

R E S O L U T I O N

FI-0085D-07

ACCEPTANCE AND APPROVAL OF THE
DUPAGE COUNTY FINANCIAL AND BUDGET POLICIES

WHEREAS, the County Board is the fiscal authority for DuPage County government; and

WHEREAS, the County Board is responsible for the management of County funds and financial operations of the County; and

WHEREAS, the County Board finds the need to develop financial and budget policies to provide for prudent financial practices and to deliver essential county services at the lowest possible tax rate using a transparent budget process that maintains the County's bond rating; and

WHEREAS, the purpose and objectives of said financial and budget policies are, to the fullest extent practicable, to: earn and maintain the public's trust in the County's collection, use, and conservation of public funds; ensure the legal and appropriate use of County funds through a system of internal financial controls as enumerated herein; provide reasonable assurance that financial records are reliable in the preparation of financial statements and accounting for assets and obligations by abiding by generally accepted accounting principles as applied to governmental entities; and provide financial information in a clear and transparent manner; and

WHEREAS, the budgetary and financial framework for policy-making will strive to: prepare accurate and timely budgetary, financial, and socio-economic information for policy-making; identify and establish principles that minimize the County government's cost and financial risk; provide financial principles to guide financial and management decisions; and provide information regarding the County government's current financial condition.

NOW, THEREFORE, BE IT RESOLVED that the Financial and Budget Policies set forth in Exhibit A are adopted by the County as guidelines governing its financial practices; and

BE IT FURTHER RESOLVED, that these policies do not create any third-party rights; and

BE IT FURTHER RESOLVED, that the County Board intends to review and update these policies at least annually.

Enacted and approved this 9th day of August, 2011, at Wheaton, Illinois.

Daniel J. Cronin, Chairman
DuPage County Board

ATTEST: _____
Gary A. King, County Clerk

EXHIBIT A

I) Budget Development

A) GENERAL

- 1) The County's fiscal year runs from December 1 of a calendar year through November 30 of the following calendar year.
- 2) Although appropriations are annual by statute, the County may develop a budget framework that exceeds one year's duration.
- 3) The County shall prepare a budget consistent with the general policies and goals of the County.
- 4) The County shall conduct public hearings on the proposed budget for the upcoming fiscal year.
- 5) Each May, the County shall develop, adopt, and publish a budget calendar, including presentation of the Chairman's recommended budget, Finance Committee, and County Board Approval dates, and providing for applicable public hearings.

B) OPERATING BUDGET

- 1) The County's chief operating fund is the General Fund (sometimes referred to as the Corporate Fund).
- 2) The County shall develop the General Fund budget such that annual cash disbursements do not exceed receipted revenue.
- 3) With the exception of debt-funded projects, the County shall attempt to pay for current expenditures with current revenues.
- 4) The General Fund budget shall not be balanced by use of existing fund balance.
- 5) The County shall create and maintain a Strategic Reserve within the General Fund. The Strategic Reserve may be used only in the event of major emergency or economic distress to help stabilize County operations. A 2/3rds vote of the County Board shall be required to access the Strategic Reserve.

- 6) The cash balance goal for the General Fund shall be at least 25% of total expenditures plus transfers out, in order to reasonably accommodate revenue and expenditure cash flows while providing a low point operating margin of approximately one-month's normal operations, in addition to strategic reserve amounts.
- 7) In conformity with the County's annual comprehensive financial statements, the cash balance date used in budget development shall be November 30. The County Board shall be provided with an estimated low point cash balance, and, once available, a low point cash balance.
- 8) Special revenue operating funds shall seek to develop cash balances appropriate to their needs.
- 9) The County shall routinely examine the methods of providing services in order to reduce expenditures and/or enhance quality and scope of services with no increase in cost.
- 10) The County shall annually develop five-year expenditure and revenue projections for all major operating funds for inclusion in the annual budget document. Projections will include applicable operating costs of future capital improvements that are included in the capital improvement plan.
- 11) Projections shall also be made for funding impact of continuing grant programs (in place at time of budget development) that are due to sunset within the five-year projection period.

C) REVENUE

Taxation and Fees Policy

- 1) The County shall seek to minimize reliance on annual property tax increases, which are deemed to be taxes of last resort.
- 2) Per state statute, for property taxes under the Property Tax Extension Limitation Law (PTELL), aggregate property tax increases may not exceed the lesser of CPI or 5% applied to the prior year's extension.
- 3) For applicable property taxes, increases may not exceed specific rates for those taxes, as set in statute.

