

Budget Process Review Committee Report – July, 2008

Introduction/Overview

In an effort to improve the County's overall accountability for expenditures, Albemarle County Executive Bob Tucker established a committee to assist him in evaluating the short and long range processes that lead to the development of the annual budget. The committee was envisioned as a group outside of the day to day operations of the County and with experience in other public and private sector organizations that could review and evaluate the County's current processes and suggest areas for improvement.

This initiative is one of several efforts underway or planned for by the County aimed at exploring opportunities for improvement to ensure accountability for budgeting and financial management. Other efforts include the newly established Program and Service Review Process and the recently approved Resource Management Study to be conducted by an outside entity over the coming months. Collectively, these efforts will assist with ensuring that the County's expenditures and processes are resulting in the provision of efficient and effective services that are aligned with its mission and values.

Committee Charge/Composition/Outcomes

Charge:

Review the County's financial planning processes that lead to the development of the annual budget and suggest any potential areas for improvement. The County's annual budget is driven by the goals established by the Board of Supervisors through the Comprehensive Plan and Strategic Plan as well as by State and Federal mandates. The major processes that drive the development of the annual budget proposal include:

- Development and Review of the Five-Year Financial Plan
- Development and Review of the Capital Improvement Program
- Department/Community Budget Request Process
- Program/Service Review Process
- Public Input Process

Committee Composition:

Board of Supervisors Members: Ken Boyd, Sally Thomas

Community Members: **Anna Buchanan** - Martha Jefferson Hospital, Budget Office
Mary Loose DeViney – Past Chairman of Chamber of Commerce and business owner
Bill Kehoe – Professor, UVA McIntire School of Commerce, Past Chairman of Chamber of Commerce
John Knapp – Economist, Weldon Cooper Center, University of Virginia
Pam Moran, Superintendent of County Schools
Colette Sheehy - University of Virginia – VP Budget Administration
Deborah Thexton – Martha Jefferson Hospital, Administration
Dale Varga - Albemarle Truth in Taxation Alliance (ATTA)

Staff Resources: Bob Tucker, County Executive
Tom Foley, Assistant County Executive
Bryan Elliott, Assistant County Executive
Laura Vinzant, Senior Budget Analyst
Richard Wiggans, Director of Finance
Lee Catlin, Community Relations Director

Time Frame:	April – June 2008
Outcome:	Suggestions for improvement on financial planning processes
Final Work Product:	Written report submitted to the County Executive with final recommendations for improvements based on group consensus

Scope of Committee Review/Major Topics Considered

During the course of four meetings, the Committee received information and provided comment on the following major topic areas:

- Comprehensive Plan (Lori Allshouse, Strategic Management Coordinator)
- Strategic Plan (Lori Allshouse)
- Citizen Survey (Lori Allshouse)
- Five-Year Financial Plan (Richard Wiggans)
- Public Engagement (Lee Catlin)
- Capital Improvements Program (Bill Letteri, Director of Facilities Development)
- Annual Budget Process (Richard Wiggans, Laura Vinzant)
- Program/Service Review (Tom Foley)
- Compensation Strategy (Kimberly Suyes, Director of Human Resources)

General Observations

- While there is room for improvement, the committee generally felt that the County's budget-related processes are comprehensive and thorough;
- The committee provided positive feedback on the County's program and service review process and use of performance measures and data to aid in decision-making and to help identify reasonable alternatives and options;
- Several members of the committee felt that there should not be an automatic 60/40 split of available revenue for use in education/non-education functions;
- A majority of the committee felt that strong consideration should be given to additional focus on benchmarking and continued improvement in use of performance measures;
- Members cited the importance of providing sources of information and assumptions used as a goal for all processes;
- Members observed that while the County affords multiple opportunities for the public to participate in its annual budget process, the challenge is to create more comprehensive public awareness and understanding of when and how feedback can be offered to the Board and staff.

Specific Recommendations - Process Improvements

- ***Align the Strategic Plan cycle more closely to the Long-Range Financial Plan cycle.*** The current planning cycle for the Strategic Plan is four years (2007 through 2010). The current planning cycle for the Long-Range Financial Plan is five years, updated annually. The Committee recommends that the two cycles be more closely aligned to ensure that the financial impact of items in the Strategic Plan are incorporated in the Long-Range Financial Plan.
- ***Provide more detailed information on the CIP to Board of Supervisor members in advance.*** The CIP is reviewed by two committees (Technical and Oversight) prior to its submission to the Board. The Committee recommends that the Board be given additional

information prior to its approval of the CIP based on the material submitted to the Oversight Committee.

- **Require performance measures from all outside agencies (e.g. Libraries)** While County departments are required to provide performance measures, not all outside agencies provide that same level of data. The committee recommends that performance measures be required for all agencies requesting County funding.
- **Benchmark against the best, most effective/efficient jurisdictions.** As the County is focusing on its performance measurement and benchmarking efforts, careful analysis should be conducted to make sure that data are being compared to those jurisdictions that are acknowledged and recognized as the best performers in local government in the Commonwealth. A suggestion was made to consider the University of Virginia's "best in class" concept as a useful approach.
- **Assess whether the County has the ability to exercise discretion regarding how extensively mandates are addressed/to what level resources will be dedicated.** Such an assessment could include a review of what other jurisdictions are doing to meet mandates and a determination as to whether the County is appropriating resources above minimum levels to meet mandate requirements.
- **Review the process for determining what level of budget review outside agencies will receive.** Currently, outside agency budget requests are reviewed under one of two different review processes. The Committee recommends that the two processes be reviewed to ensure that all agency budget requests receive an appropriate level of scrutiny.
- **The Committee recommends that when a new initiative (not only as part of the budget process) is being discussed by the Board of Supervisors, cost information should be included as part of that discussion at its earliest stages** This cost information will include both the one-time costs and the annual operating costs for the new initiative.
- **Identify required vs. discretionary costs during the budget process.** This will provide the Board with a better understanding of those costs that are outside of the Board's control (e.g., current contractual agreements) and those costs that can be amended by the Board.

Specific Recommendations - Communication/Outreach Improvements

- **Better performance data, budget review information on the website with a focus on efficiency and effectiveness of services; "owner focused" approach.** While much information is available regarding performance, service levels, efficiencies, etc., it is not compiled and presented in a way that is easy to understand from a citizen's perspective. The committee recommended that more comprehensive and in-depth data, including information on the CIP, along with potential additional information concerning performance measures, be made available on the website in a format that is readily accessible to users.
- **Provide better explanation of different service levels between rural and urban areas of the County.** The Comprehensive Plan provides for differentiated levels of service between the County's rural and development areas, with rural areas receiving lower levels of service, as an important part of its growth management strategy. The committee feels that citizens would benefit from a clearer understanding of these services levels and how they impact resource allocation and other decision-making.
- **Publicize opportunities to designate tax-deductible contributions to support specific County priorities.** The County currently has a fund that allows residents to make tax-deductible donations directly to specific program and service areas that they are interested in supporting, and the Committee felt that better awareness of this fund could encourage more donations and provide more resources. Committee members suggested that soliciting citizen leaders to lead efforts in this regard could add to the program's success.

Other Issues to Receive Further Consideration

- Consider including a section in the Comprehensive Plan about fiscal resources

- Incentives to employees who identify cost savings
- Consider instituting full cost accounting like the private sector uses instead of focusing on expenditures
- Examine the County's options to generate tax and non-tax revenue from all sources instead of relying entirely on the real property tax
- Examine the cost/benefits of using debt financing as an alternative to pay-as-you-go financing

Summary

All members of the committee confirmed that the County's general approach to long term financial planning processes and the annual budgeting process is "very valid" and includes similar fundamental elements to those used at other public and private sector institutions such as Martha Jefferson Hospital and the University of Virginia. In the words of one committee member, "Bob Tucker and his budget staff are doing a good job and looking at all the right things." The committee did feel that there were improvements that could be made to the processes as outlined in the recommendations, and emphasized the following concepts in their guidance to County staff:

- Continue the focus on prioritizing needs and long term planning – "the budgeting process is all about choices"
- Continue to look very carefully at the long term implications of individual budget decisions
- Keep focused on the "best and highest use" of tax dollars, particularly as the economic situation continues to constrain resources
- Choose performance measures/standards carefully to make sure they accurately reflect what should be measured and that they demonstrate progress towards the County's mission and strategic priorities
- Keep a strong connection between elements of the strategic plan and the elements of the County's financial plans