

Financial Policies

Summary

Chatham County's Financial Policies represent guidelines and tools adopted by the Chatham County Commission to enable Chatham County to reach its financial potential through consistent approaches to financial management. Financial policies will always be evolving; therefore, this document will truly be a living document representative of the goals of the County Commission. Below is a summary of the financial policies included in this document:

- Chatham County will seek to develop and maintain a level of unreserved undesignated fund balance in its General Fund equivalent to at least one month's budgeted expenditures or a minimum of 8.3% of budgeted expenditures.
- Chatham County will seek to develop and maintain a level of unreserved undesignated fund balance in its Special Service District Fund equivalent to at least two month's budgeted expenditures or a minimum of 16.6% of budgeted expenditures.
- Chatham County shall adopt annual fund budgets that ensure a balance between operating resources and resource uses. By law Chatham County is required to adopt annual balanced budgets for its general fund, each special revenue fund and each debt service fund. Project-length balanced budgets are required for capital project funds. The Commission may elect to create annual budgets for other fund types for use as a management tool. Within the two main operating funds of the County (General and SSD Fund), recurring operating expenditures will be funded by recurring operating revenues. Other funds may consider unrestricted undesignated fund balance as an operating resource, depending on the specific nature of the fund.
- Chatham County shall be committed to establishing and maintaining a revenue policy through the revenue ordinance to meet the budgetary needs of the organization on an ongoing basis. The goal of this policy is to assure revenues are realistic in the current economic environment.
- Chatham County will review and update fees and charges at least annually to ensure that they keep pace with actual program costs, cost-of-living changes and methods or levels of service delivery.
- Chatham County will encourage a diversified yet stable revenue system to protect it from possible short-term fluctuations in any of its revenue sources.
- Chatham County shall be committed to using one-time revenues for one-time expenditures and for rebuilding fund balance. The goal of the policy is to limit the use of one-time revenues for the funding of recurring expenditures.

- During its annual budget process, Chatham County will review revenues to identify unpredictable revenue sources that could impact operational funding. A conservative approach will be utilized in estimating unpredictable revenues that considers historical revenue trends, revenue volatility, and the legal and economic climate. When actual revenues received exceed revenue budgets for unpredictable revenues, the excess will be treated in accordance with adopted fund balance policies.
- Chatham County will use interest revenue earned on SPLOST funds for the following purposes:
 - ◊ Funding of SPLOST projects as approved by the Board of Commissioners
 - ◊ Administrative costs related to SPLOST projects
 - ◊ Payment of interest expense related to pre-funding of SPLOST projects
 - ◊ Other costs outlined in the related referendum.
- Chatham County will seek to develop a funding and replacement strategy for its capital assets. Capital project needs will be evaluated annually in association with the annual budget process, and priority projects will be determined. In association with other adopted financial policies, Chatham County will seek a balance between pay-as-you-go funded projects and debt-financed projects.
- Chatham County shall be committed to addressing the level of indebtedness the County and its taxpayers can reasonably expect to incur without jeopardizing its existing financial position and operational capabilities. The County Commissioners will adopt a target debt service level expressed as a percentage of fund expenditures/expenses and will seek to maintain debt service within those limits.
- Chatham County will seek to develop long-range financial plans for the General M&O Fund, the Special Service District Fund, and for all enterprise funds. The funds' financial course of action will be contemplated for a five year period. Plans will be analyzed and updated annually by Finance staff. Plans will be used to analyze financial trends, determine revenue needs, review the impact on expenditures of new or revised services or projects, and consider methods for accomplishing long-range financial

Fund Balance Policy

General M&O Fund

Introduction

Historical instabilities in fund balance have highlighted the interest and need of Chatham County to restore and maintain levels of fund balance that promote the County's long-range financial stability. In addition, the Government Finance Officer's Association has issued a recommended practice encouraging governments to adopt a formal policy on the level of unreserved fund balance that should be maintained by the general fund.

Policy Statement

Chatham County will seek to develop and maintain a level of unreserved undesignated fund balance in its General Fund equivalent to at least one month's budgeted expenditures or a minimum of 8.3% of budgeted expenditures.

Rationale

It is essential that Chatham County maintain an adequate level of fund balance to mitigate current and future risks (e.g. revenue shortfalls and unanticipated expenditures) and to ensure stable tax rates. Adequate levels of fund balance are also crucial in developing long-range financial plans. In addition, credit rating agencies review reserved and unreserved fund balance levels to evaluate the government's continued creditworthiness.

Specific Policies

Chatham County will budget appropriations for unreserved undesignated fund balance to attain the targeted level of 8.3%. Until the targeted fund balance level is reached, Chatham County will appropriate 1% of its annual budget for fund balance reserves.

In the event fund balance exceeds the targeted level, Chatham County will follow a methodology for fund balance use as follows:

- (1) First, consider raising the targeted fund balance level after a review of economic conditions, contractual obligations and long-range financial planning results, then
- (2) Consider the funding of capital projects as described in the Adopted Annual Budget based on project ratings, then
- (3) Consider a strategy for millage rate reductions based upon a review of the County's long-range financial plan.

Reference is made to other financial policies adopted by the Board of Commissioners.

Fund Balance Policy

Special Service District Fund

Introduction

Historical instabilities in fund balance have highlighted the interest and need of Chatham County to restore and maintain levels of fund balance that promote the County's long-range financial stability. In addition, the Government Finance Officer's Association has issued a recommended practice encouraging governments to adopt a formal policy on the level of unreserved fund balance that should be maintained by the general fund. Since the Special Service District is largely supported by tax revenues, the County should also consider a fund balance policy for the fund.

Policy Statement

Chatham County will seek to develop and maintain a level of unreserved undesignated fund balance in its Special Service District Fund equivalent to at least two month's budgeted expenditures or a minimum of 16.6% of budgeted expenditures.

Rationale

It is essential that Chatham County maintain an adequate level of fund balance to mitigate current and future risks (e.g. revenue shortfalls and unanticipated expenditures) and to ensure stable tax rates. Adequate levels of fund balance are also crucial in developing long-range financial plans. Due to the fact that the Special Service District is a smaller fund in comparison to the General M&O Fund, higher percentage levels of unreserved fund balance should be retained to offset risks and provide stability. In addition, credit rating agencies review reserved and unreserved fund balance levels to evaluate the government's continued creditworthiness.

Specific Policies

Chatham County will budget appropriations for unreserved undesignated fund balance in the Special Service District to attain the targeted level of 16.6%.

In the event fund balance exceeds the targeted level, Chatham County will follow a methodology for fund balance use as follows:

- (1) First, consider raising the targeted fund balance level after a review of economic conditions, contractual obligations and long-range financial planning results, then
- (2) Consider the funding of capital projects as described in the Adopted Annual Budget based on project ratings, then
- (3) Consider a strategy for millage rate reductions based upon a review of the County's long-range financial plan.

Reference is made to other financial policies adopted by the Board of Commissioners.

Budgetary Policy

Introduction

A government should develop a policy stating its commitment to adopting balanced fund budgets and should have mechanisms in place to ensure compliance with the adopted budget.

Policy Statement

Chatham County shall adopt annual fund budgets that ensure a balance between operating resources and resource uses. By law Chatham County is required to adopt annual balanced budgets for its general fund, each special revenue fund and each debt service fund. Project-length balanced budgets are required for capital project funds. The Commission may elect to create annual budgets for other fund types for use as a management tool (i.e. enterprise funds).

Within the two main operating funds of the County (General and SSD Fund), recurring operating expenditures will be funded by recurring operating revenues. Other funds may consider unrestricted undesignated fund balance as an operating resource, depending on the specific nature of the fund.

Rationale

A balance must be struck between operating resources and resource uses so that the public can realize the benefits of a strong, stable government. By law, budgeted appropriations cannot exceed available resources, defined as revenues generated in the current period added to balances carried forward from prior years. However, in the County's two main operating funds, recurring operating expenditures will be funded only by recurring operating revenues. This will allow the County to reach the goals of the Fund Balance Policy, and the Long-range Financial Plan.

Specific Policies

At a minimum, the adopted budgets will meet the requirements of state law, specifically Official Code of Georgia, Annotated, sections 36-81-3 through 36-81-6. These code sections define a budget ordinance or resolution as being balanced when the sum of estimated revenues and appropriated fund balances is equal to appropriations.

In governmental fund types, taxes are considered operating revenues.

Operating resources and resource uses should represent realistic and quantitative financial transactions.

Unreserved, unrestricted fund balances may be considered an operating resource of all funds except for the General M&O Fund and the Special Service District Fund. Reference is made to the Fund Balance Policies for the General M&O and Special Service District Funds.

Current appropriations in all funds are limited to the sum of available, unencumbered cash balances and revenues estimated to be received in the current budget period except as described in the Fund Balance Policy.

In the General M&O and Special Service District funds, expenditures and transfers for mandated and priority programs are to be made against current revenue sources, and should not be dependent upon reserves.

Except for the Special Service District Fund, special revenue funds are generally supported by special levies and fees, grants or intergovernmental revenues. Expenditures in these funds are strictly limited to the mandates of the funding source. Special Revenue Funds are not to be used to subsidize other funds, except as required or permitted by program regulations.

Unless the fund is mandated by legislation, enterprise funds are expected to derive at least 50% of their revenues from charges and user fees. An enterprise should strive to become a self-supporting entity through annual review of its fee structure, charges for services, and other operating revenues and expenditures. Where the fund is not self-supporting but is required by law, subsidies from other funds may be required to avoid deficit net assets.

Sufficient charges and rate schedules shall be levied to support operations of the County's Internal Service Funds. No trend of deficit net assets shall be allowed. The Internal Service Funds may require subsidies from other funds if charge backs are not sufficient to cover their operations.

Non recurring revenues will be incorporated into the operating budget in accordance with the One-Time Revenue Use Policy.

Annual operating budgets shall be prepared to address and progress toward the goals and objectives of the Fund Balance Policy.

A five year Capital Improvements Program (CIP) shall be prepared and updated each year. The operating impact of each project shall be identified and incorporated into the annual operating budgets. Within the parameters of other adopted financial policies, capital assets will be purchased and maintained on a regular schedule and in compliance with any contractual obligations. Debt may be issued for capital asset purchases.

The Debt Service appropriation in the annual operating budgets shall conform to the Debt Management Policy.

Chatham County will annually roll forward open encumbrances and purchase orders from the previous fiscal year into the current year's budget.

The Finance Department will prepare quarterly financial reports for the County Commission that compare budget to year-to-date actual financial results. Unusual activities will be noted. The Finance Department will also monitor departmental budgets to ensure budget compliance and will notify the County Manager throughout the fiscal year of any departments that may exceed budgeted appropriations.

The Board of Commissioners will approve any budgetary amendments that increase or decrease adopted departmental budgets. The Board will also approve any actions that will increase salary appropriations.

Reference is made to other financial policies adopted by the Board of Commissioners.

Revenue Policy

Introduction

A revenue policy is a living document used to govern the establishment and maintenance of those fees and charges used to fund programs for citizens.

Policy Statement

Chatham County shall be committed to establishing and maintaining a revenue policy through the revenue ordinance to meet the budgetary needs of the organization on an ongoing basis. The goal of this policy is to assure revenues are realistic in the current economic environment.

Rationale

Policies that require identification of both the cost of the program and the portion of the cost that will be recovered through fees and charges allow governments and citizens to develop a better understanding of the cost of services and to consider the appropriateness of established fees and charges.

Specific Policies

The revenue ordinance shall include any revisions, additions, or deletions to the fees and charges based on the level of cost recovery for services and the reason for the subsidy and the frequency with which cost-of-services will be undertaken.

Changes to the ordinance shall originate during the budget process and shall be used in the preparation of the annual budget. Changes may also occur outside of the budget process.

Chatham County may choose not to recover all costs, but should identify such costs. Reasons for not recovering full costs should be identified and explained.

State and local law may govern the establishment of fees and charges.

The Chatham County Commission shall publish a revised revenue ordinance within 45 days of the adoption of an annual budget. The publication will include all changes that occurred over the past fiscal year, both prior to and during the budget process.

Citizens will be given an opportunity to provide input at the second public reading for any revenue ordinance amendment.

Within the two main operating funds of the County (General and SSD Fund), recurring operating expenditures will be funded by recurring operating revenues.

Reference is made to other financial policies adopted by the Board of Commissioners.

Policy on Fees and Charges

Introduction

Chatham County should adopt policies that identify the manner in which fees and charges are set and the extent to which they cover the cost of services provided.

Policy Statement

Chatham County will review and update fees and charges at least annually to ensure that they keep pace with actual program costs, cost-of-living changes and methods or levels of service delivery.

