

# Budget Development Process

## State Budget Requirements

The Code of Virginia governs the budget process in Prince William County (PWC). Sections [15.2-516](#) and [15.2-2503](#) require the County Executive (CXO) to submit a proposed budget to the Board of County Supervisors (BOCS) no later than April 1 for the upcoming fiscal year; the County's fiscal year runs from July 1 to June 30. The proposed budget includes all projected expenditures, including the transfer to PWC Schools, and must be balanced against projected revenues. Once presented, the BOCS undertakes an extensive review and public comment period prior to final budget adoption.

Sections [15.2-2506](#), [58.1-3007](#), and [58.1-3321](#) of the Code of Virginia govern the public notice requirements that guide the County's budget review and public comment period. After receipt of the proposed budget, the tax and levy rates are advertised. Once the rates are advertised, the BOCS may adopt lower tax and levy rates, but cannot, without additional advertisement, adopt higher rates. The Code of Virginia also requires the BOCS to hold public hearings on the proposed budget and the proposed tax and levy rates to receive and consider public comment.

In accordance with state code Section [22.1-93](#), the Schools' budget must be adopted by May 15 of each year, or within 30 days of receiving state education funding estimates, whichever occurs later. This mandate impacts the County's schedule because the final budget includes the transfer to the Schools.

## Components of the PWC Budget

The PWC budget has two major components – the capital budget and the operating budget. The capital budget includes all projected expenditures for improvements and/or additions to the County's capital inventory, such as roads, facilities, and parkland. There is a strong link between the capital and operating budgets. Recurring costs associated with the construction of capital projects (utilities, maintenance, staffing, debt service on debt financed projects) must be included in the County's operating budget.

The operating budget includes all projected expenditures not included in the capital budget, including the operating transfer to PWC Schools. The operating budget funds day-to-day County service delivery, and excluding the transfer to the Schools, the largest expenditure category is employee compensation (salary and benefits).

The budget is comprised of four fund types – general fund, special revenue funds, capital projects fund, and proprietary funds. Functionally, the County government services and expenditures are organized into the following sections within this budget document:

- **Community Development** – Development Services, Economic Development, Library, Parks, Recreation & Tourism, Planning, Public Works, Transit Subsidy, and Transportation
- **General Government** – BOCS, County Attorney, Elections, Executive Management, Facilities & Fleet Management, Finance, Human Resources, Human Rights, Information Technology, and Management & Budget (OMB)
- **Human Services** – Area Agency on Aging, Community Services, Housing & Community Development, Public Health, Social Services, and Virginia Cooperative Extension
- **Public Safety** – Adult Detention Center (ADC), Circuit Court Clerk, Circuit Court Judges, Commonwealth's Attorney, Criminal Justice Services, Fire & Rescue, General District Court, Juvenile & Domestic Relations Court, Juvenile Court Service Unit, Magistrates, Police, Public Safety Communications, and Sheriff
- **Community Partners** – Donations, interjurisdictional agreements, memberships, and grant funding pass-throughs

# Budget Development Process

- **Non-Departmental** – Insurance, restricted use funds, pass-through collections, trust/fiduciary funds, contributions, and contingency
- **Debt Service/Capital Improvement Program (CIP)** – Principal and interest payments on outstanding debt; CIP is an overview of the six year capital infrastructure spending plan for the County.

## Policies & Practices for Budget Preparation

The County follows a series of policies and practices to guide the development of the annual budget. The application of these policies and practices promotes a consistent approach to budgeting that allows the community to compare the proposed budget to previous budgets.

### Adopted Policies

#### *Principles of Sound Financial Management (PSFM)*

The County has a longstanding commitment to sound financial management. In 1988, this commitment was codified into the [PSFM](#) that are regularly reviewed and updated to ensure continued usefulness as a guide for decision-making. The consistent and coordinated approach to decision making provided by the PSFM has enhanced the County's image and credibility with the public, bond rating agencies, and investors, and is reflected in the County's three AAA bond ratings. Three factors make this prudent financial planning imperative:

- Public demand for services and facilities in a rapidly urbanizing environment tends to escalate at a higher rate than population growth and revenues;
- State and federal mandates for services and standards are often not accompanied by sufficient funds to meet the required service levels and standards; and
- Changes in national and local economic conditions can impact the County's revenue base.

