State Budget Requirements

The Code of Virginia governs the budget process in Prince William County (PWC). Sections 15.2-516 and 2503 require the County Executive 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 first BOCS action is to authorize the advertisement of the proposed tax and levy rates. Once the proposed rate is advertised, the BOCS can adopt lower tax and levy rates, but cannot, without additional advertisement, adopt higher rates. The timing of the advertisement is tied to the amount of increased revenue anticipated by the proposed rate. The Code also requires the BOCS to hold public hearings on the proposed budget and the proposed tax and levy rates to collect public comment.

In order to ensure teacher contract continuity, the Schools budget must be adopted by May 1st of each year. This mandate impacts the County's schedule because the final budget includes the transfer to the Schools. It has been the BOCS' practice to adopt the final budget in April of each year to provide the continuity required by the mandate.

Elements of the PWC Budget

The PWC budget has two major elements, 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. The largest funding source for the capital budget is debt, in the form of bonds, and the largest expenditure is debt service on those bonds.

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.

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 and Recreation, Planning, PWC-Manassas Convention and Visitors Bureau, Public Works, Transit and Transportation
- **General Government** - Board of County Supervisors, Audit Services, Contingency, County Attorney, Elections, Executive Management, Finance, Human Resources, Human Rights, Information Technology and Management and Budget
- **Human Services** - Area Agency on Aging, Community Services, Housing and Community Development, Public Health, Social Services and Virginia Cooperative Extension
- **Public Safety** - Adult Detention Center, Circuit Court Judges, Clerk of the Circuit Court, Commonwealth's Attorney, Criminal Justice Services, Fire and Rescue, Volunteer Fire and Rescue Companies, General District Court, Juvenile and Domestic Relations Court, Juvenile Court Services Unit, Law Library, Magistrates, Police, Public Safety Communications and Sheriff
- **Community Partners**
- **Non-Departmental**
- **General Debt/Capital Improvement Program**

Policies and 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 promote a consistent approach to budgeting that allows the community to compare the proposed budget to previous budgets.

Adopted Policies

Principles of Sound Financial Management

The County has a longstanding commitment to sound financial management. In 1988 this commitment was codified into the Principles of Sound Financial Management, a document that receives regular review and update to ensure continued usefulness as a guide for decision making. The consistent and coordinated approach to decision making provided by the Principles has enhanced to 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 tend 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.

The following is a synopsis of the adopted principles:

1. **Fund Balance**
   - Maintain a minimum general fund balance equal to 7.5% of General Fund revenues over the preceding year; and
   - Limit the use of this general fund balance to nonrecurring operating expenditures of an emergency nature.
2. **Budgeting** (Virginia Code: section 15.2-516)
   - Produce a balanced budget where funding sources (revenues plus other resources) equal funding uses (expenditures plus other allocations);
   - Establish a Contingency Appropriation at a minimum of $500,000 to be allocated only by resolution of the BOCS;
   - Annually prepare a balanced five year projection of general fund revenues and expenditures;
   - Implement a formal budget review process to monitor the status of the current year's fiscal plan include a quarterly report on the status of the general fund;
   - Integrate performance measurement and production indicators where possible within the annual budget process;
   - Replace capital assets on a cost effective and scheduled basis; and
   - Prepare an annual budget consistent with guidelines established by the Government Finance Officers Association.
3. **Revenues**
   - Maintain a diversified and stable revenue system;
   - Recognize the full cost of services provided when establishing user charges and services;
   - Pursue intergovernmental aid for only those programs or activities that address recognized needs and are consistent with the County's long-term strategic objectives; and

- Consider surplus revenues to be "one-time revenues" to be used only for non-recurring expenditures.

4. **Capital Improvement Program**
   - Annually adopt an updated comprehensive multi-year capital improvement program; and
   - Invest a minimum of 10% of the annual general fund revenues allocated to the County's operating budget in the Capital Improvement Program; the amount invested can include debt service.

5. **Debt Management**
   - Limit outstanding debt to a maximum 3% of the net assessed value of all taxable property; and
   - Limit debt service expenditures to a maximum 10% of revenues.

6. **Cash Management**
   - Maximize investment yield only after legal, safety and liquidity criteria are met;
   - Invest a minimum of 100% of total book cash balances at all times; and
   - Maintain a written investment policy approved by the BOCS.

