

ORANGE COUNTY BOARD OF COMMISSIONERS

AGENDA

BOCC Budget Work Session

June 16, 2016

7:00 p.m.

Southern Human Services Center

2501 Homestead Road, Chapel Hill, NC

- | | | |
|-----------|----|--|
| 7:00-7:15 | 1. | Discussion of Appropriate Level of General Fund Reserves |
| 7:15:7:25 | 2. | Vehicle Replacement Schedule for FY 2016-17 |
| 7:25-8:30 | 3. | Discussion of Budget Amendment List for FY2016-17 Operating Budget and FY2016-21 Capital Investment Plan <ul style="list-style-type: none">• Operating Budget Amendment List and Decision Items for the County's FY2016-17 Annual Operating Budget• Capital Investment Plan Budget Amendment List and Decision Items for FY2016-17 CIP Funding• Other Funds Budget Amendment List and Decision Items for Other Funds FY2016-17 Budget |
| 8:30-8:45 | 4. | Accept the FY2016-21 Capital Investment Plan and Approve the Intent to Adopt Capital Funding for FY2016-17 |
| 8:45-9:15 | 5. | FY2016-17 Annual Operating Budget Decision Items <ul style="list-style-type: none">• Approve the Amendments for the County's Annual Operating Budget• Funding for Chapel Hill-Carrboro City Schools and Orange County Schools• Tax Rate Decisions<ul style="list-style-type: none">i. Ad Valorem Taxii. Chapel Hill Carrboro City Schools Special District Taxiii. Fire District Tax Rates• County Fee Schedule |

- 9:15-9:45 6. Break (to allow Finance and Administrative Services to formulate Draft Resolution of Intent to Adopt FY2016-17 Budget)
- 9:45-10:00 7. Resolution of Intent to Adopt FY2016-17 Annual Operating Budget
- Approval of Resolution of Intent to Adopt FY2016-17 Annual Operating Budget at the Board of County Commissioners Regular Meeting on June 21, 2016

Orange County Board of Commissioners' regular meetings and work sessions are available via live streaming video at http://www.orangecountync.gov/departments/board_of_county_commissioners/videos.php and Orange County Gov-TV on channels 1301 or 97.6 (Time Warner Cable).

**ORANGE COUNTY
BOARD OF COMMISSIONERS**

ACTION AGENDA ITEM ABSTRACT

Meeting Date: June 16, 2016

**Action Agenda
Item No. 1**

SUBJECT: Discussion of Appropriate Level of General Fund Reserves

DEPARTMENT: County Manager, Finance and
Administrative Services

ATTACHMENT(S):

1. Orange County Board of
Commissioners Fund Balance
Management Policy

UNDER SEPARATE COVER

2. *PowerPoint presentation-Appropriate
Levels of Unassigned Fund Balance
(To be provided at the meeting)*

INFORMATION CONTACT:

Bonnie Hammersley, (919) 245-2300
Travis Myren, (919) 245-2308
Gary Donaldson, (919) 245-2453
Paul Laughton, (919) 245-2152

PURPOSE: To discuss the appropriate level of General Fund Reserves.

BACKGROUND: Orange County's current Fund Balance Policy states that "The County will strive to maintain an **unassigned** fund balance in the General Fund of 17 percent of budgeted general fund operating expenditures each year. The amount of **unassigned** fund balance maintained during each fiscal year should not fall below 8 percent of budgeted general fund operating expenditures, as recommended by the North Carolina Local Government Commission."

The attached PowerPoint (under separate cover - to be provided at the meeting) includes recommendations by the Government Finance Officers Association of the U.S. and Canada on appropriate levels of unassigned General Fund balance and the Rating Agencies scorecard for assessing state and local governments.

FINANCIAL IMPACT: There is no financial impact related to discussion and receiving information of the recommended appropriate levels of General Fund Reserves.

SOCIAL JUSTICE IMPACT: There are no Social Justice Goal impacts associated with this item.

RECOMMENDATION(S): The Manager recommends that the Board discuss the appropriate levels of General Fund Reserves and provide direction to staff.

ORANGE COUNTY BOARD OF COMMISSIONERS FUND BALANCE MANAGEMENT POLICY

The Fund Balance Management Policy is intended to address the needs of Orange County (County), in the event of unanticipated and unavoidable occurrences which could adversely affect the financial condition of the County and thereby jeopardize the continuation of necessary public services. This policy will ensure the County maintains adequate fund balance and reserves in the County's **Governmental Funds** to provide the capacity to:

1. Provide sufficient cash flow for daily financial needs,
2. Secure and maintain investment grade bond ratings,
3. Offset significant economic downturns or revenue shortfalls, and
4. Provide funds for unforeseen expenditures related to emergencies.