Rationale

Policies that require identification of both the cost of the program and the portion of the cost that will be recovered through fees and charges allow governments and citizens to develop a better understanding of the cost of services and to consider the appropriateness of established fees and charges.

Specific Policies

The amount of a fee should not exceed the overall cost of providing the facility, infrastructure or service for which the fee is imposed. In calculating that cost, planned capital projects that are related by nature to the fee will be considered as well as direct costs, indirect costs and portions of assets used (i.e. depreciation). That is:

- (1) Costs which are directly related to the provision of the service; and,
- (2) Support costs which are more general in nature but provide support for the provision of the service.

The extent to which the total cost of service should be recovered through fees depends upon the following factors:

- (1) The nature of the facilities, infrastructure or services.
- (2) The nature and extent of the benefit to the fee payers.
- (3) The level of demand for a particular service and the effect of pricing on the demand for services.
- (4) The feasibility of collection and recovery.
- (5) Type of fund. For example, in an enterprise fund approximately 50% of the cost of services should be recovered through fees.

The extent to which fees should recover the cost of services in particular funds is stated in the Specific Policies section of the Budgetary Policies.

All fees imposed by the County will be established by the County Commission by ordinance. The ordinance establishing the fees will determine:

- (1) The level of cost that should be recovered through the fees according to the criteria established in this Policy;
- (2) An appropriate method for apportioning the cost of providing each service among the users of the service;
- (3) A procedure for periodically reviewing and modifying the amount of fees in order to maintain appropriate cost recovery levels.

Fees charged may be modified only by ordinance of the County Commission.

All fee revenues will be estimated by the County Manager and submitted to the County Commission as part of the County Manager's recommended budget per the Revenue Policy.

If the amount of a fee is considered too high to accommodate the needs of particular segments of the community and the public interest would be served by adjusting the amount or manner of payment of such fees in particular instances, the amount of the fee may be waived, rebated or deferred as appropriate. The criteria for waiving, rebating, or deferring payment of such fees shall be established by the County Commission by ordinance.

Reference is made to other financial policies adopted by the Board of Commissioners.

Policy on Revenue Diversification

Introduction

In the Chatham County fiscal system, the monitoring and control of revenues is a primary concern. The County's primary revenue policy goal is to maintain a diversified revenue system to protect it from possible short-term fluctuations in any of its various revenue sources.

Policy Statement

Chatham County will encourage a diversified yet stable revenue system to protect it from possible short-term fluctuations in any of its revenue sources.

Rationale

All revenue sources have particular characteristics in terms of stability, growth, sensitivity to inflation or business cycle effects, and impact on tax and rate payers. A diversity of revenue sources can improve a government's ability to handle fluctuations in revenues and potentially help to better distribute the cost of providing services.

Specific Policies

The County will, after having considered all possible cost reduction alternatives, explore the possibility of obtaining new or expanded revenue sources as a way to help ensure a balanced budget.

Cost recovery revenue sources will be analyzed on an annual basis and modified as necessary to insure that revenue collections reflect the cost of providing associated County services. The structure will follow the policies set forth in the Policy On Fees and Charges.

The County will actively oppose State and/or Federal legislation which would mandate costs to the County without providing or increasing a revenue source to offset those mandated costs.

The County will follow an aggressive policy to protect current revenues from State and Federal sources.

The County will follow an aggressive policy of enforcement of revenue regulations and collection of revenues.

The County will at all times attempt to insure that it receives its fair share of all State shared revenues.

The County will actively pursue State and Federal grants.

All revenues will be analyzed by the County Manager and submitted to the County Commission as part of the County Manager's recommended budget per the Revenue Policy.

Reference is made to other financial policies adopted by the Board of Commissioners.

Policy for Use of One - Time Revenues

Introduction

The use of one-time revenues to fund recurring programs should be avoided whenever possible. More appropriate uses of one-time revenues include establishing and rebuilding fund balance, early retirement of debt, capital expenditures, vehicle replacement and other nonrecurring expenditures.

Policy Statement

Chatham County shall be committed to using one-time revenues for one-time expenditures and for rebuilding fund balance. The goal of the policy is to limit the use of one-time revenues for the funding of recurring expenditures.