7. **Assessments**
   - Maintain sound appraisal procedures to keep property values current and equitable;
   - Assess all property at 100% of market value; and
   - Assess Real Property according to fair market value annually as of January 1 in accordance with Title 58.1 of the Code of Virginia.

8. **Property Tax Collection**
   - Monitor all taxes to ensure they are equitably administered and collections are timely and accurate; and
   - Aggressively collect property taxes and related penalties and interest as authorized by the Code of Virginia.

9. **Procurement**
   - Make all purchases in accordance with the County's purchasing policies and procedures and applicable state and federal laws;
   - Endeavor to obtain supplies, equipment, and services as economically as possible;
   - Maintain a purchasing system which provides needed materials in a timely manner to avoid interruptions in the delivery of services; and
   - Pay all invoices within 30 days in accordance with prompt payment requirements of the Code of Virginia.

10. **Risk Management**
    - Make diligent efforts to protect and preserve County assets against losses that could deplete County resources or impair the County's ability to provide services to its citizens; and
    - Reduce the County's exposure to liability through training, safety, risk financing, and the transfer of risk when cost effective.

Debt Management Policy Statement

Proper debt management provides a locality and its citizens with fiscal advantages. The State does not impact a debt limitation on the County; however, a debt policy has been adopted by the Board to ensure that no under burden is placed on the County's taxpayers. The following administrative policies provide the framework to limit the use of debt in Prince William County:

Policy V - Debt Management: The County will maintain a high credit rating in the financial community to 1) assure the County's taxpayers that the County government is well managed and financially sound, and 2) obtain reduced borrowing costs. The County will consider long-term debt financing when appropriate.

5.01 The County will consider the project and its useful life and utilize the most appropriate method to finance the project. Financing may include debt financing, "pay as you go," or other financing sources.

5.02 Whenever the County finds it necessary to issue tax supported bonds, the following policy will be adhered to:

a) Tax supported bonds, whenever feasible, will be issued on a competitive basis unless market conditions or the nature of the project favors negotiated sales.

b) Average weighted maturities for general obligation (GO) bonds of the County, and whenever possible for any type of annual appropriation debt, will be maintain at ten and one half (10.5) years or less.

c) GO bond issues, and whenever possible for any type of annual appropriation debt, will be structured to allow an equal principal amount to be retired each year over the life of the issue, thereby producing a total debt service with an annual declining balance.

d) Annual tax supported debt service expenditures for all debt of the County shall not exceed ten percent (10%) of annual revenues.

e) Total bonded debt will not exceed three percent (3%) of the net assessed valuation of taxable real and personal property in the County.

f) Bond financing will be confined to projects which would not otherwise be financed from current revenues.

g) The term of any bond note or lease obligation will not exceed the useful life of the capital project/facility or equipment for which the borrowing is intended.

5.03 The County shall comply with all US Internal Revenue Service rules and regulations regarding issuance of tax exempt debt including arbitrage rebate requirements for bonded indebtedness, and with all Securities and Exchange Commission requirements for continuing disclosure of the County's financial condition, and with all applicable Municipal Securities Rulemaking Board requirements.

5.04 The County shall comply with all requirements of the Public Finance Act as included in Title 15.2 of the Code of Virginia and other legal requirements regarding the issuance of bonds and certificates of the County or its debt issuing authorities.

5.05 The County shall employ the Principles of Sound Financial Management in any request from a County agency or outside jurisdiction or authority for the issuance of debt.

5.06 The issuance of variable rate debt by the County will be subject to the most careful review and will be issued only in a prudent and fiscally responsible manner.

5.07 The County will adhere to the following guidelines when it finds it necessary to issue revenue bonds:

a) For any bonds or lease anticipation or appropriation debt in which the debt service is partially paid from revenue generated by the project and partially paid from tax sources, the portion of the bond or lease to the extent that its debt service is paid from non-tax sources shall be deemed to be revenue bonds and are excluded from the calculation of the annual debt service limitation in Policy 5.02(d) and 5.02(e).

b) Revenue bonds of the County and any of its agencies will be analyzed carefully by the Department of Finance for fiscal soundness. The issuance of County revenue bonds will be subject to the most careful review and must be secured by covenants sufficient to protect the bondholders and the credibility of the County.

c) Revenue bonds will be issued on a competitive basis and will be structured to allow an approximately equal annual debt service amount over the life of the issue, whenever feasible.

d) Reserve funds, when required, will be provided to adequately meet debt service requirements in the subsequent years.

e) Interest earnings on the reserve fund balances will only be used to pay debt service on the bonds.

f) The term of any revenue bond or lease obligation issue will not exceed the useful life of the capital project or equipment for which the borrowing is intended.