#### *Five-Year Plan*

One of the financial principles is especially relevant to budget preparation, the requirement to prepare a balanced Five-Year Plan for the general fund. As required by the PSFM, the County must prepare not only a balanced annual budget, but also a balanced Five-Year Plan. The primary benefit of this requirement is that the community cannot fund a new initiative (staffing, facilities, program, or compensation adjustments) if it is not affordable throughout all five years of the budget plan. Adopting a Five-Year Plan provides a longer-term picture of the County's financial future and provides a longer planning window for both the County and the Schools. This process also facilitates community conversations about what services and programs are desired, as well as what the community is willing to fund. Over the past two decades, the balanced Five-Year Plan has proven to be an effective financial control tool for the BOCS, the organization, and the community.

#### *County/Schools Revenue Sharing Agreement*

The PWC School system is the second largest school division in Virginia, with a September 30, 2020 enrollment of 89,076 students, almost 100 schools, and over 11,900 total full-time equivalent employees. The voters in PWC chose, via referendum in 1995, to move from an appointed to an elected School Board. There are eight members of the School Board, one elected from each of the seven magisterial districts and a chairman elected at-large; each member serves a four-year term. The operations of the School Board are independent of the BOCS and County administration, as prescribed by Virginia law.

# Budget Development Process

The operation of public schools in PWC is the responsibility of the elected School Board. The School Board adopts policies to cover instruction, administration, personnel, students, and other areas, all of which are implemented by the appointed Superintendent of Schools. Funding is provided through a combination of federal, state, and local resources. The local share of the system’s operating costs is met through an appropriation and transfer from the general fund by the BOCS at budget adoption.

The BOCS and the School Board have been partners in protecting the fiscal health of the County, as evidenced by the revenue sharing agreement in place since 1988. The original agreement allocated 56.75% of the County’s general revenues to the Schools and 43.25% to the County government. This agreement was modified in 2004 to exclude recordation tax from the split, and again in 2013 with the adoption of the FY2014 Budget to allocate 57.23% of general revenues (excluding recordation tax) to the Schools and 42.77% to the County government.

The revenue sharing agreement has been the foundation for the County and Schools five-year operating and capital plans, allowing both organizations to program projected revenues with a high degree of certainty. Each organization’s Five-Year Plan is updated annually to reflect the most recent revenue assumptions.

## Strategic Plan

PWC recognized the value of strategic planning in the early 1990’s as the BOCS looked for a way to achieve the results identified in the County’s first Commission on the Future Report (the first Future Report). The Commission on the Future, established in 1989, created a 20-year vision for the County rich with opportunities for growth and desired community assets. In 1992, the BOCS adopted the 1992-1995 Strategic Plan, identifying specific goals, outcomes, and strategies for that four-year period. That first plan, and each subsequent plan, covered a four-year period tied to the BOCS’ term of office. The County codified strategic planning in 1994 by adding it to the PSFM.

The County adopted the [2017-2020 Strategic Plan](#) in January 2017. The Strategic Plan is based upon the 2030 goals of the County’s [Comprehensive Plan](#) and the second [Future Report](#), both of which provide perspectives on where the community should be in 2030. The Comprehensive Plan goals relate to the physical makeup of the community and the infrastructure necessary to support it, while the second Future Report addresses social and civic as well as physical goals. The 2017–2020 Strategic Plan does not anticipate that the goals of the Comprehensive Plan or the second Future Report will be achieved during this four-year period. That plan was the third iteration of six Strategic Plans that will build upon each other to achieve those long-term goals by 2030.



The [2017-2020 Strategic Plan](#) provides budget guidance by highlighting those areas critical to the continued success of the community. Agency budgetary resource requests should align with and support the County’s Strategic Plan. The vision set forth in the County’s adopted Strategic Plan states:

*Prince William County is a community of choice  
with a strong, diverse economic base, where individuals and families  
choose to live and businesses choose to locate.*



# Budget Development Process

The adopted strategic goal areas are Robust Economy, Mobility, Wellbeing, Safe & Secure Community, and Quality Education & Workforce Development. Development of the new 2021-2024 Strategic Plan is underway with a draft scheduled to be presented to the BOCS and community in early April 2021. That plan will be the fourth iteration of six Strategic Plans that will build upon each other to achieve those long-term goals by 2030. Information on the development of the new Strategic Plan can be found [online](#).

## *Comprehensive Plan*

Since 1974, PWC has had a [Comprehensive Plan](#) that provides general guidance to land use and the location, character, and extent of supporting infrastructure and public facilities for a 20-year period. In accordance with State law, the Comprehensive Plan is reviewed every five years and updated as conditions or community expectations require new or different action strategies. The current Comprehensive Plan has 15 elements – Community Design, Cultural Resources, Economic Development, Environment, Fire & Rescue, Housing, Land Use, Libraries, Parks/Open Space/Trails, Police, Potable Water, Sanitary Sewer, Schools, Telecommunications, and Transportation. Each element states the community’s goal for that specific area and the recommended action strategies to achieve that goal. Major implementation tools for the Comprehensive Plan are the annual capital budget and the six-year CIP.

## *Capital Improvement Program (CIP)*

Each year in conjunction with the budget, the BOCS adopts a six-year [CIP](#). The CIP identifies those capital improvements and construction projects that should be funded over the next six-year period to maintain or enhance County assets and service delivery. All funding sources are identified, and the resources necessary are accounted for in the capital projects fund.

The first year of the CIP is adopted as the County’s capital budget. The primary expenditure included in the capital budget is debt service for general obligation bonds or other types of debt issued to fund specific CIP projects. The Debt Service/CIP section of this document provides detailed information on debt management considerations. The CIP also identifies facility and program operating costs, as well as any operating revenues, associated with the capital projects. Funding for operating costs for an approved CIP project is included in the affected agency’s budget, consistent with the projections in the CIP. Projected debt service and operating costs are also programmed in the Five-Year Plan.

## **County Practices**

In addition to the adopted policies identified above, the County uses several practices to limit unnecessary growth in agency budgets. Some are undertaken by OMB once the prior year’s budget is adopted, and others are collaborative practices between OMB and County agencies. In order to build the FY2022 Budget, a series of adjustments are made to the FY2021 Budget to build a “base” for FY2022 budget discussions:

### *Removal of All One-Time Revenues and Expenditures*

Revenues and expenditures in the annual budget are either ongoing or one-time. In the case of a new staff positions, salaries and benefits are ongoing costs; a vehicle or computer station is a one-time cost. OMB staff removes all one-time costs and one-time revenues to establish the true starting point for the FY2022 budget for each agency.

### *Resetting Vacant Positions Back to Entry Level*

In August of each year, the County payroll is interfaced with the budgeting system to establish the base compensation. Current salaries and benefits are entered into the system for all employees. If a position is vacant at the time of the interface, the entry-level salary and benefits for the position, not the previously paid salary and benefits, are entered into the system, resulting in budget savings.

# Budget Development Process

## *Inflationary Adjustments*

Agency budgets are not tied to inflation, and therefore no inflationary adjustments are automatically included in the budget. Agencies must specifically request and justify all program and activity increases.

## *Agency Revenue Analysis*

Agency revenue budgets are analyzed each year to identify trends based on prior year actuals. Identifying opportunities to increase agency revenue budgets decreases local tax support, thereby resulting in additional resources that can be strategically reinvested elsewhere during the budget process or used to lower tax rates as directed by the BOCS.

## *Replacement of Lost Revenue*

BOCS policy does not automatically replace lost agency or grant revenue with local tax support. Agencies must specifically request and justify any increase in local tax support.

