

Budget Policy

1. **Background**

- a) The County's budget policy addresses the process by which a budget is formulated from departmental requests to Board of Supervisors adoption, including the adoption of the Five Year Financial Plan, the Capital Improvements Program and other issues presented to the Board of Supervisors during the budget process.
- b) A budget policy also addresses all aspects of the budget, including the authorization levels for the approval of all budget adjustments for revenues and expenditures of all funds and review of the budget during the fiscal year.

2. **Standards**

- a) Generally accepted accounting principles (GAAP).
- b) Uniform Financial Reporting Model of the Auditor of Public Accounts of Commonwealth of Virginia.
- c) Government Finance Officers Association's Criteria for Distinguished Budget Award.
- d) Code of Virginia.

3. **Budget Objectives**

- a) The Board of Supervisors annually sets priorities for the County and the budget objectives will be consistent with such Board priorities.
- b) The County Administrator, after consultation with department heads, will identify proposed budget objectives and a budget schedule to be presented to the Board of Supervisors.
- c) The Board of Supervisors shall adopt the budget objectives and budget schedule by December 1.
- d) The budget objectives will provide policy direction for the formulation of the County Administrator's proposed budget and the budget schedule will identify important dates throughout the budget preparation and adoption period.
- e) The following issues shall be considered in the development of budget objectives:
 - i) Adoption of budget, five-year financial plan and five year capital improvements program.
 - ii) Funding of school target methodology whereby the allocation of General Fund monies for the education function is supported by defined objectives (e.g., merit increases, inflation, enrollment growth, student-teacher ratios).
 - iii) Anticipated property tax rate levels.
 - iv) Provision of adequate employee compensation including pay for performance increases for County and School employees and salary benchmark adjustments that will be market sensitive in ensuring the County and School system retain and attract outstanding employees.
 - v) Compliance with financial policies and maintenance of bond ratings.
 - vi) Anticipated Public Utility rate levels and self-supporting nature of Enterprise Funds.
- f) The following items will be considered in conjunction with the budget preparation and adoption process unless it has been determined that the issues must be considered in a more expedited manner.
 - i) Ordinance changes involving fee/rate changes.
 - ii) New positions or changes to existing positions.

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- iii) Requests for a bond referendum.
- iv) Reimbursement resolutions for debt financed capital projects which would allow certain appropriated expenditures to occur prior to the receipt of debt proceeds.
- g) Reserve for contingencies will be appropriated in the General Fund at an amount equal to at least .5% of the General Fund budget, net of capital improvement transfer.
- h) Recovered costs of the General Fund will include an appropriation equal to 100% from the cost allocation plan for services provided by the General Fund to the Enterprise Funds with a matching expenditure appropriation made in the Enterprise Funds.

4. **Five Year Capital Improvements Program (CIP)**

- a) CIP is a plan for capital expenditures and a means of funding facilities, equipment and vehicles with a unit cost greater than \$50,000 during the next five fiscal years.
- b) The operating impact of proposed capital projects, including personnel, operating expenditures, capital outlay and debt service, as applicable, will be identified in the CIP document and considered in preparing the Five Year Financial Plan.
- c) General governmental projects will be funded by General Fund revenues (i.e. "pay as you go funding") with a target of at least 10% of the total five-year general governmental portion of the CIP funded by non-debt sources (e.g., General Fund, proffers and grants) over the five-year period.
- d) Utility projects will be primarily funded by capacity fees as resources are available.
- e) In order to best position the County for future capital improvement needs, land acquisition of suitable sites will be considered, when feasible, at least two years prior to the construction period.
- f) In designing a school capital improvement program, a CIP philosophy of ensuring no school is over capacity by 10% for more than three consecutive years without placing any undue burden upon the real property tax will be followed.

