



# Albemarle County

## Legislation Text

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**File #:** 22-383, **Version:** 1

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**AGENDA DATE:** 9/7/2022

**TITLE:**

Financial Management Policies Update

**SUBJECT/PROPOSAL/REQUEST:** Consider revisions to the County's Financial Management Policies

**ITEM TYPE:** Regular Action Item

**STAFF CONTACT(S):** Richardson, Rosenberg, Birch, Sumner, Bowman

**PRESENTER (S):** Birch

**LEGAL REVIEW:** Not Required

**REVIEWED BY:** Jeffrey B. Richardson

**BACKGROUND:** According to the Government Financial Officers Association (GFOA) guidelines and the County's financial advisors, financial policies should be reviewed periodically to ensure they are current and effective. The County's Financial Policies were initially adopted by the Board of Supervisors on October 5, 1994, with the last update on January 6, 2021.

**STRATEGIC PLAN:** Mission - To enhance the well-being and quality of life for all community members through the provision of the highest level of public service consistent with the prudent use of public funds.

**DISCUSSION:** Staff has conducted a review of the County's Financial Management Policies and recommends several updates. These recommendations have been reviewed by the County's financial advisors, Davenport and Company, LLC. and are attached (Attachment A). In addition to the proposed changes, Attachment A provides explanations for each specific change. In general, these changes are due to the following:

1. The Budget Stabilization Reserve is recommended to increase from 1% to 2% to help ensure the organization's and community's financial foundation and resilience. The revision in Attachment A also updates language to clarify the intent that:

- a. It is intended to be among the strategies available in a difficult budget year or unanticipated situation.
- b. It is not meant to be an ongoing source of funding for the operating budget and balances utilized should be replenished as quickly as reasonably possible.
- c. It may be used for operating or capital expenses.

2. The current policy and related calculation for sharing revenues among County Government and Public Schools operations, debt service, and capital costs is complex and challenging to prepare, communicate, and understand. Staff recommends an alternative, which has been reviewed with Public Schools staff, which seeks to simplify the policy and related formula. This alternative does not decrease planned Public School operating funding and County Government operating funding. The minimal impact on the Capital Improvements Program can be mitigated. This recommendation is discussed in detail in Attachment B.

3. Modifying some statements to be written as policies, not procedures, and removing procedural statements. Policy statements are usually expressed in broad terms, changed less frequently, and focus on the “what” and/or “why.” Procedure statements are usually more specific, prone to change as they are based on processes, and focus on the “how,” “when,” and/or “who.” For example, procedures may be updated annually through the Board’s budget calendar or resolution of appropriations.

4. Additions to include best practices and recognize Virginia Code requirements.

5. Changes for clarity, such as combining similar statements, reorganizing statements to other sections, and updating terminology.

**BUDGET IMPACT:** The County’s Financial Policies provide guidance to the County’s budget development and fiscal management processes.

**RECOMMENDATION:**

Staff recommends that the Board adopt the revised Financial Management Policies as set forth in Attachment A.

**ATTACHMENTS:**

A - Recommended Revisions to the County’s Financial Management Policies

B - Allocation of Shared Revenues