

Resolution

FI-R-0502-16

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 24th day of May, 2016 at Wheaton, Illinois.

DANIEL J. CRONIN, CHAIRMAN
DU PAGE COUNTY BOARD

Attest: _____
PAUL HINDS, COUNTY CLERK

DUPAGE COUNTY FINANCIAL AND BUDGET POLICIES

I. FINANCIAL REPORTING AND CONTROLS

- A) The County shall develop internal control policies to provide reasonable assurance that public accountability is achieved. The County shall 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. Internal controls are designed to safeguard assets against theft as well as unauthorized use, acquisition, or disposal. The County shall weigh the cost-benefits when looking to improve internal control procedures.
- B) The County shall maintain financial and budgetary control systems to ensure adherence to the budget. The County Auditor shall maintain a list of individuals approved by the County Board Chairman or other elected officials, for budgetary expenditure authorization.
- C) The County shall follow the Local Government Prompt Payment Act regarding the timely payment of claims.
- D) Expenditures shall be made in conformance with the County's Procurement Code.
- E) Sufficient unobligated line item authority shall exist prior to obligation to procure or purchase a good or service.
- F) The County shall maintain a Procurement Ordinance covering purchases of goods and services. The Procurement Ordinance must be at least as restrictive as applicable State statutes covering procurement.
 - 1) 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.
 - 2) The Procurement Ordinance shall make provision for purchase of goods and services in the event of a declared or deemed emergency.
- G) Transfers
 - 1) Per Illinois State Statute, budgetary transfers from one category appropriation of any one fund to another category appropriation of the same fund, not affecting the total amount appropriated, may be made at any meeting of the County Board by a two-thirds vote of all members.

- 2) Per County resolution, budgetary transfers exceeding \$10,000 from one line item appropriation of any one fund to another line item appropriation 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.
- 3) The Finance Department shall review budgetary transfers 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.

H) Additional Appropriations

- 1) 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.
- 2) The County shall seek to minimize use of emergency appropriation authority by utilizing budget transfers wherever feasible.
- 3) When budget transfers are insufficient, departments or agencies seeking additional appropriation authority shall work with the Finance Department to determine the availability of other funding sources.

I) Capital Assets

- 1) An item shall be considered a capital asset if its acquisition value is at least \$5,000 and its estimated useful life exceeds one year, unless state statute or governing regulations require otherwise.
- 2) The County shall maintain an annual inventory of capital assets.

J) Monitoring and Reporting

- 1) The Chief Financial Officer shall advise the Finance Committee on the financial condition of the County and its future financial needs no less than quarterly.
- 2) The Finance Department shall prepare quarterly reports which will include cash flow estimates and comparisons of actual revenues and expenditures to budgeted amounts.
- 3) The Finance Department shall provide a full-time salary projection report no less than quarterly. This report will include explanations for any department's full-time salary account that is 1.5% over budget.
- 4) The Finance Department shall provide regular reporting of financial information. Common financial reports available to department personnel are income statements comparing actual revenues and expenditures to the current budget by account; and balance sheets for asset, liability, and fund balance.

- 5) Other Reports
 - a) The Procurement Division of Finance shall annually provide to the Finance Committee, a report that lists all current multi-year contracts and contracts with renewal options.
 - b) The Human Resources Department shall annually provide the Finance Committee, after closing 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.
- K) Generally Accepted Accounting Principles
 - 1) The County shall follow generally accepted accounting principles (GAAP) for financial reporting as applied to state and local governments.
 - 2) An annual audit shall be conducted by independent certified public accountants and submitted by the Chief Financial Officer.
 - 3) The annual audit report shall meet generally accepted accounting principles (GAAP) as set by standards established by the Governmental Accounting Standards Board (GASB) and be made available on the County's website.
- L) Report on Internal Controls
 - 1) All departments of DuPage County, including those under County-wide elected officials, shall make written responses and/or make corrective actions to findings in the external auditor's Report on Internal Controls that pertain to them.
 - 2) If applicable, said responses and/or corrective actions shall be forwarded to the Finance Department within 10 working days of receipt of the finding from the external auditor for inclusion in the Report on Internal Controls.
 - 3) This report shall be forwarded to the Finance Committee.
- M) Compliance With Federal Audit Requirements
 - 1) An independent certified public accountant shall perform a Single Audit in accordance with federal audit requirements.
 - 2) The Single Audit shall be made available on the County's website.