## *Off-Cycle Budget Changes*

Recurring budget adjustments approved by the BOCS outside of the annual budget process must be reflected in the subsequent fiscal year budget. These adjustments may be due to state budget reconciliations whereby the County must adjust its budget to reflect actual allocations received from the Commonwealth. Other changes may include new programs or services approved by the BOCS during the fiscal year that need to be reflected on an ongoing basis in the new fiscal plan.

## *Collaboration between Agencies within and across Functional Areas*

The County's organizational vision calls for employees to do the right thing for the customer every time. To meet that challenge, a collaborative approach across all agencies is essential. Communication and coordination of services are greatly enhanced by organizing into four functional teams: Community Development, General Government, Wellbeing, and Safe & Secure Community (Emergency Response and Judicial Services). The agencies within each team work together to identify savings from efficiencies and items that must be incorporated into the budget to maintain current service levels. The teams' recommendations are forwarded to the CXO for consideration in the proposed budget.

## *Efficiencies*

The County government has committed to identifying efficiencies each year. These efficiencies are identified by agencies and functional teams and are used to fund new initiatives or lower the tax rate.

## *Add Operating Costs Associated with Capital Projects*

In order to meet the balanced Five-Year Plan requirement, the plan includes the full cost of all capital projects, debt service, and associated facility operating and staffing costs. The full cost of capital projects must be affordable in all years of the Five-Year Plan.

# FY2022 Budget Development Process Calendar

2020						2021						
July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	
Direct contact with BOCS members and public comments at BOCS meeting												
CITIZEN ENGAGEMENT							Proposed FY2022 CIP Presentation Feb 9th Proposed FY2022 Budget Presentation Feb 16th Attend Virtual Community Budget Meeting Feb 20th	Attend/View • Budget Work Sessions • Public Hearing	Attend/View • Public Hearing • Budget Recap • Markup • Budget Adoption			
								Participate on BOCS Budget Committees				
								Submit comments/questions to website				
Receive citizen comments												
Strategic Goal Work Sessions												
BOCS ACTIONS							Receive Proposed FY2022 CIP Presentation Feb 9th	Receive Budget Work Sessions	• Receive draft 21-24 Strategic Plan • Receive Schools Budget • Receive Budget Recap • Hold Public Hearings • Hold Budget Markup session • Adopt tax rates & FY2022 Budget			
							Receive Proposed FY2022 Budget Presentation Feb 16th	Hold Public Hearing on Budget				
COUNTY DEPT/AGENCIES	Post FY2021 Budget online		Report/prepare: • Agency historical variance report	Report/prepare: • Prior year's performance • Strategic Plan Updates	• Prioritize needs • Identify efficiencies/savings • Compensation modeling • Update Five-Year Plan	Provide revenue forecast		• Present Proposed FY2022 Budget and CIP to BOCS • Meet with BOCS Budget Committees • Respond to budget questions				
				Finalize FY21 "Scrub" in financial reporting system		Enter proposed budget into financial system to balance			Advertise tax rate and public hearing date	Rebalance budget in financial system & prepare budget adoption resolutions		
				Agency budget review		Address strategic/critical needs in light of budget guidance		Budget Work Sessions		Present budget recap to BOCS		
			Identify operating and capital needs								Finalize FY2022 Budget document	

# Budget Development Process

## FY2022 Budget Development

### *Scrubbing FY2021 Adopted to Create a Starting Point*

OMB, in cooperation with all County agencies, applies the BOCS policies and County practices to the FY2021 Budget to create a starting point for FY2022 budget discussions. One-time revenues and expenditures are removed, as are planned Five-Year Plan reductions such as previously funded capital and technology projects. Current salaries are brought forward, and all vacant positions are reset to the starting salary.

### *Agency Collaboration*

Building the expenditure side of the annual budget and the Five-Year Plan is a multi-step process that involves the entire organization. PWC uses a cross-functional approach where all agencies are organized into five functional area teams that identify savings from efficiencies and those items that must be incorporated into the budget, because either the BOCS has already committed to them or they are necessary to meet current service levels and critical needs. These recommendations are forwarded to the CXO, who makes the final decisions regarding the proposed annual budget and the Five-Year Plan.