5.08 The County will not use debt financing to fund current operations.

5.09 The County does not intend to issue bond anticipation notes (BANs), tax anticipation notes (TANs), or revenue anticipation notes (RANs) for a period longer than two years. If the BAN is issued for a capital project, the BAN will be converted to a long-term bond or redeemed at its maturity.

Five Year Plan

One of these principles is relatively unique and especially relevant to budget preparation - the requirement to prepare a balanced five year plan - and deserves additional attention. By local code the County is required to prepare not only a balanced annual budget, but also a balanced five year budget plan. The primary benefit of this requirement is that the community cannot fund a new initiative (staffing, facilities, program or compensation adjustment) if it is not affordable throughout the full five years of the budget plan. Adopting a five year budget 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. This five year planning process led to the creation of a revenue stabilization reserve that can be used to smooth revenue shortfalls during economic downturns. 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 in Virginia, with nearly 86,000 students, 93 schools and 10,000 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 district 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.

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 FY 14 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 Principles of Sound Financial Management.

The County adopted the 2013-2016 Strategic Plan in January 2013. This sixth PWC 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 that, while the second Future Report addresses social and civic, as well as physical, goals. This plan does not anticipate that the goals of the Comprehensive Plan or the second Future Report can be achieved during this four year period. The 2013-2016 Strategic Plan is one of six plans that will build upon each other to achieve those long term goals by 2030.

2010					2030
← Comprehensive Plan →					
← Future Report →					
2009-2012 Strategic Plan	*2013-2016 Strategic Plan*	2017-2020 Strategic Plan	2021-2024 Strategic Plan	2025-2028 Strategic Plan	2029-2032 Strategic Plan

The 2013-2016 Strategic Plan provides budget guidance by highlighting those areas critical to the continued success of the community. The following vision and goals summarize the Strategic Plan:

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

- **Economic Development** - The County will provide a robust, diverse economy with more quality jobs and an expanded commercial tax base.
- **Education** - The County will provide an educational environment rich in opportunities to increase educational attainment for workforce readiness, post-secondary education, and lifelong learning.
- **Human Services** - The County will provide human services to individuals and families most at risk, through innovative and effective leveraging of state and federal funds and community partnerships.
- **Public Safety** - The County will maintain safe neighborhoods and business areas and provide prompt response to emergencies.
- **Transportation** - The County will provide a multi-modal transportation network that supports County and regional connectivity.

Progress toward the overarching goals and the related community outcomes, as well as the status of the various strategies, are reported to the community on an annual basis; the Year One Update is attached to this budget document. The status of the outcomes will be used to determine whether resource adjustments should be made through the annual budget process.

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 and 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. A major implementation tool for the Comprehensive Plan is the annual Capital Budget and the six-year Capital Improvement Program.

Capital Improvement Program

Each year in conjunction with the budget, the BOCS adopts a six year Capital Improvement Program (CIP). The CIP identifies those capital improvements and construction projects that should be funded over the 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 General Debt/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 in included in the affected agency's budget, consistent with the projections in the CIP.

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 the Office of Budget and Management (OMB) once the prior year's budget is adopted, and others are collaborative practices between OMB and County agencies. In order to build the Proposed FY 2015 Budget, a series of adjustments are made to the FY 2014 Budget to build a "base" for FY 15 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 position, 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 FY 15 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.

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.

Replacement of Lost Revenue

BOCS policy is to not automatically replace lost agency revenue with tax support. Agencies must specifically request and justify any increase in tax support.

Agency Budget Reviews

The County has committed to conducting periodic agency budget reviews each year to ensure accountability for taxpayer money and transparency on the use of these funds. The reviews ensure that agencies are correctly funded, that previous budget assumptions are still valid, and that these funds are in the appropriate program. An agency review may result in savings that can be returned to the general fund, or may determine the need for additional resources.