II. CASH AND 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.

C) The County Board deems it prudent that custody of bank accounts or investment accounts be placed with the County Treasurer. For exceptions:

- 1) Departments under County Board jurisdiction are required to obtain County Board approval for establishing and setting minimum requirements for any bank or investment account placed outside of the County Treasurer.
- 2) Elected Officials who choose to maintain bank or investment accounts outside of the County Treasurer are responsible to notify the County Treasurer and the Finance Department regarding the existence of said accounts in order to facilitate required financial reporting. The elected official is responsible for maintaining proper internal controls over said accounts.

III. RISK MANAGEMENT

A) The County shall 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 shall 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.
- C) It is the intent of the County to provide the same employer sponsored health benefit coverage for all its employees, in accordance with the County's eligibility criterion and plan or plans components, as proposed by the County Board Chairman and approved by the County Board.

IV. ANNUAL BUDGET/FINANCIAL PLAN DEVELOPMENT

A) General

- 1) The annual budget document (Financial Plan) shall endeavor to satisfy all mandatory criteria established by the Government Finance Officers Association (GFOA).
- 2) The County's fiscal year runs from December 1 through November 30 of the following calendar year. 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) 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.
- 5) The County's chief operating fund is the General Fund.
- 6) The County shall develop the General Fund budget such that annual cash disbursements do not exceed revenue.
- 7) The General Fund budget shall only be balanced by use of existing fund balance with two-thirds (2/3rds) vote of the County Board.
- 8) The County Board 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 two-thirds (2/3rds) vote of the County Board shall be required to access the Strategic Reserve.
- 9) The year-end (November 30) cash balance goal for the General Fund shall be at least 25% of total expenditures plus transfers out of the next year's General Fund budget, 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.

- 10) Special Revenue funds shall develop appropriate cash reserves.
- 11) 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.
- 12) The County shall annually develop five-year expenditure and revenue projections for all major operating funds for inclusion in the annual budget document.
 - a) Projections shall include applicable operating costs of future capital improvements that are included in the capital improvement plan.
 - b) Projections shall be made for the funding impact of continuing grant programs (in place at time of budget development) that are due to sunset within the five-year projection period.

B) Revenue

1) Taxation and Fees Policy

- a) The County shall seek to minimize reliance on annual property tax increases, which are deemed to be taxes of last resort.
- b) Per the Property Tax Extension Limitation Law (PTELL), aggregate property tax increases may not exceed the lesser of the CPI for all urban consumers as published by the US Bureau of Labor Statistics or 5% of the prior year's tax extension.
- c) The County shall prefer cost effectively administered user fees and charges to general taxes as a source of revenues.
- d) The County, through its departments and elected officials, should periodically review fees and charges to ensure that they are adequately covering the cost of service as well as determining the applicability of new fees or charges.

2) Diversification

- a) The County shall endeavor to create and maintain a diversified revenue stream for its General Fund in order to minimize the impact of fluctuations in any one revenue source, and improve income stability.

3) Estimation

- a) Revenues shall be estimated conservatively, using an objective, analytical process including historical trends, current information, and local conditions.

- b) Current year revenue shall be monitored and adjusted as necessitated by actual performance in order to provide the most accurate basis for budget and future year projections.
- 4) One-Time Revenue
 - a) The County shall not rely on one-time revenues, such as sales of assets, to fund ongoing expenditures.
- C) Expenditures and Other Disbursements
 - 1) Appropriations and Reappropriations
 - a) Fiscal year appropriations are County Board authorized expenditure levels. With the exception of reappropriations, commodities and contractual services must be received and expensed within the same fiscal year.
 - b) Reappropriations are a reauthorization of all or a portion of a prior year appropriation. Only capital projects may be re-appropriated.
 - 2) Expenditures
 - a) Accrued expenditures are expensed in the current fiscal year even though the cash outflow may occur in the subsequent year.
 - 3) Interfund Transfers
 - a) Known annual subsidy transfers shall be incorporated in the annual appropriation ordinance.
 - b) During the year, additional interfund transfers may be considered based on need and shall be approved via resolution.
 - 4) Capital
 - a) The County shall endeavor to provide for adequate maintenance and replacement of capital assets at a level adequate to protect the County's capital investment and to minimize future maintenance and replacement costs.
 - b) The County shall develop a five-year schedule of capital acquisitions, repairs and replacements.
 - c) Additional appropriation requests for capital projects over \$500,000 shall require a 5-year financial impact statement. The County shall identify the estimated cost and potential funding sources for each capital project proposal before it is submitted to the County Board for approval. This shall include determining the least costly financing method for all new projects.
 - 5) Pension
 - a) The County shall follow applicable state statute or federal requirements to insure adequate funding for all retirement systems, including but not limited to

