

Fiscal Policy Guidelines



Town of Apex, North Carolina

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FISCAL POLICY GUIDELINES

Town of Apex, North Carolina

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FISCAL POLICY GUIDELINES

Town of Apex, NC

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FISCAL POLICY GUIDELINES - OBJECTIVES

This fiscal policy is a statement of the guidelines and goals that will influence and guide the financial management practice of the Town of Apex, North Carolina. A fiscal policy that is adopted, adhered to, and regularly reviewed is recognized as the cornerstone of sound financial management. An effective fiscal policy:

- Contributes significantly to the Town's ability to insulate itself from fiscal crisis,
- Enhance short-term and long-term financial credit ability by helping to achieve the highest credit and bond ratings possible,
- Promotes long-term financial stability by establishing clear and consistent guidelines,
- Directs attention to the total financial picture of the Town rather than single issue areas,
- Promotes the view of linking long-run financial planning with day-to-day operations, and
- Provides the Town Council, citizens and the Town's professional management with a framework for measuring the fiscal impact of government services against established fiscal parameters and guidelines.

To these ends, the following fiscal policy statements are presented.

CAPITAL IMPROVEMENT BUDGET POLICIES

1. The Town will prioritize all capital improvements in accordance with an adopted capital improvement program.
2. The Town will develop a five-year, with horizons, plan for capital improvements and review and update the plan annually.
3. The Town will coordinate development of the capital improvement program with development of the annual operating budget.
4. The Town will use intergovernmental assistance to finance only those capital improvements that are consistent with the capital improvement plan and Town priorities.
5. The Town will maintain all its assets at a level adequate to protect the Town's capital investment and to minimize future maintenance and replacement costs.
6. The Town will identify the estimated costs and potential funding sources for each capital project proposal before it is submitted for approval.
7. The Town will attempt to determine the most prudent, fiscally responsible and flexible financing method for all new projects.

DEBT POLICIES

General

1. The Town will confine long-term borrowing to capital improvement or projects that cannot be financed from current revenues except where approved justification is provided.
2. The Town will utilize a balanced approach to capital funding utilizing debt financing, draws on capital reserves and/or fund balances in excess of policy targets, and current-year (pay-as-you-go) appropriations.
3. When the Town finances capital improvements or other projects by issuing bonds or other debt arrangements, it will repay the debt within a period not to exceed the expected useful life of the project. Target debt ratios will be annually calculated and included in the review of financial trends.
4. Where feasible, the Town will explore the usage of special assessment, revenue, or other self-supporting bonds instead of general obligation bonds.
5. The Town will retire tax anticipation debt, if any, annually and will retire bond anticipation debt within six months after completion of the project.

Tax-Supported Debt

6. The town's available debt capacity will be determined by the General Government Debt Affordability Model, which is to be updated on an annual basis. Council has established a community investment fund balance coverage ratio policy of 50% or better.
7. Net debt as a percentage of total assessed value of taxable property should not exceed 2.5%. Net debt is defined as any and all debt that is tax-supported.
8. The ratio of debt service expenditures as a percentage of total consolidated General Fund adopted budget expenditures (excluding other financing sources or any special items) should not exceed 15% with an aggregate ten-year principal payout ratio target of 55% or better.

RESERVE POLICIES

Reserve fund will be established and maintained to ensure the continued delivery of Town services. The Town desires to maintain a prudent level of financial reserves to guard against service disruption in the event of temporary revenue shortfalls or unexpected one-time expenditures. The reserves have been accumulated to provide stability and flexibility, to respond to unexpected adversity and/or opportunities, and to stabilize fluctuations in operations' cash flows and rates. Capital reserve funds are accumulated over time and used to complete capital projects, acquire major capital assets and support economic development projects.

1. Unassigned Fund Balances will mean funds that remain available for appropriation by the Town Council after all commitments for future expenditures, required reserves defined by State statutes, and previous Council designations have been calculated. The Town will define these remaining amounts as "available fund balances."
2. Available fund balances at the close of each fiscal year should be between 20 and 25% of the most recent year's total annual General Fund adopted operating budget.
3. Available fund balance in excess of 30% of the total General Fund adopted budget calculated after the completion of the annual audit will be transferred to the community investment fund.
4. The Town Council may, from time to time, have appropriate fund balances that will reduce available fund balances below the 20% policy minimum for the purposes of a declared fiscal emergency or other such global purpose as to protect the long-term fiscal security of the Town of Apex. In such circumstances, the Council will adopt a plan to restore the available fund balances to the policy level within 36 months from the date of the appropriation. If restoration cannot be accomplished within such time period without severe hardship with the Town, then the Council will establish a different but appropriate time period.