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 has been greatly enhanced by organizing into four functional teams: Community Development, General Government, Human Services and Public Safety. 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 County Executive for consideration for the proposed budget.

Efficiencies

The County Executive has committed to identifying ongoing reductions 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 budget 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.

Compensation Policy

The BOCS' recent compensation policy has been a mix of pay plan (commonly known as cost of living) adjustments and pay for performance (commonly known as merit) adjustments. Should the BOCS continue this policy in the five year plan, the outcome would be as follows: FY 15 - 3% pay for performance; FY 16 - 2% pay plan; FY 17 - 3% pay for performance; FY 18 - 2% pay plan; and FY 19 - 3% pay for performance.

FY 15 Budget Development

Scrubbing FY 14 Adopted to Create a Starting Point

OMB, in cooperation with all County agencies, applies the BOCS' policies and County practices to the FY 2014 Budget to create a starting point for FY 15 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 entry level.

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 four functional area teams that identify savings from efficiencies and those items that must be incorporated into the budget, either because 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 County Executive, 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.

BOCS Budget Guidance

In December of each year the BOCS provides budget guidance to the County Executive and the School Superintendent in the form of projected real estate tax bill increases or decreases across the life of the five year plan. This guidance sets the tax policy assumptions that are used to build the five year plan. Revenues can then be calculated, and the County Executive and School Superintendent know the upper limit of tax revenue that is to be split using the adopted revenue sharing agreement.

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 tax and real estate experts to forecast revenues for the upcoming five years. The process has achieved a high level of accuracy, with the variance between budgeted and actual revenues between FY 07 and FY 13 ranging from 0.62% ($4.8 million) to -0.81% ($6.0 million). In 2010, the County's revenue forecasting process received an Achievement Award from the Virginia Association of Counties. The BOCS budget guidance is applied to the revenue forecast to build the revenue side of the five year plan.

Additions and Reductions

The expenditure budget, once scrubbed, reduced by suggested cuts and expanded by the items that must be added, is matched to the revenue budget, after BOCS budget guidance. If any capacity exists, the County Executive can recommend additions from the priority list, but only if the additions can be sustained for at least five years. The County Executive may also recommend that surplus revenue be added to the revenue stabilization fund. If the expenditure budget, before adding anything from the priority list, exceeds the revenue budget, the County Executive goes back to the functional teams to identify additional reductions.

FY 2015 BUDGET CALENDAR

Stage	Month (Calendar Year)	CITIZEN ENGAGEMENT	BOARD OF COUNTY SUPERVISOR (BOCS) ACTIONS	COUNTY ADMINISTRATION & AGENCIES
2013 PREPARATION STAGE	July	▪ Direct contact with BOCS members ▪ Public comments at BOCS meeting	▪ Receive citizen comments	▪ Post FY 2014 Budget online
	Aug			▪ Develop and distribute FY 15 budget instructions ▪ "Scrub" the FY 2014 Budget to create FY 15 starting point
	Sept			▪ Report prior year's performance ▪ Prepare Strategic Plan Updates ▪ Prepare agency historical variance report ▪ Identify critical operating and capital needs
	Oct	▪ Attend/view Strategic Plan Update and Critical Need presentations	▪ Receive Strategic Plan Updates and Critical Needs presentation	▪ Finalize FY 14 "scrub" in financial reporting system ▪ Agency budget review
	Nov			▪ Prioritize critical needs ▪ Identify efficiencies and savings ▪ Compensation modeling ▪ Update five year plan program
	Dec		▪ Receive preliminary revenue forecast ▪ Provide budget guidance to County Executive and Schools	▪ Provide preliminary revenue forecast ▪ Address critical needs in light of budget guidance
2014 DEVELOPMENT STAGE	Jan			▪ Enter proposed budget into financial system to balance
	Feb	▪ Attend/view Proposed FY 2015 Budget presentation ▪ Participate on Budget Committees ▪ Submit comments/questions to website	▪ Receive Proposed 2015 Budget presentation ▪ Set and authorize maximum tax rate to be advertised	▪ Present Proposed FY 2015 Budget to BOCS ▪ Meet with BOCS Budget Committees ▪ Address comments/questions submitted to website ▪ Finalize revenue projection
	Mar			▪ Advertise authorized tax rate and public hearings ▪ Identify any recap updates
	Apr	▪ Attend/speak at public hearing ▪ Attend/view recap ▪ Attend/view markup ▪ Attend/view adoption of the FY 2015 Budget	▪ Receive Schools proposed budget ▪ Hold public hearing ▪ Receive recap presentation ▪ Hold budget markup session ▪ Adopt tax rate and FY 2015 Budget	▪ Present recap updates ▪ Rebalance budget in financial system
	May			▪ Finalize FY 2015 Budget document
	June			