the Illinois Municipal Retirement Fund (IMRF) and Social Security.

6) Debt Service

- a) The County shall ensure adequate funding to service all debt issued per applicable bond ordinances and debt schedules.
- b) When debt is backed by property tax revenues, allocation of property taxes for purposes of debt service shall have priority over other uses of property taxes.

7) Grants

- a) Grants in effect as of December 1 shall be identified in the budget at the time of original budget passage.
- b) Grants awarded after the beginning of the fiscal year shall be appropriated upon County Board approval.
- c) Notification and Review
 - 1) Applicants shall utilize the Grant Proposal Notification (GPN) process. Prior to submitting a grant application, all County Departments shall submit a GPN indicating their intent to apply for a non-recurring grant.
 - 2) The GPN should clearly indicate operating and capital expenses for programs in all budget and multi-year budget estimates.
 - 3) The GPN must identify whether continuation of all or some staff or all or some level of services is a condition of grant acceptance.
 - 4) The GPN shall be reviewed and approved by the Grants and Research Coordinator.
- d) The County Board shall consider the budgetary impact of grant expiration when approving a grant. Where appropriate, grants shall contain sunset provisions to eliminate staff or services upon expiration or non-renewal of the grant.
- e) 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.
- f) 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 Section IV.D - Budget Requests and Submissions. All grants shall receive the closest possible scrutiny.

8) Intergovernmental or Private Source Funding

- a) 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.

9) Compensation of Accruing Employee Benefits

- a) The County shall calculate and compensate ("pay out") accrued or future accruing employee benefits from the County general employee benefits account strictly in accordance with the County Personnel Policy Manual adopted by the County Board and pursuant to reported accrued benefits from County-wide elected officials.
- b) Elected officials are solely responsible for funding, within their appropriation(s), the monetary difference resulting from offering additional benefits and or related compensation beyond the standard policies and practices in the County Personnel Policy Manual or under-reporting of accrued benefits including, but not limited to, retention, sick, and/or vacation pay.
- c) Effective 12-1-2013, the Finance Department shall process a budget transfer from an elected official's personnel budget to the General Fund benefit payout budget for any payment of accrued benefits that exceeds, as determined by the Human Resources Department, the standard policies and practices outlined in the County Personnel Policy Manual. Payouts for an employee covered by the provisions of a collective bargaining unit shall be deemed exempt unless benefits were awarded beyond those awarded in the contract.

10) Contingency

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

D) 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.
- 2) A status quo budget shall be submitted based on current year service levels.
- 3) New or expanded programs, including additional headcount, may be included in the budget request as a separate package:
 - a) 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.

- b) If no funding source is identified, the program shall be evaluated against countywide priorities and funding availability.
 - c) New or expanded programs require a five-year financial impact statement.
 - d) Efforts shall be made to link new or expanded programs to the County's strategic goals.
 - e) Departments shall submit performance measures for the new or expanded programs they are requesting.
 - f) County Board members may submit new or expanded programs for consideration. Departmental staff shall be available to assist in writing the requests. Such requests shall be submitted to appropriate committees or to the County Board for approval.
- 4) Departments shall submit a current organizational chart.
 - 5) Vacant positions shall 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.
 - 6) Requests for part-time positions, temporary positions, and seasonal positions should include title, anticipated number of hours to be worked and hourly rate for each position budgeted.
 - 7) Employee salaries and other compensation shall be considered separately from the departmental budget requests.
 - 8) Departments shall submit a mission statement annually with their budget submission.
 - 9) Departments shall submit annual short and long-term goals and objectives which are consistent with the department's mission statement and overall mission of the County.
 - 10) Departments shall submit annual achievements that are relevant to the prior year's goals and objectives.
 - 11) Departments shall submit activity measurements that relate to specific program areas within their budgets.
 - 12) Departments are encouraged to work with the Strategic Manager to develop performance measures consistent with the County's strategic goals and objectives.
 - 13) Departments shall submit capital assets requests within their budget submissions. Each project/item is to be accompanied by a Capital Project/Purchase Request Form which outlines project scope and five year cost estimates.
 - 14) Departments shall submit budget reduction/addition scenarios as required that indicate changes in service due to reduced/increased funding availability.