Rationale

One-time revenues cannot be relied on in future budget periods. A policy on the use of one-time revenues provides guidance to minimize disruptive effects on services due to non-recurrence of these sources. When one-time revenues are used to pay for ongoing programs, it makes it more difficult to achieve the goal of a balanced budget.

Specific Policies

One-time revenues such as proceeds from asset sales, debt refinancing, one-time grants, budget savings and similar nonrecurring revenue will not be used for current or new ongoing operating expenditures. Such revenues are often not part of original fund budgets. To the extent feasible, one-time revenues will be applied toward one-time expenditures. In accordance with adopted fund balance policy, fifty percent of all one-time General Fund M&O and SSD revenues from real property sales will be used to build fund balance until the desired levels are achieved (Reference Fund Balance Policies). The County Commission may also designate other revenues for the purpose of building fund balance as they occur.

Proceeds from the sale of other assets or reimbursements will be placed in the fund from which the asset originated except for vehicle sales. Vehicle sales proceeds will be placed in the Construction-in-Progress Capital Projects Fund and will be used for fleet replacement.

The County will not budget or commit to spend non-recurring dollars until they are received.

Reference is made to other financial policies adopted by the Board of Commissioners.

Policy for Unpredictable Revenues

Introduction

Unpredictable revenue sources generally cannot be relied on as to the level of revenue they will generate. It is important to consider how significant variations in revenue receipts will impact the government's ability to operate and its financial outlook in both current and future budget periods.

Policy Statement

During its annual budget process, Chatham County will review revenues to identify unpredictable revenue sources that could impact operational funding. A conservative approach will be utilized in estimating unpredictable revenues that considers historical revenue trends, revenue volatility, and the legal and economic climate. When actual revenues received exceed revenue budgets for unpredictable revenues, the excess will be treated in accordance with adopted fund balance policies.

Rationale

It is the intent of Chatham County to promote and encourage a stable revenue stream. Where revenues are deemed to be unpredictable, the County should avoid funding recurring operational expenditures with fluctuating revenues due to the risk that revenue estimates may not be met.

Specific Policies

It is the policy of the Chatham County Board of Commissioners that non recurring revenues shall not be used to fund recurring expenditures. Therefore, in preparing annual budgets for unpredictable revenues, a conservative approach will be utilized to prevent dependence on upswings in unpredictable revenues.

Potential uses for unpredictable revenues will be reviewed on an annual basis by the County Commissioners as part of the annual budget cycle. If necessary, the Board of Commissioners and appropriate governing board will review potential uses for unpredictable revenues outside of the annual budget cycle which, if approved, will require special appropriation for expenditure. In addition, reserves in excess of the amount established by policy may be retained, and not expended, by the County at the discretion of the County Commissioners. In times of favorable variances, the County Commissioners may consider transferring excess revenues to a stabilization fund which will be used to offset revenues during periods of unfavorable variances.

Unpredictable revenues are the increment of a volatile revenue source, which is above the amount that can normally be expected to be collected during a fiscal year.

Reference is made to other financial policies adopted by the Board of Commissioners.

Policy on Use of SPLOST Interest Revenue

Introduction

In years past, Chatham County voters have approved the imposition of a one cent sales tax to fund various capital projects. A separate capital projects fund has been established to record financial transactions associated with each special purpose local option sales tax (SPLOST) referendum. Interest revenue has been earned on the SPLOST funds pending completion of the capital projects.

Policy Statement

Chatham County will use interest revenue earned on SPLOST funds for the following purposes:

- Funding of SPLOST projects as approved by the Board of Commissioners
- Administrative costs related to SPLOST projects
- Payment of interest expense related to pre-funding of SPLOST projects
- Other costs outlined in the related referendum.

Rationale

Chatham County's use of SPLOST interest revenue should be consistent with the terms of the related SPLOST referendum.

Specific Policies

In an annual basis, Chatham County will review interest revenue in each SPLOST fund and revise project budgets to reflect the use of the interest revenue in accordance with the above policy statement. Board approval is required to amend capital project funds.

Reference is made to other financial policies adopted by the Board of Commissioners which may apply.

Capital Asset Funding

Introduction

Funding for capital assets and projects represents a continuous challenge for most local governments. However, such assets are often a required element of providing or enhancing services to citizens. Emergency repairs and service interruptions can cost the government in both money and goodwill.