- 4) The County shall prefer user fees and charges to general taxes as a source of revenues.
- 5) The County, through its departments and elected officials, should periodically review fees and charges for cost of service coverage, as well as determination of applicability of new fees or charges.

Diversification

- 6) The County shall endeavor to create and maintain a diversified revenue stream for its operating fund, in order to minimize the impact of fluctuations in any one revenue source, helping to insure income stability.

Estimation

- 7) Revenues shall be estimated conservatively, using an objective, analytical process based on both historical trends and current information, adjusted by local conditions.
- 8) Current year revenue shall be continuously monitored and adjusted as necessitated by actual performance in order to provide the most accurate basis for budget and future year projections.
- 9) Revenue estimates for a given fiscal year shall be those revenues projected to be receipted during that fiscal year.

One Time Revenue

- 10) The County shall seek not to rely on one-time revenues, such as sales of assets, to fund ongoing expenditures.

D) EXPENDITURES AND OTHER DISBURSEMENTS

Appropriations and Reappropriations

- 1) Fiscal year appropriations are County Board authorized expenditure levels. Obligations to expend must be incurred within the same fiscal year. With the exception of reappropriations, goods and services must be provided within the same fiscal year.
- 2) Reappropriations are a reauthorization of all or a portion of a prior year appropriation. Only capital

projects may be reappropriated, and the original project obligation must be incurred in the original year of appropriation.

Expenditures

- 3) Cash expenditures are all actual appropriated expenditures, regardless of the year appropriated, made within the 12 month fiscal year period.

Interfund Transfers

- 4) Interfund transfers must be approved by resolution.
- 5) Transfers shall be included when determining cash balances.

Capital

- 6) The County shall endeavor to provide for adequate maintenance and replacement of capital assets.
- 7) An item shall be considered a capital asset if its acquisition value is at least \$5,000 , and an estimated useful life in excess of one year, unless state statute or governing regulations require otherwise.
- 8) The County shall develop a five-year schedule of capital acquisitions, repairs and replacements.
- 9) Additional appropriation requests for capital projects over \$500,000 shall require a 5-year financial impact statement. The County will identify the estimated cost and potential funding sources for each capital project proposal before it is submitted to the County Board for approval. This will include determining the least costly financing method for all new projects.
- 10) The County will strive to maintain all its assets at a level adequate to protect the County's capital investment and to minimize future maintenance and replacement costs.

Pension

- 11) The County shall follow applicable state statute or federal requirements to insure adequate funding for all retirement systems, including but not limited to I.M.R.F. and Social Security.

Debt Service

- 12) The County shall insure adequate funding to service all debt issued per applicable ordinance and debt schedules.
- 13) Allocation of property taxes for purposes of debt service shall have priority over other uses of property taxes.

Contingency

- 14) The County will appropriate amounts for budgetary circumstances unforeseen at the time of budget passage.

Grants

- 15) Grants in effect as of December 1 shall be identified in the budget at the time of original budget passage.
- 16) Grants awarded after the beginning of the fiscal year shall be appropriated upon County Board approval.
- 17) Grant applications shall utilize the Grant Review process. All County Departments shall submit a form indicating their intent to apply for a non-recurring grant and will submit a grant acceptance form upon receipt of all grant awards. Forms will be reviewed and approved by the Grants Office and Finance Department.
 - (a) Budgetary impact of grant expiration shall be considered in the approval of a grant by County Board. Where appropriate, grants requested for County Board approval shall contain sunset provisions for elimination of staffing or services upon expiration or non-renewal of the grant: where applicable, the Grant Review must identify whether continuation of all or some staff or all or some level of services is a condition of grant acceptance.
 - (b) Grant reviews should clearly indicate operating and capital expenses for programs in all budget and multi-year budget estimates.
- 18) Grants from County General funds to other local governmental entities and non-profits shall include an explicit statement that such funds are subject to appropriation and may not be awarded in the future.
- 19) No new or expanded state or federal grants shall be accepted that require use of County resources of any kind unless approved in accordance with Budget Requests and Submissions Policies (Section D). Renewals of state or

federal grants shall receive the closest possible scrutiny.

Intergovernmental or Private Source Funding

- 20) Program expenditures from any non-County funded sources (e.g. state grants, federal grants, intergovernmental agreements, etc.) shall be limited to the non-County funds provided unless a business case can be made that additional funding is in the best interest of the County or where there is an agreed County match requirement. In the latter instance, the plan for working with an adjusted amount of property tax revenue must be understood.