BUDGET POLICIES

1. The Town will develop the Annual Budget in conjunction with a stated program of performance objectives, strategic goals as established by Council and measures with which to gauge progress toward meeting those objectives.
2. The Town will use the dedicated fund source allocation methodology for appropriating the property tax rate. The current allocations are for general government services, debt service and affordable housing.
3. Public utility rates will be established at the appropriate level to enable the related funds to be self-supporting. This includes water and wastewater, electric and stormwater service.
4. One-time or other special revenues will not be used to finance continuing Town operations but instead will be used for funding special projects.
5. The Town will pursue an aggressive policy seeking the collection of delinquent utility, license, permit and other fees due to the Town.
6. The Town Council will receive a financial report on a quarterly basis, showing year-to-date revenues and expenditures and comparing each amount to the budget as amended.

Balanced Budget:

Pursuant to the North Carolina General Statute, local governments are required to present and operate under an annual balanced budget ordinance. The North Carolina Local Government Budget and Fiscal Control Act defines a balanced budget as the sum of estimated net revenues and appropriated fund balances is equal to expenditure appropriations.

CASH MANAGEMENT AND INVESTMENT POLICIES

1. It is the intent of the Town that public funds will be invested to the extent it is possible to reduce the need for property tax revenues. Funds will be invested with the chief objectives of safety of principal, liquidity, and yield, in that order. All deposits and investments in Town funds will be in accordance with N.C.G.S. 159.
2. The Town will use a central depository to maximize the availability and mobility of cash for all funds that can be legally and practically combined.
3. Cash flows will be forecasted, and investments will be made to mature when funds are projected to be needed to meet cash flow requirements.

4. Liquidity: No less than 20% of funds available for investment will be maintained in liquid investments at any point in time.
5. Maturity: All investments will mature in no more than thirty-six (36) months from their purchase date.
6. Custody: All investments will be purchased "payment-versus-delivery" and if certificated will be held by the Finance Officer in the name of the Town. All non-certificated investment will be made in book-entry form in the name of the Town with the Town's third-party Custodian (safekeeping agent).
7. Authorized Investments: The Town may deposit Town Funds into: Any Board approved Official Depository, if such funds are secured in accordance with NCGS-159 (31). The Town may invest Town Funds in: the North Carolina Capital Management Trust or equivalent agency, US Treasury Securities, US Agency Securities specifically authorized in GS-159 and rated no lower than "AAA", and Commercial Paper meeting the requirements of NCGS-159 plus having a national bond rating.
8. Diversification: No more than 5% of the Town's investment funds may be invested in a specific company's commercial paper and no more than 20% of the Town's investment funds may be invested in commercial paper. No more than 25% of the Town's investments may be invested in any one US Agency's Securities.
9. Allocation: Investment income will be allocated to each participating fund or account based on a fair and equitable formula determined by the Finance Director.
10. Reporting: The Town Council will receive copies of the Town's "Report of Deposits and Investments" (LGC Form 203) filed semiannually with the Local Government Commission.

PUBLIC UTILITIES – FISCAL POLICIES:

RESERVED FOR FUTURE USE

GLOSSARY OF BUDGET TERMS

- **Ad Valorem Tax:** A property tax levied according to the tax valuation as assessed by the county
- **Annual Budget:** budget coverage for a single fiscal year (July 1st to June 30th)
- **Appropriation:** The amount budgeted on an annual basis to cover projected expenditure which has been legally authorized by Town Council
- **Assessed Valuation:** The value of real estate or personal property as determined by tax assessors and used as a basis for levying taxes
- **Assessment:** The process for determining values of real and personal property for taxation purposes
- **Budget:** A plan covering a fiscal year which projects expenditure for providing services and revenues to finance them. The Town's adopted budget is the official expenditure policy of the Town Council and effective tool for managing Town operations. The budget is a legal instrument by which Town funds are appropriated for specific purposes and by which Town government positions are authorized. N.C. General Statutes require the budget to be balanced.
- **Capital outlay:** Expenditure resulting in the acquisition of or addition to the Town's general fixed assets costing more than \$5,000 and having a useful life of greater than three years.
- **Capital improvement plan:** A long-range plan of proposed capital improvement projects, which includes estimated project costs and funding sources, that the Town expects to carry out over a five-year period. The program is updated annually to reassess capital needs and for the preparation of the capital budget.
- **Fiscal year:** A twelve-month period (July 1st through June 30th) to which the annual operating budget applies and at the end of which an assessment is made of the Town's financial condition and the performance of its operations.
- **General Fund:** A fund which provides for the accounting of all financial resources except those designated to other funds. Most of the basic government services, such as police, fire, sanitation, or street maintenance are accounted for in this fund. For the purposes of calculations, General Fund is interchangeable with consolidated General Fund as defined within GASB 54.
- **Tax rate:** The amount of tax stated in terms of a unit of the tax base (i.e. \$0.34 per \$100 valuation)