

Process and Policies

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Budget Process

Since 2000, Wake County has increasingly emphasized strategic planning and target-oriented service delivery efforts. To further encourage strategic thinking and continuous improvement, in the fall of 2002, all departments began developing business plans. The business plan identifies what the organization wants to accomplish, how it is going to do it, the costs that are necessary, and the measures that determine if outcomes are being achieved. The plan clearly defines priorities as a way to focus attention on the most important accomplishments that should be achieved over time.

Because operational challenges and service achievements are not confined to fiscal year time frames, business plans also provide a multi-year roadmap for resource needs and successful management of service delivery. The business plan is therefore the foundation of budget development. As such, the budget process for the 2003-04 budget began with each department submitting a three-year business plan.

The departmental budget submission to the County Manager is the final step of the business plan annual update. In preparing the cost estimates for existing services, departments were instructed to calculate actual costs of providing the service. This served as the basis for determining the appropriate funding level. Areas of new services, or enhancements to existing services requested by departments were based on a strong definition of the issue; strategic alignment of plan and objectives, a clear statement of what is trying to be accomplished, and identification of opportunities to collaborate or partner with others. Each expansion item was analyzed based on these objectives.

A key component of the budget process is analysis of services delivered, including benchmarking the service level or costs and evaluating and reporting performance. Performance measures were included in departmental business plans and can be found on the County's website at the following address:
<http://www.wakegov.com/general/businessplans/>.

Business plans will be updated and refined beginning in late summer, marking the beginning of planning and evaluating service demands and performance, becoming the foundation for building the FY2005 County budget.

The departments used a multi-step process to complete the submission of the budget to County Commissioners via the business plan documents and the budget document: (1) Described programs, emphasizing the outcomes produced by each department; (2) Clearly articulated measurable service objectives; (3) Identified existing or new performance measures, specifying targets for each; (4) Identified strategies to achieve the improvements; (5) Linked resources with outcomes; and (6) Discussed requests and strategies with the County Manager, who developed a recommended budget for final board approval.

Budget Calendar Fiscal Year 2003-2004

Date	Budget Activity	Responsible Party
September - February	Business Plan Development and Update	Departments
December 17, 2002	Budget instructions distributed to departments at Budget Kick-off to the Extended Management Team; On-line budget entry system (BPREP) opens to department	Budget & Management Services
December 17, 2002 to February 3, 2003	Budget development	Departments
February 3, 2003	Submission of Business Plans, Biennial operating requests, requests for automation, facility repairs and capital projects submitted. On-line system closes to departments. Volunteer Fire Department Requests due	Departments VFD Departments
February 17, 2003	Initial analysis of revenues and expenditures completed	Budget & Management Services
March 3, 2003	Requests from Emergency Medical Services agencies due; Recommendations submitted for:Automation requests and Facility repairs	EMS agencies e-Government Committee General Services
March 3 to April 10, 2003	CIP review and recommendation	CIP Committee
March 3 to May 2, 2003	Budget Analysis & Recommendation	Budget & Management Services
May 15, 2003	Board of Education & Wake Technical Community College submit formal budget requests	Board of Education & Wake Technical Board of Trustees
May 19, 2003	Presentation of recommended budget to Commissioners	County Manager
June 2, 2003	Public Hearings on budget (2 pm and 6 pm)	Board of Commissioners
June 9, 2003	Special budget work session	Board of Commissioners
June 16, 2003	Budget ordinance adoption at regular Board meeting	Board of Commissioners
Late Summer	Performance Measures update for inclusion in final budget document; Begin update and refinement of departmental business plan	Departments

Financial Policies

Wake County's financial policies are the basis of the fiscal strength of county government. These policies guide the Board of Commissioners and the County Manager as they make decisions concerning how county fiscal resources are managed.

The financial condition of the County must be maintained at the highest level to assure resources are available to meet the ever-changing needs of the community. The following policies, reflecting the County's commitment to continued fiscal strength, are related to the adoption and implementation of the annual budget. Further, they are designed to assure that the County maintains the highest credit ratings possible given prevailing local economic conditions.

Operating Budget

The County shall operate under an annual balanced budget ordinance whereby the sum of net revenues and appropriated fund balances equals the expenditure appropriations. Revenue projections shall be set at realistic and attainable levels, sufficiently conservative to avoid shortfalls, yet accurate enough to avoid a regular pattern of setting tax rates that produce significantly more revenue than is necessary to meet expenditure requirements.

The County shall not develop budgets that include operating deficits that require the use of one-time resources to cover recurring expenses. The County's annual budget shall be adopted by July 1 and shall be effective for a fiscal period beginning July 1 and ending June 30.

The County shall have its accounts independently audited at the close of each fiscal year by a certified public accountant.

Reserves

The County shall maintain a designated fund balance of at least ten percent (10%) of the following fiscal year's General Fund adopted budget in order to provide the County with adequate working capital and investment income. Any undesignated fund balance is available for appropriation only for one-time non-recurring expenses. Any appropriation to a contingency account in the County's general fund shall not exceed one percent (1%) of the total general fund budget.

