FINANCIAL POLICIES

Lake County Government

I. FINANCIAL PLANNING POLICIES

Introduction

A long-range plan (LRP) that estimates revenue and expenditure activity in the County, as impacted by regional and national economies, is necessary to support the Commissioners and Community in the decisions they make regarding County services. This planning must recognize the effects of economic cycles on the demand for services and the County's Revenues. Financial planning should be designed to ensure the delivery of needed services as defined by policy and the Comprehensive Plan.

Policies

The financial planning and subsequent budgeting for all funds will be based on the following policies:

1. Three-Year Plans – The County will prepare annually a three (3) year financial LRP for each fund. Each plan will include revenues, expenditures and other sources and uses with sufficient detail to identify trends and items with major impact.

2. Conservative Revenue Estimates – Revenue estimates should be prepared on a conservative basis to minimize the possibility that economic fluctuations could imperil ongoing service programs during the budget year.

3. Include Contingencies – Expenditure estimates should anticipate contingencies that are foreseeable.

4. Include Asset Management Plan on LRP – The five-year Asset Management Plan (AMP) will include equipment, major maintenance, and associated expenses of less than $100,000. Major renovation or maintenance projects will be identified in the LRP.

5. Use Proven Methods – The County will constantly test both its planning methodology and use of planning tools to provide information that is timely, accurate and widely disseminated to Citizens and Staff.

6. Complex Regional Economic System – The Country recognizes it is in a complex, regional economic system. The County should have the capacity to evaluate and anticipate changes in both regional and national economic systems, to engage in strategic financial and management planning. The purpose of these plans will be to allow the Commissioners and Citizens to evaluate the impact of the financial needs of these programs on the regional economy and to coordinate funding needs with all funds.

7. Department Responsibilities – Department Directors and the Finance Department will share responsibility for the preparation of financial plans for operations and asset management needs. The County Manager will review and approve detailed work sheets used to generate the LRP. The Finance Department will assist in developing appropriate systems to monitor and update the LRP.

8. Regular Status Reports – The Staff will continually update the LRP when significant changes are anticipated. The Staff may distribute the LRP to the Commissioners at any time to inform the Commissioners. The LRP will be submitted to the Commissioners for approval at least twice a year. The first update will follow the closing of the year and will include a final comparison of actual to budget for the completed year. The second report will be presented before the presentation of the annual budget and will include an update of the current budget and estimates.

9. Rate Structures - The plans must disclose revenue assumptions including rate structures and consumption. The LRP will include annual rate increases based on inflation unless the Commissioners overrides this direction.

10. Staffing – The plans will identify staffing levels including justification for any changes.

11. Expenditures – The plans will include expenditures based on the service levels/policies and workload indicators (population, strategy, etc.) approved by the Commissioners.

12. Include Reserves – The plan will include reserves for operations, capital and debt service coverage as established in Financial Policies and/or as required to issue bonds.

II. BUDGET POLICIES

Introduction

The Staff is responsible for preparing, managing and reporting on the County's annual budget. This function follows the direction of the Commissioners.

A. Budget Policies

The annual budget will be administered based on the following policies:

1. Fiscal Year – The fiscal year (FY) of the County is the calendar year, January 1st – December 31st. The purpose of the LRP is to provide the Commissioners with a continuous budget update.

2. Present a Balanced Budget to Commissioners – The County will pay for all current expenditures with current revenues. The County will avoid budgetary procedures that balance current expenditures at the expense of the meeting future years' expenses, such as postponing maintenance and other expenditures, accruing future years' revenues, or rolling over short term debt. The exceptions to this policy would be planned equipment purchases, operation maintenance and capital projects based on accumulated funding over the years.

3. Increase Efficiency in All County Operations – The County Staff will identify programs to increase efficiency to provide long–term cost savings to the County. This may include the use of technology, revised organizational structures or other tools which may be identified. Eliminating outdated practices is encouraged.

4. Promote Investment in Our Future – The County Staff, whenever possible, will take a long-term view of investments (people and resources) and emphasize quality operations which encourage productivity for today and the future.

5. Share Resources & Services – The County Staff will explore ways to share staff, training, resources and equipment/supplies to utilize resources more effectively.