Compensation of Accruing Employee Benefits

- 21) The County shall calculate and compensate ("pay out") accrued or future accruing employee benefits from the County general Employee Benefits line item strictly in accordance with the Personnel Policies adopted by the County Board and pursuant to reported accrued benefits from County-wide elected officials. Any elected officials offering additional benefits and or related compensation beyond the standard policies and practices in the Personnel Policy manual or under-reporting of accrued benefits including, but not limited to, retention, sick, and/or vacation pay, are solely responsible for funding within their appropriation(s) the monetary difference resulting from the additional benefits.

E) BUDGET REQUESTS AND SUBMISSIONS

- 1) All departments of DuPage County, including those under County-wide elected officials, shall prepare budget submissions consistent with the budget policies adopted by the County Board.
 - a) A status quo budget shall be submitted based on current year levels of service.
 - b) New or expanded programs, including additional headcount, may be included in the budget request as a separate package.
 - i) If funded by new sources of revenue or a commensurate reduction of existing operations.

Departments are encouraged to explore this option for new or expanded program requests.

- ii) If no funding source is identified, the program will be evaluated against Countywide priorities and funding availability.
 - iii) New or expanded programs require a five-year financial impact statement.
 - iv) Efforts shall be made to link new or expanded programs to the County's strategic goals.
 - v) Departments will submit performance measures that relate to new or expanded programs being requested within their budgets.
- d) County Board members may submit new or expanded programs for consideration. Departmental staff will be available to assist in writing the requests. Such requests shall be submitted to appropriate committees or to County Board for approval.
- i) New or expanded programs require a five-year financial impact statement.
 - ii) Efforts shall be made to link new or expanded programs shall be linked to the County's strategic goals.
- e) Vacant positions will be reviewed during budget development and throughout the fiscal year with regard to each position's importance to the department and any alternative to refilling the vacant position.
- f) Compensation will be considered separately from the departmental budget requests.
- g) Departments will submit a mission statement annually with their budget submission.
- h) Departments will submit annual short and long-term goals and objectives which are consistent with the department's mission statement and overall mission of the County.

- i) Departments will submit annual achievements that are relevant to the prior year's goals and objectives.
- j) Departments will submit activity measurements that relate to specific program areas within their budgets.
- k) Departments are encouraged to work with the Strategic Manager to develop performance measures consistent with the County's strategic goals and objectives.
- l) Departments will submit capital project/equipment (capital asset) requests within their budget requests. Each project/item is to be accompanied by a Capital Project/Purchase Request form which outlines project scope and five year cost estimates. Capital equipment (capital asset) is defined as items costing over \$5,000 unit value.
- m) Departments will submit budget reduction/addition scenarios as required that indicate changes in service due to reduced/increased funding availability.
- n) Departments should submit any additional information that will aid in management decision making regarding the department's budget.
- o) All departments shall prepare and submit pertinent annual revenue estimates.
- p) Each department shall provide information relating to legislative changes and economic conditions that may impact fees, charges, and other revenue sources.

2) Budget Document

- a) The budget document shall include, but not be limited to, general information such as:
 - i) A listing of County Board members and meeting schedules, a County Board district map, the County's organizational chart, and the fund descriptions/structure.
 - ii) The budget calendar and a description of the budget process.
 - iii) The County's Financial and Budget policies.

- b) The budget document will include, but not be limited to, an executive summary section which will provide information such as:
 - i) A budget overview
 - ii) Appropriation summaries for all agencies and departments by category.
 - iii) Historical budgetary information.
 - iv) Five year outlooks for major operating funds.
 - v) Fund and department expenditure/budget history by government function and by fund.
 - vi) Charts and graphs to illustrate and support budgetary information.
 - vii) Budgeted headcount for current fiscal year and budgeted year, along with budgeted and actual headcount for two prior fiscal years.
- c) The budget document shall include, but not be limited to, financial summary information such as:
 - i) A combined fund statement and statement of individual fund cash balances.
 - ii) Discussion of major revenue categories.
 - iii) Property tax levies and rates schedule.
 - iv) Revenue summary by classification for all funds, general fund, special revenue funds, capital project funds and debt service funds.
 - v) Expenditure and appropriation information for General fund, all special revenue funds, capital project funds and debt service funds.
 - vi) Detail listing of Interfund cash transfers.
- d) The budget document shall present individual departmental budgets for General Fund, special revenue funds and capital project funds including, but not limited to appropriations, mission statements, goals & accomplishments, staffing, activity measures and performance measures where applicable.