Revenues

The County shall diversify its revenue sources to the extent possible to reduce reliance on the property tax. Periodically, the County will review specific programs and services that are identified to be potential areas for funding through user fees. The Board of Commissioners will determine the level of cost recovery for the program or service. For example, building inspection fees will be set at a level sufficient to recover the full costs of the services and solid waste fees shall be set at a level sufficient to recover the full costs of the solid waste enterprise operations.

Sound cash management practices shall augment revenues available to the County. The County shall maintain an active investment portfolio in which 100% of all temporarily idle funds are invested daily.

Basis of Accounting

The term "basis of accounting" refers to when revenues and expenses are recorded, how the related assets and liabilities are recognized in the organization's ledgers, and how the information is reported in the combined financial statements.

Financial Policies

All funds of the County are budgeted and maintained during the year on the modified accrual basis of accounting in accordance with North Carolina general statutes. Under the modified accrual basis, revenues are recognized in the accounting period in which they become measurable and available to pay liabilities of the current period. Expenditures are recognized in the accounting period in which a fund liability is incurred, if measurable, except for unmatured principal and interest on general long-term debt, which are recognized when due.

The governmental funds, expendable trust fund, and agency funds are also presented on a modified accrual basis in the combined financial statements in the Comprehensive Annual Financial Report. The accounting records for the County's enterprise fund is reported on a full accrual basis of accounting. Under this basis of accounting, revenues are recognized in the period earned and expenses are recognized in the period incurred.

Capital Improvements

The County adopts a seven-year Capital Improvement Program (CIP) to be revised and approved annually. The County shall appropriate all funds for capital projects with a capital project ordinance in accordance with State statutes. Capital expenditures included as a project in the Capital Improvement Program shall cost at least \$100,000 and have a useful life of at least ten years. The Board of Commissioners will determine actual funding for the capital projects on an annual basis.

User Fee Policy

Background

North Carolina General Statutes authorize the setting of fees by counties in Section 153A - 102. The statute reads: "The board of commissioners may fix the fees and commissions charged by County officers and employees for performing services or duties permitted or required by law. The board may not, however, fix fees in the General Court of Justice or modify the fees of the Register of Deeds prescribed by G.S. 160-10 or the fees of the board of elections prescribed by G.S. 163-107".

Purpose

The purpose of the User Fee Policy is to establish guidelines, in accordance with N.C.G.S. 153A-102, which shall be used by the County Manager to determine fees and commissions that are not statutorily restricted. Furthermore, this policy also establishes guidelines for the County government regarding the institution of fees for performing services or duties permitted or required by law.

Provisions

User fees are an acceptable manner of paying for services that generate direct benefits to persons who receive the service. The County encourages the establishment of fees at a level that maximizes revenues. Fees shall be developed based on the cost of providing services and county wide goals and objectives as set by the Board of Commissioners.

All user fees shall be evaluated annually and updates shall be presented to the Board of Commissioners during the annual budget process.

Regulatory Fees

Fees charged to individuals or organizations for participation in government regulated activities, such as building permits, land disturbance fees, and code enforcement permits are considered "regulatory fees."

Regulatory fees shall be set at a level that strives to recover full costs (direct and indirect costs, such as depreciation or usage costs associated with capital assets) of providing the service, unless statutory restrictions limit the fee amount.

Non-Regulatory Fees

Non-regulatory fees are charged for a wide variety of services, therefore more in depth criteria must be used in establishing the fees. There are two primary purposes for non-regulatory fees: 1) to influence the use of the service and 2) to increase equity. The determination of the level of cost recovery varies based on which purpose applies.

A. If the purpose of the fee is to regulate and influence the use of the service, the fee shall be set to respond to demand. The amount of costs recovered shall be secondary, with impact on demand being the primary guiding principle.

1) If the purpose of the fee is to discourage use of the service, fees shall be set at a level to recover full costs of providing the service.

2) If the purpose is to provide a service for a fee but not discourage its use, fees shall be set so that demand for the service is not reduced, while recovering partial costs of providing the service.

B. If the purpose of the fee is to improve equity by charging users for the consumption of goods and services, the following criteria should be considered in setting the fee:

1) If the service is purely a private good, and does not enhance community-wide quality of life, the fee shall be set according to market rates and shall strive for full cost recovery. Whether or not the service is deemed to enhance community-wide quality of life will depend on the goals and objectives of the County.

User Fee Policy

2) If the service provides broader public benefits through its consumption, thereby enhancing community-wide quality of life, the fee shall be set so that use of the service is not discouraged, demand for the service is unchanged and partial recovery of costs is obtained.

3) If low-income citizens are included in the population of service recipients, fees for their participation shall be set to recover partial costs of providing the service, as long as this can be accomplished by not precluding their use. A sliding scale fee is one strategy for accomplishing this.

If a service is provided by the County using General Fund dollars to fully fund the service (therefore no fee charged), it is acceptable to set a fee for the use of the service for nonresidents of the County. An example of this includes public libraries.

Adopted by the Board of Commissioners on March 13, 2000.