



The Board of County Supervisors

Hon. Ann B. Wheeler, Chair
Hon. Victor S. Angry, Vice Chair
Hon. Andrea O. Bailey
Hon. Kenny A. Boddye
Hon. Pete Candland
Hon. Margaret Angela Franklin
Hon. Jeanine M. Lawson
Hon. Yesli Vega

September 9, 2020

TO: Board of County Supervisors

THRU: Christopher E. Martino
County Executive

FROM: Michelle L. Attreed
Director of Finance/CFO *MLA*

RE: Presentation Materials - Principles of Sound Financial Management Update – Sept. 2020

Attached please find the following presentation materials related to the Principles of Sound Financial Management (PSFM) Update:

- PowerPoint presentation
- Current (April 2018) PSFM Document with track changes
- Revised Cover Format

I will present this material to you at your September 15, 2020 meeting at which time I plan to review the recommended changes and answer any questions you may have. No Board action is planned for the 15th -- this is really meant to be more of a conversation. I will return to the Board on either September 22nd or October 6th to request the Board adopt the recommended changes. This allows you time to thoroughly review the proposed changes and get the answers to any questions you may have.

Attachments

cc: County Attorney
DCXOs




Principles of Sound Financial Management Update – Sept. 2020

Presented By: Michelle L. Attreed, Director of Finance/CFO

BOCS Meeting | September 15, 2020

Background and Purpose

- Principles of Sound Financial Management (PSFM) first adopted by Board of County Supervisors (BOCS) in December 1988
 - Amended in 1993, 1996, 1999, 2009, 2012, 2016 and 2018
- Purpose
 - Guide the BOCS and the County Executive as they make fiscal decisions regarding resource allocations and budget appropriations
 - Assure sound stewardship of taxpayer dollars
 - Guide the County in the planning of expenditures, revenues and funding arrangements for public services
 - Ensure budget flexibility
 - Ensure structural stability to weather economic cycles

 PRINCE WILLIAM COUNTY


Importance of PSFM

- Instills public trust
- Instills discipline upon the organization to ensure long term fiscal stability and resiliency
- Serves as a key measure of fiscal strength and credit worthiness
- Underlying factor for AAA ratings from all three major rating agencies
- Leading indicator of trustworthiness for the bond market
- Lays the foundation for success in Economic Development

"The rigor of a government's financial management practices is an important factor in Standard & Poor's analysis of that government's creditworthiness. Managerial decisions, policies, and practices apply directly to the government's financial position and operations, debt burden, and other key credit factors."

~ Standard & Poor's "U.S. Local Governments General Obligation Ratings: Methodology and Assumptions"

3

 PRINCE WILLIAM COUNTY

Policy Review

- Policy 13.01 requires the BOCS review and approve by resolution the financial policies contained in the PSFM a minimum of once every four (4) years, contiguous with the term of the newly elected BOCS.
- PSFM have been thoroughly reviewed by Finance Department/Treasury Management staff in consultation with PFM, the County's financial advisor
- Recommendations/edits vetted with:
 - Office of Executive Management
 - Office of Management & Budget
 - Department of Economic Development
 - Human Resources
 - Finance Department/Procurement Services
 - Finance Department/Risk and Wellness Services
 - Finance Department/Financial Reporting & Control
- Three types of changes identified:
 - Substantive Change – significant change to existing policy or new policy
 - Administrative Update – grammatical, punctuation, formatting
 - Terminology Update - wording changes to reflect change in industry nomenclature or standards

4

Current Policy Sections



- Fund Balance
- Fiscal Planning
- Revenues
- Capital Improvement Program (CIP) and Capital Assets
- Debt Management
- Cash Management
- Personnel
- Internal Control and Financial Reporting
- Risk Management
- Procurement
- Economic Development
- Policy Review

5

Proposed Policy Sections



- Fund Balance
- Fiscal Planning
- Revenues
- Capital Improvement Program (CIP) and Capital Assets
- Debt Management
- Cash Management
- Personnel
- Internal Control and Financial Reporting
- Risk Management
- Procurement
- Economic Development
- **Redevelopment (NEW)**
- Policy Review

6

Five Substantive Policy Changes Recommended



Policy I:
Fund Balance

Policy II:
Fiscal Planning


Policy IV:
Capital Improvement
Program and
Capital Assets

Policy V:
Debt Management

Policy XII:
Redevelopment


7

GFOA Best Practice



- Government Finance Officers Association (GFOA) Best Practices “recommend, at a minimum, that general-purpose governments, regardless of size, maintain unrestricted budgetary fund balance in their general fund of **no less than two months of regular general fund operating revenues or regular general fund operating expenditures**”


County's unassigned fund balance is approximately one-half the recommended amount



\$1.179 B


General Fund Budget (FY 19)

• Two-month Operating Expenditures (2/12th or 16.67%)



\$196.5 M

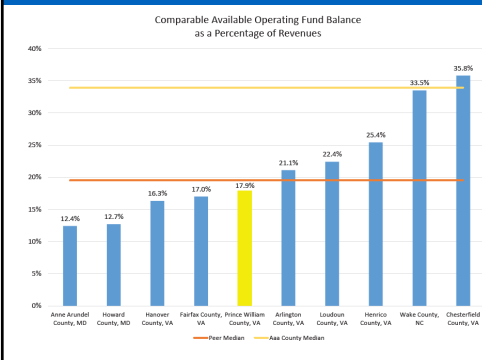
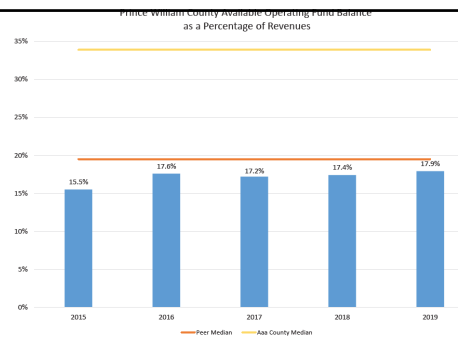
• County Unassigned Fund Balance at 6/30/19



