

TOWN OF EMERALD ISLE FISCAL POLICY



Adopted by the Emerald Isle Board of Commissioners August 14 , 2003.
Amended May 11, 2004.
Amended November 13, 2012.

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A. Revenue Policy

1. The Town shall strive to maintain a stable ad valorem tax rate to minimize the tax burden on its property owners.
2. As provided by the North Carolina Local Government Budget and Fiscal Control Act for ad valorem taxes:
 - a. Assessed valuation shall be estimated based on historical trends and growth patterns in a conservative manner.
 - b. The estimated rate of collection of the levy shall not exceed the actual rate of the preceding fiscal year.
 - c. The ad valorem tax rate shall be set each year based on the cost of providing general government services and demand for new services.
3. The Town establishes user fees in lieu of ad valorem taxes for services that can be that can be individually identified and where the costs are directly related to the level of service:
 - a. To the extent practical, any general Town service which benefits specific recipients, instead of the general public, shall be supported by user fees designed to recover the operating costs associated with these activities. The funding of costs of capital projects that benefit one area of the Town exclusively or to a greater degree than other areas of the Town shall be considered on a case-by-case basis.
 - b. Recreational programs will be funded from user charges for operating costs of all programs for which it is practical. Direct costs for senior citizen programs will be funded 25% - 50% from user fees. Direct costs for youth programs will be funded 50% from user fees. Direct costs for adult programs will be funded 100% from user fees.
 - c. Outdoor recreational facilities, including public beach / sound accesses and amenities, parks, playgrounds, nature trails, bicycle paths, etc. without a specific mechanism to capture user fees shall be provided free of charge to the general public. Outdoor recreational facilities, including public tennis courts, where user fees may be easily captured shall be provided for a minimal user fee. Indoor recreational facilities, i.e., the Community Center, shall be funded with user fees structured on a tiered basis with differential rates for residents / taxpayers, non-residents / non-taxpayers, and monthly, weekly and daily visitors.

- d. Costs for planning, development review, permitting, code enforcement activities, and inspection activities will be primarily funded through planning fees, permit fees, plan review fees, and inspection fees. The proportional allocation of non-ad valorem tax revenues for these functions should result in no ad valorem tax revenues being allocated for these activities.
 - e. The annual solid waste fee will cover 100% of the operating and capital cost associated with residential refuse collection, beach strand refuse collection, recycling collection, and yard waste services. The annual solid waste fee will also cover the indirect general administration costs associated with these services. No ad valorem tax revenues will be dedicated for these activities.
 - f. The Police Department shall charge minimal fees for official reports requested by insurance companies and other outside parties.
 - g. Where user fees are based on cost recovery, said costs shall be reviewed annually and fees adjusted as practical.
4. The Town will project revenues for five years and will update the projections annually.

B. Operating Budget Policy

1. Current operating revenues will be sufficient to support current operating expenditures. The Town shall not rely on the use of fund balance to meet operating needs in the annual budget except in the event of a fiscal emergency caused by actions at a higher level of government or the effects of a natural or man-made disaster.
2. Debt and bond financing will not be used to finance current expenditures.
3. The Town will project expenditures for five years and will update the projections annually.

C. Capital Replacement / Improvements Policy

1. The Town will update and adopt annually a five year capital replacement / improvements program which details each capital project, the estimated cost, a brief description, and the identified funding source.
2. The capital improvements / replacement plan shall be tied to the Town's various long-range planning documents to ensure that the capital items requested meet the future growth needs of the Town and the demands expressed in the Town's various long-range planning documents.
3. The capital improvements / replacement program is for the acquisition or construction of fixed assets with a value of more than \$5,000.
4. The Town should strive to purchase new or replacement vehicles and heavy equipment valued at \$50,000 or less on a pay-as-you-go basis rather than purchasing them with a debt instrument.

5. Pay-as-you-go capital items shall be carefully scheduled in the plan so as to stabilize annual capital expenditures in an effort to maintain a stable ad valorem tax rate.

D. Accounting Policy

1. The Town will establish and maintain the accounting systems according to the North Carolina Local Government Budget and Fiscal Control Act.
2. An annual audit will be performed by an independent certified public accounting firm which will issue an official opinion on the annual financial statements, with a management letter detailing areas that need improvement, if any. The Town shall periodically select and utilize a different independent certified public accounting firm for the annual audit.
3. Full disclosure will be provided in the financial statements and bond representations.
4. Financial systems will be maintained to monitor expenditures and revenues on a monthly basis.
5. The Town has an expressed goal of completing a Comprehensive Annual Financial Report to be prepared according to the standards necessary to obtain the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association.
6. The Town has an expressed goal of preparing an annual budget document according to the standards necessary to obtain the Certificate of Distinguished Budget Presentation award from the Government Finance Officers Association.
7. The data on the computerized financial accounting system shall be backed up to an archive tape on a daily basis and stored outside of the Town Administration Building.

