

*Fiscal Year 2002-2003  
Adopted Budget*

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*PROCESS & POLICIES*

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## *Budget Process*

### **BUDGET DEVELOPMENT**

The goal of the fiscal year 2002-03 budget was to develop a recommended budget for the Board of Commissioners that reflects the County's commitment to improved service effectiveness. This commitment is visible through the objectives, performance measures and targets stated by each department.

Pursuit of these objectives does not preclude continued efforts towards cost savings and efficiency improvements. It is also understood that the County will continue providing funding for any new services that were begun and approved by the Board of Commissioners during the fiscal year 2001-02.

The County's budget commits each department to clear service outcomes and measurable objectives achievable in fiscal years 2002 through 2004; the budget clearly prioritizes departmental outcomes and services; it reviews and analyzes the allocation of resources to better achieve measurable objectives; identifies potential effectiveness improvements and cost savings in each department; identifies service expansions and articulates resource needs in a manner consistent with achieving outcomes and objectives; identifies the need to rethink service delivery in light of a rapidly changing environment; provides competitive service delivery; provides adequate funding for operational costs of capital facilities; and lastly, the budget provides useful information to the Board of Commissioners and citizens of Wake County.

This year's budget process did not stipulate a target number for operating budgets. Departments allocated resources to current service delivery efforts with the goal of achieving specific objectives rather than just referring to prior years practices.

The departments used a multi-step process to complete the submission of the budget to County Commissioners: (1) Described their 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; (6) allocated resources to specific line items in the budget; (7) isolated programs that are above current resource allocations; (8) identified reduction items that equaled ten percent of the FY2002 operating budget but as potential decreases for FY2003; and (9) discussed requests and strategies with the County Manager, who developed a recommended budget for final board approval.

## *Budget Calendar Fiscal Year 2002-2003*

<b>DATE</b>	<b>BUDGET ACTIVITY</b>	<b>RESPONSIBLE PARTY</b>
December 18, 2001	Budget kickoff at Extended Management Team Meeting, distribute Manual	Budget Office
Dec. 2002-Jan. 2002	Pre-budget meetings between County Manager and department heads	Budget Office, County Dept., Co. Mgr.
Dec. 18,2001 - March 4, 2002	Develop budget	Departments
Jan. 7, 2002 to March 4, 2002	BPREP open for on-line budget building	Departments
January 31, 2002	Request for e-Government (technology), Facility renovations, and CIP	Departments
February 15, 2002	VFD budget requests due to Public Safety department	Volunteer Fire Departments
February 15, 2002	Job description for new positions submitted	Departments
March 4, 2002	All revenue estimates and expenditure requests entered on-line in BPREP	Departments
March 4, 2002	Automation recommendations submitted	e-Gov't Steering Committee
March 4, 2002	Debt service and other non-departmental requirements identified	Budget Office
March 4, 2002	Facility renovations/repair recommendations submitted	General Services
March 4, 2002	Budget document information due to Budget Office	Departments
Mar. 4, - April 30, 2002	Analysis and Recommendations	Budget Office
March 15, 2002	VFD budget requests and Public Safety recommendations due to Budget Office	Public Safety Department
March - April 2002	Meet with County Manager to discuss requests	Budget Office and Departments
May 15, 2002	Board of Education and WTCC submit formal requests	Board of Education and Wake Technical Board of Trustees
May 20, 2002	Presentation of budget message and recommended budget to Commissioners at regular meeting	County Manager
June 3, 2002	Public Hearing on budget at 2:00 p.m. and 7:00 p.m.	Board of Commissioners
June 10, 2002	Special budget work session	Board of Commissioners
June 17, 2002	Budget ordinance adoption at regular Board meeting	Board of Commissioners

## *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 that 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.

Any grant received by the County for operating or capital purposes which may extend beyond any single County fiscal year, shall be included in separate grant project ordinances, with revenues estimated to be available from the grant including any local match equal to appropriations for the grant project.

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.

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 (CAFR). 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.

Those revenues susceptible to accrual are sales taxes collected and held by the State at year-end on behalf of the County and investment earnings.

**CAPITAL IMPROVEMENTS PROGRAM**

Beginning in fiscal year 2001-2002, the County adopted a seven-year Capital Improvements 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 Improvements 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 con-

sumption 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.
- 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.