\$87.3 M

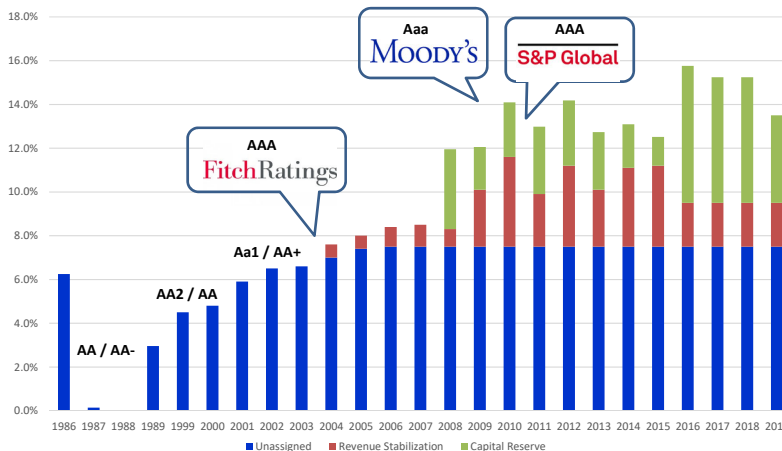
8

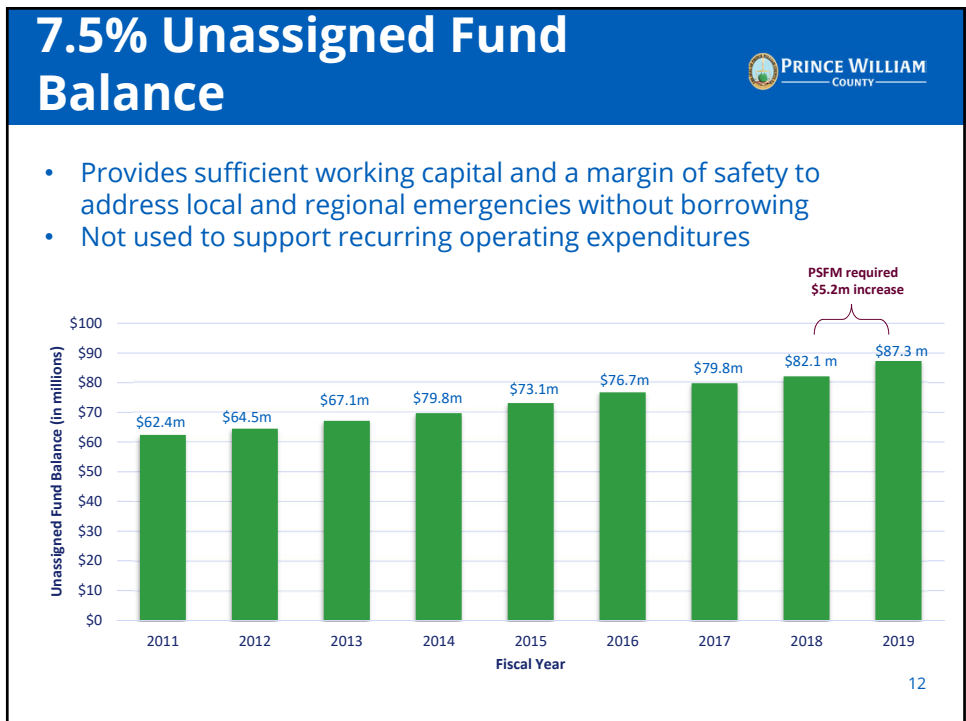
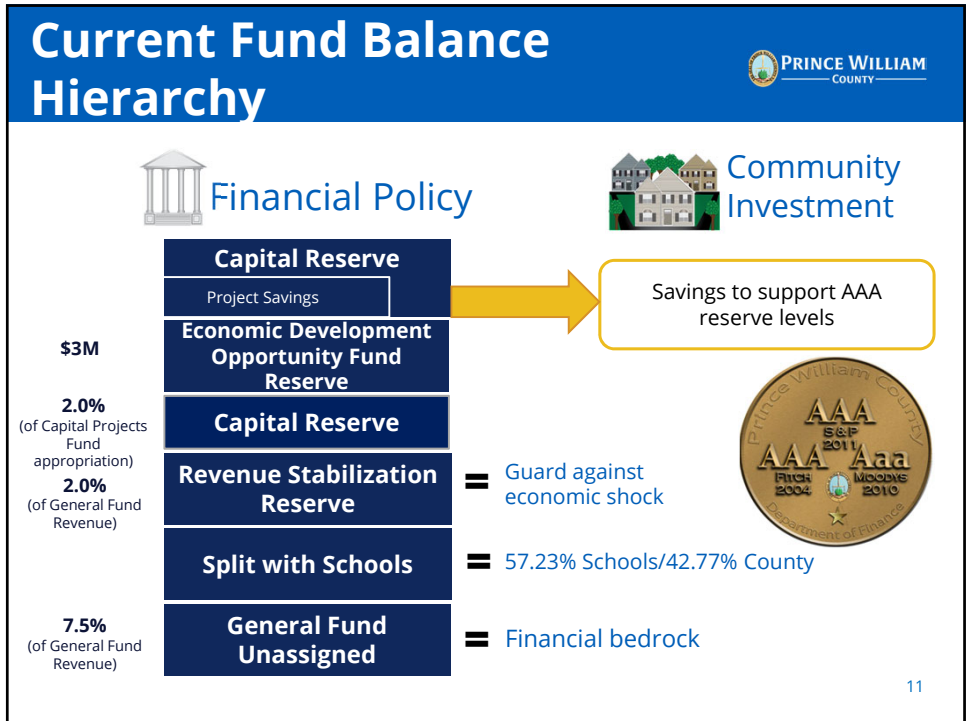
County's Reserve Levels are Lower than AAA Peer Median and AAA County Median



AAA Target > 30%

Reserve/Rating Correlation

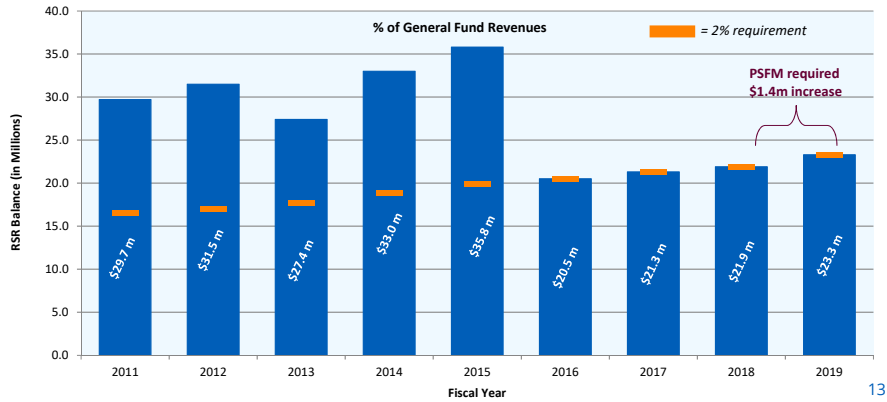




2% Revenue Stabilization Reserve



- Provides sufficient working capital and a margin of safety to withstand local and regional economic shocks and unexpected declines in revenue without borrowing

