



Strategic Planning Process Overview

The *Strategic Operating Plan Guide* is designed to aid the reader in understanding the information contained in this document, how the document is formatted, and the processes for creating the Strategic Operating Plan. It is inclusive of the required annual balanced budget, the Five-Year Financial Forecast, and the five-year Capital Improvement Plan. The subsequent sections of the document dive into the detailed plans for Village operations and this guide will provide explanations for the vast amount of data and information that follows.

Because this section is intended to provide mostly background information, the reader is invited to exercise judgment when reading it and refer to other sections of the document for more detailed information.

This document has been prepared in accordance with the requirements of the Government Finance Officer's Distinguished Budget Award program. The Village has received this award for nine consecutive years and has been awarded the Special Performance Measures Recognition in the past.

What's New in the Document This Year?

In the spirit of continuous improvement, several enhancements have been made to the FY 2017 Strategic Operating Plan. The most significant changes made in this year's document to make it more useful to the reader include:

- The *Strategic Priorities* section has been updated to provide the following:
 - Long-term performance projections (FY 2021) for Balanced Scorecard (BSC) Key Performance Indicators (KPIs)
 - Expanded descriptions of BSC KPIs and Initiative Action Plans (IAPs)
- The *General Fund* section of expenditures has been expanded to include:
 - The FY 2017 cost of IAPs funded in each department
 - Significantly expanded KPIs on department BSCs to include long-term projected performance (FY 2021) and categorizing the KPIs as output, efficiency, or effectiveness
- A *Five-Year Financial Forecast* section has been added to provide expanded information on how the Village develops and uses its forecast to guide decision making.

We hope that you find these enhancements useful. If there is additional information that you would like to see presented in future editions, please forward your request to John Frye, Director of Financial Services at jfrye@vopnc.org.

Strategic Planning Process Overview

In December, the Pinehurst Village Council kicks off the Strategic Planning Process (SPP) with an annual retreat. At this retreat, the Council affirms or modifies the Mission, Vision, and Values (MVV), identifies core competencies, conducts an environmental scan, identifies the Village's strategic advantages and challenges, completes a SWOT analysis, and affirms goals and objectives.

Using these key inputs into the SPP, the Council sets target performance levels, based on comparisons to benchmark communities, for each of the Key Performance Indicators (KPIs) on the Balanced Scorecard



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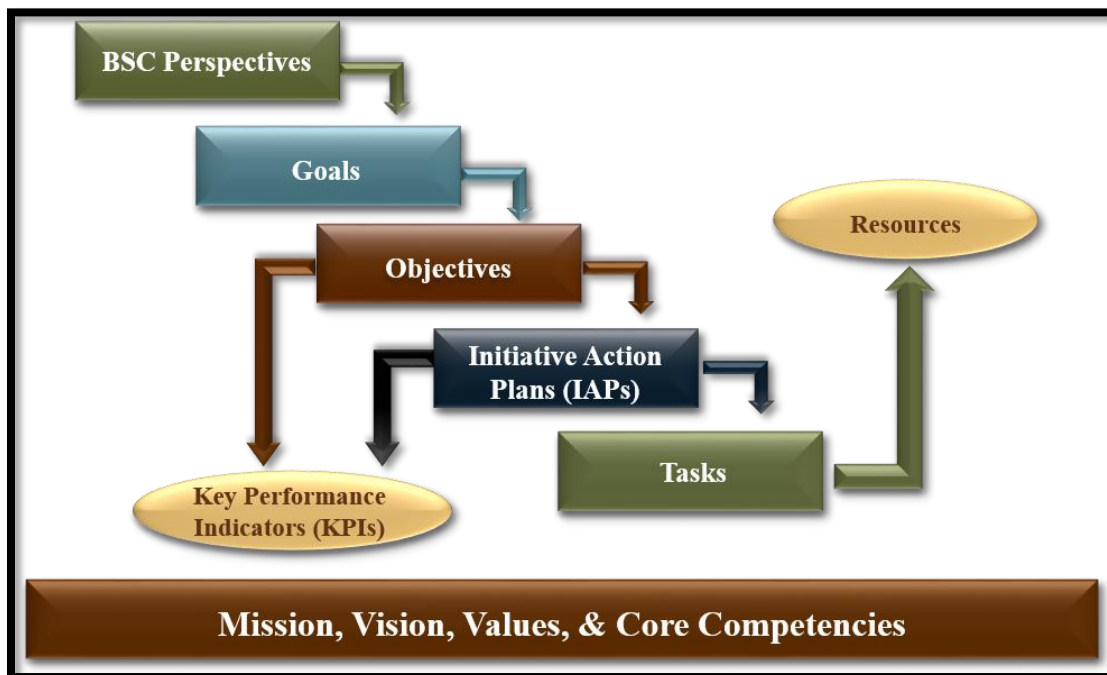
(BSC). The senior leadership team then holds a retreat with Council-approved committee chairs to identify IAPs based on the strategic plan inputs. Department heads then develop departmental goals, KPIs, IAPs for the next five years, and funding requests to address Council goals and objectives and achieve BSC target performance levels.