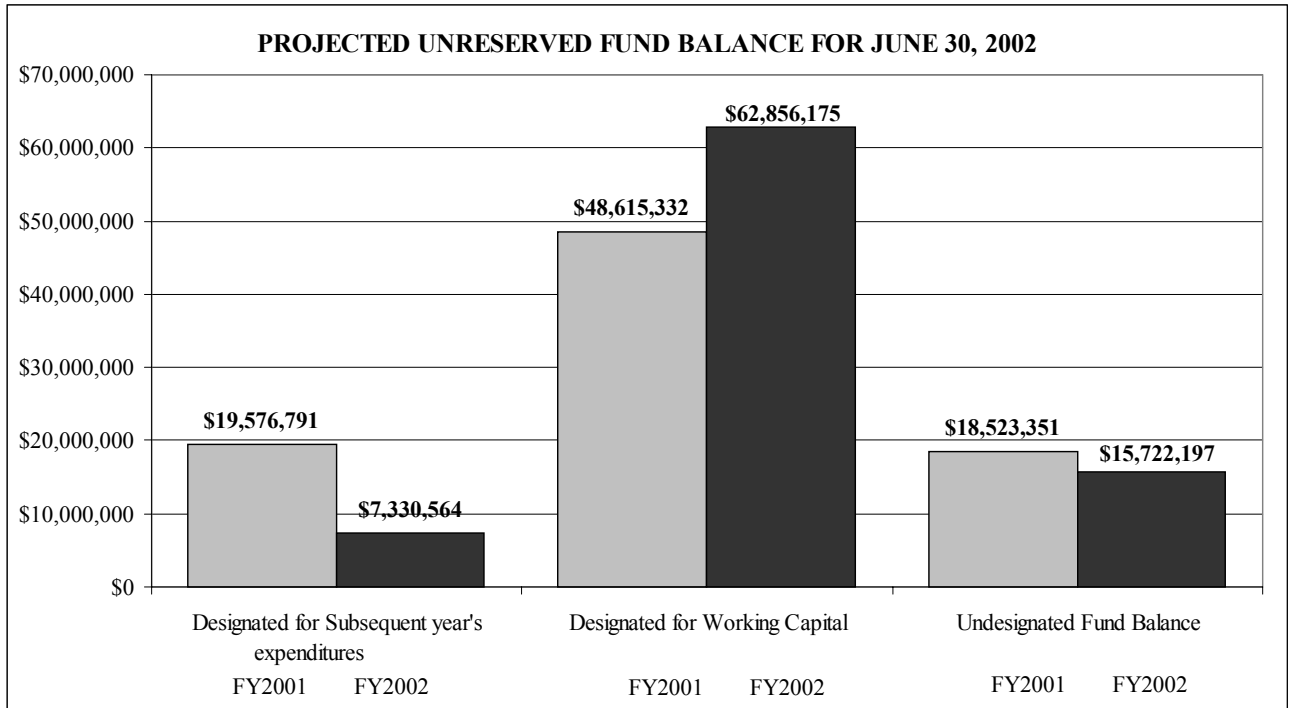
## *Fund Balance*

Adequate fund balance is necessary to maintain sufficient cash flow throughout the year. This is especially true since the majority of the revenue supporting the General Fund is derived from property taxes, which are not received until the middle of the fiscal year. Subsequently, the fund balance is used to maintain adequate working capital and to maintain flexibility for responding to emergency needs. In accordance with Board policy, the County designates at least ten percent of the ensuing year's budgeted General Fund expenditures and transfers as working capital and for subsequent year's expenditures. The adjacent graph reflects an eleven percent designation; thereby exceeding the ten percent minimum requirement

Unreserved fund balance is calculated each year when the Revenue and Expenditure Forecast is prepared and as a part of the budget process. This is to project the County's financial condition at the end of the proposed fiscal year. The amount of fund balance available for appropriation and the amount that could actually be spent is determined. The projected fund balance is the result of taking the previous year's fund balance and deducting encumbrance and reserve amounts. The projected unreserved fund balance for June 30, 2002 is \$85,908,936.

In the fiscal year 2002-2003 budget, an appropriation of \$7,330,564 from the fund balance is included. This represents 1.2% of the operating revenues and transfers in from other funds. Since the County is expected to maintain an undesignated fund balance that can be classified as "designated for working capital", the county should still be able to keep the unreserved fund balance at or above the ten percent level at June 30, 2003.

