

# **Management Factors**

# Management Tool Checklist

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## **FINANCIAL PLANNING**

- Fund Balance Reserve
- Contingency Planning
- Multiple Fund Reserves

## **OPERATIONAL PLANNING**

- Six-Year Operating Plan
- Budget Process
- Monthly Multi-Fund Monitoring

## **DEBT MANAGEMENT**

- Debt Affordability Review
- Rapid Debt Retirement
- Debt Disclosure Policies

## **CAPITAL PLANNING**

- Six Year CIP Budget
- Dedicated Paygo Capital Funding
- Operating Impacts for CIP

# Financial Management Practices

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## ❑ Fund Balance Reserve/Working Capital Reserve

- The County practices a four-part approach to provide flexibility in the event of unexpected expenditures or loss of revenue:
  - 1) 1.25% of General Fund revenues are appropriated in a Reserve for Contingencies to be used after approval of the Board of Commissioners for unplanned expenditures or to address short-term loss of revenue. In FY 09, the reserve is 2.8% of General Fund revenues. An additional \$5.5 million was appropriated to the reserve by the Board of Commissioners due to the likelihood of mid-year State budget reductions.
  - 2) A target amount of 1.5% of General Fund revenues is maintained in a secondary reserve as a buffer against short-term revenue fluctuations. For FY 09, 1.9% of General Fund revenues are being reserved.
  - 3) A target amount of 3.0% of General Fund revenues is maintained as a reserve for extreme unforeseen expenditures. For FY 09, the Stabilization Fund is 3.0% of General Fund revenues. The need for the funds must meet specific criteria and be appropriated by the Board of County Commissioners after a public hearing.
  - 4) On a smaller scale but for specific circumstances where the County is self-insured or where expenditures can experience wide fluctuations, the Board of County Commissioners has established reserves to provide flexibility.
    - A \$1.4 million Health Claims Reserve based on plan.
    - A \$400,000 Worker's Compensation Reserve.
    - A \$500,000 Vehicle Reserve to provide for greater flexibility in planning vehicle replacement purchases.

## ❑ Multi-year Financial Forecasting

- The County maintains a six-year Operating Plan and a Community Investment Plan for expenditures built on projected revenues.
- Six-year Operating Plans for all of the Enterprise Funds continue to be developed with expenditures built on projected revenues.

# Financial Management Practices continued

- ❑ Monthly Financial Reporting
  - County staff reviews operating and capital revenues and expenditures monthly, more frequently when conditions warrant, and share with the Commissioners regularly.
- ❑ One-Time Revenues
  - Revenues identified as one-time, including General Fund revenues in excess of projected balances, are used to fund non-recurring expenditures. First priority for these revenues is given to providing paygo funding in the Capital Budget.
  - Only 1% of budgeted revenues from prior years are considered as on-going funding for budgetary purposes. Any remaining fund balance will be considered as one-time funding.
- ❑ Debt Affordability Reviews
  - Debt service and the County debt burden are compared annually to established debt affordability criteria.\*
- ❑ Paygo Capital Funding
  - The County is committed to paygo in the CIP. Average paygo funding for FY 09-FY 14 is planned at approximately 18.6% annually.
- ❑ Debt Retirement
  - As of June 30, 2008, 82.3% of bond debt owed by the County will be retired within ten years and 46.5% will be retired in five years.
- ❑ Operating Costs of Capital Projects
  - No Capital project request is considered without an estimated operating impact.
  - Operating impacts are integrated into the Operating Plan after being developed and refined with the assistance of the Department of Management and Budget.

\* Carroll County Government FY 09 Adopted Operating Budget, pages 46-47

# Financial Management Practices continued

☐ Flexibility

- Revenue Flexibility

- Flexibility remains within the tax capacity to raise property tax and/or income tax, the County's two largest revenues. Below are area county tax rates for 2008-2009:

<b>Surrounding Counties</b>	<b>Property Tax Rate</b>	<b>Income Tax Rate<sup>2</sup></b>
Baltimore	\$1.100	2.83%
Carroll	\$1.048	3.05%
Frederick	\$1.016-1.064 <sup>1</sup>	2.96%
Harford	\$1.082	3.06%
Howard	\$1.1295-1.1495 <sup>1</sup>	3.20%

1. Property Tax Rate includes fire tax supplement. 2. The maximum Income Tax Rate is set in State law at 3.20%

- CIP Funding

- On average, more than 18.6% of the FY 09-FY 14 Community Investment Plan is funded by Paygo.