



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 2018 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:
 - Funding for Initiative Action Plans (IAPs) has been broken out to include FY 2018 funding and total funding for the five-year planning period.
 - Descriptions of Initiative Action Plans (IAPs) have been significantly expanded to aid the reader in understanding what actions the Village plans to take to address strategic goals and objectives.
- The *General Fund* section of expenditures has been modified as follows:
 - The department profiles of each department have been enhanced to include departmental areas of focus for FY 2018. This is to aid the reader in understanding what each individual department is focused on for FY 2018.
 - After significantly expanding KPIs on department BSCs last year, this year they have been expanded to include notes of key indicators to aid the reader in interpreting the performance information.
 - The FY 2018 and FY 2022 KPI data represent projections of performance given the amount of resource allocation provided in the five-year plan. The variable factors affecting each department KPI were determined and various assumptions were made to project future performance.
- The *Capital Improvement Plan* has been significantly enhanced to identify for the reader the ongoing operating expenses of significant non-recurring capital expenditures.

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



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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.

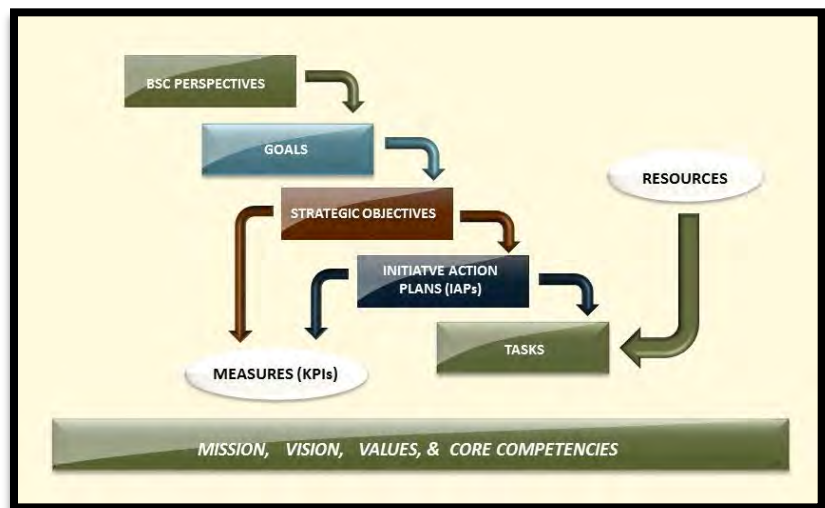
Using these key inputs into the SPP, the Council sets target performance levels, based on comparisons to benchmark communities, for each of the Key Performance Indicators (KPIs) on the Balanced Scorecard (BSC). The senior leadership team, along with Council-approved committee chairs, identify IAPs based 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. In addition to evaluating the financial and staff capacity needed to implement and maintain the IAP, the Team also evaluates the associated risks of actions.

To determine the Village's financial capacity to fund the SOP, staff prepares a five-year financial forecast. This forecast projects anticipated revenues and expenditures for the planning period, inclusive of planned IAPs and projected capital expenditures included in the five-year Capital Improvement Plan.

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 2018 Strategic Operating Plan and FY 2018 Budget:

Dates	Activity
December 12 – 13, 2016	Village Council holds Strategic Planning Retreat
January 24, 2017	Village Council approves Balanced Scorecard with Key Performance Indicators target performance levels
February 9, 2017	FY 2018 Strategic Operating Plan (SOP) training session and forms release date
March 17, 2017	Department Heads submit completed Departmental SOP forms to the Financial Services Department after consultation with their respective Village Manager
March and April 2017	Financial Services Department estimates revenues in conjunction with Department Head input and consolidates departmental requests
March 27 – March 31, 2017	Strategic Planning Team holds Strategic Operating Plan Workshops with Department Heads to discuss their submitted plans
April 3 – April 14, 2017	Strategic Planning Team prioritizes Initiative Action Plans and develops Strategic Operating Plan with long-term staffing and capital plan included
May 4, 2017	Village Manager submits the draft Strategic Operating Plan to the Village Council
May 9, 2017	Village Manager presents the Strategic Operating Plan to the Village Council at a Council work session
May 15 – May 19, 2017	Village Council holds work sessions to review Strategic Operating Plan and FY 2018 Budget
May 23, 2017	Village holds a public hearing on the FY 2018 Budget
June 13, 2017	Village Council adopts the Strategic Operating Plan and the FY 2018 Budget Ordinance
July 1, 2017	2018 SOP is implemented
July 11, 2017	Financial Services Department publishes the final 2018 SOP 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.

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.

Governing 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 maintains two funds, the General Fund and the Community Center Capital Project 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.

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 currently the only annually appropriated fund 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 planned at this time; the **Community Center Capital Project Fund**. The Village Council will establish the fund after the adoption of the FY 2018 General Fund Budget.



Budget Format

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 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, initiative action plans (IAPs), and key performance indicators (KPIs). Please note that all financial tables in the budget document present the same three-year format. The following illustration is an example of the Budget Summary expenditure tables that can be found throughout the document:

Expenditures by Type	FY 2016 Actual	FY 2017 Budget	FY 2017 Estimated	FY 2018 Budgeted	Percent Change
Salaries & Benefits	\$ 186,969	\$ 150,000	\$ 146,585	\$ 155,000	3.3%
Operating	261,204	300,000	296,540	310,500	3.5%
Capital	162,403	30,000	29,950	30,000	0.0%
Expenditures Total	\$ 610,576	\$ 480,000	\$ 473,075	\$ 495,500	3.2%

Adopted budget for the the current fiscal year, as amended through December 31. 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 Department Goals, Objectives, and Key Performance Indicators (KPIs) provides department goals that cascade directly from organization-wide strategic goals and information on KPIs that are used to monitor the achievement of department goals. The strategic goal the department supports is listed to illustrate the linkage between the departmental goal and the Council’s Balanced Scorecard. Each KPI is identified as an input, output, efficiency, or effectiveness measure. In addition, the vast majority of department KPIs are considered “lead” measures that are routinely monitored throughout the year.

Department objectives are stated in terms of KPIs. Using the example below, one of the Inspection Department’s objective related to the goal listed for FY 2018 is to “Complete 99% of building inspections within one business day.”

The FY 2018 and FY 2022 KPI data represent projections of performance given the amount of resource allocation provided in the five year plan, including staffing and operating budgeted/forecasted funds. These are the levels of performance that departments are striving to achieve in these time periods. While they are titled as projections, they also represent the target performance levels, or goals for the department.

Below is an example explaining the Department Goals, Objectives, and Key Performance Indicator table column headings in the *General Fund* section:

