

Montgomery County, Virginia 2018 Budget Review

Kern L. Watson

Virginia Tech

Montgomery County, Virginia 2018 Budget Review

Montgomery County Administrator Craig Meadows is currently executing a budget of \$186.3 million for Fiscal Year (FY) 2018. The current budget is a 2.3% increase from the FY 2017, and a 17.2% increase since 2010. For comparison purposes as part of this analysis, Roanoke County, Virginia has a comparable population and a budget of \$186.5 million for FY 2018. In addition to the demographic and budgeting similarities the Roanoke County budget document provides an excellent benchmark for this analysis because it has previously won the Government Finance Officers Association's (GFOA) *Distinguished Budget Presentation Award*. The GFOA's award criteria represent the framework for this analysis of the current Montgomery County budget.

The GFOA Distinguished Budget Presentation Award

The Government Finance Officers Association is a voluntary organization representing more than 19,000 members who have responsibility for public monies. The organization has a significant emphasis on educating members and developing best financial practices through research. As part of the GFOA's efforts, a number of awards are established to recognize those organizations that implement recommended practices. The Distinguished Budget Presentation Award is one such award; it is given to governmental entities specifically for excellence in preparing and presenting budget documents which reflect current best practices. This reflects the GFOA's stated mission of helping governmental organizations improve their financial management. (Government Finance Officers Association, nd - b).

The GFOA Distinguished Budget Presentation Award has been won by the Town of Blacksburg twenty-seven times; Radford City, eleven; and Roanoke County thirty-one times. Montgomery County has never received this award. Of particular note is that, by population,

Montgomery County's three closest peers (Roanoke County, Albemarle County, and Hanover County) have all won this distinction repeatedly. This paper seeks to understand where Montgomery County's budgeting process and documentation fall short of the GFOA's best practices, and identify mechanisms for improvement. (Government Finance Officers Association, nd - a).

Montgomery County & Administration of the Budget Process

In order to fully analyze and understand the current Montgomery County budget, one has to have a reasonable understanding of the context in which the budget was developed.

Background and Structure

Montgomery County, Virginia encompasses a total of 387 square miles and has a population of over 98 thousand; the population is expected to cross the 100 thousand mark in 2018. The towns of Christiansburg and Blacksburg lie wholly within the County and account for approximately 35 square miles and two-thirds of the County's population. The County is governed by a seven-member Board of Supervisors serving four-year terms. The Board's members are elected, one from each of seven geographic districts within the County. Day-to-day operations of the County are conducted by an appointed County Administrator. The current County Administrator is Craig Meadows. Under Virginia's Constitution, the County has five elected, independent constitutional officials responsible for mandated functions; these functions commingle with departments falling under the County Administrator's control.

Overall, the County Administrator and his Deputy oversee twelve departments, with close ties and a large supporting role in the five constitutional offices. Ultimately, the County Administrator's office is charged with developing the County's overall budget inclusive of the constitutional offices and school system. The County participates in multi-jurisdictional

organizations such as a joint 911 authority, a public service authority and public health district.

Overall, the County funds forty external organizations that provide services to the citizenry.

(Montgomery County, VA, 2017-a, pp. 235-250).

Strategic Planning

Public information on the County's strategic planning efforts is fairly limited. There is no specific section of the County's web site or budget dedicated to the topic; all the information is in ancillary documents. The County Administrator's budget transmittal letter of 2018 identifies four priorities in the budget preparation process:

- Investment in county employees;
- Investment in facilities and programs;
- Investment in public safety, specifically volunteer fire and rescue services; and
- Investment in public schools. (Montgomery County, VA, 2017-a, p. i)

This statement clearly identifies the County Administrator's priorities, but it lacks a clear connection to the stated priorities of the Board of Supervisors. Elected officials generally seek budgets that "decisively connect" to their priorities. (Government Finance Officers Association, 2011, p. 3). The Board of Supervisor's Strategic Initiatives, as outlined in the current Vision and action agenda:

"Initiative One: Foster community and economic well-being."

Initiative Two: Practice good government.

Initiative Three: Strengthen community partnerships.

Initiative Four: Fund the future." (Montgomery County, VA, 2016-a)

There certainly are ties between the adopted budget and the Board's priorities. While inclusion of the funding priorities in the transmittal message may loosely meet Criteria P2 when

taken at face value, a deeper look shows that it does not meet the GFOAs best practices on strategic planning. The Board's publication of their strategic initiatives and action agenda is the artifact of a planning process, but lacks the detail and performance measurement required.

(Government Finance Officers Association, nd-c), (Government Finance Officers Association, nd-d), (Montgomery County, VA, 2016-a). In the transmittal letter the County Administrator elaborates extensively on his first priority, but says very little about the remaining three.

(Montgomery County, VA, 2017-a, pp. i-vii).

Montgomery County's Budgeting Process

As discovered during investigation of strategic planning, there is limited information about the budget preparation process available directly from the Montgomery County web site. The budget calendar is located only within the County Administrator's proposed budget, although elements of the budgeting process are including on the published agenda for each Board of Supervisors meeting. (Montgomery County, VA, 2017-a, p. 57), (Montgomery County, VA, 2018-a, p. 57). For example, the agenda for the March 12, 2018 meeting shows that the Board will have a work session on the proposed Budget, as well as hear from the Montgomery County School Superintendent on the proposed budget for FY 2019. (Montgomery County, VA, nd-b). This practice does not align with the GFOA's recommendation to publish a budget calendar as a component of transparency; a public calendar ensures that all stakeholders have the opportunity to participate in the budgeting process. (Government Finance Officers Association, 1998, p. 38).

Performance Measurement

Montgomery County has not incorporated performance measurement into the budgeting process for all organizations. At the unit level, the budget consists of a short blurb about the unit's role in local government and a short list of highlights for the past fiscal year. For cross-

jurisdictional organizations such as the New River Valley Agency on Aging, tables are provided showing a breakdown of the member jurisdictions and percentage of clients served; those percentages are typically shown in correlation to their funding as well. Even in areas where simple trend analysis would be beneficial to those considering current or proposed budgets, there is little information available. For example, consider volunteer fire and rescue funding. Capital funding in the amount of \$1.14 million is set aside for fire and rescue capital needs, and an additional \$1.4 million for operational needs. Together, this accounts for 1.4 percent of the County's overall budget, yet the only performance numbers listed are simple call volume totals for the past fiscal year. There are no trend indicators, and no comparison showing that neighboring Roanoke County's allocation for fire and rescue services was \$15.4 million. Given the other budgetary similarities, volunteerism is a huge cost savings to the Montgomery County taxpayer and is likely preventing a real estate tax increase of several cents. (Montgomery County, VA, 2017-a, pp. 182-185), (Roanoke County, VA, 2017, pp. 210-211).

Local government has a responsibility to review and quantify those activities supported by public monies, to determine whether those expenditures are effective and efficient uses of funding. Inclusion of performance information is critical element of transparency. To continue the fire and rescue example, the aforementioned cost savings are even more important if stakeholder satisfaction with services is equal to or higher than Roanoke County. Performance measurement is imperative to understanding how valuable – or costly – the all-volunteer fire and rescue services are. (Government Finance Officers Association, 1998, p. 62).

Montgomery County's FY 2018 Budget Analysis

Based on the context described above, clearly Montgomery County's budgetary documents fall well short of the criteria laid out by the GFOA in the Distinguished Budget Presentation Award (DBPA) program. (Government Finance Officers Association, nd-c).

Introduction and Overview

There are five basic criteria, with sixteen individual data points in the "Introduction and Overview" section of the DBPA Location Guide. Generally speaking, the elements of this section set up the budget user with the tools necessary to use the document effectively. Criteria C1 requires a singular table of contents with continuous page numbers throughout the document. The Montgomery County budget satisfies this requirement.

The second criteria (P1) defines how the County's strategic goals are integrated into the budget process and provide context for decision-making throughout the budget. As outlined in the strategic planning discussion, there are four general statements in the budget transmission document; only one of them is explored in detail. There is no discussion of the planning process in the budget document, and the only strategic document is from the Board of Supervisors. Therefore, the County does not meet criteria P1. Criteria P2 assesses how short-term factors can influence the budget decision; Montgomery County does provide an analysis of numerous short-term factors that impact revenue, including numerous graphs to display trend data. (Montgomery County, VA, 2017-a, pp. 63-74). There is no similar expenditure or service-level change summaries showing global short-term factors or impacts. Expenditure or service-level changes are only discussed in the department-level pages, and then only when changes to either the base budget or addenda are recommended. Therefore, the County also fails to meet Criteria P2.