All IAPs and funding requests are evaluated in consultation with Department Heads by the Strategic Planning Team, which consists of the Village Manager, Assistant Village Managers, Human Resources Director, and Financial Services Director. IAPs are then prioritized based on criteria established by the Council.

To determine the Village's financial capacity to fund the SOP, staff prepares a five-year financial forecast, which includes the costs associated with the five-year Capital Improvement Plan. Using the prioritization of IAPs and the five-year financial forecast, the Strategic Planning Team develops the SOP.

The SOP is prepared in accordance with the Village's Fund Balance Policy, with projected revenues and expenditures resulting in a General Fund fund balance of 30%-40% of budgeted expenditures during the planning period. Please see the *Strategic Priorities* section of this document for a more detailed discussion of the strategic planning process.

Staff presents the proposed Strategic Operating Plan to the Village Council for review and approval in May. The Council holds one or more budget work sessions and then conducts the required public hearing on the proposed budget to allow for public comment. Before June 30 of each year, the Village Council adopts the annual budget ordinance that becomes effective July 1 and includes appropriations for IAPs outlined in the Strategic Operating Plan.



Village of Pinehurst Strategic Planning Overview



Strategic Operating Plan Calendar

The Village has utilized the following schedule in preparing and adopting the 2017 Strategic Operating Plan and FY 2017 Budget:

| | |
|-------------------------------|---|
| December 3 – December 4, 2015 | Village Council holds Strategic Planning Retreat |
| January 27, 2016 | Senior Staff and appointed Board Chairs retreat |
| February 9, 2016 | Village Council approves Balanced Scorecard with performance measures and ST and LT target performance levels |
| February 10, 2016 | Financial Services Department releases the FY 2017 Strategic Operating Plan (SOP) Department Guide and forms |
| March 18, 2016 | Department Heads submit completed Departmental SOP forms to the Financial Services Department |
| March and April 2016 | Financial Services Department estimates revenues in conjunction with Department Head input and consolidates departmental requests |
| March 28 – April 1, 2016 | Strategic Planning Team holds Strategic Operating Plan Workshops with Department Heads |
| April 4 – April 19, 2016 | Strategic Planning Team prioritizes IAPs and develops the Strategic Operating Plan with long-term financial forecast, staffing, and capital plan included |
| May 5, 2016 | Village Manager submits the proposed Strategic Operating Plan to the Village Council |
| May 10, 2016 | Village Manager presents the Strategic Operating Plan to the Village Council at a Council work session |
| May 11 – May 12, 2016 | Village Council holds work sessions to review the Strategic Operating Plan and FY 2017 Budget |
| May 24, 2016 | Village Council holds a public hearing on the FY 2017 Budget |
| June 14, 2016 | Village Council adopts the Strategic Operating Plan and the FY 2017 Budget Ordinance |
| July 1, 2016 | SOP is implemented |
| July 11, 2016 | Financial Services Department publishes the final SOP document |



Financial Policies

Summary

The Village of Pinehurst's budgetary and financial policies set forth basic guidance for the fiscal management of the Village. Most of the policies represent long standing principles and traditions with its legal framework outlined in both the North Carolina General Statutes (NCGS) and the Village's Ordinances. These policies, though general in statement, contribute to the Village's financial stability. The major financial policies of the Village are summarized below.

Council Adopted Policies

Investment Policy

The Village Council adopted Investment Policy states the Village will consolidate cash balances to insure maximum investment of idle cash. The criteria for selecting an investment will include safety, liquidity, and yield. The Village will invest only in quality issues that comply with the North Carolina Budget and Fiscal Control Act and the Village's Investment Policy. Management reports on its investment portfolio to the Village Council on a quarterly basis. This policy is reviewed annually and updated as needed.

Fees and Charges Policy

The Village Council adopted Fees and Charges Policy is used to set fees and charges at an appropriate level that is consistently applied to all users. Charging fees for elective services efficiently transfers the cost of providing those services to the service recipient. Fees charged by the Village are intended to cover the full cost of providing a service that can be directly identified. The exception to this is Recreation programs where only direct costs are intended to be recovered. The Village's Fees and Charges Policy requires the Financial Services staff to evaluate and update the fee schedule each year.

Fund Balance Policy

The Village Council adopted Fund Balance Policy states the Village will maintain operating reserves by maintaining a healthy fund balance. The Village's adopted Fund Balance Policy requires management to maintain unassigned General Fund fund balance, as reported in the Village's Comprehensive Annual Financial Report (CAFR), of greater than 15% of actual General Fund expenditures as reported in the CAFR for the year audited. Unassigned fund balance is the portion of fund balance that is not restricted and is available for appropriation. In addition, when preparing the annual General Fund budget, the total appropriated fund balance should result in anticipated ending total fund balance in the range of 30%-40% of budgeted expenditures.

Other Financial Guidelines

Operating Budget Guidelines

Pursuant to the North Carolina General Statutes Article 159-11 the Village will adopt a balanced budget, which provides a work program and an operational plan for the ensuing year. **A balanced budget as defined by the North Carolina Local Government Budget and Fiscal Control Act is when the sum of estimated net revenues and appropriated fund balance in each fund is equal to appropriations in that fund.**



The Village will maintain a program of budgetary controls to ensure adherence to the budget. Each month, electronic financial information is prepared for department heads and management along with quarterly reports prepared for the Village Council to assist in the monitoring of actual revenues, expenditures, and budgeted amounts. In addition, the Village will retain an independent accounting firm to perform an annual financial and compliance audit in accordance with general accepted accounting practices and by the Governmental Accounting, Auditing, and Financial Reporting (GAAFR) standards.

Operating Margin Guideline

When developing the Five-Year Financial Forecast, one strategy to ensure that there are adequate funds for both operating and capital needs is to monitor the operating margin. Village Managers have set a goal that no more than 89% of operating revenues be spent on operating expenditures. This ensures that 10%-12% of operating revenues are available for capital replacement or capital reserve.

Revenue Guideline

The Village will maintain a diversified and stable revenue program to protect it from short-term fluctuations of any one revenue source. As a part of the normal budget process, the Village will review and estimate revenues in an objective and realistic manner. Attempts will be made to secure additional revenue sources to offset any reductions of federal, state, or local funding.

Debt Guideline

The Village takes a planned approach to the management of its long-term debt issuances. The Village will consider the use of long-term debt financing only when it meets the following criteria:

- The financing period is no longer than the estimated life of the improvement, and
- The improvement will benefit both current and future citizens of the Village.

The Village strives to limit total debt service to no more than 15% of General Fund expenditures, with a general goal of 10% of General Fund expenditures. By state law the Village must limit the total of all debt issued to no more than eight percent of the total assessed valuation. The Village follows a policy of full disclosure on every financial report. The Village may utilize the authority granted within the General Statutes for lease or installment purchases when deemed appropriate.

Capital Improvement Plan Guideline

The Village will maintain a Five-Year Capital Improvement Program (CIP), which will be reviewed and updated as part of the annual SPP. Since capital improvements involve large sums of capital and long-term commitments, each capital project will be carefully analyzed before it becomes a component of the program. The Village takes a systematic approach to capital improvement programming to ensure that any personnel services or operating costs affected by capital spending decisions are included in the appropriate operating budget. The Village will protect and maintain its capital investments in order to reduce replacement cost. As part of the CIP, the Village will project its revenues and expenses from operations for a five-year planning horizon.