Fund Balance for the County's **Governmental Funds** will be comprised of the following categories:

1. Nonspendable - amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
2. Restricted – amounts externally imposed by creditors (debt covenants), grantors, contributors, laws, or regulations of other governments.
3. Committed – amounts used for a specific purpose pursuant to constraints imposed by formal action of the government's highest level of decision-making authority.
 - a. Amounts set aside based on self-imposed limitations established and set in place prior to year-end, but can be calculated after year end.
 - b. Limitation imposed at highest level and requires same action to remove or modify
 - c. Ordinances that lapse at year-end
4. Assigned - amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed.
5. Unassigned – amounts that are not reported in any other classification.

The General Fund will be the only fund that will have an unassigned fund balance. The Special Revenue Funds and Capital Project funds will consist of only nonspendable, restricted, committed and assigned categories of fund balance.

Unassigned Fund Balance – General Fund

Orange County has adopted a fiscal policy that provides for capital projects to be financed with debt and pay-as-you-go funding. In order to obtain the best possible financing, the County has adopted policies designed to maintain bond ratings at or better than AAA (Fitch), Aa2 (Moody's Investor Services) and AA+ (Standard & Poor's). Part of the County's fiscal health is maintaining a fund balance position that rating agencies feel is adequate to meet the County's needs and challenges.

Orange County has therefore adopted a policy that requires management to maintain an **unassigned balance** as follows:

1. The County will strive to maintain an **unassigned** fund balance in the General Fund of 17% percent of budgeted general fund operating expenditures each fiscal year. The amount of **unassigned** fund balance maintained during each fiscal year should not fall below 8% percent of budgeted general fund operating expenditures, as recommended by the North Carolina Local Government Commission.
2. To the extent that the General Fund **unassigned** fund balance exceeds 17% percent, the balances may be utilized to fund capital expenditures or pay down outstanding County debt.
3. **The County's budget and revenue spending policy provides for programs with multiple revenue sources. The Financial Services Director will use resources in the following hierarchy: bond proceeds, Federal funds, State funds, local non-county funds, county funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance, and lastly, unassigned fund balance. The Financial Services Director has the authority to deviate from this policy if it is in the best interest of the County with Board of County Commissioner's approval.**
4. **Management is expected to manage the budget so that revenue shortfalls and expenditure increases do not impact the County's total unassigned fund balance. If a catastrophic economic event occurs that requires a 10% or more deviation from total budgeted revenues or expenditures, then unassigned fund balance can be reduced by action from the Board of County Commissioners; the Board also will adopt a plan of action to return spendable fund balance to the required level.**

Enterprise Funds - (Solid Waste, Efland Sewer, and the Orange County Sportsplex) – The County will strive to maintain unrestricted net assets greater than 8% of total operating revenues at fiscal year-end, net of any donated assets recognized, to provide reserves for operations and future capital improvements.

Restrictions, reservations, and designations of Net Assets for Enterprise Funds

For external reporting purposes, net assets will be reported as restricted or unrestricted in accordance with GAAP. For internal purposes, net assets will be reserved or designated as follows:

1. Encumbered balances to continue existing projects are designated.
2. Designations for funding of planned projects in a future period to reduce the financial demands placed upon a subsequent budget.

Internal Service Funds – Dental Insurance Fund - total net assets shall maintain a positive balance to illustrate the internal nature of recovery fees for services performed in self-insuring employees of the County. Additionally, the net assets of the fund will demonstrate adequate funding for incurred, but not reported claims.

Rescission

This policy supersedes any policy in place prior to this date.

April 5, 2011

**ORANGE COUNTY
BOARD OF COMMISSIONERS**

ACTION AGENDA ITEM ABSTRACT

Meeting Date: June 16, 2016

**Action Agenda
Item No. 2**

SUBJECT: Vehicle Replacement Schedule for FY 2016-17

DEPARTMENT: County Manager, Finance and
Administrative Services, and
Asset Management Services

ATTACHMENT(S):

1. Vehicle Replacement Schedule

INFORMATION CONTACT:

Bonnie Hammersley, (919) 245-2300
Travis Myren, (919) 245-2308
Gary Donaldson, (919) 245-2453
Paul Laughton, (919) 245-2152
Jeff Thompson, (919) 245-2658

PURPOSE: To review and discuss the recommended Vehicle Replacement Schedule for FY2016-17.

BACKGROUND: In FY 2012-13, the Commissioner Approved Budget established a second Internal Service Fund, for County vehicle purchases. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the functions of the County. Historically, the County has used an internal service fund to account for one activity - its employee dental insurance program. With the creation of this Vehicle Replacement Fund, vehicles purchased occur through this fund instead of the departments' operating budgets. The change centralizes vehicle purchases, which increases the effectiveness of vehicle performance and cost monitoring.

The current internal services fund is still being subsidized by the general fund. In the spring and summer of 2016, staff will be working with a recognized fleet services consulting firm to fully optimize the internal services fund model for Orange County. This optimization will influence recommendations for the internal services fund starting in FY 17-18.

Recommendations for vehicle replacements are based on vehicle age, mileage, maintenance costs, fuel efficiency, and departmental mission need. The average age and accumulated mileage of the recommended replacements are 12 years and 161,754 miles, respectively. The vehicle replacement process is a dynamic process that unfolds over the course of a year. During the replacement cycle vehicles originally listed for replacement may ultimately not be selected for replacement as other fleet vehicles become a higher priority for replacement.

The FY2016-17 recommendation involves public safety vehicles only in anticipation of the significant structural optimization expected within the Fleet Internal Services Fund to be recommended for FY2017-18 and beyond.

Attachment 1 outlines the recommended vehicle requests for FY 2016-17. Pricing is based upon the current state contract rates. If the Board of Commissioners approve of this recommended list, the financing amount of \$789,722 will be included in the FY 2016-17 Budget Ordinance to allow these vehicles to be ordered and placed into service in the early fall of 2016.

FINANCIAL IMPACT: If approved by the Board of Commissioners, the vehicles listed on the Vehicle Replacement Schedule, totaling \$789,722, will be included in the planned Fall 2016 Financing package.

SOCIAL JUSTICE IMPACT: There are no Social Justice Goal impacts associated with this item.

RECOMMENDATION(S): The Manager recommends that the Board accept the recommended Vehicle Replacement Schedule for FY2016-17, and authorize staff to include this as part of the FY 2016-17 Budget Ordinance.

ATTACHMENT 1

Vehicle Replacement - Internal Service Fund

Purpose of Fund

In FY 2012-13, the Commissioner Approved Budget established a second Internal Service Fund, for County vehicle purchases. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the functions of the County. Historically, the County has used an internal service fund to account for one activity - its employee dental insurance program. With the creation of this Vehicle Replacement Fund, vehicles purchased occur through this fund instead of the departments' operating budgets. The change centralizes vehicle purchases, which increases the effectiveness of vehicle performance and cost monitoring.

The current internal services fund is still being subsidized by the general fund. In the spring and summer of 2016, staff will be working with a recognized fleet services consulting firm to fully optimize the internal services fund model for Orange County. This optimization will influence recommendations for the internal services fund starting in FY 17-18.

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The FY2016-17 recommendation involves public safety vehicles only in anticipation of the significant structural optimization expected within the Fleet Internal Services Fund to be recommended for FY2017-18 and beyond.

Recommended replacement vehicle platforms are the Dodge Charger for the Sheriff's office patrol vehicle (high performance highway and street use); the Dodge Durango All Wheel Drive for heavy all-terrain use and for emergency operations support in inclement weather; the four wheel drive Ford F250 for heavy utility use within Animal Services Operations; and the Ford F550 chassis/Horton medical service carriage package for the ambulance need. Specialized vehicle platforms are also included to meet specific departmental service needs. All platforms are evaluated for department mission utility, durability, maintenance standardization, and fuel efficiency.

The list below outlines recommended vehicle requests for FY 2016-17. Pricing is based upon the current state contract rates. If the Board of Commissioners approve of this recommended list, the financing amount of \$789,722 will be included in the FY 2016-17 Budget Ordinance to allow these vehicles to be ordered and placed into service in the early fall of 2016.

ATTACHMENT 1**FY 2016-17 Recommended Vehicles**

Department	Item Description	Cost
Animal Services	(1) Ford F250 Truck 4x4, includes aftermarket upfit costs <u>Replaces:</u> #668 - 2005 Chevrolet Silverado 1500	\$45,648
Emergency Services	(2) Dodge Durango SSV All Wheel Drive, 4X4 <u>Replaces:</u> #660 – 2006 Ford Expedition #661 – 2006 Ford Expedition	\$78,949
	(1) Ambulances – Supplied by Horton Emergency Vehicles (Ambulance platform is built on Ford F550 Cab and chassis with 4x4) <u>Replaces:</u> #714 - 2007 Ford F-450 Ambulance	\$235,000
Sheriff	(15) Dodge Charger Police Package Rear Wheel Drive <u>Replaces:</u> 15 patrol vehicles to be identified later	\$430,125
FY 2016-17 Recommended Total:		\$789,722
FY 2016-17 Source of Funds: Short-term Installment Financing		(\$789,722)

Note: 1. Does not reflect vehicle request attached to new position requests. Such requests will be evaluated as part of the budget process.

**ORANGE COUNTY
BOARD OF COMMISSIONERS**

ACTION AGENDA ITEM ABSTRACT

Meeting Date: June 16, 2016

**Action Agenda
Item No. 3, 5, & 7**

SUBJECT: FY2016-17 Annual Operating Budget Decision Items

DEPARTMENT: County Manager and Finance
and Administrative Services

ATTACHMENT(S):

1. FY2016-17 Budget Adoption Decision Points

INFORMATION CONTACT:

Bonnie Hammersley, (919) 245-2300
Travis Myren, (919) 245-2308
Gary Donaldson, (919) 245-2453
Paul Laughton, (919) 245-2152

PURPOSE: For the Board to review, discuss and make decisions regarding the FY2016-17 Manager's Recommended Orange County Annual Operating Budget and approve a Resolution of Intent to Adopt the FY2016-17 Orange County Annual Operating Budget.

BACKGROUND: The County Manager presented the FY2016-17 Recommended Budget on May 5, 2016. Subsequently, the Board has conducted two public hearings to receive residents' comments regarding the proposed funding plan. In addition to the public hearings, the Board heard presentations and held discussions with representatives of the County fire districts, the local boards of education, representatives of the community college, and County Functional Leadership Teams as related to the proposed funding plan for FY2016-17.

Tonight's Agenda

Tonight's work session offers the Board an opportunity to discuss the recommended budget, including discussion and review of the Budget Amendment list. As soon as these discussions are completed, the Board will deliberate and make decisions regarding the FY2016-17 Annual Operating Budget. Attachment 1 identifies specific items the Board would need to decide during tonight's work session. The Board is scheduled to adopt the final FY2016-17 Annual Operating Budget for Orange County at its regular meeting on June 21, 2016.

FINANCIAL IMPACT: To be determined as the Board finalizes the FY2016-17 Annual Operating Budget.

SOCIAL JUSTICE IMPACT: There are no Social Justice Goal impacts associated with this item.

RECOMMENDATION(S): The Manager recommends the Board make decisions regarding the FY2016-17 Orange County Annual Operating Budget and approve a Resolution of Intent to Adopt the FY2016-17 Orange County Annual Operating Budget.

ATTACHMENT 1

**Orange County, NC FY 2016-17
Budget Adoption Decision Points**

June 16, 2016

Decision Point 1	Approve the Amendments for the County's FY 2016-17 Annual Operating Budget
Decision Point 2	Funding for Chapel Hill-Carrboro City Schools and Orange County Schools <ul style="list-style-type: none"> • Current Expense (Per Pupil) Funding • Recurring Capital • Long-Range Capital
Decision Point 3	Tax Rate Decisions <ul style="list-style-type: none"> • Ad Valorem Tax Rate • Chapel Hill-Carrboro City Schools Special District Tax Rate • Fire District Tax Rates
Decision Point 4	County Fee Schedule Decisions

**ORANGE COUNTY
BOARD OF COMMISSIONERS**

ACTION AGENDA ITEM ABSTRACT

Meeting Date: June 16, 2016

**Action Agenda
Item No. 4**

SUBJECT: FY2016-21 Capital Investment Plan - Accept the Five Year Capital Investment Plan and Approve the Intent to Adopt Capital Funding for FY2016-17

DEPARTMENT: County Manager and Finance
and Administrative Services

ATTACHMENT(S):

INFORMATION CONTACT:

Bonnie Hammersley, (919) 245-2300
Travis Myren, (919) 245-2308
Gary Donaldson, (919) 245-2453
Paul Laughton, (919) 245-2152

PURPOSE: FY2016-21 Capital Investment Plan - Accept the Five Year Capital Investment Plan and Approve the Intent to Adopt Capital Funding for FY2016-17.

BACKGROUND: For over 20 years, the County has produced a Capital Investment Plan (CIP) that establishes a budget planning guide related to capital needs for the County as well as Schools. The current CIP consists of a 5-year plan that is evaluated annually to include year-to-year changes in priorities, needs, and available resources. Approval of the CIP commits the County to the first year funding only of the capital projects; all other years are used as a planning tool and serves as a financial plan.

Capital Investment Plan – Overview

The FY 2016-21 CIP includes County Projects, School Projects, and Proprietary Projects. The School Projects include Chapel Hill Carrboro City Schools, Orange County Schools, and Durham Technical Community College – Orange County Campus projects. The Proprietary Projects include Water and Sewer, Solid Waste Enterprise Fund, and Sportsplex projects.

The CIP has been prepared anticipating continued slow economic growth of between 1-2% annually over the next five years. Many of the projects in the CIP will rely on debt financing to fund the projects.

FINANCIAL IMPACT: The Five Year Capital Investment Plan is a long-range financial planning tool with a financial impact in FY2016-21, if the first year of the CIP is approved by the Board of County Commissioners with the adoption of the Annual Operating Budget.

SOCIAL JUSTICE IMPACT: There are no Social Justice Goal impacts associated with this item.

RECOMMENDATION(S): The Manager recommends that the Board accept the Five Year Capital Investment Plan and Approve the Intent to Adopt Capital Funding for FY2016-17.