



## TOWN COUNCIL AGENDA ITEM

**MEETING DATE: October 8, 2024**

Agenda Title/Category:	<b>Financial Policies / New Business</b>			
Staff Contact/Presenter:	<b>Christopher Tucker, Finance Director</b>			
Meets Strategic Initiative or Approved Plan:	<b>Yes</b>	<b>No</b>	If yes, list:	<b>N/A</b>
Background:	<p>As part of our engagement with Davenport, staff asked for them to review and update our financial policies.</p> <p>The main policy the town had on the books was the Fund Balance policy of 40%.</p> <p>With the Town moving into a second debt issuance, which was potentially a public sale, it is best practice to have a broader set of financial policies that would be viewed favorably by potential rating agencies.</p>			
Discussion:	<p>Davenport has prepared several financial guidelines under one policy manual. We have discussed several of these in our work sessions, but this action will put them into place.</p> <p>Of note, it is proposed to reduce the fund balance policy from 40% to a range of 24%-32%. Also of note, several debt ratios will now come into play when shaping how we issue debt. A cash management and investment policy are also included.</p>			
Fiscal impact:	<p>These policies will affect and shape how we position the Town financially, while also clearly defining certain roles and expectations in Finance.</p>			
Attachments:	<b>Financial Policy Guidebook</b>			
Recommended Motion to be made by Council:	<b>Approve as presented</b>			

# Financial Policy Guidelines



For:

Pineville, North Carolina

Proposed on 8/26/24

Adopted on \_\_\_\_\_

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# Financial Policy Guidelines

Town of Pineville, North Carolina

Financial Policy Guidelines – Adopted \_\_\_\_\_



## FINANCIAL POLICY GUIDELINES - OBJECTIVES

This financial policy is a statement of the guidelines and goals that will influence and guide the financial management practice of the Town of Pineville, North Carolina (the “Town” or “Pineville”). A financial policy that is adopted, adhered to, and regularly reviewed is recognized as the cornerstone of sound financial management. Effective financial policy:

- Contributes significantly to the Unit’s ability to insulate itself from fiscal crisis,
- Enhances 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 Unit rather than single issue areas,
- Promotes the view of linking long-run financial planning with day-to-day operations, and
- Provides the Staff, the Town Council and citizens a framework for measuring the fiscal impact of government services against established fiscal parameters and guidelines.
- To these ends, the following financial policy statements are presented.

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# Financial Policy Guidelines

Town of Pineville, North Carolina

Financial Policy Guidelines – Adopted \_\_\_\_\_

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## CAPITAL IMPROVEMENT BUDGET POLICIES

1. The Town will consider all capital improvements in accordance with an adopted capital improvement program.
2. The Town, will develop a five-year Capital Improvement Program and review and update the plan annually.
3. The Town will enact an annual capital budget based on the five-year capital improvement plan. Future capital expenditures necessitated by changes in population, changes in real estate development, or changes in economic base will be calculated and included in capital budget projections.
4. The Town, will coordinate development of the capital improvement budget with development of the operating budget. Future operating costs associated with new capital improvements will be projected and included in operating budget forecasts.
5. The Town will use intergovernmental assistance to finance only those capital improvements that are consistent with the capital improvement plan and Town priorities, and whose operating and maintenance costs have been included in operating budget forecasts.
6. The Capital Improvement Program will include the estimated costs for the Town to maintain all assets at a level adequate to protect the Town's capital investment and to minimize future maintenance and replacement costs.
7. The Capital Improvement Program will include a projection of the Town's equipment replacement and maintenance needs for the next several years and will update this projection each year. From this projection a maintenance and replacement schedule will be developed and followed.
8. The Town, will identify the estimated costs and potential funding sources for each capital project proposal before it is submitted for approval.
9. The Town will attempt to determine the least costly and most flexible financing method for all new projects.

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# Financial Policy Guidelines

Town of Pineville, North Carolina

Financial Policy Guidelines – Adopted \_\_\_\_\_

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## DEBT POLICIES

### General

1. The Town will confine long-term borrowing to capital improvements or projects that cannot be financed from current revenues except where approved justification is provided.
2. The Town will take a balanced approach to capital funding utilizing debt financing, Capital Reserves and pay-as-you go funding.
3. When the Town finances capital improvements or other projects by issuing bonds or entering into capital leases, it will repay the debt within a period not to exceed the expected useful life of the project.
4. The Town will monitor existing debt obligations for potential refinancing and/or pre-payments options to reduce total interest costs when possible.
5. Target debt ratios will be calculated at least annually and included in a review of financial trends.
6. The Finance Director shall maintain a system of recordkeeping and reporting to meet the arbitrage rebate compliance requirements for the federal tax code.
7. The Finance Director will be responsible for continuing disclosure obligations under 15c2-12 as required under Continuing Disclosure Agreements and / or bank loan documents associated with existing debt outstanding.

### Tax Supported Debt

8. Net debt as a percentage of estimated market value of taxable property shall not exceed **2.0%**. Net debt is defined as any and all debt that is tax-supported.
9. The Town will strive to maintain a ratio of tax-supported debt service expenditures as a percent of total governmental fund expenditures of **20.0% or less** with a minimum aggregate ten-year tax-supported principal payout ratio of **50%**.
10. In the event that the Town anticipates exceeding the policy requirements stated in items 8 and 9 above, Staff may request an exception from the Town Council stating the reason and length of time.

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Town of Pineville, North Carolina

Financial Policy Guidelines – Adopted \_\_\_\_\_

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## GENERAL FUND RESERVE POLICIES

1. The Town will target Unassigned Fund Balance, as defined by the Governmental Accounting Standards Board, equal to **32% (4 months)** of the General Fund Budget and maintain a minimum Unassigned Fund Balance at the close of each fiscal year equal to **24% (3 months)** of the General Fund Budget.
2. In the event that funds are available over and beyond the targeted amount, those funds may be appropriated for one-time expenditures (such as capital) or transferred to capital reserve funds or capital projects funds at the Town Council's discretion.
3. The Town Council may, from time-to-time, utilize fund balances that will reduce Unassigned Fund Balance below the **24%** minimum for the purposes of a declared fiscal emergency or other such purpose as to protect or enhance the long-term fiscal security of the Town. In such circumstances, the Town Council will adopt a plan to restore the Unassigned Fund Balance to the minimum policy level within a reasonable period of time.

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# Financial Policy Guidelines

Town of Pineville, North Carolina

Financial Policy Guidelines – Adopted \_\_\_\_\_

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## BUDGET DEVELOPMENT POLICIES

1. The Budget Process will be compliant with the North Carolina Local Government Budget and Fiscal Control Act.
2. One-time or other special revenues will not be used to finance continuing Town operations but instead will be used for funding special projects.
3. The Town will pursue an aggressive policy seeking the collection of current and delinquent property taxes, utility, license, permit and other fees due to the Town.
4. Budget amendments will be brought to the Town Council for consideration as needed.
5. The Town Council will receive a financial report at least **quarterly** showing year-to-date revenues and expenditures and comparing each amount to the budget as amended.



## CASH MANAGEMENT/INVESTMENT POLICIES

1. It is the intent of the Town that public funds shall be invested to the extent possible to reduce the need for property tax revenues. Funds shall be invested with the emphasis on safety and liquidity. Yield shall be a secondary consideration. All deposits and investments of Town funds shall be in accordance with NCGS 159.
2. The Finance Director will establish a Cash Management Program that maximizes the amount of cash available for investment.
3. 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.
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 **sixty (60)** months from their purchase date.
6. Custody: All investments will be purchased “payment-verses-delivery” and if certificated will be held by the Finance Officer in the name of the Town. All non-certificated investment will be held 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 Town Council 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, 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: Not less than **twice per year** the Finance Director will provide an investment report to the Manager and Town Council including the interest earned in the past six months and on the current investment portfolio including: type of investment, purchase date, price, par amount, maturity date, coupon rate, and any special features.