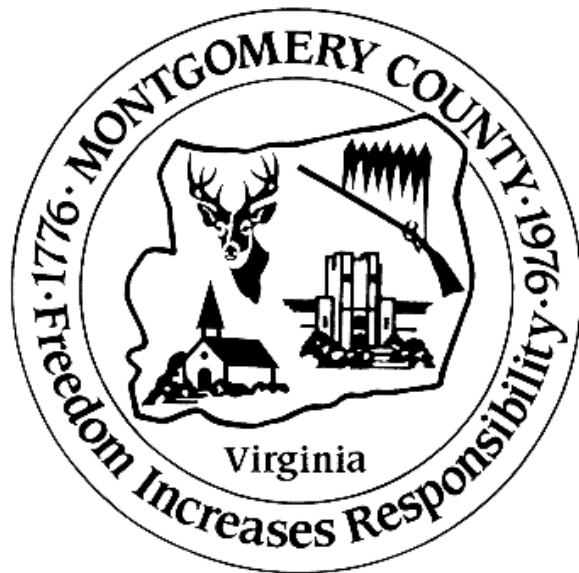


# UNDERSTANDING THE BUDGET

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## MONTGOMERY COUNTY'S BUDGET PROCESS

# UNDERSTANDING THE BUDGET PROCESS

## **Preparation of The Annual Budget**

Montgomery County's annual budget begins with the proposed budget, the budget recommended by the County Administrator, and ends with the approved budget, which has been reviewed and adjusted by the Board of Supervisors.

This budget document includes both the County's general government operating budget and Montgomery County Public Schools' operating budget.

The Board of Supervisors holds public hearings at which citizens may express their views on the recommended budget. Such comments assist the Board of Supervisors in making decisions regarding spending. The County's 2011 original Budget Calendar is as follows (*some changes may occur during the process*):

## **Fiscal Year 2011 Budget Calendar**

<b><u>Activity</u></b>	<b><u>Date/Deadline</u></b>
County Administration delivers budget forms to divisions and external agencies.	11/06/09
Board of Supervisors holds budget work session for budget development.	11/16/09
Divisions without access to the County's network key base budget changes.	12/07-12/11/09
Divisions and external agencies (except schools) submit proposed base budget revisions to County Administrator and administrative review of base budget.	12/30/09
Board of Supervisors holds public hearing for citizen input.	01/11/10
County Administrator review with Directors, Constitutional Officers, and Agency Heads the Proposed Budget.	01/11-02/08/10
Board of Supervisors holds budget work session for budget development.	01/25/10
School Board budget presented to Board of Supervisors.	02/08/10
Board of Supervisors holds budget work session for budget development.	02/22/10
County Administrator delivers Proposed Budget to Board of Supervisors.	03/05/10
County Administrator presents FY 2011 Proposed Budget.	03/08/10
Board of Supervisors develops advertised budget and tax rate and budget synopsis.	03/08-03/15/10
Board of Supervisors establishes advertised tax rate and prepares budget synopsis for advertisement in newspapers.	03/15/10
Board of Supervisors holds public hearing on advertised tax rate and budget.	03/25/10

## UNDERSTANDING THE BUDGET PROCESS

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<u>Activity</u>	<u>Date/Deadline</u>
Board of Supervisors holds work sessions to establish tax rate and adopt budget.	03/15-04/12/10
Board of Supervisors establishes tax rate and adopts budget.	04/12/10
Board of Supervisors makes budget appropriation.	By 06/30/10
County Administration notifies divisions and agencies of final appropriations.	After 07/01/10

