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 departmental service levels is by example parenthetically, highlighted within the "Fiscal 2015 Major Service Level Goals" (**Operating Budget Summary** tab) for some 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 EMS and volunteer fire services through coordinated partnerships and service delivery.

II. Healthy & 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 & 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 & 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 2015 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 operating budget funds lapse at year end. Encumbered appropriations at year end, 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 the municipalities provide.

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 find new revenue sources in order to assure future financial security.

19. The administrative overhead allocation provides a management tool to monitor accurately 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, via the New Castle County Financial Advisory Council (NCCFAC), will have an external council 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 real estate 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, 2014.
2. The sewer service rate for Fiscal 2015 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 FY 2015.
5. In July 2006, a joint initiative between the County Executive and County Council led to the formation of New Castle County's Financial Task Force, which was formally established by Council Resolution 06-171. The primary functions of the task force are to evaluate County operations, costs, revenues and growth; and to make recommendations for improving the long-term financial future of New Castle County.
6. The New Castle County Financial Advisory Council (NCCFAC) certified FY 2015 revenue estimates.
7. Available financial reserves were not utilized to balance the General Fund in the FY 2015 Annual Operating Budget.

VI. Investment and Cash Management Policies

1. Pension and OPEB (Other Post-Employment Benefits) investments are managed by separate Boards of Trustees which invest in stocks, bonds, and other investments. The Garstin Trust fund may also invest in similar securities.
2. Other than the funds described in #1 above, investments which the County may purchase are for short-term and short/intermediate term separately managed accounts and portfolios that invest in individual securities, allowable investments include: (1) U.S. Government obligations, U.S. Government Agency and Instrumentality obligations (including mortgage-backed securities); (2) certificates of deposit and time deposits - amounts above the limit guaranteed by the FDIC must be either (a) issued by U.S. banks whose long-term unsecured indebtedness is rated “A” or higher by two of the following: Moody’s, Standard and Poor’s or Fitch; or (b) collateralized 102% with securities issued by the U.S. Government, its Agencies or Instrumentalities; (3) commercial paper rated A-1, P-1 or higher by two of the following: Moody’s, Standard and Poor’s or Fitch; (4) repurchase agreements collateralized 102% with securities issued by the U.S. Government, its Agencies or Instrumentalities; (5) money market funds regulated by the Securities and Exchange Commission and whose portfolios consist only of dollar-denominated securities; (6) corporate bonds – investment grade dollar-denominated issues of corporations with a major presence in the U.S., with an average weighted credit quality of “A+/A1” or higher as rated by two of the following: Moody’s, Standard and Poor’s or Fitch. It may also include investment grade debt obligations of business entities that are organized under definitions other than U. S. corporations.

   For longer-term Reserves portfolios, allowable securities include: US Treasuries and Agencies; mortgage-backed securities issued by US Agencies; asset-backed securities; Yankees; corporates; Eurodollar bonds; and sovereign debt. There are different maximum limits on each type of security as a percentage of the portfolio. Cash and cash equivalents are also allowed, up to 50% of the portfolio. The overall portfolio must have a minimum average credit rating of A as rated by Standard & Poor’s, Moody’s or Fitch. Securities must be rated BBB/Baa to be purchased.

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

Investment and Cash Management Objectives

1. Preserve capital in short-term and short/intermediate term investments. Short-term investments should maintain liquidity, while short/intermediate term investments should provide income.
2. Attain a return on short-term investments equal to or greater than the benchmark through the use of external funds management professionals.

Investment and Cash Management Accomplishments

1. In the past ten years, the interest income plus net realized gains/losses earned on investments is:

Fiscal Year	Fed Funds Rate Range	Fed Funds # of Changes	Interest Earned
2005	1.25 - 3.25%	8 ↑	$7,529,343
2006	3.25 - 5.25%	8 ↑	$7,809,877
2007	5.25 - 5.25%	none	$10,293,639
2008	5.25 - 2.00%	7 ↓	$9,591,015
2009	2.00 - 0.25%*	3 ↓	$5,261,846
2010	0.00 - 0.25%	none	$3,973,566
2011	0.00 - 0.25%	none	$5,458,424
2012	0.00 - 0.25%	none	$5,604,991
2013	0.00 - 0.25%	none	$5,334,556
2014	0.00 - 0.25%	none	$4,807,672

* The Fed Funds rate shown as 0.25% is actually a range from 0.00-0.25%
↓ Fed Funds rate decreases
↑ Fed Funds rate increases

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 to 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 "AAA" bond rating.
2. Provide timely and cost-effective bonded debt financing.
3. Stabilize future debt service tax rates through a level debt service (payment) structure.
4. Obtain capital financing at the lowest available interest rates.