- e) The budget document shall include detailed information on capital improvements and projects whether funded by debt or operations.
- f) The budget document shall include debt service information including bond ratings, sources of payment and budgeting structure, a five year debt profile summary, outstanding debt by year, and debt service summaries by bond issue.
- g) The final budget document shall include the following additional information:
 - i) Copies of all ordinances and resolutions that pertain to budget passage by the County Board.
 - ii) The County's strategic goals and objectives.
 - iii) Special Service Areas summary information
 - iv) Descriptions, appropriation and revenue information for all federal, state or local grants in place as of December 1 of the budget year.
 - v) Appropriations, revenues and ordinances for the Health Department and Emergency Telephone Systems Board.
 - vi) County socio-economic statistics.
 - vii) A glossary of terms.

II) Financial Controls

A)_The County shall develop internal control policies to provide reasonable assurance that public accountability is achieved. The County will strive to maintain and continually improve a structure of internal controls that are designed to ensure reliable financial reporting, effective and efficient operations, and compliance with applicable laws and regulations. Safeguarding assets against theft and unauthorized use, acquisition, or disposal are basic tenets to the design of the internal control structure. The County will weigh the cost-benefits when looking to improve internal control procedures.

B) The County will maintain financial and budgetary control

systems to ensure adherence to the budget.

- C) The County shall maintain a Procurement Ordinance covering purchases of goods or services. The Procurement Ordinance must be at least as restrictive as applicable state statutes covering procurement.
- D) The County shall periodically review its Procurement Ordinance and related procedures and make revisions to improve the ordinance or to incorporate applicable statutory or local ordinance changes.
- E) The Procurement Ordinance shall make provision for purchase of goods and services in the event of a declared or deemed emergency.
- F) The County shall maintain an annual inventory of capital assets.

Proper Expenditures

G) EXPENDITURES

- 1) Expenditures shall be made in conformance with the County's Procurement Code.
- 2) Sufficient unobligated line item authority shall exist prior to obligation to procure or purchase a good or service.
- 3) The County shall follow the Local Government Prompt Payment Act regarding the timely payment of claims.

Transfers

- 4) Per Illinois State Statute, budgetary transfers from one category appropriation of any one fund to another of the same fund, not affecting the total amount appropriated, may be made at any meeting of the board by a two-thirds vote of all members.
- 5) Per County resolution, budgetary transfers exceeding \$10,000 from one line item appropriation of any one fund to another of the same fund, not affecting the total amount appropriated, may be made at any meeting of the board by a two-thirds vote of all members.

- 6) The Finance Department shall review to ensure need and adequate funding availability prior to County Board or County Board Chairman approval. In the event adequate funding is not available the transfer shall be returned to the originating department for revision.
- 7) Interfund transfers of monies must be made in accordance with approved resolutions.

Additional Appropriations

- 8) Per Illinois State Statute, appropriations in excess of the original adopted budget may be made to meet an immediate emergency, by a two-thirds vote of the board.
- 9) The County shall seek to minimize use of emergency appropriation authority by utilizing budget transfers wherever feasible.
- 10) When budget transfers are insufficient, departments or agencies seeking additional appropriation authority shall work with the Finance Department to first determine availability of other funding sources to meet need.

H) MONITORING

- 1) The Chairman of the County Board shall advise the County Board on the financial condition of the County and its future financial needs no less than quarterly.
- 2) The Finance Department shall prepare quarterly reports comparing actual revenues and expenditures to budgeted amounts.
- 3) The Finance Department shall prepare quarterly reports of budget transfers approved by the County Board.

Spending Against Appropriations

- 4) The Finance Department will compile information on a daily and/or monthly basis comparing actual expenditures to the current budget by line item via the County's intranet.

Cash Flow Performance Reporting

- 5) The Finance Department shall prepare a cash flow report comparing actual expenditures, revenues, and cash

balances for the report period against projections for that period no less than quarterly.

Other Reports

- 6) The Procurement Division of Finance shall present to the Finance Committee annually, a report that lists all current multi-year contracts and contracts with renewal options.
- 7) The Personnel Department shall annually provide the Finance Committee, after closing of the preceding fiscal year, a report listing, but not limited to, regular salaries, overtime, beeper pay, compensatory time, bonuses, severance pay, holiday pay, per diem, vacation, sick and retention payouts for each department.