Budget Requirements

Basis of Accounting and North Carolina Local Government and Fiscal Control Act

The budget is prepared using the modified accrual basis of accounting for all funds. This approach to accounting recognizes revenues when they become measurable and expenditures at the time liability is incurred. All revenues and expenditures must be included in the annual budget ordinance or the appropriate capital and/or grant project ordinances. Any operational appropriations that are not expended or encumbered shall lapse. The Village of Pinehurst also uses the modified accrual method as the basis for budgeting and for accounting.

The North Carolina Local Government Budget and Fiscal Control Act (LGBFCA) controls how municipalities budget and spend money. The major effects of the LGBFCA on the budgetary process are described below.

Budget Calendar

The LGBFCA establishes the dates by which each stage in the annual budget process is to be completed (G.S. 159-10 through 13). These dates are as follows:

- Departmental requests must be submitted to the Budget Officer by April 30.
- Revenue requests must be submitted to the Budget Officer by April 30.
- The recommended annual budget must be submitted to the Governing Board by June 1.
- The Governing Board must adopt the annual budget ordinance by June 30.

Budget Forms and Procedures

The Budget Officer (Village Manager) must prescribe the forms and procedures for the departments to use in preparing their requests; in the words of G.S. 159-10, requests “shall be made in such form and detail, with such supporting information and justifications, as the budget officer may prescribe.” G.S. 159-10 also requires that a budget request show actual expenditures for the prior year, estimated ones in the current year, and requested ones for the coming budget year.

Departmental Requests

G.S. 159-10 requires that the budget request for a department include revenues or fees that it will collect in the budget year.

Recommended Budget

G.S. 159-11 requires that the Budget Officer’s recommended budget be balanced unless the Governing Board insists that an unbalanced budget be submitted. **A balanced budget as defined by the North Carolina Budget and Fiscal Control Act is when the sum of estimated net revenues and appropriated fund balance in each fund is equal to appropriations in that fund.** It is also required that the budget be submitted to the Governing Board with a budget message. G.S. 159-11(b) states that the message should include:

- A concise explanation of the governmental goals fixed by the budget for the budget year.
- Important features of the activities anticipated in the budget.



Budget Requirements

- The reasons for stated changes from the previous year in program goals, programs, and appropriation levels.
- Any major changes in fiscal policy.

Board Review

Once the Recommended Budget is presented to the Governing Board, several general legal provisions apply to Board review and adoption of the budget ordinance.

- At least 10 days must pass between the submission of the Recommended Budget and adoption of the budget ordinance.
- On the same day the budget is submitted to the Governing Board, the Budget Officer must file a copy of it in the Village Clerk's Office where it is made available to the public and press.
- The Village Clerk must publish a notice that the budget has been delivered to the Governing Board and is available for public inspection. This advertisement must also note the time and place of the required public hearing.
- During the time between submission and adoption, the Governing Board may conduct its review at both regular and special meetings. At least one of these dates must be a public hearing at which any person who wishes to comment may.
- The Open Meeting Law (G.S. 143-318.9 through 318.18) applies to the budget preparation and adoption process.

Adoption of the Budget Ordinance

The budget ordinance must contain the appropriations, the estimated revenues, and the property tax levy as well as rate.

Budget Adoption and Amendment

The operations conducted by the Village are guided by the annual budget ordinance adopted in accordance with the provisions of the North Carolina Local Government Budget and Fiscal Control Act. The Budget Ordinance must be balanced and adopted prior to the beginning of the Fiscal Year. Adoption of the budget by the Village Council establishes the legal authority to incur expenditures in the ensuing fiscal year.

After the adoption of the Budget Ordinance, the Budget Officer (Village Manager) is authorized to transfer appropriations between line-item expenditures within a department without making an official report to the Village Council. He may also transfer amounts not to exceed \$10,000 between functional areas, including contingency appropriations, within the same fund. These transfers, however, require an official report at the next regular meeting of the Village Council. All other revisions or budget amendments must be approved by the Village Council through legislative action.



