MISSION STATEMENT

*To provide quality
public services to all of
our residents and employers, in
a cost-effective and transparent
manner, so that they may benefit
from a safer, healthier, and
more vibrant community.*

▪ PROGRAMMATIC POLICY GOALS AND OBJECTIVES

The New Castle County programmatic policies, compiled below, set forth the foundation of County service levels and fiscal planning. The review and evaluation of these policies is a dynamic process and is integrated within the budget cycle. Performance evaluations are conducted through various techniques and media as set forth on Page 20. All programmatic policies are approved by the County Executive. **Linkage** of these policies to department service levels is by example parenthetically, highlighted within the “Fiscal 2018 Major Service Level Goals” (**Operating Budget Summary** tab) for selected departments.

I. Safe Communities

New Castle County will promote safety, health and emergency preparedness through effective delivery of public safety services that involve communities and volunteers.

1. Reduce crime and increase prevention through community and volunteer partnerships.

2. Prepare and respond effectively to man-made or natural disasters and emergencies.

3. Maintain quality customer service through prompt and efficient responses to emergency and non-emergency calls.

4. Sustain high-quality emergency medical services and volunteer fire services through coordinated partnerships and service delivery.

II. Healthy and Livable Communities

New Castle County will promote healthy, livable communities through progressive planning and programming in land use, infrastructure, recreation and community services.

1. Promote, develop and sustain a healthy and balanced environment and neighborhoods.

2. Develop and sustain recreational and community facilities, and plan and preserve green space/open space.

3. Promote and facilitate access to a diverse housing market.

4. Provide well-maintained infrastructure that keeps pace with planned development in the County.

III. Government Accountability and Transparency

New Castle County will continue to earn public confidence, and promote respect and accountability as an employer.

1. Encourage community involvement and dialogue in government decision making and service delivery.

2. Provide and maintain the infrastructure necessary to perform government functions and services efficiently.

3. Maintain fiscal integrity.

4. Promote and maintain a diverse, highly-skilled workforce in a safe and supportive workplace environment.

IV. Economic Growth and Vibrancy

New Castle County will develop partnerships to actively promote business expansion, with a focus on sustainable, diverse and high-wage jobs.

1. Streamline processes that encourage new and diverse businesses to open or expand in New Castle County.

2. Support entrepreneurship, business development and retention.

3. Promote redevelopment of underutilized commercial properties and brown fields.

4. Support local agriculture and purchasing from local businesses.

▪ FINANCIAL POLICIES, OBJECTIVES AND ACCOMPLISHMENTS

The New Castle County financial policies, compiled below, set forth the basic framework for the overall fiscal management of the County. Operating independently of changing circumstances and conditions, these policies assist the decision-making process of the County Executive and the County Council. These policies provide guidelines for evaluating both current activities and proposals for future programs.

Most of the policies represent principles, traditions, and practices which have guided the County in the past and have helped maintain financial stability. The review and evaluation of these policies is a dynamic process and is integrated within the budget cycle. **Linkage** of these policies to departmental service levels is by example parenthetically, highlighted within the “Fiscal 2018 Major Service Level Goals” (**Operating Budget Summary** tab) for selected departments.

V. Budgetary Policies

1. The Operating Budget (Budget) for the County shall present a complete financial plan for the budget year. The Budget will be prepared and presented as one comprehensive management and balanced financial plan, including operating requirements, financing requirements, and requirements for employee retirement and debt service funding.

2. The Budget shall be presented to the County Council by the County Executive, together with a budget message outlining the County Executive's reasons for the requested appropriations, and give effect to the budget as presented. If the estimated revenue from existing sources is deemed by the County Executive to be insufficient to balance the budget, the County Executive shall recommend revenues sufficient to achieve a balanced budget.

3. The County will reserve (Rainy Day Fund) in the General and Sewer Funds twenty percent of each fund's budget estimated revenues in order to support unfunded designated mandates and a turbulent economy (Legislated per Ordinance 01-035).

4. The County should maintain in the General and Sewer Funds undesignated cash balances of at least five to ten percent over and above the twenty percent Rainy Day Fund.

5. Budget estimates shall be prepared and appropriations made in a manner that reflects the utilization of costs and service delivery goals. Appropriations shall be arranged according to funds, departments, and budget units.