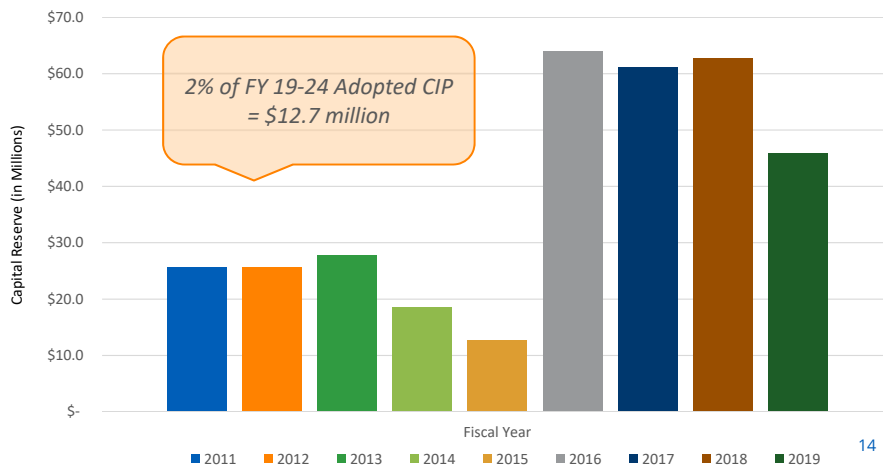


13

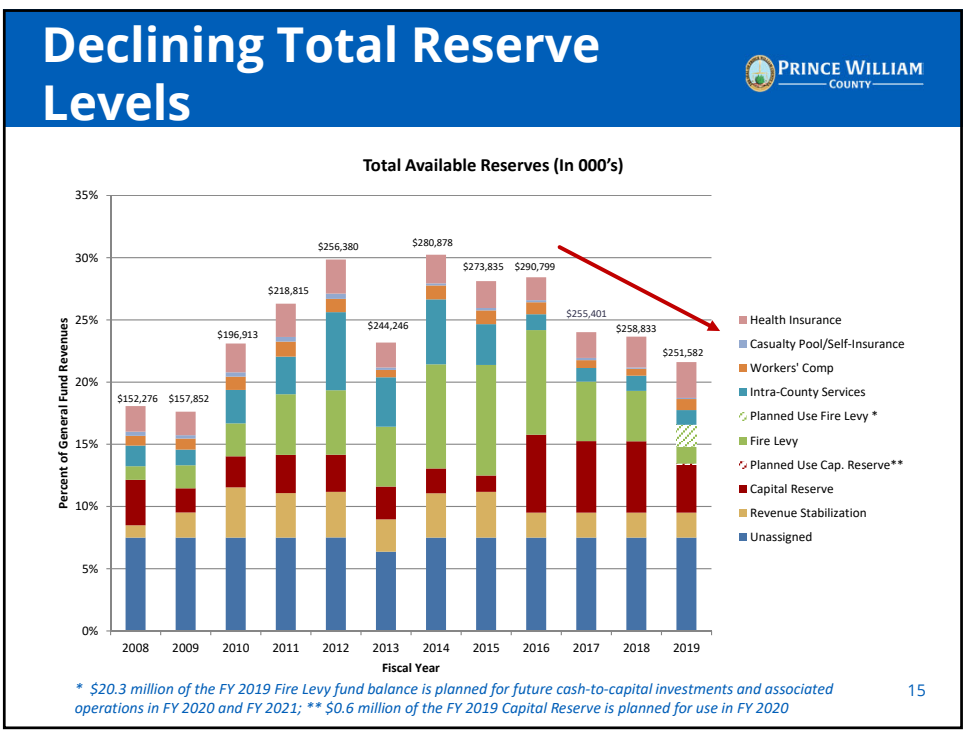
Capital Reserve Balance



- Provides the County with sufficient working capital and a margin of safety to withstand unexpected, but necessary, project cost overruns without additional borrowing



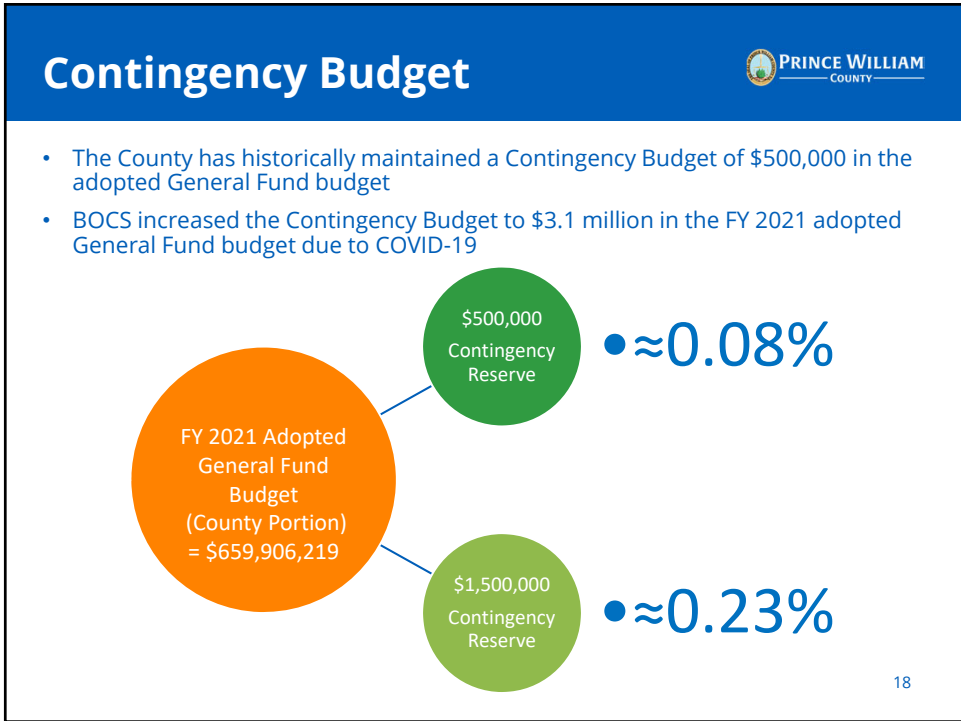
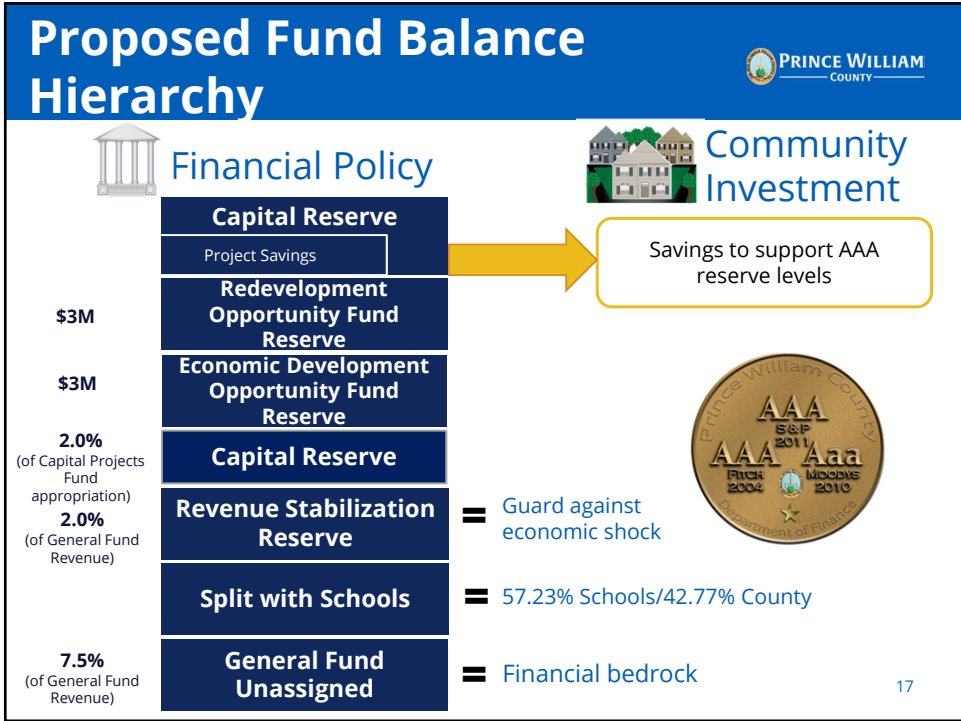
14