- 15) Departments should submit any additional information that shall aid in management decision making regarding the department's budget.
- 16) Departments shall prepare and submit pertinent annual revenue estimates.
- 17) Departments shall provide information relating to legislative changes and economic conditions that may impact fees, charges, and other revenue sources.
- 18) After adoption of the budget, all departments and elected officials shall be required to develop and submit a staffing plan to the Human Resources Department for full-time and part-time employees. The plan should include titles, salaries, hours worked and salaries/hourly rates. This plan shall be utilized for administrative and insurance tracking purposes only.
- 19) The County Board approved budget shall include the following, but not be limited to,
 - a) General information such as:
 - 1) A listing of County Board members and meeting schedules, a County Board district map, the County's organizational chart, and the fund descriptions/structure.
 - 2) The budget calendar and a description of the budget process.
 - b) An executive summary section such as:
 - 1) Chairman's Transmittal Letter (budget overview) Appropriation summaries for all companies and departments by category.
 - 2) Historical budgetary information.
 - 3) Five year outlooks for major operating funds.
 - 4) Fund and department expenditure/budget history by government function and by fund.
 - 5) Charts and graphs to illustrate and support budgetary information.
 - 6) Budgeted headcount for current fiscal year and budgeted year, along with budgeted and actual headcount for two prior fiscal years.
 - c) Financial summary information such as:
 - 1) A combined fund statement.
 - 2) Estimated fiscal year-end fund balance for all County funds.
 - 3) Discussion of major revenue categories.
 - 4) Property tax levies and rates schedule.
 - 5) Revenue summary by classification for the various fund types: General Fund, Special Revenue, Capital Projects, Debt Service, and Enterprise.

- 6) Expenditure and appropriation information for the General Fund, Special Revenue Funds, Capital Project Funds, Debt Service Funds, and the Enterprise Fund (Public Works).
- 7) Detail listing of interfund transfers.
- 8) Individual departmental budgets in the General Fund, Special Revenue Funds, Capital Project Funds, Debt Service Funds, and the Enterprise Fund including, but not limited to: appropriations, mission statements, goals & accomplishments, staffing, activity measures and performance measures where applicable.
- 9) Detailed information on capital improvements and projects whether funded by debt or operations.
- 10) 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.
- 11) Additional information such as:
 - a) Copies of all ordinances and resolutions that pertain to budget passage by the County Board.
 - b) The County's strategic goals and objectives.
 - c) Special Service Areas summary information.
 - d) Descriptions, appropriation and revenue information for all federal, state or local grants in place as of December 1 of the budget year.
 - e) Appropriations, revenues and ordinances for the Health Department and Emergency Telephone Systems Board.
 - f) County socio-economic statistics.
 - g) A glossary of terms.

V. BONDED DEBT

A) Maintenance of Credit Rating

The County shall operate financially in a manner to maintain its "Triple A" (AAA/Aaa) credit rating. The County shall meet periodically with rating agencies concerning its fiscal plans and regarding its rating. The County shall continue to maintain good communications with bond rating agencies regarding 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 assets.

- 2) The County shall issue debt for capital purposes only if project costs cannot reasonably be financed 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 shall 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 shall endeavor to keep its direct debt to taxable property value (market value) ratio low.
- D) Refunding
- 1) Whenever feasible, the County shall seek to refund or restructure debt in order to reduce debt service, produce cost savings of at least 2.5%, remove restrictive covenants or to increase project financial capacity.
 - 2) The County shall employ generally accepted industry criteria as guidelines on refunding.
- E) Disclosure
- 1) The County shall 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 shall be estimated in the authorizing bond ordinance/resolution.
 - 3) 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.

- 4) 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.
- 5) The Bond Ordinance for a given issuance shall identify the underwriter, bond counsel, underwriter's counsel, and financial advisor.