6. Identify Funding for New Service Levels – Proposals to add new services or increase existing services will be presented with revenue alternatives to fund or subsidize the new service levels. This includes initial costs and ongoing operations.

7. Asset Management Plan – The budget will provide adequate maintenance of capital plant and equipment and for their orderly replacement.

8. Employee Programs – The County recognizes employees are the most valuable asset of the organization and commits to fund this resource appropriately including adequate funding for all retirement systems, benefit packages and employee incentive programs including training.

9. Overhead Allocations – The budget will include transfers or overhead allocations for expenditures/services in the General Fund that benefit other County funds. The formula for calculating this transfer or overhead allocation may include revenues, staff and or supplies and services. The formula shall be reviewed annually.

10. Fund Reserves – Cash reserve policies directly relate to fund accounting. Fund account is used as a control device to segregate financial resources and ensure that the segregated resources are used for their intended purposes. Cash reserves provide stability for operations and can cushion the impact to County programs during times of economic downturns. Reserve targets are established based on the type of Fund.

    a. Operating funds will accumulate and maintain three months of operating reserves based on estimated personnel, supplies and services and AMP expenditures. Operating reserves allow for the efficient management of cash flow and the opportunity to expand services or fund one-time opportunities during the year.

Reserves for capital funds, including impact fee funds, are established based on the budgeting methodology. Capital fund budgets are based on the estimated current year ending cash balance for the next year. Subsequently the reserves are funded by the revenues restricted to capital funds.

    b. Capital projects may include a contingency for unexpected expenditures.

    c. Debt service fund reserves are based on required debt reserves established when debt is issued.

    d. The County will establish and budget a contingency reserve in the General Fund to provide for unanticipated expenditures of a non-recurring nature, or to meet unexpected small increases in service delivery costs.

    e. The priority of the County will be to maintain target reserves by individual funds based on the above target. The Commissioners may identify specific reserves on an individual basis. When a cash reserve deficit exists, the Commissioners will identify the specific fund to offset the deficit and a plan to increase the reserve in the fund.

11. Comprehensive Plan – The Financial Plan (budget) and the Comprehensive Plan are considered the two key tools to provide a vision of the future and a method of accomplishing those goals. Based on the value of these two documents, the County will develop a methodology to cross reference both tools, to accomplish the goals of the Community, as expressed through the Commissioners.

B. Budget Preparation

Each Year the Staff will prepare the annual budget following these policies:

1. Commissioners' Direction as Goals – During the preparation of the annual budget, the Commissioners are scheduled to meet with each Department to approve strategic policy, identify goals and performance measures. It is the responsibility of the Staff to prepare an annual budget to implement policy and accomplish the goals identified. Staff will identify the impact on the budget, including alternatives when new service levels are approved by the Commissioners.

2. Budget Schedule – The Staff will present the Financial Policies in June, Revenues in July, Operations in August and Capital in September. The goal is approval of the Budget Resolution and Revenue Rate Resolution at the first Regular Commissioners meeting in October, meeting the requirements of Statute.

3. Revenue Policies – The annual budget process is based on the initial revenue projections. Revenue projections will include rate review, annual inflation increases and frequency estimates. Frequency estimates start with a minimum of 75% of the projected trends based on the past year and year to date projections.

4. Expenditure Policies – Expenditure budget preparations begin with existing staff, including appropriate adjustments for the cost of living and increased cost benefits. Salary ranges and benefit packages should be periodically reviewed with comparable communities based on population, general fund tax revenues and cost of living.

Supplies and services should be constantly reviewed for efficiency and effectiveness, eliminating outdated programs and identifying appropriate citizen service levels. The operating budget should include the AMP to provide the most effective delivery of services.

Debt is funded per required schedules, including reserves.

Capital is budgeted based on priorities, available funding and estimated fund balances of impact fees.

5. County Manager Review – The County Manager will review the details of each proposed budget for efficiency and compliance with Commissioners' direction. Department Directors may include supplemental budget requests in the annual budget request to the County Manager and ultimately the Commissioners.