I) MEET OR EXCEED GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

- 1) The County follows generally accepted accounting principles (GAAP) as applied to state and local governments.
- 2) The approved annual budget document (Financial Plan) shall endeavor to satisfy all mandatory criteria established by the Government Finance Officers Association.
- 3) An annual audit shall be conducted by independent certified public accountants and submitted by the Chief Financial Officer.
- 4) The annual audit report shall meet generally accepted accounting principles as set by standards established by the Governmental Accounting Standards Board (GASB).
- 5) All departments of DuPage County, including those under County-wide elected officials, shall make written responses to findings in the external auditor's Report on Internal Controls (formerly Management Letter) that pertain to them. If applicable, said responses and/or corrective actions, shall be forwarded to the Finance Department within 60 days of receipt of the finding from the external auditor, for inclusion in the Report on Internal Controls. This report will be forwarded to the Finance Committee.

J) COMPLIANCE WITH FEDERAL AUDIT REQUIREMENTS

- 1) An independent certified public accountant shall perform a single audit in accordance with federal audit requirements.

III) Debt

A) MAINTENANCE OF CREDIT RATING

- 1) The County shall operate its finances in a manner to maintain its "Triple A" (AAA/Aaa) credit rating.
- 2) The County shall meet at least annually with rating agencies concerning its fiscal plans and regarding its rating. The County will continue to maintain good communications with bond rating agencies about its financial condition.

B) USES OF NEW MONEY DEBT

- 1) Long-term, non-conduit debt shall generally be issued only for infrastructure, infrastructure improvements, or long-life major capital equipment.
- 2) The County shall issue debt for capital purposes only if project costs cannot reasonably be borne through normal operations. A comparison between debt financing and pay-as-you go financing should be performed when a new money debt issuance is considered, with the exception of Special Service Area or conduit bond issuance. Such comparison shall be included in supporting bond issuance documents.
- 3) The County shall have and maintain criteria for the issuance of conduit bonds.

C) PARAMETERS AND LIMITATIONS

- 1) The County's debt funded by ad valorem taxes shall not exceed 5.75% of assessed market value.
- 2) Debt should not extend beyond the debt-funded project's expected useful life.
- 3) In order to preserve financial stability and to facilitate cash flow, the County will attempt to maintain approximately equal total annual debt service payments, unless market or economic conditions make it advantageous to explore alternate debt service structures.

- 4) In order to minimize the property tax burden on its residents, the County will endeavor to keep its direct debt to taxable property value (market value) ratio low.

D) REFINANCING

- 1) Whenever feasible, the County shall seek to refinance or restructure debt in order to reduce debt service, produce cost savings, remove restrictive covenants or to increase project financial capacity. The County shall employ generally accepted industry criteria as guidelines on refinancing.

E) DISCLOSURE

- 1) The County will abide by all continuing disclosure requirements of financial and pertinent credit information relevant to the County's outstanding debt.
- 2) The County shall approve and disclose all costs of issuance, and all parties receiving a fee or payment of any kind, in advance of payment. These costs will be estimated in the authorizing bond ordinance/ resolution.
 - a) The authorizing bond ordinance shall contain language to maintain flexibility in a changing economic environment in the municipal bond market, as the County may need the ability to adjust the original estimated costs of issuance in order to sell the bonds in a manner at the best interest to the County.
- 3) Final costs of issuance shall be disclosed upon closure of the bond sale. A report comparing the estimated and final costs shall be issued to the Finance Committee.
- 4) The Bond Ordinance for a given issuance shall identify the underwriter, bond counsel, underwriter's counsel, and financial advisor.

IV) Risk Management

- A) The County will actively develop and monitor internal policies in order to reduce exposure to liability arising from accident, employee actions, or actions of the general public involving County property or personnel in the performance of their duties.

B) Insurance

- 1) The County will actively review external insurance carriers for sufficient coverage at the lowest rates.
- 2) When it is in the County's best interest, the County shall be self-insured at reasonable and prudent levels for general liability, automotive liability, workers' compensation, and employee health insurance.
- 3) When it is in the County's best interest, the County shall carry excess insurance for major liability classifications at levels deemed reasonable and prudent for counties of comparable size.

V) Investment Management

A) INVESTMENT OFFICER

- 1) The County Treasurer is the County's investment officer for most funds.
- 2) The Treasurer shall invest funds in conformity with governing Illinois statutes.
- 3) The primary objective of the Treasurer's investment program is safety of principal.
- 4) The County shall meet federal investment and arbitrage requirements regarding tax-exempt debt financing.

B) FINANCIAL INSTITUTIONS

- 1) The County Board shall approve the financial institutions in which the Treasurer may deposit funds.
- 2) The County Board shall seek to deposit funds with financial institutions having a local presence to the maximum extent feasible.