

THE BUDGET - AN OVERVIEW

The Budget Process

The budgetary process at James City County involves intensive procedures and covers a time span of many months. The process conforms to Chapter 4 of the Code of Virginia.

November: Budget preparation manual is distributed to departments.

Budget training sessions are held with departments explaining budget calendar and use of forms. Financial assumption data is distributed to departments as well as any financial constraints that must be employed.

December: Sponsors prepare and submit formal CIP proposals to Planning Office.

Human Resource Department completes review of position requests and schedules Personnel Committee meetings.

Board of Supervisors establishes Budget Calendar as follows:

Public Hearing	Second April Meeting
Work Sessions	Three or four dates chosen, after public hearing, prior to adoption
Budget Adoption	First May Meeting

Financial Trends published and presented at a work session of the Board of Supervisors

January: Pre-budget Public Hearing. The Board of Supervisors considers the annual review of the County financial health contained in "Financial Trends in James City County." Revenue forecasts are reviewed and calculation of School Board's contribution for the next fiscal year is reviewed.

Departmental budgets submitted for review by Department of Financial and Management Services and County Administration.

Outside agency budget requests are due.

February: Financial and Management Services completes mid-year Budget Review with County Administration.

- March: Planning Commission presents CIP Budget to Board of Supervisors.
- Formal School budget received. School Board adopts its budget.
- Final decisions and adjustments by Financial and Management Services. Final Proposed Budget prepared with narratives and County Administrator's Message.
- Proposed Budget released to Board of Supervisors, Press and the Public.
- April-May: Work Sessions, Budget Public Hearing, Budget adoption and establishment of tax rates.
- May-June: Amendments to the Budget are made prior to start of new fiscal year. These amendments are based on final revenue estimates from the State which are not available at the time of Budget adoption. Other amendments are made based on updated information not previously available.
- June: Adopted Budget made available to the Public and Staff for the start of Budget year.

Budgetary Basis

Budgets are prepared for all funds with the exception of Trust and Agency Funds. These funds account for money and property held in a fiduciary capacity for individuals or other government entities. These funds do not involve the measurement of results of operations as they are custodial in nature. In addition, there is no requirement to formulate budgets for these funds.

Budgets are prepared on the modified accrual basis of accounting as used for financial reporting purposes. Encumbrance accounting, under which applicable appropriations are reserved for outstanding purchase orders, is employed as an extension of the formal budgetary integration in the General and certain Special Revenue Funds. Encumbrances outstanding at year-end are reported as Reservation of Fund Balances since they do not constitute expenditures or liabilities. Unexpended appropriations lapse at the end of the fiscal year in the General, Debt Service, and those Special Revenue Funds with legally adopted annual operating budgets. Program and project budgets are utilized in the Capital Projects Budget and Community Development funds where appropriations remain open and carry over to the succeeding years.

Budget Amendment Process

The Budget may be amended in one of two ways as outlined by the Code of Virginia.

If the amendment would change total revenues (such as the acceptance of a grant), then the governing body must adopt an appropriation resolution to transfer funds from one appropriation group to another. In certain instances, as outlined in the State Code, a public hearing may be required before the governing body can take action.

The County Administrator is authorized to transfer funds between departments/offices within an appropriation group or between budget line items within a particular department/office.

Organization of Budget

The financial transactions of the County are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues and expenditures. The various funds are reported by generic classification within the financial statements of the Comprehensive Annual Financial Report.

The County Budget includes all funds where financial transactions are recorded, with the exception of Trust and Agency Funds.

The following fund types are used by the County and the Budget Document includes the Capital Improvements Plan.

Governmental Funds

- a) General Fund - The general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund.
- b) Special Revenue Funds - Used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Virginia Public Assistance
Transit Company
Community Development

- c) Capital Projects - Used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary funds).
- d) Debt Service Fund - Used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Proprietary Fund

The focus of Proprietary Fund measurement is the determination of net income. The Generally Accepted Accounting Principles are those applicable to similar businesses in the private sector. The County has no proprietary funds. Included within the Budget Document is the budget for the James City Service Authority since its legislative and executive oversight and management are substantially integrated with those of James City County. The Authority operates water and sewer utility systems in the County and is a distinct legal entity.

The Service Authority budget covers four major projects areas:

- Water Fund
- Sewer Fund
- Operations/Administration Fund
- Capital Improvements Program (CIP)

The General Fund of the County is divided into functional areas, such as Administration, Planning and Development, Public Safety, etc. Each department within a functional area has its own budget; for example, Police, Fire and Emergency Medical Services, within the functional area of Public Safety. The Budget format presents expenditures by functional area and departments within a specific function.