### The County's Budget Process

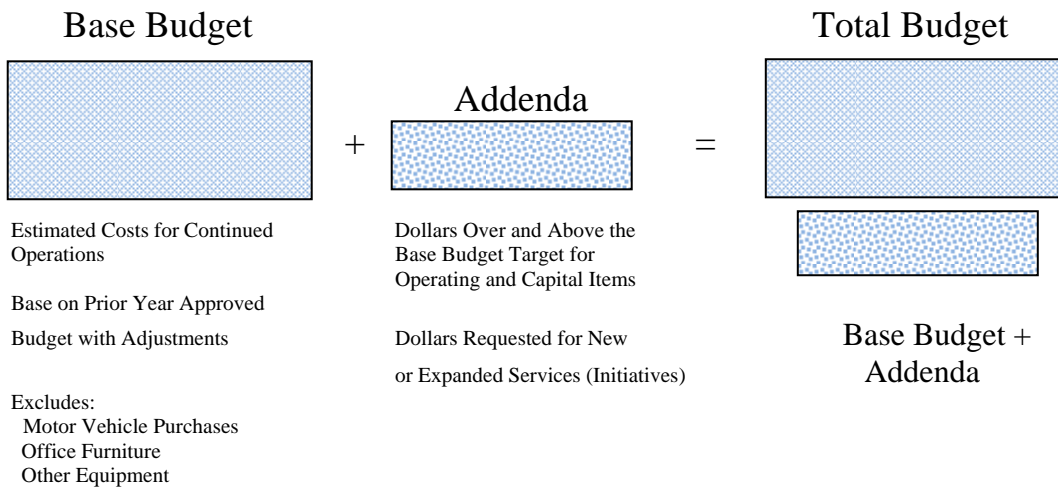
With the goal of allowing decision-makers to focus on broader issues, the budget document consolidates similar functions. Efforts to streamline the process and reduce the volume of paper generated have changed the process in past years. The FY 2011 budget continues to consolidate information and array budget data in ways that facilitate a broader understanding of the document. These include:

- **Base Budget Targets** are established for budget requests. This allows for the delineation between previously approved funding levels and requested increases in items.
  - **Base Budget Targets** are established as follows:
    - ✓ *Personal Services* - Includes all positions approved up to the issuance of the proposed budget, and covers the estimated costs in fringe benefits.
    - ✓ *Operations and Maintenance Target* - Caps funding at the level of the FY 10 Approved Budget, less adjustments for one-time only expenditure items.
    - ✓ Excludes *Capital Outlay* - Capital Outlay requests are presented separately from the Base Budget.
- **Addenda Requests** are increased funding over and above the Base Budget Targets. They must be presented as **Addenda** to the Base Budget. This means that additional justification for increased funding or the inclusion of Capital Outlay dollars must be provided with the request.

These changes were designed to clearly identify increases to operations, initiatives proposed by departments, and all capital outlay items requested. The chart on page 3 depicts the process.

## UNDERSTANDING THE BUDGET PROCESS

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### How to Understand and Use This Document

The FY 2011 budget document is organized into six major headings, each of which is separated by a large divider tab:

- Budget Message
- Table of Contents
- Budget Summary
- Understanding the Budget
- Revenue Summary
- Expenditure Plans

Included under the last section, Expenditure Plans; are 34 of the County's major Divisions or budget categories, which include revenues earmarked for use by the specific Division. Listed numerically according to a three-digit code, each of these sub-sections includes the Division's Organizational Chart, Financial Data, Description of the Division as a whole, Base Budget Discussion, Addenda Discussion, which includes the County Administrator's recommendation. Also included are each Department's Description and Financial Data.

**Division Financial Data** - Provides a recap of the Division's funding history, including the Base Budget and addenda requests, as well as recommended funding by three categories:

- Personnel Services
- Operations and Maintenance
- Capital Outlay

**Division Description, Base Budget Discussion, and Addenda Discussion** - The Description section explains the Division as a whole. The Base Budget Discussion and Addenda Discussion justify and describe the County Administrator's funding recommendations.

## **UNDERSTANDING THE BUDGET PROCESS**

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**Department Description and Financial Data** - Presents historical budget data by major category for each department. The following column headings are used:

- FY 09 Revised Budget
- FY 09 Actual Budget
- FY 10 Approved Budget
- FY 11 Base Budget
- FY 11 County Administrator's Recommended Addenda
- FY 11 County Administrator's Recommended Total

The County Administrator's Recommendation column identifies the amount of funding recommended for each major cost category by base budget and addenda.

Revenue that has been designated to offset expenditures in divisions is also presented. These sources include State Compensation Board funding, fees and permit charges collected by the respective divisions and other sources related to each specific function. In the presentation format, designated revenues are totaled and subtracted from the expenditures, identifying the amount of the County's undesignated general fund revenue needed to support the division's expenditures.

### **Conclusion**

The Board of Supervisors uses this combination of documents and information to review and approve the annual budget. It is available as public information for review by any citizen who requests access to it and is found on the County's web site at [www.montva.com](http://www.montva.com). A glossary of financial terms begins on the following page in an effort to assist citizens in reviewing and understanding the County's budget. If you have any questions about the County's budget or the budget process, please contact Montgomery County's Office of Public Information at 382-5700.

