

COUNTY COUNCIL OF BEAUFORT COUNTY

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COUNTY ATTORNEY

SUZANNE M. RAINEY
CLERK TO COUNCIL

AGENDA

FINANCE COMMITTEE

Monday, February 3, 2014

1:00 p.m.

Executive Conference Room
Administration Building

Committee Members:

Rick Caporale, Chairman
Steve Fobes, Vice Chairman
Brian Flewelling
William McBride
Stu Rodman
Jerry Stewart

Staff Support

Alicia Holland, Chief Financial Officer

1. CALL TO ORDER – 1:00 P.M.
2. AN ORDINANCE TO ESTABLISH A GENERAL FUND RESERVE POLICY FOR BEAUFORT COUNTY, SOUTH CAROLINA
 - A. General Fund Reserve Policy Ordinance ([backup](#))
 - B. Comparisons to Other Counties (Aa2, Aa1 and AAA) ([backup](#))
 - C. Operating Reserve Fund Suggested Policy ([backup](#))
 - D. General Fund Balance Policy Proposal ([backup](#))
3. IF TIME ALLOWS / FURTHER DISCUSSION OF FINANCE SUBCOMMITTEE ITEMS FROM JANUARY 6 AND CIP PRESENTATION FROM JANUARY 21, 2014
4. FY 2015 BUDGET PREPARATION SCHEDULE ([backup](#))
5. ADJOURNMENT



ORDINANCE NO. _____

**AN ORDINANCE TO ESTABLISH A GENERAL FUND RESERVE POLICY FOR
BEAUFORT COUNTY, SOUTH CAROLINA**

WHEREAS, Beaufort County Council operates as a Council-Administrator form of government; and,

WHEREAS, the County Council has the power to establish by ordinance a General Fund Reserve Policy and has identified the need for such a policy as a top fiscal priority at its last two annual retreats; and,

WHEREAS, the County Council desires, as part of its long range financial planning, to achieve a goal of maintaining a fund balance of at least five (5) months of anticipated total General Fund expenditures as an undedicated General Fund, fund balance reserve; and,

WHEREAS, a formal reserve policy is recommended by various finance and accounting professional organizations and independent bond rating agencies; and,

WHEREAS, it is recognized by the Government Accounting Standards Board and the Government Finance Officers Association that it is prudent for local government entities to establish a formal reserve policy for General Operating Funds.

**NOW, THEREFORE, BE IT ORDAINED BY THE COUNTY COUNCIL OF
BEAUFORT COUNTY, SOUTH CAROLINA, THAT SECTIONS 2-403 THROUGH 2-405
OF THE BEAUFORT COUNTY CODE OF ORDINANCES ARE HEREBY CREATED AND
PROVIDE AS FOLLOWS:**

SECTION 2-403. Establishment of General Fund Reserve Policy

Beaufort County Council hereby establishes a General Fund Reserve Policy which shall require the maintenance of a fund balance of at least five (5) months of anticipated total General Fund expenditures as an undedicated General Fund, fund balance reserve.

SECTION 2-404. Use of General Fund Reserve Balances, Minimum Maintained Fund Balance

The General Fund, fund balance reserve may only be used in certain limited situations such as to stabilize revenues, mitigate a projected deficit in the current operating period, retire or defease outstanding bonds or notes of the County, fund one-time or unanticipated expenditures, and pay judgments or otherwise settle legal disputes and claims.

Any legislative action that results in reducing General Fund reserves below the five (5) month threshold shall contain a provision specifically authorizing the use of such reserves.

The County Administrator shall use his or her best efforts to inform the Council, when possible, and with as much advance time as may be practical under the circumstances, whenever the

County has obligations that would reasonably be expected to result in the General Fund reserves to decline below the five (5) month threshold.

At any other time that the Council determines that the use of General Fund reserves within the five (5) month threshold is needed for one or more of the reasons provided for in this section, the Council shall by resolution, authorize the use of such reserves.

At no time shall County Council take action which shall have the effect of reducing the General Fund, fund balance reserve to an amount below an average of two (2) months worth of total General Fund expenditures without first declaring that an emergency exists within the County thereby necessitating the use of such funds.

SECTION 2-405. Effective Date and Date of Compliance.

It is necessary that this Ordinance become effective immediately upon its adoption to ensure the long term financial health and stability of Beaufort County, South Carolina.