Amending the Budget

The County budget can be amended through increases or decreases in agency appropriations or through transfers within or between agencies. Changes in agency appropriations require budget and appropriate resolutions adopted through formal Board actions. When the total dollar value of the appropriation changes proposed at any one Board meeting exceeds one percent (1%) of the total expenditures in the current adopted budget, the Board 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.

The Budget Transfer Policy (County Executive Policy 4.11) governs transfers within or between agencies to provide operating flexibility while ensuring fiscal control, and is summarized in the budget transfer matrix:

Budget Transfer Matrix

A. Transfers Within Fund, Department and Expenditure Category (Object Level 1)

Transfer Category	Department Head Approval	BOCS Approval
Within expenditure category	$1 +	NA

B. Transfers Within Fund and Department Between Expenditure Catagories (Object Level 1)

Transfer Category	Department Head Approval	BOCS Approval
All	$1 to $19,999	$20,000 +

C. Transfers Within Fund Between Departments

Transfer Category	Department Head Approval	BOCS Approval
All	$1 to $19,999	$20,000 +

D. Transfers Between Funds, Subfunds[1] and Projects

Transfer Category	Department Head Approval	BOCS Approval
All	$1 to $19,999	$20,000 +

[1] Transfers between subfunds within funds 11 - 39 do not require Board of County Supervisors (BOCS) approval if > $19,999 and within an expenditure category (object level 1), BOCS approval required only if between expenditure categories (object level 1) as specified in (B) above.

In addition, the policy allows for administrative transfers to correct coding errors, comply with generally accepted accounting principles and mandated legal and accounting requirements, or to accommodate administrative reorganizations previously approved by the Board or the County Executive. All administrative transfers and all transfers affecting internal service funds require the approval of the Office of Management and Budget and the Finance Department.

PWC Accounting System

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-GAAP 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.

Fund Types

The County has three kinds of funds:

1. **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:

    a. **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 are transferred to other funds to finance the operations of the County Public Schools and the Regional Adult Detention Center. 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.

    b. **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 volunteer fire and rescue levies, school operations and the Regional Adult Detention Center.

    c. **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.