Directions, Performance, Measurement and Monitoring

The County Administrator imparts to the departments at the beginning of the Budget cycle the tone and the focus of the overall Budget. This information is based on guidance to him from the Board of Supervisors.

During the fall of each year each department develops individually their overall Service Goal, Mission and Objectives to be attained during the coming year. The aforementioned provides the basic operating direction for each department. This information is presented within each department's budget.

The Budget document does not provide information regarding performance or the measurement of performance per department. However, departmental objectives are monitored by County Administration by the use of work programs. In addition, each department establishes efficiency and effectiveness measures in regards to their operations. These are monitored by the Office of Performance and Service Improvement and managed by County Administration.

The Budget is monitored by the issuance of Monthly Management Reports. These reports indicate actual financial results compared to Budget (Revenue-Expense). These reports are forwarded to the Board of Supervisors, County Administration and Departments for their analysis and management.

Budgetary control is maintained on a line-item basis.

Purchases of goods and services must be accomplished by the use of a formal purchase order. Funds are encumbered based on purchase orders to insure that an over-spent condition does not exist per Budget line item.

Relationship Between the Operating and Capital Budget

There are many features that distinguish James City County's Operating Budget from the Capital Budget. The Operating Budget includes expenses that are generally of a recurring nature and are appropriated for one year only. It provides for the provision of all County services, but does not result in major physical assets for the community. Year-to-year changes in the Operating Budget are expected to be fairly stable, and represent incremental changes in the cost of doing business, the size of the County and the types and level of service that are provided. Resources for the Operating Budget generally come from taxes, user fees, and intergovernmental payments that generally recur from year to year.

The Capital Budget, on the other hand, includes one-time costs for projects that may last several years. The projects result in major physical assets in the community. Wide fluctuations are expected in the Capital Budget from year to year depending on the phasing of projects. Resources for the Capital Budget generally come from bond sales, grants, other one-time sources and transfers from the Operating Budget.

In spite of these differences, the Operating and Capital Budgets are closely linked. The most obvious connection is the fact that the Operating Budget assumes the cost of maintaining and operating new facilities that are built under the Capital Budget. In addition, a portion of the funding for capital projects are transfers from the Operating Fund.

The 1995-96 Capital Budget marks the beginning of some projects that will have long-term or financial consequences. The most notable are:

- o Shell Industrial Building
- o Courthouse
- o Library
- o New High School and School Renovation
- o Recreation Center, Phase II
- o District Park

In some cases operational needs drive the Capital Budget. Good examples are the Courthouse, Library, and Recreation Center. Based on the growth of the County, these buildings have become inadequate and larger facilities are required if the needs of the citizens are to be served.

The resources that support the Operating and Capital Budgets are also linked. Revenue generated in the Operating Fund is channeled to the Capital Budget by means of a transfer. The retirement of bonds issued for the construction of new schools will compete with the service requirements that are funded in the Operating Budget. The Capital Budget on its own does not generate any revenue. This means that some of the revenues that are generated and transferred to the Capital Budget are realized through property tax revenue. This relationship will impact the tax rate and the property taxes that the citizens of James City County will be required to pay. Reference to Section D indicates the estimated Operating Budget impact for each capital project. Capital projects that are planned to be funded by debt will be placed on a referendum, which was approved in the Spring of 1994.

In order to view the upcoming year's budget, it is important that County officials, employees and the citizens understand the linkage between these budgets.

Financial Planning

The budget document provides the following information to the citizens of James City County:

- o Reflects the fiscal policies of the Board of Supervisors (Introductory Section).
- o Indicates and explains the flow of financial resources (Revenues - Section B).
- o Outlines the operational focus of the County organization and the individual departments (Section C).
- o Outlines the priorities and sources of funding for major capital projects (Section D).
- o References historical and current financial information, including the financial condition of each fund in the beginning of the budget and at the end of the year (Section G).

All the above components come together as part of a financial plan whose major criteria is:

- o That the real estate tax increase be kept to a minimum.
- o That no new taxes are implemented.

- o That recommended Capital Projects relate to the Comprehensive Plan and are prioritized based on available funding.
- o That a major portion of Capital Projects use debt financing as the funding source, subject to a referendum that was approved in the Spring of 1994.
- o That no new or enhanced program initiatives be implemented except those of the highest priority.
- o That contributions to outside agencies are level funded.
- o That the school system, which is the largest component, be funded at close to 100 percent.
- o That ending fund balances are consistent with prior years and sufficient enough to provide for financial viability.
- o That County employees' increased compensation be based on performance and be consistent with compensation plans within the County's labor market.

The above criteria of the financial planning process was formulated prior to the calculation of revenues and expenses. The adopted budget reflects concurrence with these financial planning criteria.