Bonded Debt Accomplishments

1. Percentage of debt service to the Operating Budget will remain below 15% for the General Fund (see page 198 for Sewer Fund debt service).
2. Bonds are scheduled for an above average principal payout of above 53% in ten years.
3. Reaffirmation of AAA bond rating by all three major rating agencies in August 2012.
4. Reaffirmation of AAA bond rating by Standard & Poor's in April 2014.
5. Reaffirmation of AAA bond rating by Fitch Ratings Inc. in July 2014.

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

VIII. Financial and Accounting Policies

1. Accounting policies of the County will conform to Generally Accepted Accounting Principles (GAAP) as applicable to governments.
2. Accounting policies will also conform to Governmental Accounting Standards Board (GASB) statements.
3. The basic accounting and reporting entity of the County will be a "fund."
4. 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.
5. 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.
6. The County Council will commission an annual independent audit of the County's financial records.
7. The County will prepare and issue a Comprehensive Annual Financial Report, which will also be submitted to the Government Finance Officer's Association Certificate of Achievement Program.
8. 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 and the Governmental Accounting Standards Board (GASB) statements.

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. The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2013. The County has received this prestigious award for 33 consecutive years.

2. Received legislative recognition through New Castle County Council Resolution 14-117 for financial reporting excellence.

3. Issuance of an unmodified independent audit report by SB & Company LLP for the County's 2013 annual financial statements.

4. Preparation and issuance of the 2013 Annual Grants Report, the 2013 Indirect Cost Allocation Plan, the Comprehensive Annual Financial Report, and the 2014 Comprehensive Annual Budget Summary.

5. Maintained a comprehensive financial web site to provide our citizens, employees, and financial partners with a contemporary fiscal forum for questions and answers.

6. Maintained a "Financial Procedures and Policies Manual" or interactive "e-Manual," and an electronic reference guide, documenting the policies and procedures of the Office of Finance.

7. Expansion of electronic payment solutions resulting in expeditious receipt and control of funds.

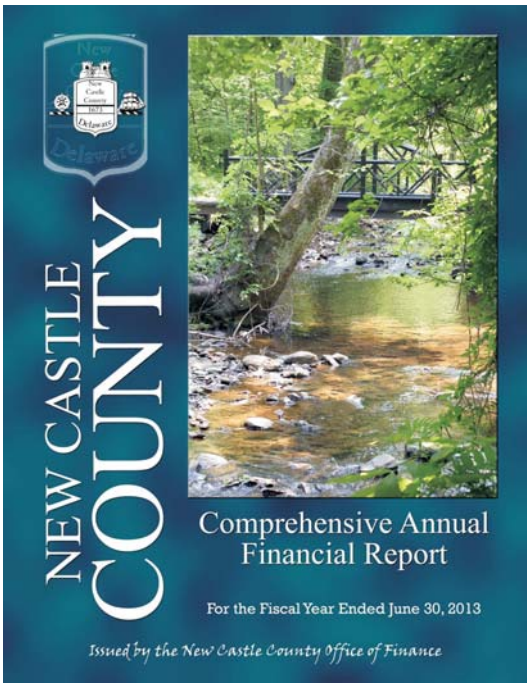
VIII. Financial and Accounting Policies *(Continued)*

Financial and Accounting Accomplishments *(Continued)*

8. Provided excellent customer service to County citizens through training employees, monitoring phone call statistics, and utilizing performance evaluations.

9. Monitored and evaluated the County's financial process so as to validate legal compliance and fiscal responsibility.

10. Maintained the New Castle County Revenue Manual, which defined and documented the revenue sources of the County.



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 2013 Comprehensive Annual Financial Report. New Castle County was the first government in Delaware to receive this nationally recognized award, and has received it for 33 consecutive years – more times than any other government in the state.

IX. Key Financial Policies (KFP)

The County has adopted, as a 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, 2014.

✓ **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, 2012 must be completed on or before June 30, 2014. Projects approved for continuance are to be completed on or before June 30, 2015.
- The Fiscal Year 2015 Capital Program sunsets (excludes) 10 projects with an approximate savings of $1.7 million.

✓ **KFP #2**

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

  (a) General Fund - 15%

  (b) Sewer Fund - 20%*

  * See page 192 for more information.

Rationale

- Growing debt service payments as a percentage of the Operating Budget must be limited so as 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 193 presents the percentage of debt service to the Operating Budgets through the year 2024.

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 2015 - 2020 (non-cumulative).

(b) Sewer Fund

No greater than the acceptable annual sewer rate increase for user fees.

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 certain time and cost constraints so as 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%.

✓ **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 certain time and cost constraints so as 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 costs, other operating expenses 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.

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.

✓ **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).

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.

Key Financial Policies *(Continued)*

✓ **KFP #7** *(Continued)*

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 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.

- **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 Capital Strategies Review Committee (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.