Process & Policies



**ESTIMATED CHANGES TO FUND BALANCE  
GOVERNMENTAL FUNDS**

	General Fund	Special Revenue	Capital Projects
<b>Fund Balance: 6/30/01</b>	\$ 141,995,770	\$ 8,506,750	\$ 314,356,113
Estimated Current Revenues:			
Taxes	451,373,769	13,449,793	-
Licenses and Permits	2,296,153	-	-
Intergovernmental	86,135,720	5,500,057	13,901,075
Charges for Services	55,055,488	135,618	638,032
Investment Earnings	5,247,468	230,841	9,032,396
Miscellaneous Revenues	1,266,404	81,455	439,832
<b>Total Revenues</b>	<b>601,375,002</b>	<b>19,397,764</b>	<b>24,011,335</b>
Estimated Current Expenditures:			
General Administration	41,270,849	573,348	-
Human Services	157,060,083	6,806,050	-
Education	203,539,610	-	153,476,794
Community Development and Cultural	17,022,217	281,257	4,246,161
Environmental Services	6,066,464	-	-
Public Safety	49,422,711	12,911,058	-
Capital Projects	-	-	31,662,257
Debt Service	-	-	-
<b>Total Expenditures</b>	<b>474,381,934</b>	<b>20,571,713</b>	<b>189,385,212</b>
Other Financing Sources (Uses):			
Operating Transfers In	-	2,215,000	46,625,708
Operating Transfers Out	(134,113,294)	-	-
Operating Transfer In from Component Unit	-	-	-
Proceeds of Bonds, Capital Leases & Installment Purchase Contracts	-	-	187,904,255
<b>Total Other Financing Sources (Uses)</b>	<b>(134,113,294)</b>	<b>2,215,000</b>	<b>234,529,963</b>
<b>Prior Period Expenditure Adjustment for transferring Fleet and Transportation Funds</b>			
	<b>3,681,097</b>		
<b>Estimated Total Fund Balances: 6/30/02</b>	\$ <b>138,556,641</b>	\$ <b>9,547,801</b>	\$ <b>383,512,199</b>

This table is based on unaudited end-of-year statements and was prepared prior to all final adjustments required by an audit.

<b>ESTIMATED CHANGES TO RETAINED EARNINGS ENTERPRISE AND INTERNAL SERVICE FUNDS</b>				
	<b>Enterprise Funds</b>		<b>Internal Service Funds</b>	
	<b>Solid Waste</b>		<b>Risk Management</b>	
<b>Retained Earnings at 6/30/01:</b>	<b>\$</b>	<b>19,881,005</b>	<b>\$</b>	<b>13,804,424</b>
Estimated Operating Revenues				
Licenses and Permits		800		-
Charges for Services		21,177,536		10,687,791
Miscellaneous		25,688		-
<b>Total Operating Revenues</b>		<b>21,204,024</b>		<b>10,687,791</b>
Estimated Operating Expenses				
Cost of Service		13,706,705		13,073,417
Administration		2,605,968		225,969
Depreciation and depletion		2,107,057		-
<b>Total Operating Expenses</b>		<b>18,419,730</b>		<b>13,299,386</b>
<b>Operating Income (Loss)</b>		<b>2,784,294</b>		<b>(2,611,595)</b>
Estimated Non-Operating Revenues and Expenses				
Intergovernmental		596,668		
Investment Earnings		851,160		408,429
Investment Expense		-		
<b>Total Non-Operating Revenues &amp; Expenses</b>		<b>1,447,828</b>		<b>408,429</b>
<b>Income (Loss) Before Operating Transfers</b>		<b>4,232,122</b>		<b>(2,203,166)</b>
Estimated Operating Transfers				
Operating Transfers In		-		2,000,000
Operating Transfers Out		(294,093)		(9,152)
<b>Total Operating Transfers</b>		<b>(294,093)</b>		<b>1,990,848</b>
<b>Net Income (Loss)</b>		<b>3,938,029</b>		<b>(212,318)</b>
Add Depreciation on Contributed Capital		-		-
<b>Increase (Decrease) in Retained Earnings</b>		<b>3,938,029</b>		<b>(212,318)</b>
<b>Estimated Retained Earnings at: 6/30/02</b>	<b>\$</b>	<b>23,819,034</b>	<b>\$</b>	<b>13,592,106</b>
This table is based on unaudited end-of-year statements and was prepared prior to all final adjustments required by an audit.				

