



Hamilton County Board of Commissioners

RESOLUTION

No. 1004-44

A RESOLUTION TO APPROVE CERTAIN FINANCIAL MANAGEMENT POLICIES OF HAMILTON COUNTY GOVERNMENT.

WHEREAS, The County's bond rating agencies have strongly suggested that Hamilton County would be better served by formally adopting its financial management policies; and,

WHEREAS, the adoption of these policies is necessary for Hamilton County to continue receiving the Government Finance Officers Association's Distinguished Budget Award; and,

WHEREAS, the attached policies have been informally followed by Hamilton County for many years.

NOW, THEREFORE, BE IT RESOLVED BY THIS COUNTY LEGISLATIVE BODY, IN SESSION ASSEMBLED:

That the Hamilton County Commission formally adopt the attached financial management policies.

BE IT FURTHER RESOLVED THAT THIS RESOLUTION TAKE EFFECT FROM AND AFTER ITS PASSAGE, THE PUBLIC WELFARE REQUIRING IT.

Approved: W. Kimmel CERTIFICATION OF ACTION

Rejected: County Clerk

Approved: Clad Henry County Executive

Vetoed: October 20, 2004

Date

PS 24
MB 289 ~~PL188~~



Hamilton County, Tennessee Financial Management Policies

I. Revenue Policy

- A. Hamilton County will maintain a diversified and stable revenue base to shelter it from short-term fluctuations in any one revenue source by doing the following:
 - 1. Establishing user charges and fees as permitted by law at a level related to the cost of providing that service, including indirect costs when appropriate;
 - 2. Pursuing legislative change, where necessary, to permit increases in user charges and fees to allow the County to recover the full cost of services;
 - 3. Aggressively collecting property tax revenues, including filing suit where appropriate and necessary, as authorized by the Tennessee Property Tax Code; and
 - 4. Aggressively collecting all other fines, fees and revenues due the County.

- B. Hamilton County will actively pursue intergovernmental grant funding to fund programs that have been identified as important to meet the County's mission, vision, goals and objectives.

- C. Hamilton County will minimize its reliance on non-recurring sources of revenue, including the use of prior year fund balances for recurring expenditures, except for the cyclical increase in fund balance that occurs between debt issuances. Increases in fund balance that result from property tax increases will be used for operating expenses in subsequent years in order to sustain the County through its traditional four-year planning cycle.

II. General Operating Policy

- A. All departments are responsible for meeting policy goals and ensuring long-term financial health. Future service plans and program initiatives will be developed to reflect current policy directives, projected resources and future service requirements.

- B. An annual operating budget shall be adopted consistent with state law and a budget process developed in a manner which encourages early involvement with the County Commission and the public.

- C. The County's budget process is intended to weigh all competing requests for resources, within expected fiscal constraints. Requests for new, ongoing programs made outside the budget process will be discouraged.
- D. Revenues will not be dedicated for specific purposes, unless required by law or generally accepted accounting practices. All non-restricted revenues will be deposited in the General Fund and appropriated by the budget process.
- E. The County will maintain a balanced budget. This means that operating revenues must fully cover operating expenditures, including debt service. Except for the cyclical use of fund balance between debt issuances and the growth of fund balance reserves resulting from property tax increases used to sustain the County through its traditional four-year planning cycle, fund balance can only be used to fund temporary/one-time expenditures and ending fund balance must meet minimum policy levels.
- F. Capital equipment replacement of vehicles, computers, phones and other short-lived capital expenditures is accomplished on a "pay-as-you-go" basis integrated into the current budget from the Five-year Capital Improvement Plan.
- G. Current revenues will fund current expenditures and a diversified and stable revenue stream will be developed to protect programs from short-term fluctuations in any single revenue source.
- H. Addition of personnel will only be requested to meet program initiatives and policy directives after service needs have been thoroughly examined and it is substantiated that additional staffing will result in increased revenue or enhanced operating efficiencies. To the extent feasible, personnel cost reductions will be achieved through attrition.
- I. To the extent possible, user fees and charges will be examined periodically to ensure that they recover all direct and indirect costs of the service provided.
- J. The County will follow an aggressive, consistent, but sensitive policy of collecting revenues.
- K. Cash and investment programs will be maintained in accordance with the adopted investment policy and will ensure that proper controls and safeguards are maintained. County funds will be managed in a prudent and diligent manner with an emphasis on safety of principal, liquidity, and financial return on principal.

