



## Strategic Planning Process Overview

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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 that is inclusive of the required annual balanced budget and the 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 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 seven consecutive years and last year was awarded the Special Performance Measures Recognition for the first time.

### **What's New in the Document This Year?**

This year, the Village has continued with the second year of our Strategic Planning Process (SPP). The Village is becoming a strategy-focused organization that aligns resources with strategic organizational objectives, utilizing its Balanced Scorecard (BSC) that cascades to Department Dashboards. This has a tremendous impact on the types and amount of information that is included in this document.

The most significant changes in this year's document include:

- Council Goals have been added that are linked to the Strategic Objectives of the BSC,
- The Budget Message and Budget Ordinance have been moved to the front of the document, and
- The Environmental Scan detail section has been removed from the document and condensed information is incorporated in the Council Strategies and Priorities section.

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 the Financial Services Department.

## **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 develops goals.

Using these key inputs into the SPP, the Council sets short term and long term (or 5-year) target performance levels, based on comparisons to benchmark communities, for each of the Strategic Objectives of the BSC. The Council then identifies areas of focus based on the Village's baseline performance compared to the target performance levels on the BSC, the environmental scan conducted, the SWOT analysis, and the strategic challenges/advantages identified.



## Strategic Planning Process Overview

In February, the Financial Services Department compiles the Strategic Planning worksheets used by departments in making their Departmental Strategic Operating Plans (SOP). Departments then work with their respective Village Manager to develop a departmental strategy to address the Council's strategic objectives and meet targeted performance levels. This involves reviewing key issues and challenges, selecting corporate objectives that affect the department, and developing initiatives to improve performance. Once initiatives are developed, performance measures and targets for those initiatives are translated to the departmental dashboard. This dashboard is how performance is reported and monitored on a quarterly basis.



All strategic initiatives are evaluated in consultation with Department Heads by the Strategic Planning Team, which consists of Village Manager, Assistant Village Managers, Human Resources Director and Financial Services Director. The following criteria are used to evaluate the initiatives:

- The extent to which the initiative addresses the Council's current areas of focus, or strategic priorities,
- The extent to which the initiative addresses an area where customer satisfaction is low,
- The ongoing net financial impact on the Village, and
- The extent to which the initiative may address multiple strategic objectives.

To determine the Village's financial capacity to fund the Strategic Operating Plan, staff prepares five-year income and expense projections, which are inclusive of the five-year Capital Improvements Plan. In accordance with the Village's Fund Balance Policy, projected revenues and expenditures result in a General Fund fund balance of 30% - 40% of budgeted expenditures during the planning period.

Staff prepares and presents the Village Strategic Operating Plan to the Village Council for review and approval in May. This SOP consists of the statutorily required annual budget and the five-year Capital Improvements Plan. The Council holds one or more budget work sessions and then conducts a public hearing on the proposed budget to allow for public comment. Before June 30<sup>th</sup> of each year, the Village Council adopts the annual budget ordinance that becomes effective July 1 and includes appropriations for strategic initiatives outlined in the Strategic Operating Plan.



## Strategic Operating Plan Calendar

The Village has utilized the following schedule in preparing and adopting the 2015 strategic operating plan and FY 2014-2015 Budget:

December 12-13, 2013	Village Council holds Strategic Planning Retreat
January 28, 2014	Village Council approves Balanced Scorecard with performance measures and target performance levels
February 7, 2014	Financial Services Department releases the FY 2013-2014 Strategic Operating Plan (SOP) manual and forms
March 21, 2014	Department Heads submit completed Departmental SOP forms to the Financial Services Department after consultation with their respective Village Manager
March and April 2014	Financial Services Department estimates revenues in conjunction with Department Head input and consolidates departmental requests
March 31 – April 4, 2014	Strategic Planning Team holds Strategic Operating Plan Workshops with Department Heads to discuss their submitted strategic plans
April 7 – April 25, 2014	Strategic Planning Team prioritizes initiatives and develops Strategic Operating Plan with long-term staffing and capital plan included
May 7, 2014	Village Manager submits the draft Strategic Operating Plan to the Village Council
May 13, 2014	Village Manager presents the Strategic Operating Plan to the Village Council at a Council work session
May 14 – May 23, 2014	Village Council holds work sessions to review Strategic Operating Plan and FY 2013-2014 Budget
May 27, 2014	Village holds a public hearing on the FY 2013-2014 Budget
June 10, 2014	Village Council adopts the Strategic Operating Plan and the FY 2013-2014 Budget Ordinance
July 1, 2014	SOP implemented
July 12, 2013	Financial Services Department publishes the final SOP and budget-in-brief and distributes documents



### 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.

#### Operating Budget Policies

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. Comprehensive financial data will be compiled to include capital improvement programs and forecasting or projections of financial status. These reports are imperative for long-term financial planning.

