




UNC-CH School of Government

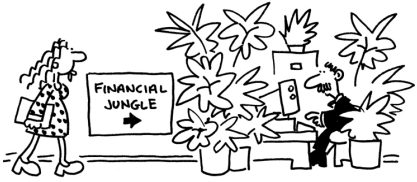
Introduction to Local Government Finance



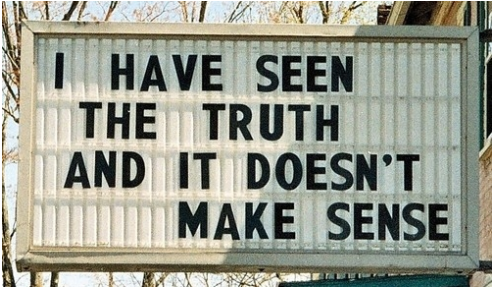


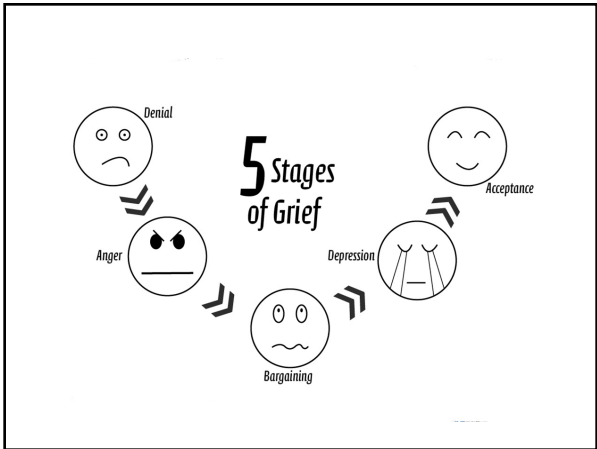
- ✓ Parking pass
- ✓ Fire alarm
- ✓ Smoking
- ✓ Drinks/food
- ✓ Bathrooms
- ✓ Certificate
- ✓ CPE Credit
- ✓ Internet
- ✓ Schedule

Local Government Finance Framework



Warning!





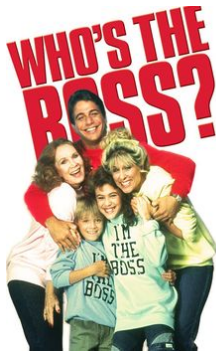
Get to Know Your Neighbor



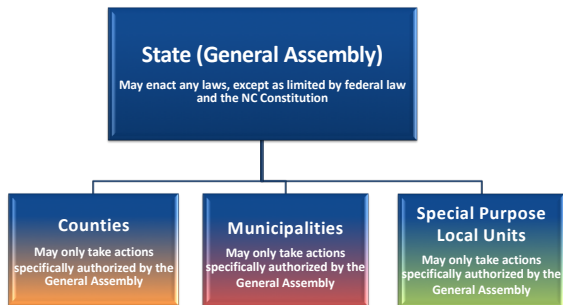
Your Name
Employer/Years of Service
Favorite Show as a Kid?

AGENDA

- Who is in charge?
- What must/can/can't we do?
- Public Purpose, Exclusive Emoluments, Statutory Authority, Oh My!
- What are the rules of the game?
- Who does what, when, where, how, why?



Where does a local government get its authority?



Which of the following actions can the General Assembly legally take?

- a. Enact a law removing from office all of the current members of a board of county commissioners and replacing them with other specified individuals
- b. Enact a law to un-incorporate an existing municipality
- c. Enact a law to eliminate the bidding requirements for a particular project to be undertaken by a particular county
- d. Enact a law creating an exception to the conflict of interest statutes applicable only in a specified county
- e. Enact a law eliminating a local government's privilege license tax authority.
- f. All of the above
- g. None of the above

The Great and (almost) All Powerful General Assembly



Which of the following actions can a county, city, or public authority legally take?

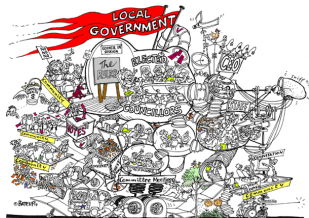
- a. A county board may exempt certain properties from paying property taxes
- b. A county board may abolish all municipalities within its territorial boundaries
- c. A city board may fund salary supplements for public school teachers
- d. A city board may levy a new half-cent sales tax
- e. A water and sewer authority may provide police services within its territorial jurisdiction.
- f. All of the above
- g. None of the above

The Not So Powerful Local Government

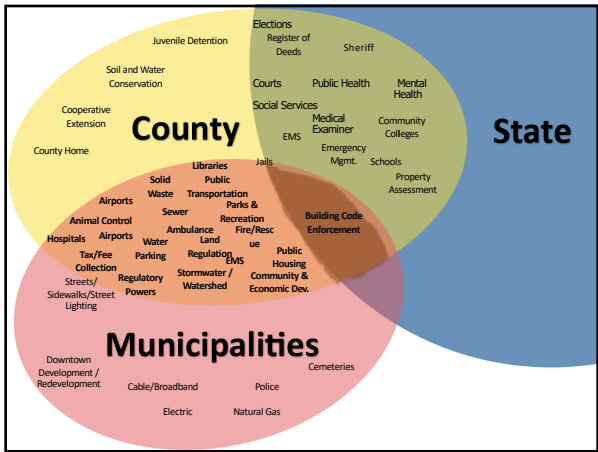


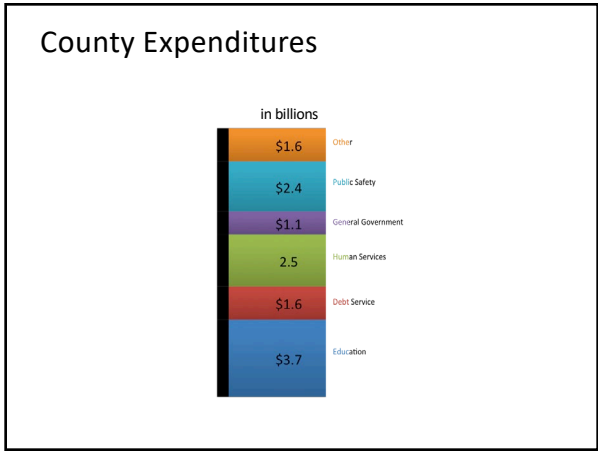
~~What statute says I can't do that?~~

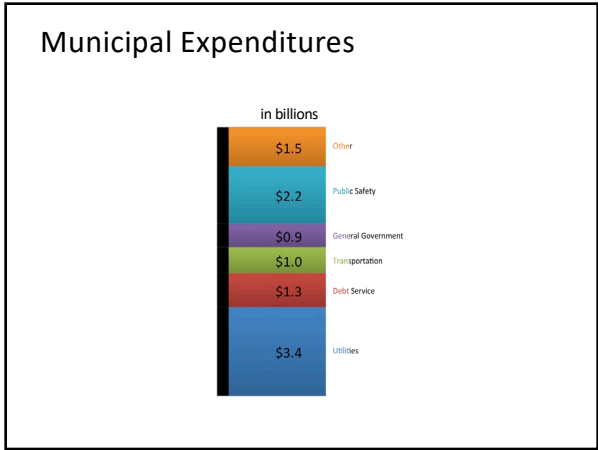
What statute says I can do that?



WHAT MUST/CAN/CAN'T WE DO?



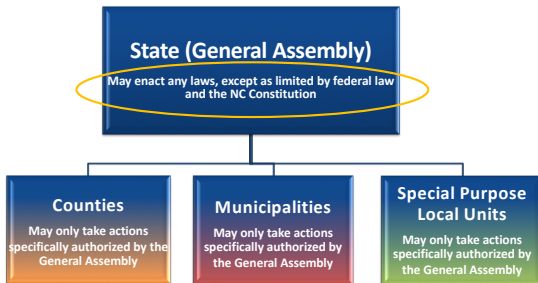






**PUBLIC PURPOSE, EXCLUSIVE
EMOLUMENTS, STATUTORY
AUTHORITY, OH MY!**

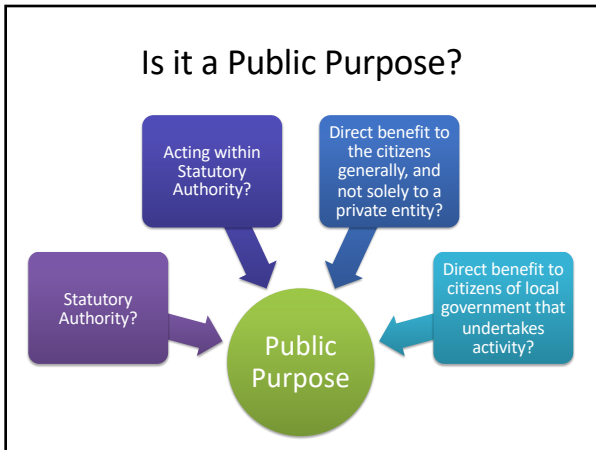
Purpose of NC Constitution?



Public Purpose Limitation

“The power of taxation shall be
exercised . . . for public purposes
only . . .”

N.C. Const. Art. V, Sect. 2(1)



Public Purpose?

City asks county to fund half of a major road project. Although the road project is within the city, it is a necessary part of an economic deal the county is working on to locate a large industrial manufacturing facility to the unincorporated part of the county, located just outside city limits.

Public Purposes?

Due to a terrible fire, the high school located in a city was destroyed. Because most of the kids that attend the high school are residents of the city, the city's governing board wants to appropriate funds to help rebuild the school.



- Most local government activities will satisfy the public purpose requirement
- BUT, if there is no statutory authority then it is not a public purpose

~~What statute says I can't do that?~~

What statute says I can do that?

No Exclusive Privileges or Emoluments

“No person or set of persons is entitled to exclusive or separate emoluments* or privileges from the community but in consideration of public services.”

N.C. Const. Art. I, Sect. 32

* A salary, fee, or profit from employment or office.

Exclusive Emolument?



The county hires a new manager. The county and the new manager enter into an employment contract whereby, among other things, the county agrees to loan the manager \$50,000 to make a down payment on a new home located in the county. The loan is to be repaid over a period of 3 years. If the manager is terminated for cause or quits before the expiration of the 3-year period, the loan immediately must be repaid in full.

Exclusive Emolument?



- A beloved city resident leaves his faucets running all day to accommodate his many cats. He has recently fallen behind on his rather high water bill. The department's normal procedure is to shut off the water and impose a penalty for the delinquency. The city manager feels sorry for the resident and requests that the city's governing board make an exception and waive his outstanding utility fees and late penalties. To a cheering crowd, the board votes unanimously to do so.

Exclusive Emolument?



"They no longer award retirees with a gold watch, so I got the time clock"

- Penny Pincher worked as the finance officer for the Town of Bluesky for 40 years. The town plans to honor her by throwing Penny a retirement party a few weeks after she retires. Penny has selected the guest list, which includes current town employees, former town employees, and some of her personal friends. The town also intends to purchase a \$500 gold watch to give to Penny to commemorate her retirement.





Ok!



- Current Employee / Current Official Benefits
 - Employee parties
 - Bonuses
 - Merit raises
 - Years' of service gifts
 - Contributions for or on behalf of employees
- Gifts/Benefits/Payments in Exchange for Public Services

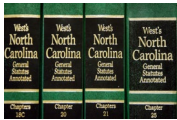
Caution!



-  Retirement gifts
 - other than plaques, trinkets, or employee celebration parties
-  Waiving fees or taxes
 - except pursuant to specific statutory authority or in cases where cost of collection exceeds the amount of the fees or taxes
-  Severance payments (negotiated after employment terminated)
-  Benefits for former employees/ officials
 - Unless statutory or contractual obligation arose while they were employed / in office

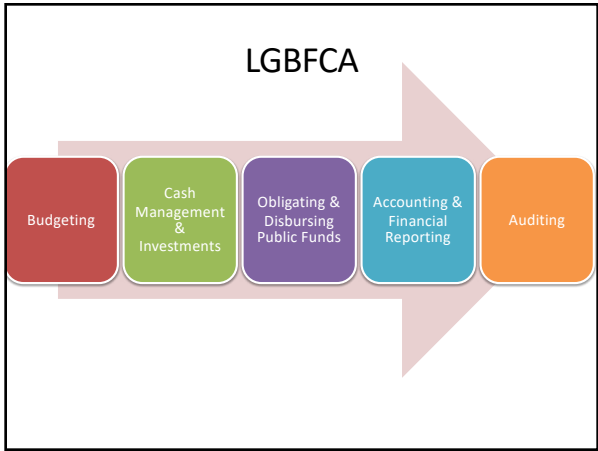



WHAT ARE THE RULES OF THE GAME?



Local Government Budget and Fiscal Control Act (LGBFCA)

- Finance Personnel
- Budgeting
- Cash Management/Investments
- Expenditure Control
- Accounting/Financial Reporting
- Auditing
- Local Government Commission





Ensuring Compliance with LGBFCA

Governing Board

- Oversees everything
- Adopts/amends budget(s)
- Sets tax/fee rates
- Appoints some finance personnel
- Selects official depositories
- Selects auditor

Ensuring Compliance with LGBFCA



Budget Officer

- Prepares and submits annual budget and budget message to board
- Executes budget(s)

Ensuring Compliance with LGBFCA



Finance Officer

- Establishes and maintains accounting system
- Controls expenditures and disburses moneys
- Prepares and presents financial reports
- Manages receipt and deposit of moneys
- Manages debt service obligations
- Supervises investments

Ensuring Compliance with LGBFCA



Tax Collector

- Prepares tax bills
- Collects taxes
- Accounts for tax collections
- Prepares and presents reports on tax collections

Ensuring Compliance with LGBFCA



Purchasing Officer

- Negotiates/enters into contracts
- Performs bidding/RFP processes
- Ensures pre-audit performed

Ensuring Compliance with LGBFCA



Auditor




- Performs yearly independent audit

Ensuring Compliance with LGBFCA




Local Government Commission (LGC)

- Approves audit contracts
- Reviews audits
- Issues regulations governing financial management
- Provides assistance in financial management
- Approves debt
- Sells debt
- Takes over financial management in extreme circumstances

Fidelity Bonds	
Employee/Official	Bonding Requirement
 Finance Officer	<ul style="list-style-type: none">• True Accounting and Faithful Performance Bond• Amount set by Board, no less than \$50,000
 Tax Collector	<ul style="list-style-type: none">• Honesty and Faithful Performance Bond• Amount set by Board (but tax collector not permitted to collect any taxes not covered by bond)
 All Other Employees and Officials	<ul style="list-style-type: none">• Faithful Performance Bond• Amount set by Board• May be covered by Blanket Bond

Knowledge Check



1. What functions is a municipality required to perform?

2. Can a county undertake an activity if it does not have statutory authority, as long as the activity serves a public purpose?

3. Can a local government waive fees?

4. What is the biggest expenditure category for municipalities? How about for counties?