The value of this cross-disciplinary review of recommended reductions and additions is the identification of unintended consequences early on. Discussions of proposed reductions and additions highlight the interrelatedness of activities and results across agencies. Since beginning this cross-functional approach, agencies have consistently reported increased knowledge and appreciation of the work of others in the organization and a greater sense of cooperation and coordination. The budget process is no longer viewed as having agency winners and losers; it is a means of appropriately allocating resources toward common goals and objectives.

### *Revenue Forecast*

The revenue projection involves another collaborative process with internal and external partners working together to identify changing economic conditions and analyze a complex market to calculate the anticipated tax base. Information is gleaned from national, state, and local economists and industry professionals, as well as real estate experts, to forecast revenues for the upcoming five years. The process has achieved a high level of accuracy and received an Achievement Award from the Virginia Association of Counties.

### *Additions and Reductions*

The expenditure budget, once scrubbed and expanded by the items that must be added, is compared to the revenue budget. If any capacity exists, the CXO can recommend additions, but only if the additions can be sustained for at least five years. If the expenditure budget exceeds the revenue budget or budget guidance, the CXO identifies reductions using guidance from established policies such as the Strategic Plan, Comprehensive Plan, and the Principles of Sound Financial Management.

## Amending the Budget

The County budget can be amended through increases or decreases in agency appropriations or through transfers within or between agencies. Increases in agency appropriations require formal BOCS actions via resolution. When the total dollar value of the appropriation changes proposed at any one BOCS meeting exceeds one percent (1%) of the total expenditures in the current adopted budget, the BOCS cannot act until the appropriation changes have been advertised for public comment, as required by Section [15.2-2507](#) of the State Code, and a public hearing on such changes has been held.

# Budget Development Process

The Budget Transfer Policy governs transfers within or between agencies to provide operating flexibility while ensuring fiscal control:

- **Department Director or designee approval** is required for transfers up to \$50,000, within a single fund, single department, or capital project, except as designated below;
- **OMB Director or designee approval** is required for (1) transfers over \$50,000, within a single fund and single department, or capital project, (2) transfers of any amount within a single fund and single department that involve salary, benefits, and/or internal service funds, and (3) any transfer required to implement the adopted purposes of the Non-Departmental budget;
- **CXO or designee approval** will be required for administrative budget transfers necessary to accomplish the intent of the BOCS including interdepartmental transfers of budgeted agency savings within a single fund;
- **BOCS approval** will be required for (1) transfers of any amount between funds or between capital projects, with the exception of internal service funds, (2) any increase to the budget, with the exception of trust and agency funds, (3) any increase to a capital project, and (4) any appropriation of fund balance.

## Basis of Budgeting

The County's governmental functions and accounting system are organized and controlled on a fund basis. The basis of budgeting for each of these funds is a non-Generally Accepted Accounting Principles basis that is similar to the basis of accounting, which is described below; however, it excludes the effect of fair-value adjustments to the carrying amounts of investments.

Accounts are maintained on the modified accrual basis of accounting for governmental, expendable trust, and agency funds. Revenues are recognized when measurable and available as current assets. Expenditures are generally recognized when the related services or goods are received and the liability is incurred.

Proprietary funds are accounted for on the full accrual basis of accounting, which requires that revenues be recognized in the period in which service is given and that expenses be recorded in the period in which the expenses are incurred.

## Outcome Budgeting

PWC budgets for outcomes, which are key measures that demonstrate how the community will benefit based on achieving the goal. Outcome budgets increase accountability by measuring whether an agency achieved its targets, rather than focusing on individual line item spending. This enables decision-makers to make budget decisions based on the desired community outcomes contained in the Strategic Plan and service level targets found in agency program budgets. Outcome budgets also allow citizens to see the County's future direction and, most importantly, what their tax dollars are really buying.

## Defining Short-Term Initiatives

When new dollars are allocated for agency initiatives, the impact to the base performance measure is described in the agency detail section of the budget document. Service level impacts, or service level targets, represent the immediate improvements expected to occur with the new resource allocation. These improvements support the desired community outcomes contained in the Strategic Plan.