Criteria P3 concerns the inclusion of a budget message; the County Administrator's budget message meets the four individual elements. However, the budget message focuses almost exclusively on the first priority – taking care of County employees and neglects to elaborate on the remaining three (investment in facilities, public safety, and schools). (Montgomery County, VA, 2017-a, pp. i-vii). The final criteria that makes up the introduction and overview component of the award relates to the inclusion of a budget summary. The County's budget includes such a summary; in fact the County's budget summary is considered the primary document with the budgetary details considered appendices. The budget summary focuses only on general fund revenue and how that revenue is expended. The intent of the criteria is a complete overview, therefore the County also misses on this element. (Montgomery County, VA, 2017-a, pp. 5-12), (Government Finance Officers Association, nd-c, p. 2).

Financial Structure, Policy and Process

The second major section of DBPA finds that the County does communicate some key concepts in its budget documents. Criteria O1 specifies the County's organization chart be included; in addition to the primary chart each departmental section shows a clear linkage from the voters and funding to the department. (Montgomery County, VA, 2017-a, p. 51). Each departmental narrative also includes the relationship to both general fund and other fund sources. The County also provides a single-page chart outlining all funds subject to appropriation. (Montgomery County, VA, 2017-a, p. 15). These steps meet the requirements of criteria F1 and O2 of the DBPA.

The County does a less-than-stellar job of fulfilling the remaining criteria (F2, P4, and P5) in this section. The basis of budgeting is not addressed. The budget does provide insight into the financial policy regarding reserve funds, but that's all. There is, at best, tangential

discussion of other financial policies throughout the document. (Montgomery County, VA, 2017-a, p. 73). Finally, the budget process is presented in summative form; a very limited budget calendar showing only public and/or legally required action dates; and there is no narrative describing the budget amendment process. (Montgomery County, VA, 2017-a, pp. 57-58).

Financial Summaries

There are five basic criteria identified in this section. In addition to the summaries provided as part of the budget message, there are clear summaries of expenditures by department and revenue estimates. (Montgomery County, VA, 2017-a, pp. 19-20, 77-86). The schedules are not adjacent or sequential in nature, but otherwise comply with criteria F3. The existing tables as part of the budget summary would be better revised to show more than general fund revenue / expenditures, but not to the level of detail found in the later appendices. The FY 2018 revenue and expenditure estimates found in the budget are sufficiently detailed to meet criteria F4. The revenue sources described represent the total revenue of all appropriated funds. The methods used to estimate revenues and the assumptions made are described, and fulfill criteria F6 as well. There is no discussion of long range financial plans in the budget document, and no linkage to strategic goals. As such, criteria F7 is unmet.

Montgomery County defines fund balance and provides a detailed explanation of the County's fund balance policy. This definition is one of the few fiscal policies clearly defined in the document. The budget identifies a cash flow reserve of approximately \$21 million (11.24%) of the FY 2018 budget to ensure "sufficient cash to pay the bills." (Montgomery County, VA, 2017-a, pp. 73-74). The County states that it maintains nine additional reserve funds for specific purposes, but does not disclose details on the amount of reserve or the fiscal policies covering

them. There is no specific schedule showing these fund balances, therefore the County does not meet criteria F5.

Capital and Debt

This section of the DBPA is perhaps the most lacking when the County's budget document is considered. The budget does define capital expenditures, and include a very brief section on the budget both for general capital projects and capital projects of the school system. (Montgomery County, VA, 2017-a, pp. 60, 267-269, 276-277). The capital expenditures are listed and considered both as part of the budget summary and in the appendices, but they are not fully described. The impact of these capital expenses beyond the incurred expense is not described, nor are any anticipated savings or revenues from the capital investment. Therefore, VDBP criteria F8 and F9 are not met.

The County's debt service is mentioned in an equally short way. The section on debt service identifies a maximum borrowing capacity of \$37 million is actually issued, but does not describe how those limits are set. The budget does describe how a refunding effort decreased debt, but does not specify how the debt service impacted the budget generally. Criteria F10 requires greater detail than currently provided in the Montgomery County budget. (Montgomery County, VA, 2017-a, pp. 271-273).

Departmental Information

The County budget document sets out department-level activities consistently, with common elements including a visual representation of organization, including external linkages where they exist; a budget summary table with the current approved budget and two prior years' data, with the change; a brief section describing departmental activity, and the rationale behind any changes to the base budget or any addenda requests. Departments or functional groupings

also may include a section highlighting departmental activities from the prior year, and personnel levels. A summary position table exists, including prior, current and budget year counts by department. Changes are explained in the department – level tables. (Montgomery County, VA, 2017-a, pp. 23-24). This fulfills DBPA criteria O3 and O4.

The final two department-level criteria (O5 and O6) deal with performance measurement, and are not covered in the County budget. As previously discussed, the County budget includes anecdotal performance information at best for a limited number of departments. There is no linkage at the department level to either the County Administrator’s priorities identified in the budget message, or to the initiatives of the Board of Supervisors.

Document-Wide Criteria

Finally, there are four document-wide criteria for the DBPA. The County budget document for FY 2018 does not include statistical, supplemental, or other pertinent information about Montgomery County. In the FY 2019 proposed document, an overview section has been added with this information. (Montgomery County, VA, 2018-a, pp. 7-12). The final three criteria (C4, C5, and C6) are met by the budget document; the document includes a glossary, numerous graphical elements, and is formatted and produced in a manner that supports understanding by the average reader.

Discussion and Analysis

Montgomery County’s budget document provides significant insight into the County’s operations. The documents meet a significant number of the DBPA criteria and represent many best practices. That said, there are a number of areas that could use improvement. Specifically, the County needs to clearly link short and long-term plans to budget priorities, and describe performance measurement methods in use to ensure effective, efficient use of public money.

The lack of compliance with the GFOA Budget Presentation Award criteria does not mean the budget document(s) are unserviceable or that County personnel are neglect in their duties. The County continues to provide all the services it is legally required to, and is consistently rated as an outstanding place to live and work. (Montgomery County, VA Economic Development, nd-a). As previously stated, the award criteria represent best practices and excellence in presenting the budget document(s) and process and is not assessment of the financial capacity or resiliency of the County or community. The County's Standard and Poor (S&P) general obligation bond rating was recently increased to "AA+", the second highest rating possible from that organization. The County's S&P rankings are indicative of sound financial practices, solid debt management, as well as continued economic growth and diversification. (NRV News, 2018).

Montgomery County is well-positioned for the future. The budget document should be improved to reflect initiatives that are most certainly in place within the County, such as strategic planning and performance measurement. Clearly demonstrating the linkages between expenditures, plans, and performance will only further smooth out the budgeting process.

Bibliography

Government Finance Officers Association. (1998). *Recommended Budget Practices*. Chicago, IL:

Government Finance Officers Association.

Government Finance Officers Association. (2011). *Anatomy of a Priority-Driven Budget*

Process. Chicago, IL: Government Finance Officers Association.

Government Finance Officers Association. (nd - a). *2017 Results - Distinguished Budget*

Presentation Award. Retrieved from Government Finance Officers Association:

<http://www.gfoa.org/2017-results-distinguished-budget-presentation-award>

Government Finance Officers Association. (nd - b). *Award Programs*. Retrieved from

Government Finance Officers Association: <http://www.gfoa.org/awards>

Government Finance Officers Association. (nd-c). *Distinguished Budget Presentation Awards*

Program Awards Criteria. Chicago, IL: Government Finance Officers Association.

Government Finance Officers Association. (nd-d). *Establishment of Strategic Plans*. Retrieved

from Government Finance Officers Association: <http://www.gfoa.org/establishment-strategic-plans>

Montgomery County, VA. (2016-a). *2016-2018 Strategic Initiatives and Action Agenda*.

Christiansburg, VA: Montgomery County, VA.

Montgomery County, VA. (2017-a). *Approved Budget Fiscal Year 2018*. Christiansburg, VA:

Montgomery County, VA.

Montgomery County, VA. (2018-a). *Proposed Budget for Fiscal Year 2019*. Christiansburg, VA:

Montgomery County, VA.

Montgomery County, VA Economic Development. (nd-a). *Accolades*. Retrieved from Yes

Montgomery VA: <http://www.yesmontgomeryva.org/content/119/219/1583.aspx>

Montgomery County, VA. (nd-a). *Board of Supervisors - What We Do*. Retrieved from
Montgomery County, VA:

<https://www.montgomerycountyva.gov/content/15987/15997/16849/default.aspx>

Montgomery County, VA. (nd-b). *Montgomery County Board of Supervisors*. Retrieved from
Mongtomery County Board of Supervisors BoardDocs Site:

<https://www.boarddocs.com/va/montva/Board.nsf/Public>

NRV News. (2018, February 9). *County Bond Rating Raised*. Retrieved from NRV News:

<https://nrvnews.com/county-bond-rating-raised/>

Roanoke County, VA. (2009). *County of Roanoke 2009-2010 Annual Fiscal Plan*. Roanoke, VA:
Roanoke County, VA.

Roanoke County, VA. (2017). *FY 2017-2018 Adopted Annual Fiscal Plan*. Roanoke, VA:
Roanoke County, VA.