Policy Statement

Chatham County will seek to develop a funding and replacement strategy for its capital assets. Capital project needs will be evaluated annually in association with the annual budget process and priority projects will be determined. In association with other adopted financial policies, Chatham County will seek a balance between pay-as-you-go funded projects and debt-financed projects.

Rationale

Policies and plans for capital asset funding help ensure that needed capital assets or improvements receive appropriate consideration in the budget process and that older capital assets are considered for retirement or replacement. Such a policy is necessary to plan for large expenditures and to minimize deferred maintenance costs. Capital project planning gives consideration to longer-range needs and goals and enables the County to evaluate funding options while gaining a consensus on project priorities.

Specific Policies

Through its annual budget process, Chatham County will determine capital project planning needs and evaluate project priorities. A list of needed capital projects will be developed annually that includes project name, project cost, and when funding is needed. Scoring and inclusion criteria will be developed by the Finance Department and presented to the County Commissioners.

Capital assets purchases may be required as a result of legislation or other contractual provisions, and such assets will receive priority.

Chatham County will develop a replacement program for its capital assets in association with other financial policies.

Reference is made to other financial policies adopted by the Board of Commissioners.

Debt Management Policy

Introduction

Chatham County should adopt a debt management policy to provide the general framework for planning and reviewing debt proposals. The Chatham County Commission recognizes there are no absolute rules or easy formulas that can substitute for a thorough review of all information affecting the County's debt position. Debt decisions should be the result of deliberate consideration of all factors involved.

Policy Statement

Chatham County shall be committed to addressing the level of indebtedness the County and its taxpayers can reasonably expect to incur without jeopardizing its existing financial position and operational capabilities. The County Commissioners will adopt a target maximum debt service level expressed as a percentage of fund expenditures/expenses and will seek to maintain debt service within those limits.

Rationale

Under the Government Financial Officers Association's Recommended Practices, the County needs to have an approved debt management policy. The advantages of having a debt policy include:

- (a) providing guidelines in the decision-making and budgetary process,
- (a) enhancing the quality of decisions,
- (a) showing a commitment to long-range financial planning and
- (a) improving credit quality in the eyes of rating agencies and the capital markets.

Specific Policies

Borrowing Limitations and Structuring - The County should follow any state or federal law, by-law or covenant that sets debt limits. In addition the County Commissioners should evaluate acceptable debt service levels and develop public policy on fund debt limits since issuing debt will commit the County's revenues several years into the future. Standards by the Government Accounting Standards Board, Government Finance Officers Association, Financial Accounting Standards Board, Securities and Exchange Commission should also be followed.

- (1) The present constitutional limit on direct general obligation bonds for Chatham County is the amount equivalent to 10% of the net assessed valuation of taxable property for debt service purposes. This limit applies to all general obligation bonds authorized. Additional general obligation bonds may be authorized to be issued if so approved by a majority of those voting in an election for that purpose.

- (2) In establishing its target maximum debt service percentage, the County will need to consider the strength of its long-term capital plan. If the long-term capital plan is nonexistent or ineffective, a lower maximum percentage may be necessary to offset any future unpredictable capital costs.
- (3) If needed, the County may use short-term debt for bond anticipation purposes and tax anticipation purposes only with a maturity of one year or less. Short-term debt may include interfund loans which will be repaid to the source fund with interest.
- (4) The County will confine long-term borrowing to capital improvement needs, and moral and contractual obligations.
- (5) Long-term debt will be used for capital projects that cannot be financed from current revenue sources.
- (6) The maturity of any debt will not exceed the expected useful life of the project for which the debt is issued.
- (7) General obligation debt will not be used for enterprise activities.
- (8) The County may undertake refinancing of outstanding debt if it allows the County to realize significant debt service savings without lengthening the term of the refinanced debt. Also, the benefits of replacing such debt must outweigh the costs associated with the new issuance.
- (9) Conduit financing (the County financing the project of a third party) may be undertaken if it has a general public purpose and is consistent with the County's overall service and policy objectives.
- (10) The County will strive to obtain the highest bond ratings from National Agencies that rate local government debt. These ratings assess the creditworthiness of the government.
- (11) Capital leases are a form of debt and should be considered in any formulation of appropriate levels of debt service.