# Budget Development Process

## Citizen Satisfaction

The County receives input from its citizens on what services are appropriate for government to provide. This input is received through the strategic planning process and through the community survey. In 2018, the survey showed that 94.6% of County residents were satisfied or very satisfied with the quality of life in PWC. Also, in 2018, 91% of County residents were satisfied or very satisfied with the value for their tax dollar.

## Fund Types

**Governmental Funds** – Most of the County’s governmental functions are accounted for in governmental funds. These funds measure changes in financial position rather than net income. All of these funds are appropriated. The following are the County’s governmental funds:

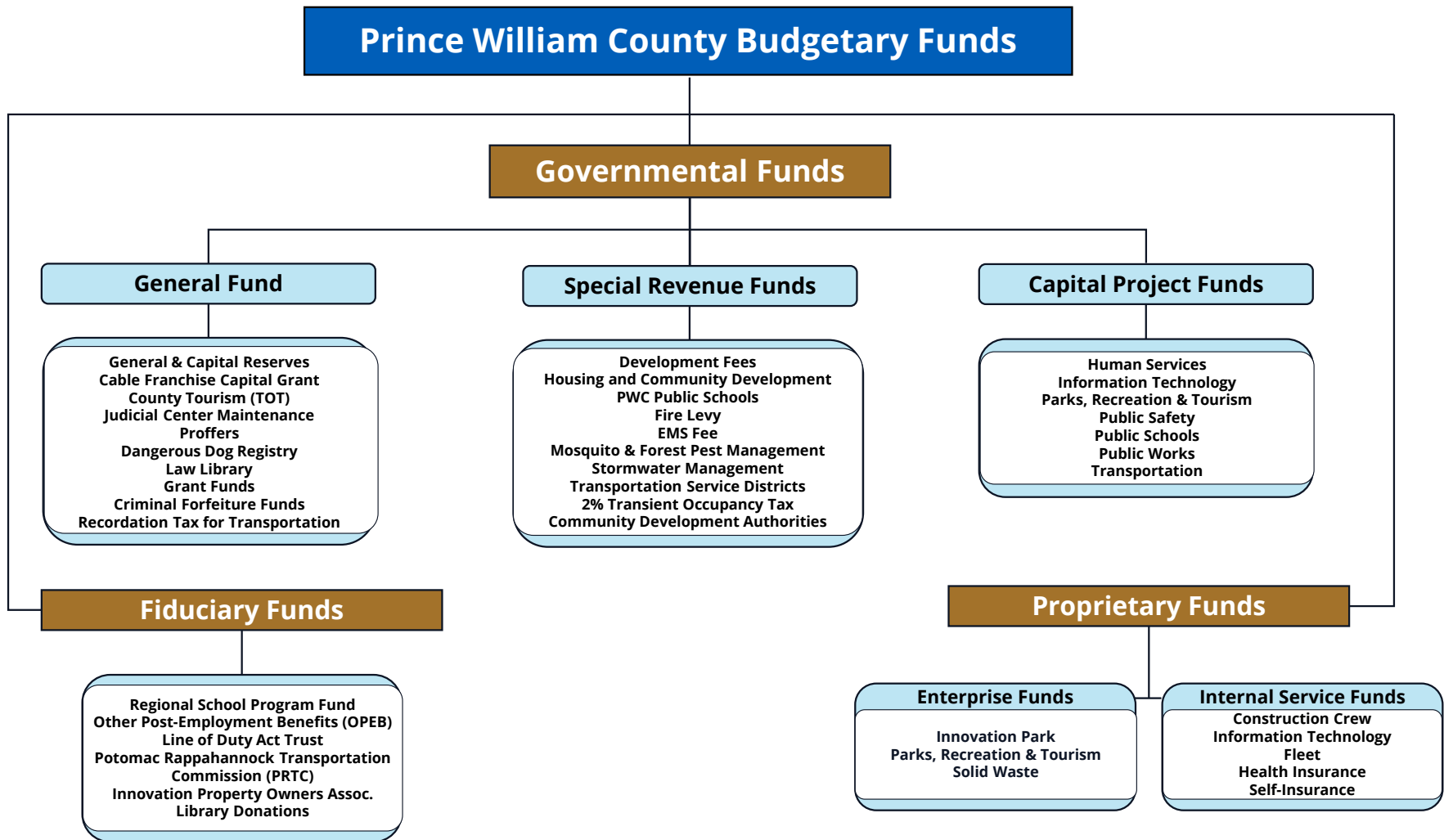
- **General Fund** – The general fund is used to account for all financial transactions and resources except those required to be accounted for in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, license and permit fees, charges for services, and interest income. A significant part of the fund’s revenues is transferred to other funds to finance the operations of the Prince William County Schools and the Regional ADC. Debt service expenditures for payments of principal and interest of the County’s general long-term debt (bonds and other long-term debt not serviced by proprietary or special revenue funds) are included in the general fund.
- **Special Revenue Funds** – Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. Special revenue funds are used to account for the fire levy and Emergency Medical Service (EMS) fee, stormwater management fees, transportation service districts, and development fees.
- **Capital Projects Fund** – The capital projects fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Fund Types as discussed on the following page). The capital projects fund accounts for all current construction projects including improvements to and the construction of schools, roads, and various other projects.