## **GLOSSERY OF TERMS**

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### **Addenda Request**

The request for funding amounts over and above the designated Base Budget targets.

### **Appropriation**

An approval by the Board of Supervisors for County staff to make an expenditure or to incur debt using government resources. These are usually for specific, stated amounts over a one-year period.

### **Appropriation Resolution**

The official act by the Board of Supervisors granting staff the legal authority to obligate or spend County funds.

### **Approved Budget**

The budget enacted by the Board of Supervisors.

### **Assessed Value**

The fair market value placed by the Commissioner of Revenue on personal and real property owned by County citizens. Real estate values are reassessed every four years.

### **Base Budget**

A budget that shows how much it would cost in the next fiscal year to operate the same programs approved in the current year.

### **Budget**

A financial plan for operating the County using estimates of costs (expenditures) and proposed methods for offsetting those costs (revenues).

### **Budget Calendar**

The County's schedule of deadlines and events for preparing and adopting the next year's budget.

### **Budget Document**

The County staff's official report which presents the proposed budget to the Board of Supervisors.

### **Budget Message**

The County Administrator's written synopsis of the proposed budget. This message analyzes budgeting issues and specific programs within the context of the County's economic climate. In addition, it gives the County Administrator an opportunity to highlight certain recommendations, which deserve special attention.

### **Capital Assets**

Fixed assets with a value of at least \$5,000 and an anticipated useful life of at least several years. Furniture and equipment are examples of fixed assets.

### **Capital Improvement Program**

The County's five year plan for completing capital projects on an annual basis, with tentative beginning and ending dates for each, anticipated costs and options for financing them.

### **Capital Projects**

Large one-time construction projects or purchases that are expected to provide services to citizens over a period of time. Examples of capital projects are the construction of new schools, fire stations, etc.

## **GLOSSERY OF TERMS**

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### **Contingencies**

Special monies set aside for unforeseen costs or emergencies. These can also be dollars set aside for special purposes.

### **Debt Service**

The repayment of County debt, including interest.

### **Expenditures**

The cost of or payment for goods and services used in County operations.

### **FTE**

Full Time Employee or Full Time Equivalent.

### **Fiscal Year**

The County's financial reporting year, which begins on July 1 and ends on June 30 of the next calendar year.

### **Function**

An overall type of activity performed by a division or organization. The County's budgets are divided into groups of divisions that perform similar functions.

### **General Fund**

The part of the budget that accounts for day-to-day operating expenses for the County, including dollars transferred from the General Fund for support of the school system. This fund is separate from proprietary funds such as the PSA and IDA funds.

### **General Obligation Bonds**

A promise from County government to pay for bonded debt (essentially a loan) based on its full faith and credit or basic power to pay debts with tax revenue. These bonds are used to finance long-term projects through payments of principal and interest over a period of years.

### **Grant**

A gift of assets, usually cash, by a private or government funding source, to another organization. The County receives most of its grants for specific projects or programs from the federal or state government. However, private foundations sometimes contribute funds to the County.

### **Internal Service Fund**

A type of fund covering costs for delivery of goods or services from one County program to another on a cost-reimbursement basis, such as the Motor Pool.

### **Proposed Budget**

The initial budget prepared for and proposed to the Board of Supervisors by the County Administrator.

### **Revenue**

Income or increased assets for a specific fund.

## **GLOSSERY OF TERMS**

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### **Tax Exempt Revenue Bonds**

Under the lease revenue method, the County and/or School Board transfer a “lease hold interest” (the legal right to use the property) to the Industrial Development Authority. The IDA then “leases back” these facilities and projects to the County and/or the School Board for a term equal to the debt service. The lease payments cover the debt service. These issuances were also structured with a Trustee. The Trustee must enforce all obligations. Consequently, the Trustee collects rental payments, pays bondholders, monitors requisitions on the use of funds and issues checks to vendors from the proceeds.

### **Tax Levy**

The total dollar amount of tax that should ideally be collected based on existing tax rates and assessed values of personal and real properties.

### **Tax Rate**

The level at which taxes are imposed or charged for certain property owned by citizens and businesses.

### **Unemployment Rate**

The Virginia Employment Commission's (VEC's) report of persons who are actively filed as not holding, but are seeking, a job for which they would receive compensation. This does not include persons who have no job, but do not consult the VEC for job placement services.