It is acknowledged that the current amount of General Fund reserves would not be sufficient to meet the five (5) month threshold established by this Ordinance. Additionally, it is anticipated that it will take several years of prudent and responsible financial management to build up the General Fund reserves in order to satisfy the goals of this policy. Therefore, Beaufort County Council shall strive to reach compliance with this stated General Fund, fund balance reserve policy within six (6) years of its adoption, or July 1, 2020, whichever is later. If Beaufort County Council shall not have reached compliance with this policy by this date, it shall, by appropriate legislation, take such actions as it may deem necessary to achieve compliance with this policy.

Adopted this ____ day of _____, 2014.

COUNTY COUNCIL OF BEAUFORT COUNTY

BY: _____
D. Paul Sommerville, Chairman

APPROVED AS TO FORM:

Joshua A. Gruber, Staff Attorney

ATTEST:

Suzanne M. Rainey, Clerk to Council

First Reading:
Second Reading:
Public Hearing:
Third and Final Reading:

Comparisons to Other Counties (Aa2, Aa1 and AAA)

Selected Financials and other Datapoints	Beaufort County				National Aa1 Medians	Charleston County	Richland County	Lexington County	Berkeley County	Dorchester County	Colleton County	Greenville County
	2010	2011	2012	2013*	2012	2012	2012	2012	2012	2012	2012	2012
General Entity Information												
Current Rating	Aa1	Aa1	Aa1	Aa1	Aa1	Aaa	Aa1	Aa1	Aa2	Aa2	Aa3	Aaa
Statistics and Ratios												
General Fund Balance as % of Revenues	↑ 18.4	19.3	23.1	25.1	29.2	32	38.8	66.4	25.1	46.3	30.8	40.8
Total General Fund Balance (\$000)	↑ 18,241	18,720	22,342	24,221	53,323	56,459	52,193	66,490	13,811	19,070	9,187	52,219
Available GF Fund Balance as % of Revenue	↑ 16.4	16.4	20.8	22.9	27.6	31.5	38	63.6	24.6	45.7	30.1	40.7
Unassigned Fund Balance (General Fund)	↑ N/A	14,930	19,940	20,208	25,223	42,944	31,669	63,661	12,937	12,681	8,976	48,558
Total Full Value (\$000)	↑ 48,670,063	48,058,029	47,214,322	47,428,421	23,395,494	58,596,836	28,218,358	21,761,197	14,462,034	9,702,811	N/A	37,312,569
Full Value Per Capita (\$)	↑ 300,001	296,228	286,696	287,997	87,708	166,783	72,519	79,775	78,801	68,867	N/A	81,234
Direct Net Debt as % of Full Value	↓ 0.5	0.5	0.5	0.5	0.5	1.1	0.2	0.2	0.5	1.4	0.5	0.4
Debt Burden (Overall Net Debt as % Full Value)	↓ 1.7	1.8	1.7	N/A	2.4	1.5	4	2.8	N/A	1.8	0.6	3.6
Overall Net Debt Per Capita (\$)	↓ 5,231	5,288	5,010	N/A	2,282	2,451	2,917	2209	N/A	1,225	907	2,921
Debt Service as % of Operating Expenditures	↓ 3.2	18.9	20.7	N/A	8.7	12.2	10.2	3.9	6.4	5.8	23.3	17.2
Operating Surplus (Deficit) (\$000)	↑ -16,548	33,758	23,665	N/A	-2,951	-60,463	-729	13,097	22,932	5,678	2,217	-24,826
Cash & Investments (\$000)	↑ 155,497	136,306	136,316	128,072	132,421	345,166	146,641	125,177	107,146	40,685	21,133	95,611
Long-Term Debt as % of Operating Revenues	↓ 149.7	147.8	141.3	N/A	69.2	222.7	28.5	28.4	82.8	48.6	45.7	86.6
Actual/Estimated Population, Annual Value	↑ 155,215	162,233	164,684	164,684	270,851	351,336	389,116	272,781	N/A	N/A	38,153	459,324
Population Change 2000-2010 (%)	↑ 34.1	34.1	34.1	34.1	12	13	19.9	21.5	24.7	41.6	1.6	18.9

*Estimated based on the 2013 Draft CAFR

BEAUFORT COUNTY, SOUTH CAROLINA

Operating Reserve Policy

Suggested Policy

1. To maintain a general fund reserve as a percentage of the budget appropriation equal to:

25% - FY14

26% - FY15

27% - FY 16

28% - FY17

29% - FY18

30% - FY19

31% - FY20

32% - FY21

33% - FY22

And beyond

2. During the period August through October, maintain an unrestricted cash balance and immediately available credit equal to 33% of the budget appropriation.