Budget Format

The accounts of the Village are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts comprised of assets, liabilities, fund equity, revenues, and expenditures or expenses as appropriate. Fund accounting segregates funds according to the intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. Currently, the Village only maintains one fund, the General Fund. As this is subject to change in any year, information on other fund types is also provided.

A fund is one of two types: an operational fund or a project fund. Council appropriates operational funds on an annual basis and an activity's funding lapses at the close of the fiscal year. Project funds continue for the life of each specific capital or grant project with appropriations continuing until the project is finished. The Village does not currently have any project funds.

It has been established that budgets, while managed by funds, are also managed by functions. The functions designate the actual use of the funds. For example, the function of the Police Department is Public Safety and the function of the Financial Services Department is General Government.

How do the individual departments fit into the functional and fund accounting process? Each department is a subsection of both a function and a fund. Each department or division belongs to one fund and one function. A fund can include any number of departments, including departments of different functions. A function can include departments from many funds.

About the Document Presentation

This document contains a wealth of diversified information. This information can be found on a departmental, functional, or fund level. This document places a distinct emphasis on the Village's departments and divisions because these pages represent the plans of the men and women who are charged with the duty of providing services to citizens.

All of the individual department revenues and expenditure totals are consolidated for each fund, which present the "bottom line" of the budget. The following information details the types of funds the Village has and a list of the various funds within each fund type:

The **General Fund** is used to account for resources traditionally associated with government which are not required legally or by sound financial management to be accounted for in another fund. This fund is established at the inception for a government and exists throughout the government's life. The General Fund is appropriated annually and is currently the only fund included in the budget document.

The departmental budget presentations are summaries of all expenditures and revenues associated with each department's activities. Because the Village's accounting structure contains hundreds of individual budget line items, the Village has consolidated these items into major classifications for a summarized presentation. For example, expenditures are grouped into three categories: Salaries & Benefits, Operating, and Capital. This consolidation facilitates comparisons between different groups of data and



Budget Format

aids the reader in making comparisons between the different functions. Please contact the Financial Services Department at 910.295.1900 if further detail is needed.

In the *General Fund* section the reader will find information on the individual Department's budget that outlines the departments profile, budget summary, strategic initiatives, and key performance indicators. Please note that all tables in the budget document present the same three-year format. The following illustration is an example of the expenditure tables that can be found throughout the document:

| Expenditures by Type | FY 2015 Actual | FY 2016 Budget | FY 2016 Estimated | FY 2017 Budgeted | Percent Change |
|---------------------------|-------------------|-------------------|----------------------|---------------------|-------------------|
| Salaries & Benefits | \$ 190,569 | \$ 150,000 | \$ 146,585 | \$ 155,000 | 3.3% |
| Operating | 277,024 | 300,000 | 296,540 | 310,500 | 3.5% |
| Capital | 144,450 | 30,000 | 29,950 | 30,000 | 0.0% |
| Expenditures Total | \$ 612,043 | \$ 480,000 | \$ 473,075 | \$ 495,500 | 3.2% |

Adopted budget for the the current fiscal year, as amended through February 28. The fiscal year begins July 1 of each calendar year

Audited data from the last completed fiscal year

Amounts the Village expects to expend for the entire fiscal year

The budget for the new fiscal year which begins on July 1

Includes salaries, wages, and fringe benefits (FICA, insurance, et al.)

The percentage of change between the prior year budget and next year's budgeted amounts

All expenditures not directly related to Salaries & Benefits or Capital

Includes expenditures for land, buildings, equipment, vehicles, and other expenditures exceeding \$5,000, with a life expectancy of more than 1 year

Some departments do not have activity in all categories and the reader will note that they are not included in the summary. For example, the Powell Bill department does not have any employees and therefore, does not show any Salaries & Benefits. The same is noted for revenues as each department is funded by different revenue sources.



The table of key performance indicators (KPIs) provides historical information as well as short-term performance goals and long-term projected performance. The Council goal that is targeted is listed to illustrate the linkage between the departmental goal and the Council's Balanced Scorecard. Below is an example explaining the column headings:

