

FP 2: Revenue

The County will design, maintain, and administer a revenue system that will assure a reliable, equitable, diversified, and sufficient revenue stream to support desired County services.

Since the principal revenue stream for the government is determined by taxes, State and Federal funding, and the fees and charges that are established, it is important that the County adopt policies that identify the manner in which fees and charges are set and the extent to which they cover the cost of the service provided. A revenue system that requires the identification of both the cost of the program the portion of the cost that will be recovered through fees & charges allows the County and its citizens to develop a better understanding of the cost of services and to consider the appropriateness of established fees and charges.

The County will develop conservative projections based on the following:

1. **Ad Valorem Tax** -- As provided by the North Carolina Local Government Budget and Fiscal Control Act, estimated revenue from the Ad Valorem Tax levy will be budgeted as follows: Assessed valuation will be estimated based upon historical trends and growth patterns in a conservative manner.
 - The estimated percentage of collection will not exceed the actual collection percentage of the preceding fiscal year, in accordance with State Law.
 - The property tax rate will be set each year based upon the costs of providing general governmental services, meeting debt service obligations, and building or maintaining any reserves or fund balances that the Board deems necessary.
2. **User Fees** -- The Board will set user fees annually by listing such fees within the Annual Budget Ordinance. The user fees will maximize charges for services that can be individually identified and where costs are directly related to the provision of or to the level of service provided. Emphasis of user fees results in the following benefits:
 - The burden on the Ad Valorem tax is reduced
 - User fees are paid by all users, including those exempt from property taxes.
 - User fees help minimize subsidization in any instance where there are requirements in order to qualify for the use of the service and the service is not provided to the general public.
 - User fees produce information on the demand level for services and help to make a connection between the amount paid and the services received.
3. **Interest Income** -- Interest income is subject to variability based upon changes in prevailing interest rates, which cannot be predicted with certainty. Such revenue shall therefore be budgeted in a conservative manner within the Annual Budget Ordinance and shall comply with the Asset-Liability Management section of these financial policies (see FP 16).
4. **Grant Funding** -- Staff will pursue opportunities for grant funding. Application for grant funding will be made after a grant has been evaluated for consistency with the Board's goals and compatibility with County programs and objectives. Staff will notify the Board of any intention to apply for a grant. Staff must have Board approval to accept a grant for any amount over \$5,000 and for any grant that requires a local dollar match. All awarded grants can only be accepted by Board action at which time the related budget shall be established.
 - Grants that have been awarded in prior years and are recurring in nature will be addressed through the annual budget process and included in the Annual Budget Ordinance.
 - Grants that fund operating expenditures but have a funding termination date must fully disclose that fact to the Board prior to acceptance.

- The grant manager for each grant shall be the related Department Head. The grant manager is responsible for all grant monitoring, compliance, and reporting. The grant manager will provide copies of all documents to the Finance Office. The Finance Office will maintain a grant file by fiscal year for each active grant.
 - For grants involving federal funds, the grant manager is responsible for checking the list of federally debarred contractors prior to awarding any contracts.
5. **Budgetary Responsibilities** -- Revenue initiating departments shall develop initial budget estimates of applicable revenues. Those estimates are to be supported by variables (base, rate, etc.) that comprise such revenue. Monitoring of the revenue budget shall be performed by the department and the Finance Office in a timely manner throughout the fiscal year and shall include an analysis of actual versus budgeted variances. Compliance of revenue with all laws and/or regulations is primarily the responsibility of the revenue initiating department.

To that end, the County has established the following goals that are used to accomplish this policy:

1. The County will seek to establish all user charges and fees at a level related to the full costs (operating, direct, indirect, and capital) of providing the service. The County will review these fees and charges annually in the budget process and target rates that meet the cost to serve -- particularly in the County's key businesses (Public Safety, Permitting, Register of Deeds, Public Utilities, etc.). In any event, all enterprise funds should be self-supporting.
2. Cost of service include direct and indirect costs such as operating and maintenance costs, overhead, and charges for use of capital (depreciation and debt service). A government may choose not to recover all costs, but it should identify such costs. Reasons for not recovering full costs should be identified and explained. State and local law may govern the establishment of fees and charges.
3. The County will consider market rates and charges levied by other businesses and municipalities for like services in establishing rates, fees, and charges. These fees will be reviewed through the County's annual rate survey.
4. One-time or special revenues shall not be used to finance ongoing County operations but rather be used for the funding of special projects.
5. An aggressive policy of seeking the collection of delinquent utility and other fee accounts will be maintained.
6. In determining revenue projections-and where judgement is required-conservatism shall be the rule.