6. Budget Presentation – The annual budget document will be prepared based on guidelines identified by the Government Finance Officers Association (GFOA). Traditionally, this begins with an introduction to the budget followed by more detailed information presented by the fund and department. The budget introduction includes a budget message and a highlights section identifying the major issues addressed by the County and how the budget is adopted to address those issues. Expenditures shall be presented by department and categories.

7. Citizen Participation – The budget process will provide for the full participation of the public and ensure opportunities for public hearings and citizen participation.

8. Public Hearings – Open public hearings at regularly scheduled Commissioners meetings and Work Sessions as required by statute.

9. State and Other Requirements – The County will adopt the budget in accordance to State and other requirements and certify the mill levy.

10. Non-Profit Contributions – Groups requesting grants from the County shall provide their organizations' financial information, annual report and a copy of their approved 501(c) 3 status in addition to all other information requested.

C. Budget Management

Commissioners' approval of the annual budget is based on established revenue and expenditure limits. Authority for Departments to work within the limits approved by the Commissioners is essential for efficient management of the County. Departments will not exceed the approved budget without the prior approval of the Commissioners. The budget will be managed based on the following policies:

1. Purchasing and Accounting System – The County will maintain a system for monitoring the budget during the fiscal year. Adequate tools must be available to assist staff in managing the budget. The budget system will provide for budget approval before any expenditure is committed by Staff. This system shall also provide reports and inquiry systems which will be used by the Staff to prepare Commissioners' reports.

2. Commissioners' Reports – Staff will prepare monthly reports for Commissioners' review. Additional reports will be presented in coordination with the annual budget process and financial audit. The Commissioners report will include information on revenues and expenditures, comparing actual to budget, and performance measures related to service levels.

3. Level of Approval – The Commissioners may approve specific grants for qualified non-profit organizations. In relation to department budgets, the Commissioners will approve:

1. The number of full-time positions and dollar amount for total regular staff, temporary staff and overtime by Department.
2. The dollar amount for supplies and services (category) for each Department.
3. Each specific capital request, including startup cost and ongoing maintenance.
4. The total expenditure from each fund, including transfers in and out.
5. The Commissioners will approve specific contracts per the Procurement Code.

4. Emergencies – As the result of a natural disaster, accident or unforeseen event, the County will follow the Emergency Declaration enacted by the Commissioners.

5. Amending the Approved Budget – The Staff may submit requests to amend the approved budget during the year. Additional requests will be made only after the Staff has determined no savings exist that could be transferred. Departments will provide information to the Commissioners during regular Commissioners' meetings. Departments may not expend funds until after the Commissioners have approved the expenditure. The Finance Department will prepare an appropriation resolution officially amending the budget. Departments may expend funds after Commissioners approval and before adoption of the appropriation resolution.

   a. Transfer of Existing Budget – The County Manager may approve transfer of budget between categories and Departments within a fund.

   b. Transfers Between Categories and Programs – Department Directors may request County Manager approval to transfer budget between categories within a department. The Manager will review requests to ensure compliance with the goals and objectives of the annual budget as approved by the Commissioners.

6. Budget Savings – During the budget year, some expenditure savings can be realized by Departments. Commissioners encourage these efforts and as an incentive may approve policies relating to savings.

D. Intergovernmental Budgets

Some of the costs of the County could be influenced by other Governments, either because of duplication of services or mandates imposed by State and Federal Governments.

1. Payment of Services – The County will budget expenditures for grant-funded programs only after grant award or letter of commitment and only for the grant amount. County overhead or indirect costs for grant-funded programs will be included in all grant proposals, where permitted. All grants will be reviewed for long-term impacts on the County.

2. Outside Involvement – The County will aggressively oppose State or Federal actions that mandate expenditures the Commissioners consider unnecessary. The County will purse intergovernmental funding to support the incremental cost of those mandates.

3. Intergovernmental Agreements – The County will work with other governments to identify the jurisdiction most capable and appropriate to provide specific public services. When the County cannot transfer responsibility for service delivery, it will consider intergovernmental agreements and contracts for service delivery.