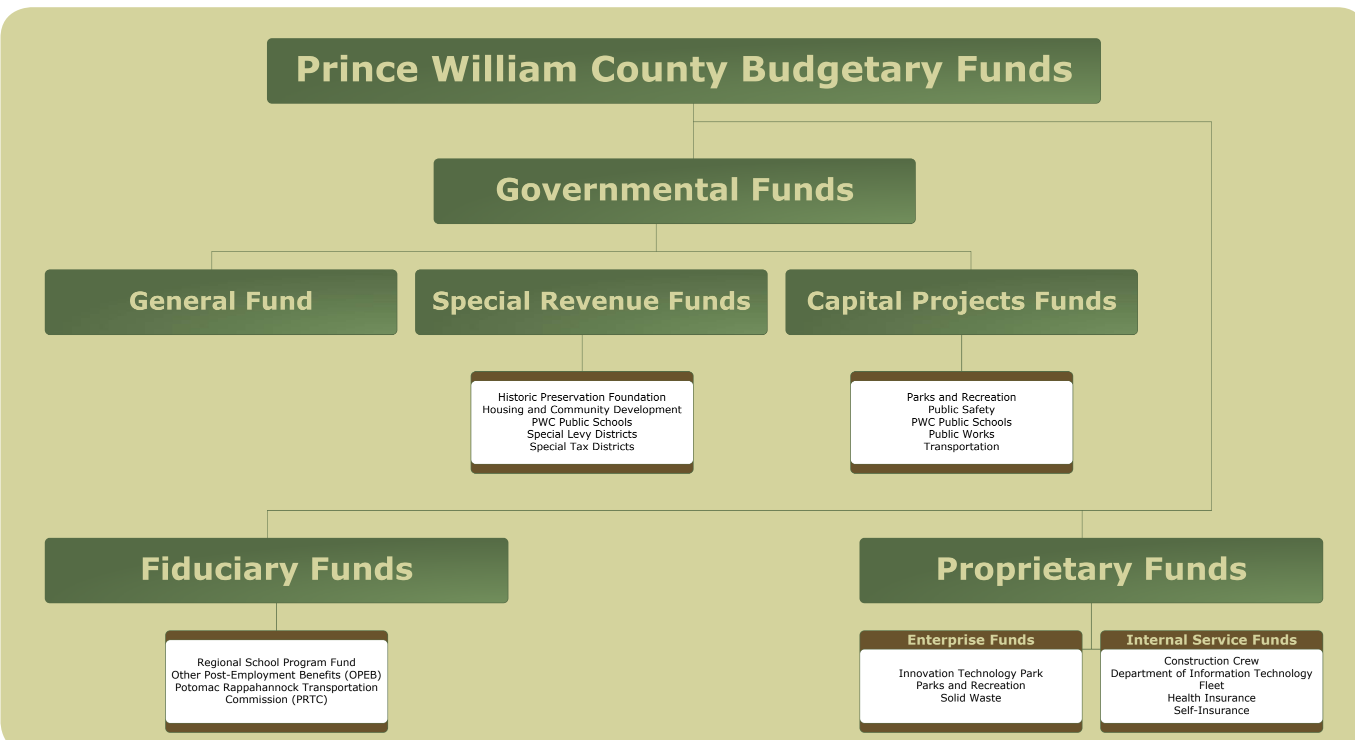
    Note: The County does not maintain special assessment funds. The debt service fund was eliminated on July 1, 1985 because it was not required.

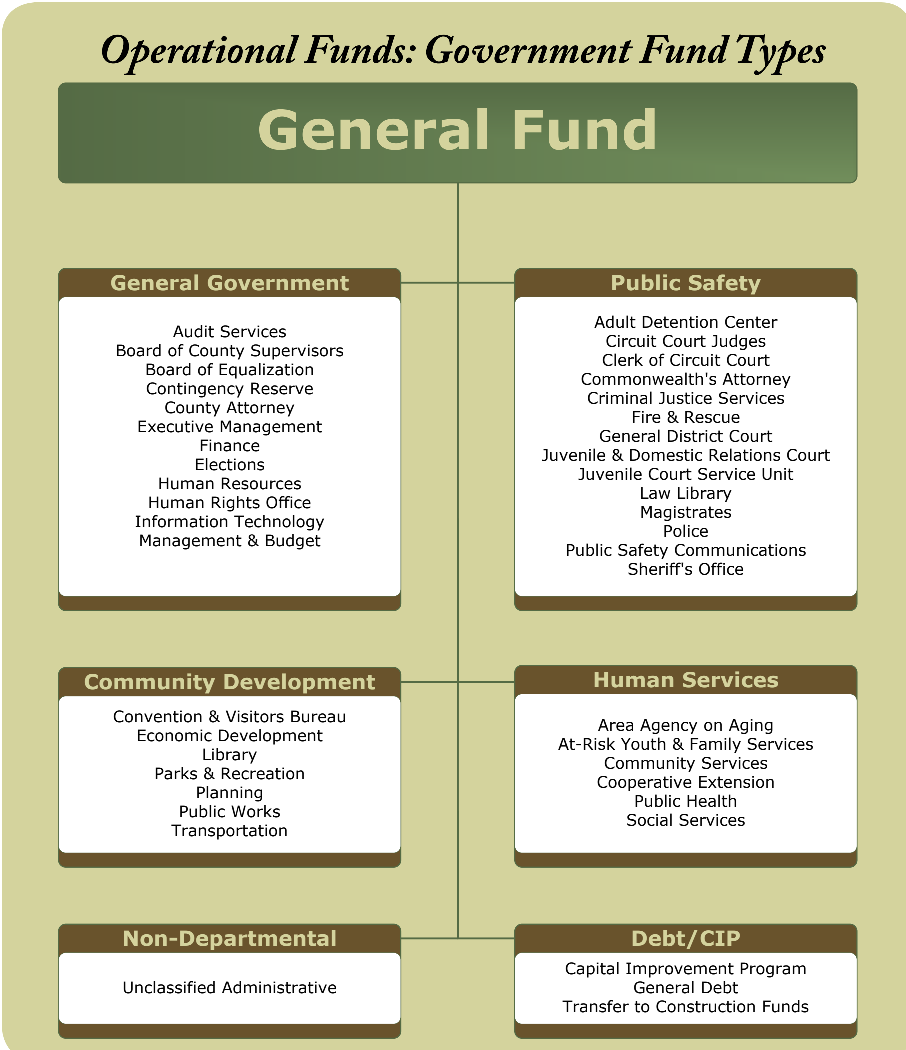
2. **Proprietary Funds** - Proprietary funds account for county activities, which operate similarly to private sector businesses. These funds measure net income, financial position and changes in financial position. The following are the county's proprietary fund types:

   a. **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: Prince William County Parks and Recreation (which provides recreational services), Prince William County Landfill (which provides solid waste disposal for the County) and Innovation Technology Park (which sells county owned land to businesses relocating to the Innovation area).

   b. **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 data processing, vehicle maintenance, road construction and self-insurance.

3. **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, special welfare and certain other activities. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Expendable trust funds are accounted for in essentially the same manner as governmental funds.





Resource Allocation

From Line Item Budgeting to Outcome Budgeting

Prince William County has shifted focus from traditional line item budgets to outcome budgets. Outcome budgets increase accountability by measuring whether an agency achieved its targets, rather than focusing on individual line items. 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 impact, or service level target, represents the short-term fiscal year initiatives expected to occur with the new resource allocation. These initiatives are directly linked to achieving the desired community outcomes contained in the Strategic Plan.

An Outcome Budgeting Example

An example of outcome budget decision-making is the addition of patrol officers to the Police Department. In traditional line-item budgets, the focus would be on salary and equipment costs for those officers. Outcome budgets take this a step further to focus on the outcomes produced by those officers, e.g., eventual reduction in crime rate, increase in case closure rate and an increased percentage of citizens feeling safe in their neighborhoods.

Measuring Outcome Budget Success

Two measures of success in outcome budgeting in recent years have been the decline in the overall cost of government and the shifting of resources to strategic goal areas. The County has had much success in recent years minimizing the cost of government. When costs for general County services, including the schools transfer, are adjusted for inflation, taxpayers are paying $338 less per capita in FY 15 than they did in FY 92. Not adjusted for inflation, the general budgeted cost per capita for County services was $1,284 in FY 92, as compared to $2,297 in FY 15.

Citizen Satisfaction

The County is also constantly receiving 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 2012, the survey showed that 92% of County residents were satisfied or very satisfied with the services provided by Prince William County Government. Also in 2012, satisfaction with the value for their tax dollar was 85%. The next survey will be conducted during the summer of 2014.

Resource Allocation Accomplishments

- The Strategic Plan has guided resource allocation in the County by increasing resources to strategic service areas while continuing to provide sufficient resources for areas considered to be important, but not strategic.
- The Strategic Plan guides the development of the Capital Improvement Program (CIP); 92% of the funding in the County's CIP supports strategies and objectives in the Strategic Plan. In FY 13, Prince William County received a "Special Capital Recognition" award by the Government Finance Officers' Association.
- Prince William County has received the Certificate of Achievement of Distinguished Budget Presentation from the Government Finance Officers' Association (GFOA) for every budget year from FY 87 through FY 13. This is the highest form of recognition in governmental budgeting. In FY 98 and again in FY 01, the County received an upgraded award when the GFOA recognized the Prince William County Fiscal Plan as an "Outstanding Operations Guide." Also in both FY 01 and FY 06, the GFOA recognized the County's Fiscal Plan as an "Outstanding Policy Document." In FY 05, the County's Fiscal Plan received special recognition as an "Outstanding Communication Device" as well as "Special Performance Measure Recognition" which was also recognized in FY 06. In FY 06, FY 07 and FY 08, the County's Fiscal Plan received "Special Performance Measures Recognition."
- The National Association of Counties (NACO) presented a 2014 Achievement Award to the County for Prince William's budgeting process which focuses on citizen engagement.