5. **Five Year Financial Plan**

- a) The plan will identify all major budget assumptions, including the anticipated collection of revenues, use of fund balance, expenditures, future operating costs of capital improvements and proposed changes in service levels and fees.
- b) The plan will clearly illustrate proposed service levels and the means to finance such service levels over the five-year period.
- c) Compliance with debt and fund balance policies shall be maintained for each year of the plan.
- d) Fiscal planning will include a review of on-going programs that are initially funded with nonrecurring revenues that will need to be funded with on-going revenues and/or a corresponding decrease in another on-going expenditure as identified in the five-year financial plan in order for the program to be properly funded.
- e) It is the County's desire to pursue 100% non-local funding for any program or service mandated upon the County from the State and/or Federal government, with any unfunded mandate managed within the current revenue structure and/or re-allocation of existing resources.

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6. Budget Preparation

- a) The Finance Department and County Administrator will establish a budget schedule by October 1, which will include important dates throughout the budget preparation period.
- b) All departments, excluding the School Board, will submit their requested budget to the Finance Department by December 15, with the requested budget providing detail as to personnel, operating and capital requests, including five year capital improvement program requests, five year financial plan requests and performance objectives.
- c) County and School officials will work together in updating the school target methodology and various components of the methodology (e.g., enrollment projections, capital improvements program, debt issuance schedule, etc.) and agree to a school target by January 1.
- d) County Boards and Other Organizations
 - i) The Fire Administration and Emergency Medical Services (EMS) Administration shall have their departmental requested budgets reviewed by their respective volunteer associations.
 - ii) The Community Services Board and Social Services Board shall approve the departmental budget request of their respective organizations prior to submission to the County Administrator by December 15.
 - iii) The School Board Superintendent shall submit a recommended budget by January 15 and the School Board shall approve the budget request, with any enumerated changes, by February 1.
 - iv) The Parks and Recreation Advisory Committee shall submit a total budget request for funds for County parks and recreation related organizations, with any changes enumerated by the County Administrator and/or Board, that upon final adoption shall be administered by the Parks and Recreation Advisory Committee in accordance with the Board's Administrative Policy.
- e) By the Board of Supervisors' meeting on the fourth Wednesday in February, the County Administrator shall submit to the Board of Supervisors a proposed budget, which includes proposed expenditures, segregated at the departmental level between personal services, operating expenditures and capital outlay, and a means of financing the expenditures, for the fiscal year commencing July 1.
- f) Budget workshops will be scheduled with the Board of Supervisors as deemed necessary to provide detailed information on important budgetary issues.
- g) The Planning Commission shall review the County Administrator's Proposed Five Year Capital Improvements Program (CIP) and provide a recommendation on the CIP to the Board of Supervisors.
- h) A consolidated public hearing on the budget, CIP, Five Year Financial Plan, ordinance changes and personal property tax rates (with a separate public hearing on the real property tax rate, if applicable) shall be held no later than the second Wednesday in April .
- i) The consolidated public hearing notices shall be advertised at least seven days prior to the public hearing date.
- j) If significant issues arise in which greater time is needed for the formulation of the Superintendent's Proposed, County Administrator's Proposed and/or Board of Supervisors Adopted Budget, the budget preparation calendar can be extended upon approval of the Board subject to State imposed deadlines.

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7. **Budget Adoption**

- a) Generally, one week following the public hearing, the Board of Supervisors shall adopt a balanced budget, five-year capital improvements program and five-year financial plan.
- b) The budget is legally enacted through adoption of an appropriations resolution for all governmental and proprietary fund types
- c) For the School Fund, the School Improvements Fund, the Textbook Fund and the Cafeteria Fund (Education Funds), the level of control (level at which expenditures may not exceed budget) shall be the following activity levels: 1) General Support, 2) Pupil Transportation, Instruction and Operations/Maintenance, 3) Facilities, 4) Other Use of Funds, 5) Textbook, 6) Cafeteria, and 7) School Improvements.
- d) For all funds except the Education Funds, the level of control is the function level (i.e., Public Works, Public Safety, Judicial Administration, etc.) as established by the Commonwealth of Virginia Auditor of Public Accounts.
- e) Although legal restrictions on expenditures are established at the function or activity level, effective administrative control over expenditures is maintained through the establishment of more detailed line-item budgets.
- f) At all times the County will maintain compliance with the Code of Virginia in appropriating, advertising public notices, ordinance changes, requests for bond referenda and any other legal restrictions imposed upon localities.
- g) Included with the budget resolutions is approval for the reappropriation of all encumbered balances and capital project unencumbered balances at fiscal year-end.
- h) As part of the adopted budget, all ordinance changes and other budgetary issues requiring Board of Supervisors approval will be presented to the Board for consideration.
- i) All new positions and position changes approved in the budget will be effective for a June 16 start date unless presented differently to the Board.
- j) The Adopted Budget Document will be forwarded to the GFOA and other interested parties within 90 days of budget adoption for the Distinguished Budget Award program.

