



## **Financial Plans, Policies, and Oversight**

### **Introduction**

The County implemented a number of financial plans, policies and oversight tools to strengthen its internal controls in the wake of the bankruptcy filing in 1994. These tools continue to be refined and are embedded in the County's robust financial management processes. The following provides a brief description of these tools.

### **Plans**

#### **Board of Supervisors Long-Term Strategic Priorities**

In 2012 and reaffirmed in 2015, the Board of Supervisors (Board) adopted long-term strategic priorities. These priorities are included in the annual budget adopted by the Board each year. These provide a framework and serve as the basis for budget recommendations. The three long-term priorities include: Stabilize the Budget, Prepare for Contingencies, and Address and Fund Agency Infrastructure.

#### **Strategic Financial Plan (SFP)**

In 1997, the County initiated an annual strategic financial planning process that includes a five-year revenue and expense forecast as well as identification of strategic priorities and emerging initiatives. This process provides a framework for testing budget assumptions and aligning available resources with operating requirements. In testing assumptions, the SFP serves as the basis for the development of the upcoming fiscal year budget. Additionally, the SFP includes capital and information technology (IT) project proposals facilitating early evaluation of project viability and economic feasibility. Finally, a ten-year forecast for Strategic Priorities is used in the SFP to assess the County's ability to fund new programs, initiatives, and priorities requiring more than one million dollars in any one year of the plan.

#### **Capital Improvement Plan**

The County and its departments develop the following capital improvement plans:

- Strategic Financial Plan – The SFP Capital Improvement Plan is developed each year with a five-year projection of capital needs for projects requiring general funds and for department-funded projects. Projects requiring general funds are reported in a summary format and Department-funded projects, reported with brief detail, typically include Sheriff, Social Services Agency, County Tidelands – Newport Bay, OC Dana Point Harbor, OC Public Libraries, OC Parks, OC Road, OC Flood, OC Waste & Recycling, John Wayne Airport, and OC Information Technology.



- OC Public Works develops a Seven-Year Capital Improvement Program (CIP) for OC Road and OC Flood projects in preparation of the upcoming fiscal year's budget. Inclusion of a project in the CIP indicates the County's plan to develop and construct the project. However, implementation is always subject to funding and resource availability. The plan is presented to the Board of Supervisors for approval.
- OC Parks submitted the first Strategic Plan (Plan) to the Board of Supervisors in 2007 to define its mission, vision and values in addition to evaluating issues of open space stewardship, capital and maintenance funding, and identification of the department's core function. In January 2017, the Board approved a consultant contract to assist OC Parks with development of an updated Plan to build on the existing Plan and to refine the vision, mission and values as well as identify long-term strategic goals. The revised Plan was approved by the Board of Supervisors on December 4, 2018.

#### Information Technology Plan

The County compiles a five-year Information Technology (IT) Plan of significant IT projects as part of the SFP. The projects include both those requesting General Funds from Data Systems Development Projects Budget Control 038, as well as proposed projects funded by non-General Fund sources. This document is updated annually with the SFP to reflect the changing needs and fiscal outlook of the County.

#### **Policies**

In addition to the following formal policies, the County exercises a "No Backfill" policy with regard to programs funded by specific grants or by the state or federal government sources. These programs are sized to the level of funding available unless a Maintenance of Effort requirement exists.

#### Budget Development Policies

The Annual Budget includes a description of budget policies and guidelines used by all departments in developing their budgets. Chief among the requirements is consistency with the Strategic Financial Plan as well as uniform projections of salaries and benefits.

#### Debt Management Policy

The County's Debt Management Policy provides guidance for the issuance of bonds and other forms of indebtedness to finance capital improvements, acquire equipment, improve cash flow, and meet other identified needs. The Board of Supervisors approved the initial Debt Management Policy on December 6, 2016, as included in the 2016 Strategic Financial Plan, and approved the most recent amendments to the policy on June 4, 2019. Each year, the Strategic Financial Plan includes the most recent approved policy.



Funding Allocation Policy and Process (FAPP) for Distributing Federal Housing and Community Development Funds

The FAPP outlines the methods used by the Urban County Program to distribute federal and local funds to applicants that request funding for housing and community development activities benefitting low and moderate-income communities and individuals. The FAPP is approved by the Board of Supervisors on an annual basis.

Information Technology Governance Policy

Central to the IT Policy is a governance structure that includes CEO advisory committees representing end users, technology experts, and department heads. The governance policy addresses IT issues impacting the public, staff, and investments. IT investments in excess of \$150,000 annually are subject to review through the IT governance process. The policy fosters quality, innovative, fiscally responsible, and secure IT solutions that support the County's business needs as a whole, now and into the future.

Investment Policy Statement

Each calendar year, the Board of Supervisors approves an Investment Policy Statement and delegation of authority, which authorizes the Treasurer-Tax Collector to invest public funds for the year.

Reserves Policy

The County's General Fund Reserves Policy provides guidance in the creation, maintenance, and use of reserves. The policy covers formal and informal reserves, and includes provisions for reserves such as appropriations for contingencies, reserve-like appropriations, and reserve-like funds held by others such as the OCERS Investment Account. The policy also recognizes whether funds are legally required or discretionary, or have special restrictions. The County's Reserves Policy is annually presented to the Board of Supervisors in the Strategic Financial Plan.

Position Policy

The Position Policy, established in 2016, provides guidance to departments seeking to add new positions, fill vacancies, as well as establishes conditions under which aged positions will be deleted. In addition, the Board of Supervisors approved a vacant position policy effective July 1, 2018 to establish a standard protocol for managing vacant positions not filled within a reasonable period of time. Positions vacant for more than twelve months, or eighteen months in the case of public protection positions, are automatically deleted.



## **Oversight**

### **Audit Oversight Committee**

In 1995, the Board of Supervisors established the Audit Oversight Committee (AOC) as an advisory committee to the Board of Supervisors on issues related to the County's Internal Audit function and the County's external audit coverage including financial statements and federal and state audits. The AOC assists the Board in ensuring the independence of the Internal Audit functions, reviews and recommends approval of the Internal Audit Department's Annual Audit Plan, reviews internal audit reports, and guarantees that corrective action is taken on audit findings.

### **Public Financing Advisory Committee**

The Public Financing Advisory Committee (PFAC) was established in 1996 by the Board of Supervisors. The purview of PFAC includes review and approval or denial of all proposed public financings, and selection of financing professionals engaged in public financings. No proposed public financing or financing professional is considered by the Board of Supervisors without the express written recommendation by PFAC.

### **Treasury Oversight Committee**

The Board of Supervisors established the Treasury Oversight Committee (TOC) in 1995. The TOC reviews and monitors the annual investment policy prepared by the Treasurer, ensures an annual audit is conducted to determine the Treasurer's compliance with the Investment Policy Statement, submits an annual report to the Board regarding the Treasurer's compliance with governing laws and policies, and investigates any identified irregularities in the Treasurer's operations.