COUNTY COUNCIL OF BEAUFORT COUNTY FINANCE DEPARTMENT

Post Office Drawer 1228
Beaufort, SC 29901-1228

TO: Councilman Stewart Rodman, Chairman, Finance Committee

VIA: Gary Kubic, County Administrator
Bryan Hill, Deputy County Administrator

FROM: Alicia Holland, CPA, Chief Financial Officer

SUBJECT: General Fund Balance Policy Proposal

DATE: November 24, 2013

BACKGROUND:

Beaufort County is required to adopt Governmental Accounting Standards Board (GASB) Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions. These Policies dictate that each governing body adopt a fund balance policy for all funds. Beaufort County Council, during the past two annual retreats, established this item as a top fiscal priority.

RECOMMENDATION:

Beaufort County will strive to maintain an average of five (5) months of total General Fund expenditures in its unassigned fund balance at June 30 of every year*. It will take the County several years to build up this balance, which equates to approximately \$42 million**.

Beaufort County shall not allow its unassigned General Fund balance to fall below an average of 2 months worth of total General Fund expenditures at June 30 of every year. This figure is approximately \$16.5 million**.

These recommendations can be achieved/maintained by Beaufort County by not utilizing the General Fund balance (except in times of emergency) during the fiscal year. Beaufort County will monitor non-spendable, restricted, committed, and assigned balances within the General Fund to ensure these balances do not increase at the expense of the unassigned balance.

NOTES/RATIONALE:

Per GASB 45, unassigned fund balances are considered liquid assets (cash, investments that mature within 1 year, and receivables that are to be collected in less than 1 year) that are not restricted for any specific purpose (i.e. they can be utilized in any way the County sees fit in the course of its business).

* - This will allow Beaufort County Council to maintain enough cash on-hand. The policy will ensure the General Fund balance will not decline to a negative balance prior to tax bills being mailed out in November of each year. Implementation of this policy will provide sufficient cash flow August through November (cash reserves are at their lowest levels) related to operating payments and reduce the County's risk of needing temporary financing to bridge the gaps to every tax billing (the use of tax anticipation notes (TNAs)).

** - These figures change every year and will correspond to audited comprehensive annual financial reports (CAFRs). 1 month's expenditures are calculated by adding the total General Fund expenditures plus transfers out then dividing that number by 12.

FY 2015 BUDGET PREPARATION SCHEDULE

October 4 Departmental Top 5 Achievement Project Due
October - November Budget Parameters Detailed
November Budget Meetings Parameters Detailed
November - March Budget Preparation and Continued Discussion
February 3 Goals and Objectives Due
February 3 Description of Services Due
February 17-March 14 Budget Preparation/Revised Goals and Objectives
February 10, 12 & 14 Budget Training
February (TBD) Council Retreat
March 10 New Personnel Request Forms Submitted to Employee Services
March 10 Vehicle Replacement Requests Due
March 10 Capital Item Requests Due
March 10 Departmental Revenue Estimates Submitted to Finance
March 10 Departmental Expenditure Requests Submitted to Finance
March 11-28 Review of Departmental Requests
March 17 Finance Committee Meeting
April 7 Finance Committee Meeting (TCL & USCB)
April 14 Finance Committee Meeting (School District & Elected)
April 21 Finance Committee Meeting (Elected Officials)
April 28 Possible Finance Committee Meeting (Sheriff & Fire Dept.)
May 5 Finance Committee Meeting
May 19 Finance Committee Meeting
May 19 First Reading of FY 2015 Budget (Bluffton)
June 9 Finance Committee Meeting
June 9 Public Hearing
June 9 Second Reading of FY 2015 Budget
June 23 Possible Finance Committee Meeting (if needed)
June 23 Third Reading and Adoption of FY 2015 Budget
July 1 Implementation of FY 2015 Budget