6. Historical levels of funding and expenditures shall be included in the Budget to provide comparisons. Financial forecasting of future requirements shall be updated quarterly to provide estimates of future financial and operating conditions.

7. A budgetary control system is maintained to ensure compliance to the budget; monthly financial reports compare actual revenues and expenditures to budgeted amounts. The County maintains accounting and budgetary control systems that adequately safeguard the assets held in public trust.

8. Unencumbered appropriations for the Budget lapse at year end; and encumbered appropriations, which are generally in the form of purchase orders or contracts, are reappropriated in the following year as prior year encumbrances.

9. The County will continually evaluate its Key Financial Policies and adjust them accordingly.

10. The Budget shall provide estimates of all taxes to be collected for the budget year, as well as all other current receipts to be derived from other revenue sources.

11. The Budget shall present tax rates for the 13 incorporated municipalities within the County which reflect tax rate credits for approved County services provided by the municipalities.

V. Budgetary Policies *(Continued)*

12. The County shall seek alternative revenue sources to fund new programs and find methods to reduce expenses.

13. The County shall aggressively seek regional and national partners to support the war on terrorism, drugs, community policing initiatives and major capital projects. Partnerships with our citizens, the business community and other local jurisdictions shall be encouraged.

14. The County shall support a scheduled level of maintenance and replacement of its infrastructure and fleet.

15. The budgeting system meets all the best practice recommendations of the Government Finance Officers Association.

16. The County will maintain adequate financial reserves to provide limited pay-as-you-go capital financing of our Capital Program.

17. The County will project its annual revenues based on historical data; County, State and national economies; and new statutes.

18. The County will strive to identify new revenue sources in order to assure future financial security.

19. The administrative overhead allocation provides a management tool to accurately monitor indirect costs absorbed by the general fund and to charge the appropriate special revenue and enterprise funds for administrative (indirect) costs expended in the General Fund.

20. The County will have an external council, New Castle County Financial Advisory Council (NCCFAC), review and validate the long-term fiscal projections and implications of revenue and expenditure forecasts for use by the County Executive in preparing, and by County Council in considering and enacting, the annual budget (Ordinance 08-012).

21. The County, in setting the estimates for use of the transfer tax in support of the proposed budget, the County Executive shall not certify, and County Council shall not adopt a revenue estimate that exceeds ninety percent of the estimated realty transfer tax estimated for the next fiscal year and certified by NCCFAC (Ordinance 10-117).

Budgetary Objectives

1. The County shall pass an operating budget by June 1st.

2. The County shall strive to maintain current service delivery levels and improve priority services such as public safety, libraries, and wastewater services.

3. The County shall make every effort to minimize budgetary growth through the use of sound management, cost-effective operations and non-essential position reductions.

4. The County shall seek revenue diversification in order to address future financial needs.

5. The Budget shall be prepared and presented in such a manner that it serves as a policy document; a financial plan; an operations guide; and a communication device to its staff, public officials, and citizens.

6. The County shall establish sewer service rates to meet operating costs.

7. The County shall recognize the capital spending impact upon the operating budget.

V. Budgetary Policies *(Continued)*

Budgetary Accomplishments

1. The Government Finance Officers Association awarded New Castle County the prestigious Distinguished Budget Presentation Award for the Comprehensive Annual Budget Summary for the fiscal year ended June 30, 2017.

2. The sewer service rate for FY2018 sustains sewer operating costs.

3. Created legislation establishing budget reserves (Rainy Day) for the General and Sewer Funds which was adopted by County Council on April 24, 2001.

4. County property tax rate and sewer service fees remain unchanged for FY2018.

5. The NCCFAC certified FY2018 revenue estimates.

VI. Investment and Cash Management Policies

1. Funds invested by New Castle County are generally pooled for investment purposes and are subject to a Pooled Investment Fund Policy, discussed below. However, certain funds must be invested separately and are subject to fund-specific investment policies. In particular, Pension and OPEB (Other Post-Employment Benefits) investments are managed by separate Boards of Trustees which establish their own investment policies that include investments in stocks, bonds, and other investments. In addition, the County may also establish discrete funds that are designated for specific purposes, such as the Garstin Fund, which are governed by their own investment policy statements or mandates and are designated as "Other Investments" in the Pooled Funds Investment Policy.

2. For investments governed by the Pooled Funds Investment Policy statement, the following asset allocation strategy applies based on strategic objectives, spending policy and risk tolerance:

TYPE OF SECURITY	MINIMUM RANGE	MAXIMUM RANGE
US Treasuries & Agencies	10%	100%
TIPS	0%	10%
GNMA	0%	50%
Residential & Commercial Mortgage Backed	0%	35%
Asset Backed Securities	0%	15%
Yankees	0%	10%
US Corporates	0%	50%
Eurodollar Bonds	0%	10%
Sovereign Debt	0%	15%
Cash & Equivalents, And Other Short-Term Investments	0%	50%
Taxable Municipals	0%	5%

VI. Investment and Cash Management Policies *(Continued)*

The actual allocation of funds at any point in time will reflect the projected cash flow needs of the County. The County employs an independent investment consultant to assist in the allocation of funds and the selection of fund managers.

3. **Pooled Funds Restrictions**

The portfolio will have a minimum average credit rating of A as rated by Standard & Poor's Global Ratings, Moody's Investors Service or Fitch Ratings. Individual securities must be rated BBB/Baa to be purchased, and any security downgraded to a non-investment grade rating by any one of these major credit rating services must be sold immediately, unless the Cash Management Committee (CMC), by review of a preponderance of extenuating evidence, elects to retain such security.

Excluding securities issued or guaranteed by the Federal Government or its agencies, securities of a single issuer shall not exceed 3% of the market value of the overall portfolio. Investment restrictions that are applicable to New Castle County/Pooled Funds (NCC/PF) investments are identified below. However, such restrictions shall not be applicable to Mutual Funds, Exchange Traded Funds or other Commingled Fund investments which are subject to fund specific guidelines that are not altered for individual investors.

The CMC may, on a case-by-case basis, determine to waive or modify any of the following restrictions. Any such waiver or modification shall be made only after a thorough review of the investment manager and investment strategy involved, to be authorized by the Chief Financial Officer (CFO), with a written record of the basis for the waiver or modification to be maintained by the CMC.

Investment Managers are required to invest idle cash balances daily in short-term investment vehicles.

The NCC/PF portfolio is prohibited from making direct investments, except as provided above, in the securities or investment vehicles listed below:

- Equities
- Preferred Stock
- Private Placements
- Futures or Options
- Credit Default Swaps
- Speculative Derivatives
- Collateralized Debt Obligations (CDO's)
- Securities Lending of any of the Portfolio

Investment and Cash Management Objectives

1. Specific categories of investments include:

- **Cash deposits -** The objective of this category is to preserve principal in order to meet current operating cash needs and, if applicable, to offset banking service fees. Other funds maintained by the County that fall outside the scope of the County's operating funds may be placed in separate accounts, held and/or invested in a similar fashion.
- **Short-term investments -** The objective of this class of investments is to meet the cyclical cash needs of the County's operations during various periods within the annual cash flow cycle. The average duration of these investments is typically one to nine months.

VI. Investment and Cash Management Policies *(Continued)*

- **Enhanced cash investments -** The primary objective of this category is to provide enough liquidity to meet cyclical cash requirements, typically on an annual basis, with a secondary objective to generate income. Expected average duration of these investments is typically one year.
- **Long-term investments -** The objectives of this category are to primarily produce income and growth, while preserving principal. The average duration of these investments will reflect projected cash flow needs of the County and general market conditions. However, in no event shall the average duration exceed ten years.
- **Bond proceeds -** The funds should be invested in short-term instruments and meet the cash flow needs of the County's capital program and preserve principal as approved by the CFO. A competitive short term yield should be generated while allowing sufficient liquidity to withdraw funds to reimburse the County's cash deposits when monies for capital projects are expended.
- **Other investments -** The objective of this investment category is to have a positive economic impact on New Castle County in the interest of its citizenry. Such investments established by the County Executive or County Council are managed with their own policy and do not fall under the guidelines of this policy.

2. The primary investment objectives under the Pooled Funds Investment Policy are to preserve capital and to attain return on investments equal to or greater than applicable benchmarks.

Investment and Cash Management Accomplishments

1. In the past ten years, the total return on investments (as measured in dollars) is:

Fiscal Year	Interest Earned	Change in Value/Other	Total Return (*)
2008	$9,355,103	$248,076	$9,603,179
2009	$5,295,914	-$11,010	$5,284,904
2010	$3,807,994	$4,525,230	$8,333,224
2011	$5,579,277	$404,897	$5,984,174
2012	$5,543,931	-$267,831	$5,276,100
2013	$4,914,241	-$2,389,379	$2,524,862
2014	$4,757,173	-$2,329,481	$2,427,692
2015	$3,677,558	-$2,280,815	$1,396,743
2016	$3,813,358	-$660,249	$3,153,109
2017	$3,372,208	-$1,950,602	$1,421,606

(*) Note – Figures from FY2013 forward impacted by accounting changes due to amortization of premiums/discounts

VII. Bonded Debt Policies

1. Bonded debt of the County is to be issued only in the amounts and for the purposes for which the County is authorized by Delaware Code.
2. Bonded debt issued for capital improvement purposes is to be issued as general obligation debt of the County or as specific purpose revenue bonds.
3. Capital improvement bonded debt is to be issued to mature no more than 20 years from the year of issue for the General Fund and 30 years for the Sewer Fund.
4. Bonded debt is to be issued only when needed, and in amounts necessary for meeting such needs, unless financial market conditions and/or projections indicate that it is in the County's best interest to deviate from this practice.
5. Debt management ratios, legal debt margin, and impact upon future Operating Budgets are to be disclosed annually (see **Operating Budget Summary** tab under "Debt Management").

Bonded Debt Objectives

1. Maintain the County's triple-A credit rating.
2. Provide timely and cost-effective bonded debt financing.
3. Help stabilize future tax rates through a level debt service (payment) structure.
4. Obtain capital financing at the lowest available interest rates.

Moody's, Standard & Poor's and Fitch rate New Castle County "AAA" – the highest attainable rating.

Bonded Debt Accomplishments

1. Percentage of debt service to the Operating Budget will remain below 15% for the General Fund (see page 194 for Sewer Fund debt service).
2. Bonds are scheduled for a principal payout of 47.69% in ten years.
3. Earned a triple-A credit rating in April 2017 from all three major rating agencies (Moody's Investors Service, Fitch Ratings and Standard and Poor's Global Ratings) who affirmed a stable outlook on the County's economic health.

VIII. Financial and Accounting Policies

1. Accounting policies of the County will conform to Generally Accepted Accounting Principles (GAAP) as applicable to governments.
2. The basic accounting and reporting entity of the County will be a "fund."
3. The County's governmental funds are to be maintained on the modified accrual basis of accounting and are accounted for using a flow of current financial resources measurement focus.
4. The governmental activities, business-type activities, and the proprietary and fiduciary funds of the County will be accounted for on the accrual basis of accounting. These funds use a flow of economic resources measurement focus.
5. The County Council will commission an annual independent audit of the County's financial records.
6. The County will prepare and issue a Comprehensive Annual Financial Report, which will also be submitted to the Government Finance Officers Association (GFOA) Certificate of Achievement Program.
7. The County will advance the level of excellence of our financial controls, accounting and financial reporting using technology, innovation and self-assessment.

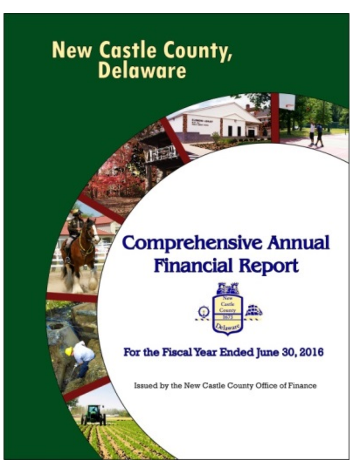
VIII. Financial and Accounting Policies *(Continued)*

Financial and Accounting Objectives

1. County financial information is available through the Comprehensive Annual Financial Report, Comprehensive Annual Budget Summary, Grantor Agency Reports, and supplementary information.
2. County financial systems will be designed to report in compliance with Generally Accepted Accounting Principles (GAAP), to fulfill the County's duty to be publicly accountable while allowing users to assess that accountability.
3. County financial reports will be designed to assist users in evaluating the County's ongoing operation, and in assessing the level of services that can be provided and the ability to meet obligations as they become due. The financial statements will report financial data in compliance with GAAP.
4. The audit performed by independent certified public accountants on an annual basis will assure compliance of the County's financial stewardship. In addition to meeting the requirements as set forth in the County Code, the audit will also insure compliance with the Federal Single Audit Act as amended in 1996 and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations.

