Supervisors. Should the fund balance fall below its targeted level, the County Board of Supervisors will take steps over the course of the following two (2) fiscal year budgets to replenish the fund to its minimum level.

3. In recognition of the incremental costs of capital improvements and their future maintenance and replacement costs, the County will establish a Capital Improvements Reserve Fund, the interest income on which will be used to help pay for a part of the incremental cost of future maintenance and debt service. The level of the Fund will be determined on an annual basis and incorporated into the County's Annual Operating Budget. This Fund will be initially established at some minimum level based upon a further evaluation of the future capital improvement needs.

OVERVIEW

The County Board recognizes that it is the explicit constitutional responsibility of the County Treasurer to invest County Funds in accordance with Virginia Law. It is the desire of the County Board of Supervisors to provide the Treasurer with the timeliest information in order to best execute the powers of the Treasurer’s Office. To that end, the following Investment Policies are intended as a guide for the County Board of Supervisors to facilitate this relationship.

INVESTMENT POLICIES

1. The County will attempt to provide a cash-flow analysis of all funds on a continuous basis. Disbursement, collection, and deposit of funds will be scheduled to insure maximum cash availability.

2. The County will develop an annual cash-flow budget for County Operations to be reviewed quarterly with the Treasurer.