III. ACCOUNTING, AUDITING & FINANCIAL REPORTING POLICIES

Introduction

The County will maintain a system of financial management, control and reporting for all operations, departments, and funds to support overall County goals and objectives. This system will be used to instill confidence in the County's citizens that the County is well managed and fiscally sound.

Policies

The accounting, auditing and financial reporting systems for the County will be based on the following policies:

1. General Accepted Accounting Principles (GAAP) – The County will maintain its account records and report on its financial condition and results of operations in accordance with State and Federal laws and regulations, and GAAP.

2. Independent Audit – An independent firm of certified public accountants will annually perform a financial and compliance audit of the County's financial statements. Their opinions will be contained in the County's Comprehensive Annual Financial Report (CAFR), and the Report on Compliance with the Single Audit Act of 1984, if required based on Federal funding levels.

3. Internal Auditing – To complete a full range of audit services, the County's Finance Department will supervise performance audits which review cash management, revenues, expenditures, purchasing and other areas that have impact on the County's budget.

4. Accounting Internal Controls – The County will maintain an internal control structure consisting of three elements:

    a. Control Environment – Consisting of an "overall attitude and awareness of actions" as the influence the County. The management and staff shall consider all the financial implications of decisions, both current and long-term.

b. Accounting System – An effective accounting system will result in the following:

1. Identification and recording of all valid transactions.
2. Description on a timely basis of the type of transaction in sufficient detail to permit proper classification of the transaction for reporting purposes.
3. Recording the transaction in the correct time period.
4. Proper presentation of all transactions and related disclosures in the financial statements.

c. Control Procedures – Consists of the following:

1. Proper authorization of transactions and activities.
2. Adequate segregation of duties.
3. Adequate documents and records.
4. Adequate safeguards regarding access and use of assets and records.
5. Independent checks on performance.

A. Accounting Structure

All County funds and operations must work to achieve the County's mission and goals.

1. Number of Funds – The County will minimize the number of funds, Departments, programs and account codes. The funds will be categorized by standard GAAP functional classifications. The development of new funds, Departments, programs and accounts will be approved by the Finance Department.

2. Statement of Purpose – Each fund in the County will have a Statement of Purpose, consisting of the following:

    1. Intent – Purpose(s) of the fund.

    2. Revenue Restrictions – Source(s) of revenues to the fund and descriptions of restrictions.

    3. Contingency – Amount and use of contingency, if any. Contingency levels shall be based on the uncertainties associated with the purposes of the fund or project.

    4. Reserves – Amount and purpose of required reserves. Required reserves will be based on operating needs or debt needs and prudent management requirements.

3. Funding Subsidy – Funds that receive a fund subsidy in addition to fees and charges or dedicated revenues will include a rationale for the subsidy and a means for determining the annual level of that subsidy or conditions under which the subsidy should be eliminated.

B. Financial Reporting

Financial reports will provide direction and guidance in several areas.

1. Budgetary Comparisons – Comparing actual financial results with the legally adopted budget.

2. Financial Condition and Results of Operation – Assessing the changes in fund balance because of operations.

3. Compliance – Assisting in determining compliance with finance related laws, rules and regulations.

4. Efficiency and Effectiveness – Assisting in evaluating management and staff in efficiency and effectiveness.

5. Director Reports – Department Directors will prepare reports at the end of June, September and November identifying the differences between actual and budget revenues and expenditures. This requirement is also included in the Budget Policies. Reports will identify the current and projected variance in budget, as well as progress on performance measures. These reports will be presented to the Commissioners and may be included in the Commissioners' updates.

C. Check Controls

The County will follow these policies related to check controls and the signing of checks:

1. Invoice Controls – All invoices shall be mailed or emailed to the Department that holds the approved contract, professional services agreement, or spending authority. The vendor shall date, number and reference an approved contract, professional services agreement, or purchase order number on the invoice. Department staff will process and approve the invoice and include correct coding before getting their supervisor's approval and submitting it to the Finance Department's Accounts Payable.

2. Check Preparation – No check will be prepared for approval without an authorized purchase order, compliance with the procurement code and adequate budget unless specifically identified in these policies.

