

**VILLAGE OF OAK BROOK  
FISCAL YEAR 2010  
BUDGET ORGANIZATION AND STRUCTURE**

The 2010 Municipal Budget has been developed utilizing the approach introduced to Oak Brook with the 1995 Municipal Budget. Known as "**Results Budgeting**", this approach has been recognized nationally for its effectiveness in communicating plans and expected results and linking them to the resources necessary to achieve them. It integrates a programmatic approach to planning with traditional line item budgeting and a management by objectives system to comprise a plan for the effective and efficient accomplishment of the results desired by the Village Board and the community.

Results Budgeting views the annual budget primarily as a management document, not as a financial one. This focus flows through to the content and structure of the budget document. The central concept is simple: **An organization will increase the probability of achieving the results it wants if it articulates them in advance and if it organizes responsibility for attaining those results and the resources necessary to attain them in a manner consistent with its own structure.**

Results Budgeting has a number of components and subsystems, both managerial and administrative in nature. The significant components are interrelated and are reflected in the format of the budget document such that a review of the budget structure serves both to explain the format and to describe the system.

The annual budget cycle also includes the **Five-Year Financial Plan**. This document is an integrated long-range operating budget and capital improvements plan that is based on the first year of the budget and makes projections into the future in order to assess the long-range financial impact of current decisions. It is the Village's financial road map and is completely updated and restated each year. Relevant portions are normally included in the budget document, opposite each fund summary, in order to facilitate comparison between the long range projection from the Financial Plan and the more current one-year projection depicted in each fund summary.

Although the Village's audited financial statements are prepared on an accrual or modified accrual basis (as applicable and consistent with generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board), the Five-Year Financial Plan and the annual Municipal Budget are prepared and presented on a cash basis whereby transactions are recognized only when cash is increased or decreased. This results in documents that are more easily understood and more useful to the general public.

The structure of the budget is based on the way in which the financial planning, accounting and organizational systems of the Village are integrated. The structure proceeds from the general to the specific as follows:

**Fund.** A separate financial entity with its own revenues and expenditures. **The basic unit of the Five-Year Financial Plan and the Annual Financial Audit.** Identified by the first two digits of the accounting code.

## Budget Organization and Structure (continued)

**Department.** The largest organizational unit of the Village. Composed of one or more divisions. Supported by one or more funds. Headed by a senior level staff member. Identified by the third digit of the accounting code.

**Division.** An operating unit of the Village directed by a department head or supervisor. Part of a department. Composed of one or more programs. Identified within the department by the fourth digit in the accounting code.

**Program.** **The basic unit of the budget.** Part of a division. Directed by a department head or supervisor. Basis for the line item budget. Identified within the division by the fifth digit in the accounting code.

**Line Item Budget.** The itemized content of the budget, which is essential for financial control. Provides resources for each program on an object-of-expenditure basis. Identified by the sixth through ninth digits of the accounting code.

In addition to integrating the financial planning, accounting and organizational systems, Results Budgeting also integrates the Village's **Management by Objectives (MBO) system**. This is extremely important because the system of goals and objectives provides the means for identifying and measuring accomplishment of results and gives direction to the formulation of the budget. The importance of integrating the MBO system into the budget cannot be overstated. It is through this step that the desired results, as expressed in goals and objectives, are linked to the resources necessary to achieve them.

The way in which this is done relates most to the "**Program**". Each budget program represents a "product" produced by the Village - an activity in which the Village engages to provide, either directly or indirectly, a public service. (Certain other necessary functions, such as administration of pension and insurance plans, providing for transfers between funds or budgeting for unallocated personnel costs, are also set up as programs in the budget structure.)

Each program has a "**Program Goal**" and a measure of effectiveness related to the goal, called a "**Program Performance Measure**". The Program Goal is a long-range statement of what the Village wants to accomplish through the program. The Program Performance Measure is a statement of the criteria or technique, which will be applied to determine how well the goal is being accomplished over time. Since the reason for the existence of most programs is to provide a service to the public, most of the program performance measures involve citizen or on-site surveys. The Program Goal and the Program Performance Measure are stated on the Program Summary page for each program.

Supporting most Program Goals are one or more "**Program Objectives**". Program Objectives express specific results to be accomplished during the fiscal year in the furtherance of the Program Goal. Typically, objectives relate to a specific task or project, or to a change in methods or operations designed to move the program toward achievement of its goal. It is important to note that objectives, which normally change each year, do not represent the totality of what a program is intended to accomplish. For example, they do not include most ongoing responsibilities or activities. Often, however, they lead to changes in those activities.

## Budget Organization and Structure (continued)

The Program Objectives are developed for each program with broad participation by department personnel, Department Directors, and especially the Village Board. They are reviewed with the Village Manager's office for consistency with program goals. Each objective has its own measure of accomplishment, a person principally responsible for accomplishing the objective and a target completion date. Once established, program objectives help form the basis for budget requests.

Program objectives are listed on the program summary page for each program. Measures of accomplishment, responsible parties and target completion dates are documented separately. The status of objectives is reviewed periodically through the year and level of accomplishment is considered in personnel performance evaluation.

Day-to-day administration of the budget is the responsibility of each department manager, reporting to the Village Manager and under the oversight of the Finance Director (in his statutory capacity as Budget Officer). Regular review sessions are held throughout the year at which variances, existing or anticipated, are identified and analyzed. Financial control of the budget is at the program level. Any transfers between programs, and any increase in the total appropriation of any fund, must be approved by a two-thirds majority vote of the corporate authorities.

Lastly, the Village engages in **performance auditing** activities in order to measure accomplishment of program goals and program objectives. The effort involves an annual Village-wide citizen survey, various other surveys directed to certain populations ("target surveys"), and objective measurement through use of statistics, and physical verification. The Assistant Village Manager directs the performance auditing effort.

To summarize, the management by objectives approach utilized by the Village of Oak Brook involves the following elements:

- **Program.** The basic unit of the budget. Represents a discrete service or internal support function.
- **Program Goal.** Fundamental long-range mission of the program.
- **Program Performance Measure.** Continuing measure of overall program performance.
- **Program Objectives.** Specific results to be accomplished in the fiscal year. Change oriented. Focused on new initiatives, change items or areas to be emphasized.
- **Performance Auditing.** Systematic measurement of results for use in performance evaluation and establishment of new goals and objectives.

Results Budgeting helps channel the resources and the efforts of the Village toward particular results and allows the corporate authorities and management of the Village to evaluate the effectiveness of each service over time. It encourages participation by the Village Board, staff and public in an organized process to determine desired results. It is the mechanism we use in the ongoing effort to achieve the mission and vision of the Village of Oak Brook.