

Fiscal Policy Guidelines



**Town of Garner,
North Carolina**

FISCAL POLICY GUIDELINES
Town of Garner, North Carolina

Adopted: December 6, 2010

TABLE OF CONTENTS

	Page
Objectives	3
Capital Improvement Budget Policies	4
Debt Policies	5
Reserve Policies	6
Budget Development Policies	7
Cash Management and Investment Policies	8

FISCAL POLICY GUIDELINES

Town of Garner, North Carolina

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 the Town of Garner, North Carolina. 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 Town'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 Town rather than single issue areas,
- Promotes the view of linking long-run financial planning with day to day operations, and
- Provides the Town Council, citizens and the Town's professional management 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.

FISCAL POLICY GUIDELINES

Town of Garner, North Carolina

CAPITAL IMPROVEMENT BUDGET POLICIES

1. The Town will prioritize all capital improvements in accordance with an adopted capital improvement program.
2. The Town will develop a 5-year plan for capital improvements and review and update the plan annually. Additional projects can be added to the CIP at any time, but funding for projects added in this manner are subject to normal operating budget constraints.
3. The Town will coordinate development of the capital improvement program with development of the operating budget.
4. The Town will maintain all its assets at a level adequate to protect the Town's capital investment and to minimize future maintenance and replacement costs.
5. The Town will identify the estimated costs and potential funding sources for each capital project proposal before it is submitted for approval.
6. The Town will attempt to determine the least costly and most flexible financing method for all new projects.

FISCAL POLICY GUIDELINES

Town of Garner, North Carolina

DEBT POLICIES

General

1. The Town will confine long-term borrowing to capital improvements or projects that cannot be financed from current revenues except where approved justification is provided.
2. The Town will utilize a balanced approach to capital funding utilizing debt financing, draws on capital reserves and/or fund balances in excess of policy targets, and current-year (pay-as-you-go) appropriations.
3. When the Town 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 calculated annually and included in the review of financial trends.
4. Where feasible, the Town will explore the usage of special assessment, revenue, or other self-supporting bonds instead of general obligation bonds.
5. The Town will retire tax anticipation debt, if any, annually and will retire bond anticipation debt within six months after completion of the project.

Tax Supported Debt

6. Direct net debt as a percentage of total assessed value of taxable property should not exceed 2.0%. Direct net debt is defined as Town-issued debt that is tax-supported.
7. The ratio of direct net debt service expenditures as a percent of total governmental fund expenditures should not exceed 15% with an aggregate ten-year principal payout ratio target of 50% or better.
8. The Town recognizes the importance of underlying and overlapping debt in analyzing financial condition. The Town will regularly analyze total indebtedness including underlying and overlapping debt.

FISCAL POLICY GUIDELINES

Town of Garner, North Carolina

RESERVE POLICIES

1. Unreserved, Undesignated Fund Balances will mean funds that remain available for appropriation by the Town Council after all commitments for future expenditures, required reserves defined by State statutes, and previous Council designations have been calculated. The Town will define these remaining amounts as “available fund balances.”
2. The Town of Garner will strive to maintain available fund balance in the General Fund at a level sufficient to meet its objectives. The Town will target an available fund balance at the close of each fiscal year equal to at least 30% of the General Fund Operating Budget; at no time shall the available Fund Balance fall below 25% of the General Fund Operating Budget. Available fund balances in excess of the target 30% of General Fund Operating Budget may be appropriated from time to time for pay-as-you-go capital and other one-time uses.
3. The Town Council may, from time-to-time, appropriate fund balances that will reduce available fund balances below the 25% policy for the purposes of a declared fiscal emergency or other such global purpose as to protect the long-term fiscal security of the Town of Garner. In such circumstances, the Council will adopt a plan to restore the available fund balances to the policy level within 36 months from the date of the appropriation. If restoration cannot be accomplished within such time period without severe hardship to the Town, then the Council will establish a different but appropriate time period.

FISCAL POLICY GUIDELINES

Town of Garner, North Carolina

BUDGET DEVELOPMENT POLICIES

1. The Town will develop its annual budgets in such a manner so as to incorporate historic trend analysis for revenues and expenditures with an adjustment for current financial trends and developments as appropriate.
2. One-time or other special revenues will not be used to finance continuing Town operations but instead will be used for funding special projects.
3. The Town will pursue an aggressive policy seeking the collection of delinquent utility, license, permit and other fees due to the Town.
4. The Town Council will receive a financial report no less than quarterly showing year-to-date revenues and expenditures.
5. Budget amendments will be brought to Town Council for consideration as needed.

FISCAL POLICY GUIDELINES

Town of Garner, North Carolina

CASH MANAGEMENT AND INVESTMENT POLICIES

1. It is the intent of the Town that public funds will be invested to the extent possible to reduce the need for property tax revenues. Funds will be invested with the chief objectives of safety of principal, liquidity, and yield, in that order. All deposits and investments of Town funds will be in accordance with N.C.G.S. 159.
2. The Town will use a Central Depository to maximize the availability and mobility of cash for all funds that can be legally and practically combined.
3. Liquidity: No less than 20% of funds available for investment will be maintained in liquid investments at any point in time.
4. Maturity: All investments will mature in no more than thirty-six (36) months from their purchase date.
5. Custody: All investments will be purchased “payment-versus-delivery” and if certificated will be held by the Finance Officer in the name of the Town. All non-certificated investment will be held in book-entry form in the name of the Town with the Town’s third party Custodian (Safekeeping Agent).
6. Authorized Investments: The Town may deposit Town Funds into: Any Council approved Official Depository, if such funds are secured in accordance with N.C.G.S.159 (31). The Town may invest Town Funds in: the North Carolina Capital Management Trust, US Treasury Securities, US Agency Securities specifically authorized in GS-159 and rated no lower than “AAA”, and Commercial Paper meeting the requirements of NCGS-159 plus having a national bond rating.
7. Diversification: No more than 5% of the Town’s investment funds may be invested in a specific company’s commercial paper and no more than 20% of the Town’s investment funds may be invested in commercial paper. No more than 25% of the Town’s investments may be invested in any one US Agency’s Securities.
8. Allocation: Investment income will be allocated to each participating fund or account based on a fair and equitable formula determined by the Finance Director.
9. Reporting: The Town Council will receive an investment report at the end of each month showing current investment holdings.