**Proprietary Funds** – Proprietary funds account for County activities that operate similarly to private sector businesses. These funds measure net income, financial position, and changes in financial position. The following are the county’s proprietary fund types:

- **Enterprise Funds** – These funds are used to account for operations that are: (a) financed and operated in a manner similar to private business enterprises – where the intent of the BOCS is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the BOCS has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The following are enterprise funds: PWC Parks, Recreation & Tourism, PWC Landfill (solid waste disposal), and Innovation Park (County owned land sold to businesses relocating to the Innovation area).
- **Internal Service Funds** – These funds are used to account for financing of goods or services provided by one county department or agency to other departments and agencies on an allocated cost recovery basis. Internal service funds are established for information technology, vehicle maintenance, small project construction, and self-insurance.

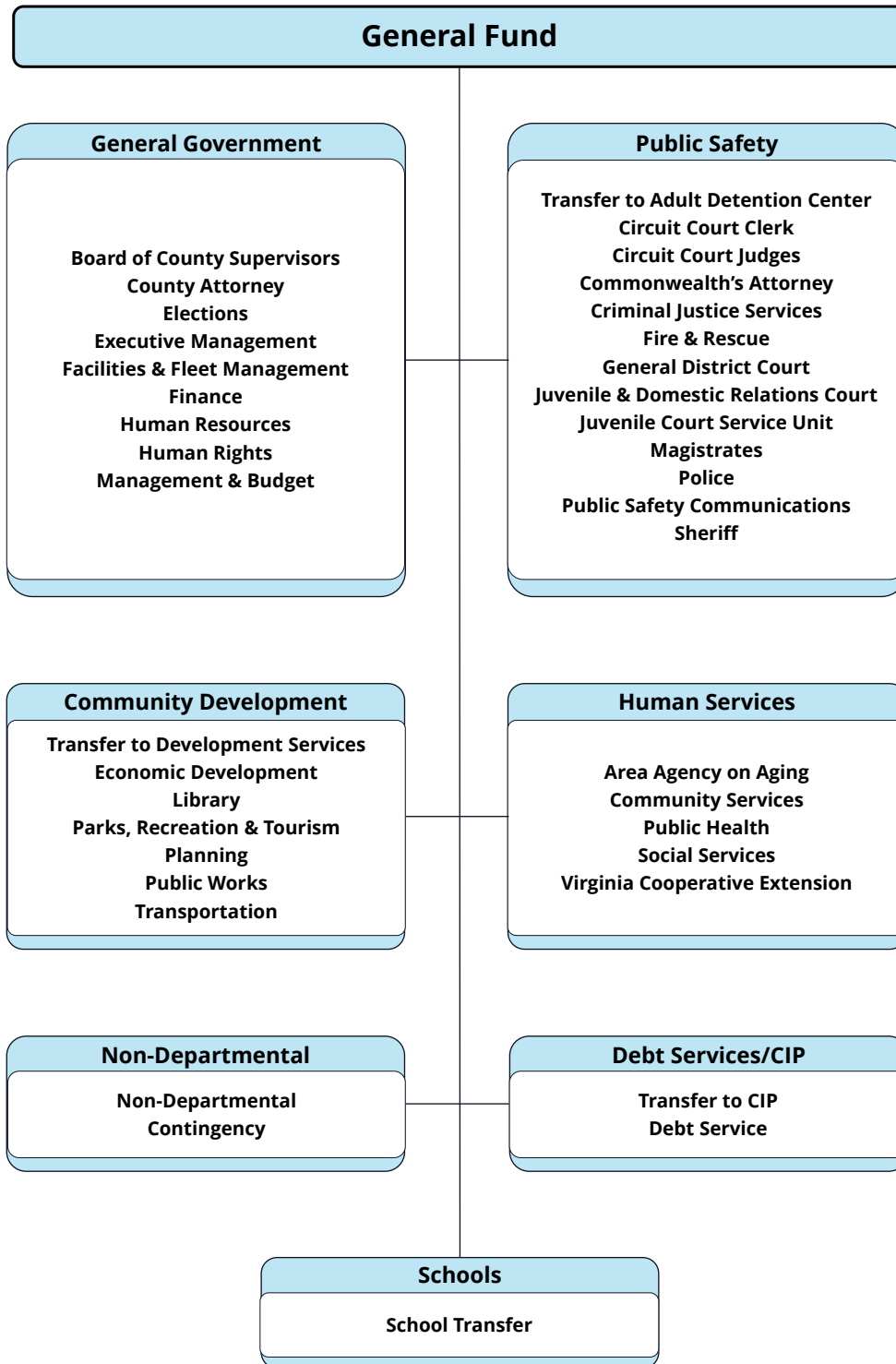
**Fiduciary Funds (Trust and Agency Funds)** – These funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. The County has established agency and expendable trust funds to account for library donations, other post-employment benefits such as police officer, uniformed fire & rescue, sheriff and jail officer, personnel supplemental retirement, special welfare, and certain other activities. Agency funds are custodial in nature (assets equal liabilities) and do not reflect daily government services provided to the community. Expendable trust funds are accounted for in essentially the same manner as governmental funds.