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. In conjunction with the independent audit, internal reviews will be conducted periodically to determine if the Village is managing and utilizing its resources in an economical and efficient manner. These internal reviews will also determine if the desired program goals are being achieved and if the objectives established by the Village Council are being met.

#### Revenue Policy

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. The Village's Fees and Charges Policy that has been adopted by the Village Council requires the Financial Services staff to evaluate annually all user fees at a level related to the cost of providing these services.

#### Investment Policy

The Village will continue to monitor the cash flow of all funds on a regular basis 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 that has been adopted by the Village Council. Management reports on its investment portfolio to the Village Council on a quarterly basis.

### **Fund Balance Policy**

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. 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.

### **Debt Policy**

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 Policy**

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.
- 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.

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.

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 included in the budget document.

Special Revenue Funds are used to account for special revenues that are legally restricted to expenditure for particular purposes. The **Land Dedication Fund** currently accounts for all special revenue fund activity. Special Revenue funds are appropriated annually and are included in the budget document.

Capital project funds are used to account for the acquisition and construction of major capital facilities, other than those financed by proprietary funds and trust funds. The Village has one capital project fund at this time; the **CDBG III Capital Project Fund**. The Village Council previously established the CDBG III Capital Project Fund, but it is still included in the budget document.

Agency funds are used to account for assets held by the government as an agent for individuals, private organizations, other governments and/or other funds. The Village has no agency funds at this time. Agency funds are not appropriated and therefore would not be included in the budget document.





## Budget Format

The departmental budget presentations are summaries of all expenditures and revenues associated with each department's activities. These summaries also include the personnel classifications for the department. 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 aids the reader in making comparisons between the different functions. Acknowledging the reader does not have access to each individual line item, significant increases and decreases are explained. Please contact the Financial Services Department at 910.295.1900 if further detail is needed.

In the *General Fund* section the reader will find the individual Departmental SOPs that detail the major accomplishments for the preceding fiscal year, challenges faced by the department, strategic initiatives, and their Departmental Dashboards. The following illustration is an example of the expenditure tables that can be found throughout the document:

Expenditures by Type	FY 2012-13 Actual	FY 2013-14 Budget	FY 2013-14 Estimated	FY 2014-15 Budgeted	Percent Change
Salaries & Benefits	\$ 137,492	\$ 150,000	\$ 146,585	\$ 155,000	3.3%
Operating	280,470	300,000	296,540	310,500	3.5%
Capital	159,821	30,000	29,950	30,000	0.0%
Expenditures Total	\$ 577,783	\$ 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

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



# Budget Format

Please note that all tables in the budget document present the same three-year format. Listed below is the information included in the summaries:

Expenditures by Type	FY 2012-13 Actual	FY 2013-14 Budget	FY 2013-14 Estimated	FY 2014-15 Budgeted	Percent Change
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Operating	280,470	300,000	296,540	310,500	3.5%
Capital	159,821	30,000	29,950	30,000	0.0%
<b>Expenditures Total</b>	<b>\$ 577,783</b>	<b>\$ 480,000</b>	<b>\$ 473,075</b>	<b>\$ 495,500</b>	<b>3.2%</b>

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

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 performance measures is in the same three year format as expenditure information. Each Strategic Objective that is targeted is listed. These are grouped by the four BSC perspectives. Below is an example explaining the column headings:

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Estimated	FY 2014-15 Goal
<b>CUSTOMER PERSPECTIVE</b>				
<b>Safeguard the Community</b>				
• % of inspections that are compliant upon initial inspection	95.50%	95.00%	96.00%	97.00%
<b>FINANCIAL PERSPECTIVE</b>				
<b>Manage Operating Costs</b>				
• Building inspections completed per inspector FTE per day	9.3	8.2	8.6	9
• Average cost per building inspection	50.1	55.2	52.7	51

The BSC Perspective

The strategic objective from the Balanced Scorecard

Historical performance data is provided whenever available

The level of performance the Village expects to achieve for the fiscal year

Specific performance outcome that is being measured

Target performance level for next year