3. Check Requirements – In most cases the Staff will be required to complete the following steps to obtain a check:
    a. Budget – Adequate budget must exist before Staff considers a purchase.

    b. Invoices – Invoices are directed first to the Finance Department for entry into the account system cash flow.

c. Department Approval – Invoices are approved by the Departments the items were received.

d. Contracts – Major purchases will require following the Procurement Code, which may include the Commissioners' approval of the contract.

IV. REVENUE POLICIES

Introduction

The County must consider its discretionary revenues as a group rather than in isolation. Both individual revenues and the total package must be viewed in the context of broader County goals. The County must be sensitive to the balance between the need for services and the County's ability to raise fees, charges and taxes to support County services. As much as is possible and feasible, County services that provide private benefit should be paid by fees and charger to provide maximum flexibility in use of general taxes to meet the cost of broader public services.

Policies

Revenues and rates in the LRP and annual budget will be based on the following policies:

1. Specific Use of Services – Charges for services that benefit specific users should recover full costs, including all direct costs, indirect costs, depreciation on capital plant and equipment, and General Fund overhead. Departments that impose fees or service chargers should prepare and periodically update cost-of-service studies for each such service. Competing County policies may dictate a subsidy of a portion of the costs of such services.

2. Diversify Revenue – The County should strive to diversify its revenues to maintain needed services during periods of declining economic activity.

3. Recapture Investment – The revenue structure should be designed to recapture for the County some of the financial benefits resulting from County sponsored programs or Community investments.

4. Additional Resources – The County will observe the following priorities in obtaining resources:

    a. Use Existing Resources Efficiently – The County will use, as efficiently as possible, all existing resources.

    b. Collect Existing Revenues – The County will collect as efficiently as possible the resources to which it is already entitled. The County will minimize receivables and follow an aggressive policy of collecting receivables for services that must be billed.

    c. Revenues are Consistent with County Goals – The County will seek new resources, consistent with the policies in this document and other County goals.

5. Consider Total Revenue Mix – The County will review revenue raising proposals considering its total revenue mix, to encourage economic stability and keep the County competitive.

    a. County Revenues Impact – As part of the annual financial forecast or budget process, major revenue generating proposals will contain an evaluation of the impact on the community.

    b. Review Total Community in Review – The evaluation should be based on prior year circumstances and includes all local taxation and fees.

    c. Review Every Five Years – At a minimum, such an evaluation shall be made at least once every five years.

6. Department Responsibility – Department Directors will inform the County Manager of any revenue that varies from the budget by $5,000 or 20%. Department Directors will provide notice immediately and in the identified reports to the County Manager and subsequently the Commissioners.

7. Use Proven Methods – The County will estimate its annual revenues by an objective, analytical process.

8. Use Five Year Plans – The County will annually project revenues for the next five years.

9. Enterprise Funds Recover Costs – The County will set fees, user charges and other revenues for each enterprise fund at a level that supports the total direct and indirect cost of the activity. Indirect costs include the cost of annual replacement needs due to depreciation of capital assets. Cost related to growth will be paid for by the growth.

V. OPERATING POLICIES

Introduction

When the other Financial Policies fail to address a specific issue, general operating policies will be reviewed for direction. In some cases, these policies repeat what has already been stated in other areas, but that is only to emphasize the importance and value of that policy. The County must contain its expenditures to current revenues, establish and adequately fund reserves, regularly monitor, and report on budget performance, evaluate the fiscal impact of new proposals, operate as efficiently as possible, and constantly review County services for appropriateness and effectiveness.

Policies

The County will follow the following operating policies:

1. Current Revenues to Pay for Current Expenditures – Current revenues will exceed current expenditures. Each County fund budget must identify ongoing resources that at least match expected ongoing annual requirements. One time cash transfers and ending balances, in excess of reserves, may be applied to reserves or to fund one-time expenditures; they will not be used to fund on-going programs.

2. Do Not Restrict Revenues – The County will earmark discretionary revenues for specific purposes. This practice will preserve the ability of the Commissioners to determine the best use of available revenues to meet changing service requirements.

3. Reserves – The County will establish reserves for emergencies, unforeseen needs of a nonrecurring nature, operating maintenance, equipment replacement and capital projects. The nature of reserves for specific funds will be spelled out in the State of Purpose for each fund.

4. Financial Controls – The Staff will maintain a system of financial monitoring and control. The major components of this system include:

    a. Fiscal Impact Analysis – The Staff will perform a fiscal impact analysis of each significant administrative or legislative action impacting the County.

    b. Financial Accounting System and Periodic Status Report – The Staff will prepare financial status reports on the revenues and expenditures to date and estimated yearend balances as described in the Budget Policies.

    c. Budget Controls – The Finance Department will maintain a system of budgetary controls. These controls will assist Department Directors in identifying actual to budget variances.

5. Review of Efficiency and Effectiveness – The County will continually review the efficiency and effectiveness of its services to reduce costs and improve service quality. This will include a review of all existing administrative procedures and software to eliminate exception-based procedures, policies implemented to avoid compliance, special interest projects or programs that benefit less than the majority.

6. Recover Cost of Providing Services – County operations will be run on a basis devoted to increasing efficiency of service delivery or recover the cost of providing the service by a user fee or charge.

7. Cash Reserves – The County will maintain cash reserves to avoid borrowing for general operating purposes.

8. Inventories – The County will maintain accurate inventories of capital assets, their condition, life span and cost.

9. Cash Management Systems – The Staff will develop, maintain and constantly seek to improve cash management systems, which ensure the accurate and timely account, investment, and security of all cash assets. All cash received by the County Departments will be deposited to the Cashier daily.

10. Competition and the Service Provided – The County must review programs periodically to reduce needless competition with other public and private providers and to ensure the most cost effective and efficient provision of services. The County will encourage competition with privatization by comparing the cost of providing services.

11. Citizen Input – An effective and comprehensive periodic Citizen Service needs assessment will be conducted to ensure County service priorities keep pace with the dynamic needs of the Community. The result of this needs assessment will be approved by the Commissioners and may become an integral part of the budget and financial planning of the County.

12. Utility Conservation – The County will avoid paying utility bills for any other organization to encourage conservation.

13. Budget Preparation – Department Directors will prepare all budget proposals for expenses in their departments. Utility expenses will be proposed by Department Directors. Savings or excess budget in utilities is restricted and will not be used of rother expenditures without the prior approval of the Manager. The entire utility budget will be encumbered on purchase orders in the first month of each year.

14. Internal Loans – Loans made between funds will not be charged interest.

15. Procurement – See the County's Procurement Code.

16. Education and Training for Commissioners and Statutory Boards – The County is committed to professional and progressive leadership. To maintain our position as leaders in the Community and region, it may be beneficial to provide training for the Commissioners or Planning Commission regarding key management and or technical issues. Travel for these members will be included in the annual budget.

VI. CAPITAL PLANNING & BUDGET POLICIES

Introduction

The Capital Improvement Plan (CIP) has a significant impact on the image of the County. The following policies are designed to guarantee current and future projects are maintained at a quality level and capital projects do not restrict the County's ability to provide basic services. The County must preserve its current physical assets and plan in an orderly manner for future capital investments, including operating costs associated with these projects. In addition to amenity improvements, the County must make the capital investment needed to support and enhance the delivery of basic services. This commitment becomes even more important because the demands for basic services biases funding priorities toward the operating services (sheriff's office and recreation programs) versus infrastructure (streets and buildings), which could be an issue in the future. Capital expenditures include buildings, land, major equipment and other items which are of significant value and have a life greater than five years.

Policies

The planning, funding and maintenance of all capital projects will be based on the following policies:

1. Bond Rating – The County will maintain a strong bond rating consistent with other County goals. The County will maintain good communications with bond rating agencies about its financial condition. The County will follow a policy of full disclosure on every financial report and bond prospectus.

2. Five Year Capital Plans – Each Department with capital expenditures will develop and maintain five-year capital plans. This plan will include sources of funding and maintenance.

3. Citizen Involvement – The CIP development process will provide for the full participation of any Citizen and or Committee appointed by Commissioners.

4. Details of the Plan – The County will prepare, adopt and update annually a County five-year CIP that identifies Department needs for capital replacement and additions. The CIP lists all anticipated capital expenditures, total estimated cost, the year in which it will be started, the amount expected to be expended in each year, and the proposed method of financing these expenditures. Methods of financing can include bonding, assessment of districts, pay-as-you-go (taxes, current revenues, cash balances), or others.

5. Include Future Maintenance – As a part of the annual Capital Budget, the County will identify and include full costs of future maintenance needs and operating costs of new capital facilities and equipment prior to funding as part of the annual Capital Budget. It is essential to recognize many smaller projects can have a significant impact on the existing Staff and maintenance levels when you consider the total impact. All capital projects will identify the maintenance requirements in terms of staffing (hours per week) and supplies and services.

6. Identify Project Funding – The Staff will identify the estimated costs and potential funding sources for each capital project proposal before it is submitted to Commissioners for approval. This proposal will include capital construction as well as ongoing maintenance.

7. Asset Management Plan (AMP) – The County will develop an AMP that protects capital investments and will minimize future maintenance and replacement costs. The County will maintain accurate information on the condition, life span use and replacement cost of their capital assets to assist in long term planning. The AMP will also indicate future major repairs and their costs, utility costs and other operating costs.

    a. Equipment Replacement – The County will estimate its equipment replacement (items over $10,000 with a life greater than one year) and maintenance needs for the next five years, with updated projections each year. From this projection, a maintenance and replacement schedule will be developed and followed.

    b. Cash for Equipment – Equipment replacement should be financed on a pay-as-you-go basis. Equipment should be replaced on a useful life basis considering optimum trade in value and maintenance costs.

8. Planned Funding – The budget will provide sufficient funding for adequate maintenance and scheduled replacement and enhancement of capital plant and equipment. Whenever the Amp identifies there is a significant discrepancy between the need to maintain/modernize County infrastructure of facilities and the funds available for such improvements, the Staff will prepare and present to strategies for meeting this need to the Commissioners. The LRP of the County will include all costs identified in the AMP.

9. Renovation – Although the annual operating budget should provide for adequate maintenance of capital plant and equipment, it is possible that even if this maintenance is provided a major expenditure will be required. It is appropriate to consider these types of major expenditures when developing the CIP.

10. Capital Priority – In general, the following guidelines will be used to identify capital priorities: safety, completing existing projects, maintaining of existing capital facilities, extensions of existing systems and new projects. Maintenance should be given priory over acquisition of new facilities unless a cost-benefit analysis indicates the contrary. State, Federal and Local mandates or new service demands may require acquisition of new facilities or new construction even when maintenance needs are not fully met. Unique opportunities may arise, which should be considered as a priority, particularly if there is Community support for acquisition. Maintenance of facilities should take priority over operating programs if deferring maintenance will result in great costs to restore or replace neglected facilities.

11. Impact on County Policies and Community – The County will identify the ongoing costs and benefits that may be associated with each capital project to determine its effect on other County policies and the Community.

12. Alternate Funding – Assessment district financing is appropriate for those areas of the County that are retroactively installing physical plant features which are normally required by subdivision standards at the time of development, or which have been funded by another assessment district. Such physical plant features include curbs, gutters, sidewalks, streetlights, and sewers. Assessment districts are also appropriate in cases where these types of physical plant features are being upgraded for the benefit of property owners in the area. Unless otherwise directed by the Commissioners, assessment districts will include all costs associated with the project, including overhead and indirect costs, including but not limited to financing, and administrative costs. The County will take actions to ensure financial risks to the County are minimized.

13. Long Term Debt – A liability that places a future contractual or other obligation against future revenues of the County. For example, long term debt includes liabilities arising from bonds, lease purchase agreements and installment purchase contracts.

    a. Use of Capital – The County will confine long-term borrowing to capital improvements or projects that cannot be financed from current revenues.

    b. Life of Bonds Not to Exceed 75% of Project Life – When the County finances capital projects by issuing bonds, it will pay back the bonds within a period not to exceed 75% of the expected useful life of the project.

    c. Debt Restrictions – The County will not use long-term debt for current or annual operations.

    d. Legal Debt Limits – The County will review its legal debt limitation established by the State Charter at least annually. Debt limits will be included in the statistics sections of the Financial Plan and Financial Report.