# Budget Development Process



# Budget Development Process

## Operational Fund: Government Fund Types



# Budget Development Process

## Fund Association

The following table shows which funds each Department/Agency is a part of:

	General Fund	Special Revenue Funds	Capital Projects Funds	Fiduciary Funds	Enterprise Funds	Internal Service Funds	Adult Detention Center Funds
<b>Community Development</b>							
Development Services		✓					
Economic Development	✓				✓		
Library	✓			✓			
Parks, Recreation & Tourism	✓		✓		✓		
Planning	✓	✓					
Public Works	✓	✓	✓		✓	✓	
Transportation	✓	✓	✓		✓		
<b>General Government</b>							
Board of County Supervisors	✓						
County Attorney	✓						
Elections	✓						
Executive Management	✓						
Facilities & Fleet Management	✓					✓	
Finance	✓						
Human Resources	✓						
Human Rights	✓						
Department of Information Technology			✓			✓	
Management & Budget	✓						
<b>Human Services</b>							
Area Agency on Aging	✓						
Community Services	✓						
Housing & Community Development		✓					
Public Health	✓						
Social Services	✓		✓				
Virginia Cooperative Extension	✓						
<b>Public Safety</b>							
Adult Detention Center							✓
Circuit Court Clerk	✓						
Circuit Court Judges	✓						
Commonwealth's Attorney	✓						
Criminal Justice Services	✓						
Fire & Rescue	✓	✓	✓				
General District Court	✓						
Juvenile & Domestic Relations Court	✓						
Juvenile Court Service Unit	✓						
Magistrates	✓						
Police	✓	✓	✓				
Public Safety Communications	✓						
Sheriff	✓						