Financial and Accounting Accomplishments

1. Awarded a Certificate of Achievement for Excellence in Financial Reporting from the GFOA for the County's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2016. The County has received this prestigious award for 36 consecutive years.
2. Received legislative recognition through New Castle County Council Resolution 16-160 for financial reporting excellence.
3. Issued an unmodified independent audit report by CliftonLarsonAllen LLP for the County's 2016 annual financial statements.
4. Prepared and published the 2016 Sources of Revenue Report, 2016 Annual Grants Report, the 2016 Indirect Cost Allocation Plan, the 2016 Comprehensive Annual Financial Report, and the 2017 Comprehensive Annual Budget Summary.
5. Maintained a comprehensive financial web site providing our citizens, employees, and financial partners with a contemporary fiscal forum for questions and answers.
6. Expanded electronic payment solutions resulting in expeditious receipt and control of funds.
7. Provided excellent customer service to County citizens through training employees, monitoring phone call statistics, and utilizing performance evaluations.
8. Monitored and evaluated the County's financial process as to validate legal compliance and fiscal responsibility.



New Castle County
Achieves National Recognition

The GFOA presented the Office of Finance with its "Certificate of Achievement for Excellence in Financial Reporting" for its Fiscal Year 2016 Comprehensive Annual Financial Report. New Castle County was the first government in Delaware to receive this nationally recognized award, and has received it for 36 consecutive years – more times than any other government in the state.

IX. Key Financial Policies (KFP)

The County has adopted, as part of the annual budget, quantitative financial policies that address (1) capital project duration, (2) the allowable percentage of debt service to the operating budgets, (3) the allowable percentage of cost increase in the six-year Capital Program after the base year, (4) the limitations to amendments during the year, (5) the three-year Operating Budget impact, (6) the quarterly capital project and program review, and (7) the monthly capital cash forecast for twelve months, and a quarterly variance analysis. The following are the "Key Financial Policies" for the fiscal year beginning July 1, 2017.

✓ **KFP #1**

- Each capital project will have a "sunset provision" after 24 months which can be lifted only by a resolution adopted by County Council.

Rationale

- Each agency must commit to the timely completion of each project adopted by the County Council and approved by the County Executive.

Impact

- Each agency will have 24 months from the date of authorization to complete all projects. Projects authorized prior to July 1, 2015 must be completed on or before June 30, 2017. Projects approved for continuance are to be completed on or before June 30, 2018.
- The Fiscal Year 2018 Capital Program sunsets (excludes) nine projects with an approximate savings of $0.6 million.

✓ **KFP #2**

- The recommended allowable percentage of debt service to the Operating Budget:

  (a) General Fund – 15%

  (b) Sewer Fund – 20%*

  * See page 194 for more information.

Rationale

- Growing debt service payments as a percentage of the Operating Budget must be limited to maintain the financial flexibility of the County.

Impact

- Capital expenditures funded by general obligation debt will have to be programmed to avoid increasing the future debt burden upon the residents. Exceptions to this policy may be considered only for projects with a contemporary impact upon the health, safety and welfare of the residents and County employees. Page 195 presents the percentage of debt service to the Operating Budgets through the year 2027.

Key Financial Policies *(Continued)*

✓ KFP #3

- The allowable percentage of cost increase in each year of the six-year Capital Program after the respective base year is:

  (a) General Fund

  5% for the fiscal years 2018 – 2023 (non-cumulative).

  (b) Sewer Fund

  No greater than the acceptable annual sewer rate increase for user fees. In the absence of a sewer rate increase, the recommended percentage is 5% (non-cumulative).