E. Debt Policy

1. Capital projects or major capital purchases financed with debt instruments shall be financed for a period not to exceed the expected useful life of the project or equipment.
2. The Town shall strive to not issue debt for new or replacement vehicles and heavy equipment valued at \$50,000 or less.
3. The general obligation debt of the Town, including beach nourishment debt, will not exceed 2% of the assessed valuation of the taxable property of the Town.
4. The Town's annual general debt service, not including beach nourishment debt service, shall not exceed 15% of General Fund budgeted expenditures.
5. The Town shall not knowingly enter into any contracts creating significant unfunded liabilities.

6. The Town shall maintain a minimum of an "A" class bond rating from New York bond rating agencies.
7. The Town shall maintain a minimum of a "78" bond rating from the NC Municipal Council.

F. Fund Balance Policy

1. General Fund

The Town will maintain an available General Fund balance of at least 25% of annually budgeted General Fund expenditures. These funds will be used to avoid cash-flow interruptions, provide funding for emergency items in the event of a significant natural or man-made disaster, generate interest income, eliminate need for short-term borrowing, and assist in maintaining an investment grade bond rating.

Available General Fund balance shall represent those funds not reserved for any particular purpose or item, and shall be defined for purposes of this policy as fund balance plus "stabilization by state statute" fund balance (as these funds are primarily receivables at fiscal year-end). Other restricted or assigned fund balance, any fund balance designated for subsequent years' expenditures, or reserved for any other purpose shall not be included in the Town's calculation of available General Fund balance.

Due to the Town's coastal location, and the significant risk of hurricane damages, the Town has an expressed goal of accumulating an available General Fund balance of 50% of annually budgeted General Fund expenditures. The Town will strive to increase available General Fund balance to the 50% level, however, the Town will not enact ad valorem tax rate increases solely for the purpose of increasing available General Fund balance. The Town will seek to limit the use of the existing available General Fund balance, and will rely on annual revenues that exceed budget estimates and annual expenditure savings to increase the available General Fund balance to the 50% level.

2. Use of Available General Fund Balance

- a. As one of the primary purposes of available General Fund balance is for emergency response to a natural or man-made disaster, available General Fund balance is available for use in these situations.
- b. Available General Fund balance shall not be used to fund annual operating expenditures except in the event of a fiscal emergency caused by actions at a higher level of government or due to the lasting effects of a natural or man-made disaster.
- c. Available General Fund balance may be used for planned one-time expenditures provided that the use of such available General Fund balance does not cause the percentage to fall below the percentage goal for that fiscal year.

3. Future Beach Nourishment Fund

The Future Beach Nourishment Fund is established specifically to reserve Town revenues (primarily derived from municipal service district property taxes) for future beach nourishment

activities. Future beach nourishment activities will be determined periodically by the Board of Commissioners, and the use of Future Beach Nourishment Fund fund balance for authorized beach nourishment activities is specifically encouraged.

G. Cash Management Policy

1. The Finance Director shall be responsible for the investment of idle funds.
2. The Town's investment priorities are, in order of priority: a) safety, b) liquidity, and c) yield.
3. The Finance Director shall maintain sufficient funds in the Town's checking account to meet current liabilities.
4. Idle funds may be invested in the North Carolina Cash Management Trust, federally insured Certificates of Deposit, or other accounts and instruments authorized by the North Carolina Local Government Commission.
5. All cash and checks shall be deposited into the official depository of the Town on a daily basis. Daily collections of less than \$250.00 shall not be required to be deposited on a daily basis, but shall be deposited on the following day.
6. The Finance Director shall be responsible for all cash collections and shall establish prudent guidelines to be used for collections by all Town departments.

H. Audit Committee

1. An Audit Committee comprised of the Mayor and two Commissioners appointed by the full Board of Commissioners shall meet on an as-needed basis, at least once annually to review the Town's overall financial position with the Town Manager and Finance Director.
2. The Comprehensive Annual Financial Report should be reviewed in detail by the Audit Committee each year upon its submittal to the Town.
3. The Audit Committee shall make a recommendation to the full Board of Commissioners on the selection of a qualified independent certified public accounting firm to perform the annual audit and assist in the compilation of the Comprehensive Annual Financial Report.