Debt Issuance - The County will use an outside consultant (Financial Advisor) to assist in issuing bonds and other debt, preparing debt documents and marketing to investors. Debt will be issued through the competitive bidding process. The Finance Department will work closely with the Financial Advisor and review any recommendations before presenting them to the Commissioners.

Investment of Bond Proceeds - Investment of bond proceeds shall at all times be in compliance with the County's Investment Policy and relevant debt covenants.

Reporting Practices -

- (1) The County will follow a policy of full disclosure on every financial report and bond prospectus.
- (2) The County will comply with the standards of the Government Finance Officers Association for financial reporting and budget presentation and the disclosure requirements of the Securities and Exchange Commission.
- (3) The County will maintain good communications with bond rating agencies to inform them of the County's financial position. A copy of the Comprehensive Annual Financial Report (CAFR) will be provided to them annually.
- (4) The Nationally Recognized Municipal Securities Information Repositories (NRMSIRS) will receive copies of the CAFR annually. A current list of NRMSIRs are found on the website: <http://www.sec.gov/info/municipal/nrmsir.htm>.

Long-Range Financial Plan

Introduction

The fundamental objectives of Chatham County's strategic financial planning process are to understand and respond pro-actively to its internal and external financial environment, pursue a moderate course and be as prepared as possible to deal with the unexpected. The Long-range Financial Plan is an important element in the county's long-term growth and operating blueprint, and a document that will be continually updated and adjusted.

The use of the Long-range Financial Plan will enable Chatham County to evaluate the impact of budgetary and operational decisions over more than one fiscal period. Financial alternatives can be considered that address revenue or expenditure fluctuations so that any adverse effects on service levels and/or the quality of services provided to citizens will be minimal. Long-range Financial Planning will incorporate and enable the development of long-term strategies for dealing with reasonably predictable revenue and expense fluctuations and shorter-term strategies that are more effective in addressing unusual, unpredictable, or time-limited budgetary issues as they arise.

The evaluation of both long-term and short-term impacts help the County make the best use of current resources while preparing for leaner times during periods of prosperity. It maximizes flexibility in responding to changes in the financial environment without having to curtail or eliminate essential services when such changes occur.

Policy Statement

Chatham County will seek to develop long-range financial plans for the General M&O Fund, the Special Service District Fund, and for all enterprise funds. The funds' financial course of action will be contemplated for a five year period. Plans will be analyzed and updated annually by Finance staff. Plans will be used to analyze financial trends, determine revenue needs, review the impact on expenditures of new or revised services or projects, and consider methods for accomplishing long-range financial goals.

Rationale

Analyses developed under Long-range Financial Planning will seek to answer questions such as:

- Can the County afford to operate new buildings and facilities after construction is completed?
- Are one-time revenues being matched to one-time expenses?
- What are the County's baseline operations and how will they continue into the foreseeable future?

Most people have given some thought to how they might continue to meet their essential needs if their income or expenses were to change significantly. A person might contemplate both long-term income stabilization strategies and short-term strategies. While the County routinely considers short-term strategies in its annual budget process, a look at long-term trends will facilitate the County's ability to respond more effectively to changing environments. Permanent restructuring of imbalances between available income and expenses may result.

Chatham County's revenue and expense situation closely resembles that of a person with a growing family in an economy-dependent occupation such as construction or sales. The county's primary revenue sources, which are property and sales taxes, are subject to wide variations due to changes in the economic and political environment. Population growth is always accompanied by increased demands for services that translate directly into increases in the county's ongoing operating expenses. The amount of new revenue generated by new residents through sales and property taxes, etc., is not necessarily sufficient to meet the total cost of service expansion, especially if this growth occurs while the state and local economies are cycling downward. Although revenue resources fluctuate with changing times, expenses are always rising in response to population growth due to increased needs for capital facilities or increased court volume.

Specific Policies

Chatham County will develop five-year financial plans for its General M&O Fund, the Special Service District Funds, and all enterprise funds. The plans will incorporate forecasts of the Chatham County economy as well as revenues and basic operating expenditures. The Plan's model will seek to identify surpluses or shortfalls over the five year horizon. Surplus funds or new revenues not previously committed to programs then can be allocated in accordance with other financial policies.

The County will utilize the Long-range Financial Plans in its decision making processes to analyze the financial impact of decisions over multiple years.

Reference is made to other financial policies adopted by the Board of Commissioners.