KFP #3 is to provide for cost increases to authorized capital projects currently in the approved Capital Program. Use of KFP #3 for new project requests will be evaluated by the Capital Strategies Review Committee (CSRC) on a project-by-project basis for approval.

Rationale

- Each agency must manage its Capital Program within a certain timeframe and budget to maintain effective project and cost controls.
- County Executive must submit to County Council a balanced Operating Budget.

Impact

- Each agency will become more sensitive to project completion within the original budget and time frame. County government will limit sewer capital activity to projects that do not exceed a recommended net debt service to Operating Budget percentage of 20% and/or an annual rate increase of 20%.

✓ KFP #4

- Capital project amendments during a year shall not exceed the annually adopted budget and funding levels. All amendments shall be reviewed and evaluated by the Capital Program and Budget Review Committee (CPBRC).

Rationale

- Each agency must manage its Capital Program within a certain timeframe and budget to maintain effective project and cost controls.

Key Financial Policies *(Continued)*

✓ KFP #4 *(Continued)*

Impact

- Project amendments will require each agency to adjust its existing projects and program to conform to existing authorizations. This will limit project additions and project cost overruns. Exceptions to this policy may be considered only for projects with a contemporary impact upon the health, safety and welfare of the residents and County employees.

✓ KFP #5

- Each agency shall submit a three-year Operating Budget impact for personnel services, materials and supplies and debt service costs with each project request.

Rationale

- Each agency must disclose the Operating Budget impact so that total project-related costs can be considered in the decision-making process.

Impact

- Annual Operating Budget costs will be considered in the project acceptance process. These operating costs will provide management and County Council with total project-related costs.

✓ KFP #6

- Quarterly capital project and program reviews conducted by the CSRC are to monitor existing project performance and to update the six-year Capital Program. These meetings will be re-established in Fiscal Year 2018.

Rationale

- Each agency must actively manage each project and provide quarterly reports on the physical and fiscal status of each project to management and County Council.

Impact

- A Capital Project Status Report and a Proposed Capital Program and Budget Summary are prepared by each agency for each of the capital projects in the Budget and for the proposed Capital Program and Budget for the next fiscal year.

Key Financial Policies *(Continued)*

✓ KFP #7

- Each agency shall submit to the CSRC a monthly capital cash forecast (receipts and disbursements) for a twelve-month period and a quarterly variance analysis (forecast to actual). This practice will be re-established in Fiscal Year 2018.

Rationale

- Each agency must actively oversee and report the fiscal activity of each project in order to maximize the County's investment opportunities and to meet the Treasury arbitrage regulations.

Impact

- Monthly, each agency will project the next twelve months activity for each project. Quarterly, a "forecast to actual" report is prepared by the Budget Office for each agency to explain the variances for each project.

✓ Other Significant Policy Initiatives

- **Budget Reserve**

In Fiscal Year 2001, County Council adopted Ordinance 01-035 which established a Budget Reserve Account within the General Fund and Sewer Fund. The amount of reserve in each fund at the end of each fiscal year will be twenty percent of the total estimated revenues of the fund for the following fiscal year. County Council could, by a ten-thirteenths vote, appropriate funds needed to fund unanticipated deficits or revenue reductions. Any change to the percentage allocation of the Budget Reserve Account will require a ten-thirteenths vote by County Council. In addition, Ordinance 05-021 established funding for the Tax Stabilization Reserve Account in the General Fund and the Sewer Rate Stabilization Account in the Sewer Fund. These Reserve Accounts are in addition to the Budget Reserve Account established by § 14.01.013 of the *New Castle County Code*. The amount of these accounts would be established annually by New Castle County Council.

In addition, the County maintains a Realty Transfer Tax Reserve, Strategic Economic Development Designated Fund and Sewer Capital Recovery Fee Designated Fund.

- **Capital Spending Impact Upon the Annual Operating Budget**

In conjunction with KFP #5, the development of measurement criteria for this impact was completed by the CSRC. Standard costs are established for each facility, ball field, parkland, etc. Accordingly, annual operating cost increases and decreases are disclosed for each project. Included in the "Capital Budget Summary" section of this document is a schedule by agency and project disclosing the additional Operating Budget costs for the subsequent year.

These policies are reviewed by County Council as part of the Annual Operating Budget and Capital Budget legislative cycle.