III. Capital Improvements Policy

- A. The purpose of the Capital Improvements Plan (CIP) is to systematically plan, schedule, and finance capital projects to ensure cost-effectiveness as well as conformance with established policies.
- B. A five-year CIP will be developed and updated biennially, including anticipated funding sources. Capital improvement projects are defined as infrastructure or equipment purchases or construction that results in a capitalized asset with a useful life (depreciable life) of 15 years or more.

Minor capital outlays with a useful life of less than 15 years will be included with the Capital Outlay Operating Budget and are adopted as part of the annual budget process.

- C. The CIP shall include but is not limited to requests from County General Government, the Department of Education and from Constitutional Offices.
- D. The CIP will include adequate funding to support repair and replacement of deteriorating infrastructure and avoidance of a significant unfunded liability. In addition, current operating maintenance expenditures which extend the useful life of the buildings, infrastructure and equipment will be included with the Capital Outlay Operating Budget and adopted as part of the annual budget process.
- E. Proposed capital projects will be reviewed regarding accurate costing (design, capital, and operating) and overall consistency with the County's goals and objectives. Financing sources will then be identified for the highest ranking projects.
- F. Capital improvement lifecycle costs will be coordinated with the development of the Capital Outlay Operating Budget. Capital project contract awards will include a fiscal impact statement disclosing the expected operating impact on the project and when such cost is expected to occur.
- G. The CIP funding sources include debt proceeds, County appropriations and Federal and State aid. CIP funded by General Obligation Bonds or Notes are formally adopted by the County Commission when the Bond Resolution is approved.

IV. Debt Management Policy

- A. Sections 5-10-501 to 5-10-509, inclusive of the laws of the State of Tennessee provide that bonds may be issued by Tennessee counties. Hamilton County will comply with all State laws and regulations regarding debt issuance. Tennessee counties are not limited on the amount of bonded indebtedness.
- B. Periodically, the County may need to issue bonds for capital improvements and/or other obligations.
- C. Whenever long term debt is issued, the County will publish and distribute an official statement for each debt issuance.
- D. An analysis showing how the new issue combined with current debt impacts the County's future debt capacity and conformance with County debt policies will be prepared before every bond issue.
- E. The County will communicate, and, where appropriate, coordinate with all jurisdictions with which the County shares a common tax base concerning

its collective plans for future debt issues to hold overlapping debt to a level which will not constitute a burden to the taxpayers.

- F. The County will seek to maintain and, if possible, improve its current bond rating in order to minimize borrowing costs and preserve access to credit.
- G. When Hamilton County finds it necessary to issue debt instruments, the following policy will be adhered to:
 - 1. The weighted average general obligation bond maturities for any series will not exceed 20 years. The County will strive to utilize shorter maturities whenever possible.
 - 2. The term of any bond issue in general will not exceed the estimated useful life of the capital project/facility or equipment for which the borrowing is intended.
 - 3. Debt service for all funds in any year will not exceed 25 percent of the total annual operating budgets;
- H. General Obligation debt issuances will be managed on an annual basis to match funds to Capital Improvement Plan cash flow requirements while being sensitive to the property tax burden on citizens.
 - 1. Interest earnings on debt service fund balances will be used for debt retirement.
 - 2. Interest earnings on debt proceeds will be used for capital improvements or debt retirement.
 - 3. Debt financing will be confined to capital improvement projects which could not feasibly be financed from current revenues.
- I. Hamilton County will comply with all Federal requirements regarding arbitrage on bond issues to avoid any penalties.
- J. The County will consider opportunities to refund existing debt issuance if the savings on the current principal and interest payments over the remaining life of the debt produces present value savings of three percent or greater.
- K. General Obligation debt, supported by property tax revenues which grow in proportion to the County's assessed valuation and/or property tax rate increases, will be utilized whenever possible. Other types of debt (e.g., revenue bonds, tax anticipation notes, etc.) may also be utilized as determined by the County Mayor, Administrator of Finance and approved by the County Commission.
- L. Whenever possible, the County will use the competitive bidding method of selling bonds.

V. Reserve Policy

- A. The County will maintain an operating reserve for use in the event of unanticipated, extraordinary expenditures and/or the loss of a major revenue source.
- B. It is a goal that the General Fund will strive to maintain an unreserved fund balance of no less than 25% of operating budget or three months operating expenditures for any year. These funds can only be appropriated by an affirmative vote of a majority of the Commission members.