Recommendation #1

Policy I: Fund Balance

- A new Redevelopment Opportunity Fund (ROF) Reserve is recommended in a new set of Principles (1.40 through 1.43). These Principles would establish a \$3 million ROF Reserve, with annual replenishment, for the purpose of incentivizing redevelopment, subject to appropriation by the BOCS
 - Enhances the County's reserve levels
 - Earmarked source of annual funding for redevelopment initiatives



Recommendation #2

Policy II: Fiscal Planning

- Increase the Contingency Budget requirement to \$1,500,000
 - FY 2021 adopted General Fund budget already exceeds \$1,500,000
 - Provides source of funding for unanticipated operational cost overruns or unplanned expenditures
 - All usage of the Contingency Budget requires BOCS action

19

Capital Maintenance



- During the last Great Recession, the County, like many other jurisdictions across the country, deferred some of its capital maintenance to maneuver through difficult economic times
 - Deferred maintenance creates a future liability or cost obligation, often more costly (i.e., every \$1 of deferred maintenance can lead to \$4 in capital renewal costs)
- GFOA Best Practices state, "Government entities should therefore establish capital planning, budgeting and reporting practices to encourage adequate capital spending levels. A government's financial and multi-year capital plans should address the continuing investment necessary to properly maintain its capital assets. **Such practices should include proactive steps to promote adequate investment in capital renewal and replacement**"

20

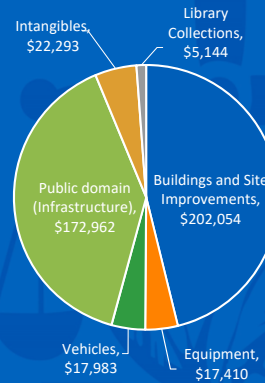
The County's Governmental Assets: \$437.8 million (net)*



- Building and Site Improvements comprise 46% of the County's depreciable assets at \$202 million
- Dedicated capital maintenance budget approved by BOCS
 - FY 2021 - \$0
 - FY 2020 - \$5.5 million
 - FY 2019 - \$8.0 million
 - FY 2018 - \$8.0 million
 - FY 2017 - \$0

Buildings and Other Capital Assets (net of depreciation)

amounts in 000's



* Excludes Landfill, Parks and ADC

21

Example - PWCS Repairs and Renewals Policy



- Prince William County Schools (PWCS) budget for repairs and renewals using the National Building Research Board recommendations
 - The School Board recommends 2% to 4% of current replacement value of facilities be budgeted annually for repairs and renewals
 - PWCS has established an average repair and renewal target of 3% of the current replacement value of facilities with 1.5% for preventative maintenance and 1.5% for repairs and renewals; target varies from 2.2% to 3.4% dependent on biennium funding from Commonwealth

22


Recommendation #3

Policy IV: Capital Improvement Program and Capital Assets

- Add a minimum dollar requirement of \$3,000,000 annually for the ongoing, cyclical maintenance of capital assets
 - ≈ 1.5% of value of building and site improvements
 - Strengthens fiscal policies related to the County's capital program
 - Preserves taxpayer funded assets
 - Reduces long-term costs

23

Debt Policies Aim to Measure Capacity and Affordability



Debt Capacity

The amount of financing that may be issued by the County within legal constraints without overextending the County's ability to repay its obligations

Debt Affordability

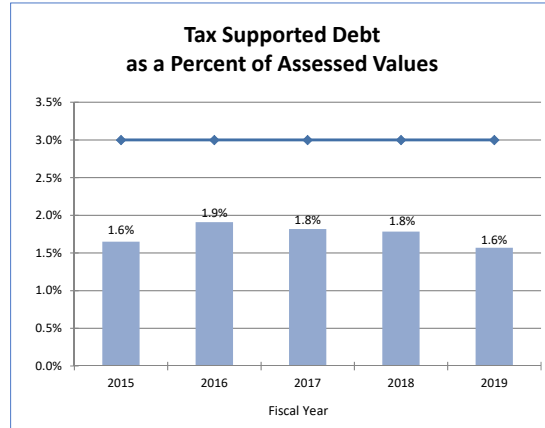
The burden associated with repaying a debt obligation

24

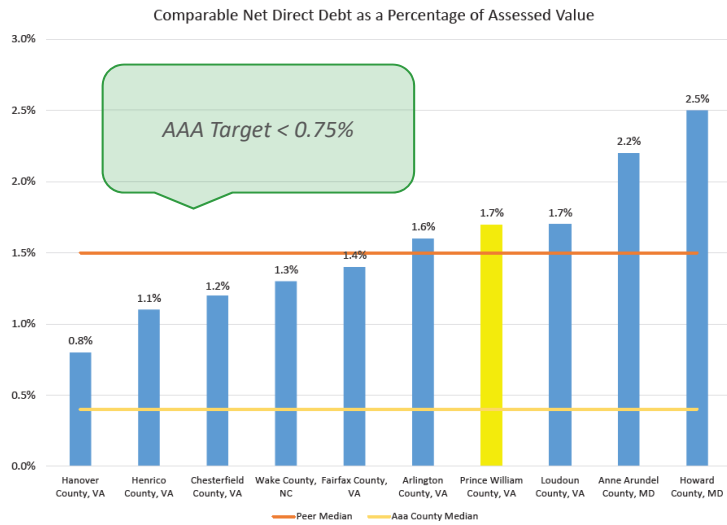
Self-imposed Debt Obligation Limit → Capacity



Total bonded debt will not exceed 3% of the net assessed valuation of taxable real and personal property in the County



Peer Comparison

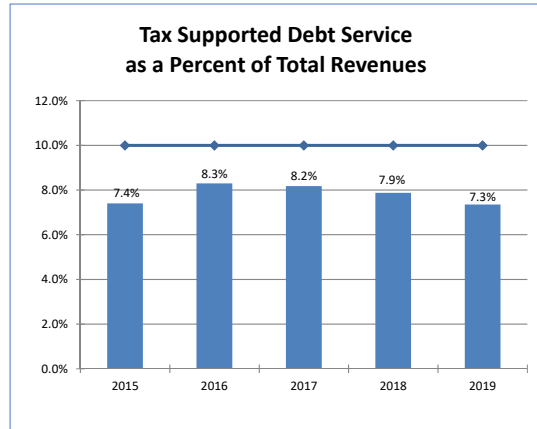


Source: Moody's Financial Ratio Analysis database, all data is as of FY 2019

Self-imposed Debt Service Limit → Affordability

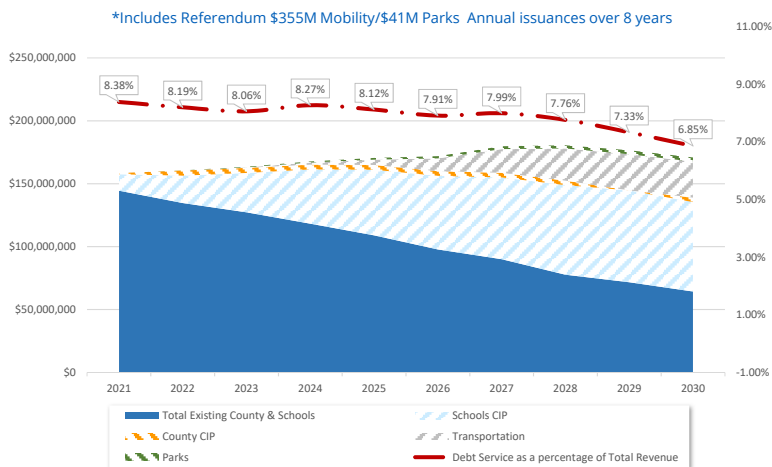


Annual tax supported debt service expenditures shall not exceed 10% of annual revenues



27

Projected 10% of Total Revenues Metric



Notes: The County's metric uses total annual revenues of all funds. Includes adopted FY 2021 Revenue. Five-Year plan was not adopted therefore pre-COVID forecast is included.

28

Jurisdictional Comparison



- Many other jurisdictions utilize a metric specific to their General Fund (typical source for debt payments)

Arlington County	10% of General Fund Expenditures
Fairfax County	10% of General Fund Expenditures
Henrico County	7.8% of General Fund Expenditures
Stafford County	10% of General Fund Expenditures
Loudoun County	10% of General Fund Expenditures
City of Virginia Beach	10% of General Fund Expenditures
City of Alexandria	12% of General Governmental Expenditures

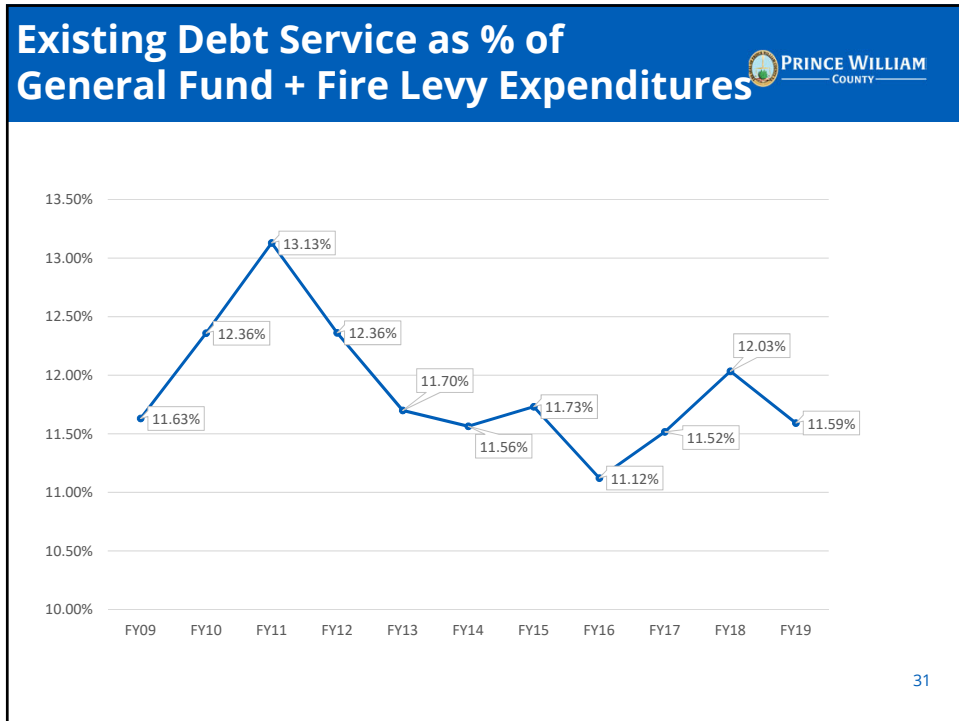
29

Recommendation #4

Policy V: Debt Management

- Add new debt affordability metric that measures debt service expenditures against general fund + fire levy expenditures → cannot exceed 13%
 - Better measurement of affordability as it measures debt service against the primary funds used to pay debt service
 - Consistent with metrics used by other peer jurisdictions
 - Measurement used by rating agencies and other peer localities

30



Redevelopment

- As vacant land in development areas decreases and many commercial properties and adjacent land age or are underutilized, vast opportunities exist to redevelop and revitalize strategically important nodes to increase capital investment, attract and retain targeted industries, increase property values, and improve the overall quality of life and placemaking
- During the FY 2021 budget process, Board members expressed a desire for the County to not only invest in new economic development but to also invest in redevelopment in certain areas of the County
- The County's Small Area Plans are largely focused on redevelopment
 - Dale City
 - Fairgrounds
 - North Woodbridge
 - The Landing at Prince William
 - Triangle
 - Yorkshire
- In addition to the County's Small Area Plans, there are many commercial nodes that are of strategic importance such as gateways, retail destinations, and neighborhood centers that would be targeted for revitalization to enhance placemaking and the County's ability to attract diverse businesses, both small and large

32

Redevelopment (cont'd)



- In many cases, commercial nodes in need of revitalization require government financial assistance to incentive new capital investment because the risk is higher due to untested markets
- The overall goal of redevelopment is to incentivize catalyst projects, that will in turn create momentum to attract more private investment that needs little or no government financial assistance.
- The County currently has no dedicated financial policies surrounding redevelopment

33

Recommendation #5

Policy XII: Redevelopment

- Create a new section in the PSFM related to Redevelopment
- Consists of 12 specific policies that define key financial and other considerations for Catalyst Projects in redevelopment activities
 - (1) Seek private investment
 - (2) "Catalyst Projects" that have area-wide or targeted benefits
 - (3) Redevelopment sites with strategic importance
 - (4) Defined public purpose and benefit
 - (5) Due diligence; use of consultants and business plan (market analysis, financial plan, environmental study)
 - (6) Public funding for public facilities; other incentives approved by BOCS

34

Recommendation #5

Policy XII: Redevelopment (cont'd)


- (7) No anticipated negative impact on bond rating
- (8) Evaluation of risk
- (9) Fiscal impact analysis
- (10) Access to developer's financial records
- (11) Compliance with BOCS' Land Bank Policies
- (12) Compliance with BOCS' Community Development Authority Policies

35

Questions?

Michelle L. Attreed, CPA, MPA, CGMA
Director of Finance/CFO
mattreed@pwcgov.org
(703) 792-6700


36




Appendix

Summary of all Recommended Changes

Old		New		Existing	Proposed	Explanation
n/a	n/a	Prince William County is a community of choice with a strong, diverse economic base, where families and individuals choose to live and work and businesses choose to locate. The <i>Principles of Sound Financial Management</i> establish a foundation for the fiscal strength and stability of Prince William County Government. These <i>Principles</i> guide the Board of County Supervisors and the County Executive as they make fiscal decisions regarding resource allocations and annual appropriations. Fiscal principles assure sound stewardship of taxpayer dollars as they guide the County in the planning of expenditures, revenues and funding arrangements for public services and ensure budget flexibility and structural stability to weather economic cycles.	Prince William County is a community of choice with a strong, diverse economic base, where families and individuals choose to live and work and businesses choose to locate. The <i>Principles of Sound Financial Management</i> establish a foundation for the fiscal strength and stability of Prince William County Government. These <i>Principles</i> guide the Board of County Supervisors, County Executive and staff when making fiscal decisions regarding resource allocations and annual appropriations. Fiscal principles assure sound stewardship of taxpayer dollars to guide the County in the planning of expenditures, revenues and funding arrangements for public services and ensure budget flexibility and structural stability to weather economic cycles.	Prince William County is a community of choice with a strong, diverse economic base, where families and individuals choose to live and work and businesses choose to locate. The <i>Principles of Sound Financial Management</i> establish a foundation for the fiscal strength and stability of Prince William County Government. These <i>Principles</i> guide the Board of County Supervisors and the County Executive as they make fiscal decisions regarding resource allocations and annual appropriations. Fiscal principles assure sound stewardship of taxpayer dollars as they guide the County in the planning of expenditures, revenues and funding arrangements for public services and ensure budget flexibility and structural stability to weather economic cycles.	Prince William County is a community of choice with a strong, diverse economic base, where families and individuals choose to live and work and businesses choose to locate. The <i>Principles of Sound Financial Management</i> establish a foundation for the fiscal strength and stability of Prince William County Government. These <i>Principles</i> guide the Board of County Supervisors, County Executive and staff when making fiscal decisions regarding resource allocations and annual appropriations. Fiscal principles assure sound stewardship of taxpayer dollars to guide the County in the planning of expenditures, revenues and funding arrangements for public services and ensure budget flexibility and structural stability to weather economic cycles.	Administrative update.
n/a	n/a	Prince William County initially adopted the <i>Principles of Sound Financial Management</i> in December 1988, and amended the <i>Principles</i> in 1993, 1996, 1999, 2009, 2012 and 2016. As the County and its citizen base continue to grow and become more complex, policy changes are occasionally needed. This edition marks the seventh amendment to the <i>Principles of Sound Financial Management</i> .	Prince William County initially adopted the <i>Principles of Sound Financial Management</i> in December 1988, and amended the <i>Principles</i> in 1993, 1996, 1999, 2009, 2012, 2016 and 2018. As the County and its citizen base continue to grow and become more complex, policy changes are occasionally needed. This edition marks the eighth amendment to the <i>Principles of Sound Financial Management</i> .	Prince William County initially adopted the <i>Principles of Sound Financial Management</i> in December 1988, and amended the <i>Principles</i> in 1993, 1996, 1999, 2009, 2012, 2016 and 2016. As the County and its citizen base continue to grow and become more complex, policy changes are occasionally needed. This edition marks the seventh amendment to the <i>Principles of Sound Financial Management</i> .	Prince William County initially adopted the <i>Principles of Sound Financial Management</i> in December 1988, and amended the <i>Principles</i> in 1993, 1996, 1999, 2009, 2012, 2016 and 2018. As the County and its citizen base continue to grow and become more complex, policy changes are occasionally needed. This edition marks the eighth amendment to the <i>Principles of Sound Financial Management</i> .	Updated to reflect these proposed changes if adopted by the BOCS.

PSFM Policy I: Fund Balance				
				
Old	New	Existing	Proposed	Explanation
1.17	1.17	1.17 Funds in excess of two percent (2.0%) of the annual requirement of Policy No. 1.12 may be retained in the Revenue Stabilization Fund Reserve, transferred to the Unassigned General Fund Balance described in Policy No. 1.00, transferred to the Committed Fund Balance - Capital Reserve described in Policy No. 1.20, or used to replenish the Economic Development Opportunity Fund as described in Policy No. 1.30.	1.17 Funds in excess of two percent (2.0%) of the annual requirement of Policy No. 1.12 may be retained in the Revenue Stabilization Fund Reserve, transferred to the Unassigned General Fund Balance described in Policy No. 1.00, transferred to the Committed Fund Balance - Capital Reserve described in Policy No. 1.20, used to replenish the Economic Development Opportunity Fund Reserve as described in Policy No. 1.30, or used to replenish the Redevelopment Opportunity Fund Reserve as described in Policy No. 1.40.	Update necessary to be consistent with Section 1.12 recommendation above.

PSFM Policy I: Fund Balance (cont'd)				
				
Old	New	Existing	Proposed	Explanation
n/a	1.41	n/a	1.41 The County will maintain an "Redevelopment Opportunity Fund" (ROF) Reserve to provide the County with a source of working capital that can be used to incentivize redevelopment in support of the Board's Robust Economy strategic goal of growing the commercial tax base.	Recommended new section to establish a dedicated funding source for redevelopment.
n/a	1.42	n/a	1.42 The ROF Reserve can only be appropriated by a resolution of the Board of County Supervisors.	Sets the restriction that only the BOCS can authorize use of the new ROF Reserve.
n/a	1.43	n/a	1.43 The ROF Reserve shall be replenished to a targeted \$3,000,000 threshold at the end of each fiscal year after the requirements of Policy Nos. 1.02, 1.12, 1.21 and 1.33 are met.	Sets a recommended threshold for the ROF Reserve and the order in the hierarchy of fund balance.

PSFM Policy II: Fiscal Planning


Old	New	Existing	Proposed	Explanation
2.12	2.12	2.12 The County will annually appropriate a contingency budget to provide for unanticipated increases in service delivery costs and needs that may arise throughout the fiscal year. The contingency budget will be established at a minimum of \$500,000 annually and may be allocated only by resolution of the Board of County Supervisors.	2.12 The County will annually appropriate a contingency budget to provide for unanticipated increases in service delivery costs and needs that may arise throughout the fiscal year. The contingency budget will be established at a minimum of \$1,500,000 annually and may be allocated only by resolution of the Board of County Supervisors.	Updated to reflect a more appropriate level of contingency for a \$1.2 billion general fund budget (approximately 1%).
2.14	2.14	2.14 Budget transfers will provide sufficient agency operating flexibility while ensuring adherence to GASB fund accounting principles and adopted BOCS policy.	2.14 Budget transfers will provide sufficient agency operating flexibility while ensuring adherence to U.S. generally accepted accounting principles (GAAP) and adopted BOCS policy.	Terminology update.

41


PSFM Policy II: Fiscal Planning (cont'd)

Old	New	Existing	Proposed	Explanation
n/a	2.17	n/a	Funds generated from year-end General Fund revenue surpluses and/or expenditure savings shall first be used to meet the various fund balance policy requirements as defined in Policy I.	Defines the priority of for usage of year end funds in accordance with Policy I.

42

PSFM Policy III: Revenues				
				
Old	New	Existing	Proposed	Explanation
3.08	3.08	3.08 The County will assess all property annually as of January 1 st in accordance with Title 58.1 of the <i>Code of Virginia</i> . Real property assessments shall be based on fair market value and follow standards established by the International Association of Assessing Officers. Personal property assessments shall be based on the average trade-in value as supplied by a nationally recognized organization, or a percentage or percentages of original cost which reasonably approximate market value.	3.08 The County will assess all property annually as of January 1 st in accordance with Title 58.1 of the <i>Code of Virginia</i> . Real property assessments shall be based on fair market value and follow standards established by the International Association of Assessing Officers (IAAO). Personal property assessments shall be based on the average trade-in value as supplied by a nationally recognized organization, or a percentage or percentages of original cost which reasonably approximate market value.	Terminology update.
3.09	3.09	3.09 The County may provide, as appropriate, tax exemptions to churches and governmental entities pursuant to State and local guidelines. Charitable, benevolent or educational institutions may seek public funding through the Community Partners Process. Such requests must be submitted annually to the Office of Management and Budget. Considerations for exemptions should be based on such considerations as benefits to the County and the fiscal capacity of the County.	3.09 The County may provide, as appropriate, tax exemptions to churches and governmental entities pursuant to State and local guidelines. Charitable, benevolent or educational institutions may seek public funding through the Community Partners Process. Such requests must be submitted annually to the Office of Management and Budget. Exemptions should be based on such considerations as benefits to the County and the fiscal capacity of the County.	Administrative update.

43

PSFM Policy III: Revenues (cont'd)				
				
Old	New	Existing	Proposed	Explanation
3.10	3.10	3.10 The County will achieve maximum possible accuracy in its annual assessment to sales ratio when the annual January 1 st assessment is compared to sales in the preceding calendar year. The County expects to achieve maximum possible accuracy by implementing state-of-the-art assessment practices. The County will maintain an average error, measured by the coefficient of dispersion (COD), and assessment to sales ratio better than the current professional standard which is ninety percent (90%) assessment to sales ratio and ten percent (10%) COD as published by the International Association of Assessing Officers.	3.10 The County will achieve maximum possible accuracy in its annual assessment to sales ratio when the annual January 1 st assessment is compared to sales in the preceding calendar year. The County expects to achieve maximum possible accuracy by implementing state-of-the-art assessment practices. The County will maintain an average error, measured by the coefficient of dispersion (COD), and assessment to sales ratio better than the current professional standard which is ninety percent (90%) assessment to sales ratio and ten percent (10%) COD as published by the International Association of Assessing Officers (IAAO).	Terminology update.

44

PSFM Policy IV: Capital Improvement Program and Capital Assets

Old	New	Existing	Proposed	Explanation
4.06	4.06	4.06 The County will in ongoing, cyclical maintenance of existing capital assets in order to prevent major breakdowns or deterioration of assets with the goal of extending the life of facilities and assets. The County will maintain a schedule of needed repair, maintenance and replacement of existing capital assets with associated costs. Routine maintenance of facilities should be a focus of maintenance efforts. Prioritization of cyclical maintenance needs should be undertaken to ensure that the most important needs are addressed.	4.06 The County will invest at least \$3,000,000 annually in ongoing, cyclical maintenance of existing capital assets in order to prevent major breakdowns or deterioration of assets with the goal of extending the life of facilities and assets. The County will maintain a schedule of needed repair, maintenance and replacement of existing capital assets with associated costs. Routine maintenance of facilities should be a focus of maintenance efforts. Prioritization of cyclical maintenance needs should be undertaken to ensure that the most important needs are addressed.	Ensures a minimum level of maintenance on existing capital assets of the County to preserve useful life.

45

PSFM Policy V: Debt Management



Old	New	Existing	Proposed	Explanation
5.02 d)	5.02 d)	5.02 d) Annual net tax supported debt service expenditures shall not exceed ten percent (10%) of annual revenues;	5.02 d) Annual net tax supported debt service expenditures shall not exceed ten percent (10%) of annual revenues or thirteen percent (13%) of General Fund plus Fire Levy expenditures;	Recommended new self-imposed debt limit to reflect the funds from which debt service is typically paid and add a metric measured by rating agencies.
5.03	5.03	5.03 The County shall comply with all U.S. Internal Revenue Service rules and regulations regarding issuance of tax exempt debt, including arbitrage rebate requirements for bonded indebtedness, and with all Securities and Exchange Commission requirements for continuing disclosure of the County's financial condition, and with all applicable Municipal Securities Rulemaking Board requirements.	5.03 The County shall comply with all U.S. Internal Revenue Service rules and regulations regarding issuance of tax exempt debt, including arbitrage rebate requirements for bonded indebtedness, and with all Securities and Exchange Commission requirements for continuing disclosure of the County's financial condition, and with all applicable Municipal Securities Rulemaking Board (MSRB) requirements, including Securities and Exchange Commission (SEC) Rule 15c2-12.	Terminology update.

46

Policy VII: Personnel

Old	New	Existing	Proposed	Explanation
7.02	7.02	7.02 County personnel shall adhere to legal, moral, ethical, and professional standards of conduct in the fulfillment of their professional responsibilities, including the Vision, Values, Ethics and Leadership Philosophies as promulgated by the County Executive.	7.02 County personnel shall adhere to legal, moral, ethical, and professional standards of conduct in the fulfillment of their professional responsibilities, including the Vision, Values, Ethics and Leadership at All Levels philosophies as promulgated by the County Executive.	Terminology update.

47


Policy VIII: Internal Control and Financial Reporting



Old	New	Existing	Proposed	Explanation
8.04	8.04	8.04 The County will establish and maintain a "Board Audit Committee" to govern and provide oversight of the County's internal control environment. The Board Audit Committee will coordinate activities between the Board of County Supervisors, the independent external auditor(s) and the internal auditor(s) in connection with the annual comprehensive financial audit and other internal and external audits.	8.04 The County will establish and maintain a "Board Audit Committee (BAC)" and a "Joint Audit Committee of the County Government and Schools (JAC)" to govern and provide oversight of the County's internal control environment. The BAC and JAC will coordinate activities between the Board of County Supervisors, the independent external auditor(s) and the internal auditor(s) in connection with the annual comprehensive financial audit and other internal and external audits.	Terminology update.
8.06	8.06	8.06 The County will contract for an annual comprehensive financial audit, including an audit of Federal grants in accordance with U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations , to be performed by an independent external auditor (public accounting firm). The independent external auditor will express an opinion on the County's financial statements.	8.06 The County will contract for an annual comprehensive financial audit, including an audit of Federal grants in accordance with U.S. Office of Management and Budget Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (commonly called "Uniform Guidance") per Title 2 of the Code of Federal Regulations (CFR) to be performed by an independent external auditor (public accounting firm). The independent external auditor will express an opinion on the County's financial statements.	Terminology update.

48


Policy VIII: Internal Control and Financial Reporting (cont'd)



Old	New	Existing	Proposed	Explanation
8.07	8.07	8.07 The County's Comprehensive Annual Financial Report will be prepared in accordance with the Code of Virginia and the Uniform Financial Reporting Manual for Virginia Counties, issued by the Commonwealth of Virginia Auditor of Public Accounts (APA) and the guidelines established by the Government Finance Officers Association in its Certificate of Achievement for Excellence in Financial Reporting Award Program.	8.07 The County's Comprehensive Annual Financial Report (CAFR) will be prepared in accordance with the Code of Virginia and the Uniform Financial Reporting Manual for Virginia Counties, issued by the Commonwealth of Virginia Auditor of Public Accounts (APA) and the guidelines established by the Government Finance Officers Association (GFOA) in its Certificate of Achievement for Excellence in Financial Reporting Award Program.	Terminology update.
8.08	8.08	8.08 The County will comply with Generally Accepted Accounting Principles (GAAP) in its accounting and financial reporting, as contained in the following publications:	8.08 The County will comply with U.S. generally accepted accounting principles (GAAP) in its accounting and financial reporting, as contained in the following publications:	Terminology update.

49


Policy IX: Risk Management



Old	New	Existing	Proposed	Explanation
9.02	9.02	9.02 The County shall manage its exposure to risk through the most appropriate means of self-insurance and, or the purchase of traditional insurance to include, but not limited to, the following areas: a) General liability, b) Automobile liability, c) Public officials' errors and omissions, d) Police professional liability, and e) Property loss and workers' compensation;	9.02 The County shall manage its exposure to risk through the most appropriate means of self-insurance and, or the purchase of traditional insurance to include, but not limited to, the following areas: a) General liability, b) Automobile liability, c) Public officials' errors and omissions, d) Police professional liability, e) Property loss and workers' compensation; f) Environmental liability; and g) Cyber security and terrorism.	Terminology update.
9.03	9.03	9.03 The County will further control its exposure to risk through the use of hold harmless agreements in County contracts and by requiring contractors to carry liability insurance.	9.03 The County will further control its exposure to risk through the use of hold harmless agreements in County contracts, stop-loss limits and by requiring contractors to carry liability insurance.	Terminology update.

50


Policy XI: Economic Development



Old	New	Existing	Proposed	Explanation
11.02	11.02	11.02 The County will endeavor to utilize a network of public facilities that link planned industrial and commercial areas with its growing residential areas.	11.02 The County will endeavor to utilize a network of public facilities, including public transportation modes and utility infrastructure, to link industrial and commercial areas with its growing residential areas to achieve "connectivity".	Terminology update.

51

Policy XII: Redevelopment



Old	New	Existing	Proposed	Explanation
n/a	n/a	n/a	Redevelopment is an important element of the County's Comprehensive Plan, related Small Area Plans and redevelopment strategies to enhance the quality of life for the citizens of Prince William County through land assemblage and infrastructure development and other appropriate measures aimed at attracting, retaining, and creating wealth generating jobs; developing and implementing neighborhood revitalization; eliminating blight; creating safe and affordable housing and expanding the commercial tax base in accordance with the Board's Robust Economy strategic goal. Private investment is the first and most desirable means of redevelopment.	Recommended new section to identify Board policy surrounding redevelopment.
n/a	12.01	n/a	12.01 The County will seek private investment, including public-private partnerships, as the most desirable means of redevelopment.	
n/a	12.02	n/a	12.02 The use of public funds shall be directed toward select "Catalyst Projects" that result in area-wide or targeted benefits. Catalyst Projects include single or a grouping of projects that have a catalytic effect on the revitalization of an area or area-wide public improvements that have broad area benefits. Such Catalyst Projects shall be consistent with the County's zoning regulations and land use policies, including the Comprehensive Plan, related Small Area Plan(s) and/or redevelopment strategies.	

52

Policy XII: Redevelopment (cont'd)

Old	New	Existing	Proposed	Explanation
n/a	12.03	n/a	12.03 The redevelopment site(s) must be located within an area of the County that is of strategic importance to achieving the County's revitalization goals in accordance with the County's land use policies, including the Comprehensive Plan, related Small Area Plan(s) or economic development strategies.	Recommended new section to identify Board policy surrounding redevelopment.
n/a	12.04	n/a	12.04 The public purpose, financial and other benefits from the publicly funded improvements must be clearly defined and, based on the nature of the benefit, measurable.	
n/a	12.05	n/a	12.05 For due diligence purposes, the County may retain professionals that represent the County's interest, when contemplating redevelopment. The County may prepare, or have prepared, a business plan, including the following, when considering redevelopment: <ul style="list-style-type: none"> • Market analysis and marketing plan; • Financial plan and financial projections; and • Environmental study, as applicable. 	
n/a	12.06	n/a	12.06 Public funding debt mechanisms shall only be used for public facilities. Other monetary or non-monetary incentives, as permitted by State statute, may be provided to Catalyst Projects with applicable Board of County Supervisor approval including but not limited to grants made through the Industrial Development Authority (IDA), tax abatement, fee reductions, and fast-track permitting.	

53

Policy XII: Redevelopment (cont'd)

Old	New	Existing	Proposed	Explanation
n/a	12.07	n/a	12.07 There shall be no anticipated negative impact on the County's bond rating.	Recommended new section to identify Board policy surrounding redevelopment.
n/a	12.08	n/a	12.08 The County will perform a due diligence analysis of each Catalyst Project to evaluate the level of each type of risk associated with the redevelopment investment. The due diligence evaluation shall be presented to the Board of County Supervisors along with the redevelopment investment.	
n/a	12.09	n/a	12.09 The County will perform a fiscal impact analysis on each Catalyst Project that evaluates the economic costs, economic benefits, intrinsic benefits and the levels of each type of risk associated with the redevelopment investment.	
n/a	12.10	n/a	12.10 Developers or development entities will be required to grant full access to all accounting records, project financials (i.e. pro-formas) and any other pertinent financial information for any Catalyst Project involving a financial partnership with the County.	
n/a	12.11	n/a	12.11 The County shall maintain and comply with the written Economic Development Land Bank Policies as approved and adopted by the Board of County Supervisors whenever contemplating the purchase of land for redevelopment purposes.	

54

Policy XII: Redevelopment (cont'd)

Old	New	Existing	Proposed	Explanation
n/a	12.12	n/a	12.12 The County shall maintain and comply with the written Policy Guidelines for Approval of the Creation of a Community Development Authority (CDA) as approved and adopted by the Board of County Supervisors whenever contemplating the creation of a separate legal CDA to further the redevelopment goals of the County.	Recommended new section to identify Board policy surrounding redevelopment.



Policy XIII: Policy Review



Old	New	Existing	Proposed	Explanation
12.01	13.01	12.01 The Board of County Supervisors (BOCS) will review and approve by resolution the financial policies contained in this document a minimum of once every four (4) years, contiguous with the term of the newly elected BOCS. The Director of Finance shall review the Principles of Sound Financial Management on an annual basis to determine if the financial policies require update by the Board of County Supervisors in advance of the scheduled four-year cycle.	13.01 The Board of County Supervisors (BOCS) will review and approve by resolution the financial policies contained in this document a minimum of once every four (4) years, contiguous with the term of the newly elected BOCS. The Director of Finance shall review the Principles of Sound Financial Management on an annual basis to determine if the financial policies require update by the Board of County Supervisors in advance of the scheduled four-year cycle.	Administrative update.
12.02	13.02	12.02 The County Executive shall provide the Board of County Supervisors a written status report concerning Prince William County's compliance with the Principles of Sound Financial Management on an annual basis.	13.02 The County Executive shall provide the Board of County Supervisors a written status report concerning Prince William County's compliance with the Principles of Sound Financial Management on an annual basis.	Administrative update.