8. **Budget Amendments**

- a) The County Administrator or designee is authorized to transfer up to \$20,000, provided that transfers require approval of the Board of Supervisors for:
 - i) Transfers for any one item, departmental division or project that exceed \$20,000.
 - ii) Transfers involving reserve for contingencies that exceed \$5,000.
 - iii) All revenue transfers (e.g., gifts, etc.), excluding insurance recoveries and existing grant programs.
- b) Any transfer that alters the activity levels or revenues of the Education Funds shall require the approval of the Board of Supervisors upon approval of the School Board with the following budget authorization levels established by the School Board (as School Board has authorization to set its own budget thresholds, County Budget Policy is automatically modified to always be in compliance with School Board budget transfer policy):

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- i) All School Board transfers between \$20,000 - \$75,000 shall require the approval of the Superintendent and all transfers below \$20,000 shall require the approval of the Superintendent's designee.
- ii) Transfers that exceed \$75,000 shall require the approval of the School Board.
- c) Per the Code of Virginia, any additional appropriation which increases the total budget by more than \$500,000, or 1% of the total budget, is required to be advertised for a public hearing at least seven days prior to the Board of Supervisors' approval of such appropriation.
- d) All transfers requiring County Board of Supervisors approval that have been initiated from the Community Services Board or Social Services Board must have the Community Services Board or Social Services Board, as applicable, approve the transfer prior to submission to the County.
- e) If fund deficits are anticipated within a fiscal year, recommended spending reductions will be proposed by the County Administrator and presented to the Board of Supervisors during the fiscal year, in a timely manner, in order to sufficiently offset the deficit.

9. **Reappropriation of Balances**

- a) Appropriations lapse on June 30, for all unencumbered budget items other than capital projects in the capital funds.
- b) Upon approval of the County Administrator, all outstanding encumbrances, both operating and capital, as of fiscal year-end shall be reappropriated to the subsequent fiscal year to the same department and account for which they were encumbered in the previous fiscal year.
- c) Upon approval of the County Administrator, all unencumbered balances for capital projects will not lapse at fiscal year-end, but shall remain appropriations until the completion of the capital project or until the Board of Supervisors, by appropriate resolution, changes or eliminates the appropriation.
- d) Those amounts necessary for the continuation of unencumbered operating projects or services may be requested by departments to be reappropriated to the budget of the next fiscal year.
- e) The County Administrator will submit to the Board of Supervisors at their meeting on the fourth Wednesday in August a proposed budget amendment for the reappropriation of unencumbered operating funds; if such budget amendment meets public hearing threshold per State Code, then the County Administrator is authorized to place such notice if Board meeting schedule is not conducive to having a request for public hearing agenda item
- f) All audit adjustments to the prior fiscal year subsequent to the reappropriation shall accordingly amend the current fiscal year's budget balance, if applicable, to properly reflect available funding.

10. **Budgetary Accounting**

- a) Budgets are adopted on a basis consistent with GAAP for all governmental funds.
- b) Budgets for the proprietary funds (Public Utilities) are adopted in accordance with GAAP with the exception that the budget recognizes the flow of funds (i.e., payment of debt principal is budgeted and depreciation is not budgeted).
- c) All budget data in the Comprehensive Annual Financial Report represents the revised budget (Adopted budget, reappropriation and budget transfers).