Budgeting & Performance: Improving Your Community Through Budgeting

A Webinar by:
Mike Bailey, City of Redmond
Larisa Benson, WA State Auditor’s Office
Goals for this session

• Builds on basic budget concepts

• Explore policy and operational roles

• Utilize “best practices”

• Illustrate examples
Beyond Budgeting Basics

• Vision / Mission
  – Alignment of budget to organization’s goals

• Accountability
  – Financial
  – Results

• Transparency
  – Communicating (translation of budget jargon)
Legal compliance

• Budgets are required by state law
  – RCW 35A.33 (code)
  – 35.33 (2\textsuperscript{nd}, 3\textsuperscript{rd}, Towns and 1\textsuperscript{st} under 300,000)

  – Appropriation type budgets are unique to government
    • Legal authority to spend on behalf of the city
      – Delegated to staff via a budget
Community Accountability

• Increasing interest area for citizens
  – Financial accountability
    • How are we spending their money
    • What are we accomplishing
  – Purpose accountability
    • What we are spending their money on
What is the right approach?

• It depends!
  – We have separate local governments to respond to our unique character, culture and needs
  – We have different people involved in decision making
    • Different perspectives – ideas – opinions
  – We have different roles among those involved
    • Policy, administration, program management

Each City is Unique!
National Advisory Council for State and Local Budgeting available on-line

www.gfoa.org/services/nacslb
What is a Budget?

The Budget is an economic plan that focuses the entity’s financial & human resources on the accomplishment of specific goals & objectives established by the policy makers.

The budget establishes the annual (or biennial) expenditure levels for “all“departments & funds.

- These expenditure levels are called appropriations, and they represent spending limits.

From National Advisory Council on State and Local Budgeting
(www.gfoa.org/services/nacslb)
The NACSLB Process is Ongoing

1. Establish Broad Goals to Guide Decision Making
2. Develop Approaches To Achieve Goals
3. Develop a Budget Consistent with Approaches To Achieve Goals
4. Evaluate Performance And Make Adjustments

Principles
1. Stakeholder Input
2. Vision/Mission Goal setting
3. Short-term goals
4. Direction to staff
5. Operating / budget Impacts
6. Adopt budget
7. Monitor results
8. Adjust as necessary

Elements
Budget versus Mission

• How does a budget relate to your city’s mission?
  – Do you have / know your mission?
  – Strategic plan / annual budget retreat / goals

• Budget instructions
  – Need to provide policy guidance from the beginning
  – Budget should be a blend of policy, operations and financial elements
Broad Goals

- Not time limited
- Often related to purpose
- Covers many elements of the city (not department focused)
  - Doesn’t have to cover every element
- Provides overall direction
  - Can be general or tangible
Developing Broad Goals

• May already exist elsewhere
  – Strategic plan, comprehensive plan, etc.

• Should relate to other plans
  – Be consistent with transportation plan for example

• Not a routine function of a council meeting
  – A “retreat” is a necessary budget step
  – Community input (more on this in a moment)
  – “Environmental” scan
Element 3 (NACSLB)

Develop and Disseminate Broad Goals

Renton Business Plan

Vision

Mission

The City of Renton, in partnership and communication with residents, businesses, and schools, is dedicated to:

- Providing a healthy, welcoming atmosphere where citizens thrive to live, raise families, and take pride in their community.
- Promoting planned growth and economic vitality.
- Valuing our diversity of language, housing, culture, backgrounds, and cultures.
- Capitalizing on the diversity of the community to build stronger neighborhoods and ensure the availability of city services to all.
- Creating a positive work environment.
- Meeting service demands through innovation and commitment to excellence.

2011-2016 Goals

Meet the service demands that contribute to the livability of the community

- Meet the service demands that contribute to the livability of the community.
- Maintain service levels at levels that can be reasonably achieved.
- Plan, develop, and maintain quality services, infrastructure, and amenities.
- Reap the benefits of coordinated planning opportunities in urban centers and public open space.
- Maintain service levels at levels that can be reasonably achieved.
- Balance development with environmental protection.

Influence decisions that impact the city

- Demonstrate leadership by developing and maintaining partnerships with other organizations that impact services.
- Encourage and partner in the development of quality housing choices for people of all ages and income levels.
- Encourage the health, safety, and security of residents through effective service delivery.
- Promote development efforts through identified economic development strategies.
- Promote robust employment opportunities.
- Manage growth through sound urban planning

2011-2016 Goals

- Develop a strategy to maintain a healthy and safe community.
- Develop a strategy and plan for developing sustainable and renewable energy programs.
- Promote economic development by reducing the perception of the Western Business District.
- Continue to develop and implement the Western Business District.
- Support the development of the Western Business District.
- Improve the community through comprehensive planning and development.
- Promote economic development by increasing the perception of the Western Business District.
- Continue to develop and implement the Western Business District.
- Support the development of the Western Business District.
- Improve the community through comprehensive planning and development.

Business Plan Actions • 2011-2016

Influence decisions that impact the City of Renton

2011-2016 Actions

- Support the development of the Western Business District.
- Develop a strategy to maintain a healthy and safe community.
- Develop a strategy and plan for developing sustainable and renewable energy programs.
- Encourage and partner in the development of quality housing choices for people of all ages and income levels.
- Encourage the health, safety, and security of residents through effective service delivery.
- Promote development efforts through identified economic development strategies.
- Promote robust employment opportunities.

Next steps: Expand participation in the Western Business District.

Promote strong neighborhoods

2011-2016 Actions

- Support the development of the Western Business District.
- Develop a strategy to maintain a healthy and safe community.
- Develop a strategy and plan for developing sustainable and renewable energy programs.
- Encourage and partner in the development of quality housing choices for people of all ages and income levels.
- Encourage the health, safety, and security of residents through effective service delivery.
- Promote development efforts through identified economic development strategies.
- Promote robust employment opportunities.

Promote citywide economic development

2011-2016 Actions

- Support the development of the Western Business District.
- Develop a strategy to maintain a healthy and safe community.
- Develop a strategy and plan for developing sustainable and renewable energy programs.
- Encourage and partner in the development of quality housing choices for people of all ages and income levels.
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- Promote robust employment opportunities.

Manage growth through sound urban planning

2011-2016 Goals

- Develop a strategy to maintain a healthy and safe community.
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- Promote development efforts through identified economic development strategies.
- Promote robust employment opportunities.
- Manage growth through sound urban planning.
Vision Point Strategic Plan Impacts

Vision Point Two — We Are Leaders
❖ High quality services coupled with financial stewardship
  o Review and discuss growth related policies.
    Team Co-Leaders: Tom Brymer/ Todd Wood / Debbie Piper

Vision Point Three — Hospitality Finds Its Home in Westlake
❖ Citizen engagement and communication
  o Use of technology to enhance service delivery and citizen engagement.
    Team Leader: Todd Wood
In this challenging environment, governments need precise and practical information to make important decisions.

The State Auditor’s Office created a **Local Government Performance Center** to offer help using performance management strategies to make government work better and cost less.

We offer tools, training and technical assistance to local governments who want to:

- Evaluate and improve their programs
- Prioritize resources and increase efficiency
- Engage citizens and be more responsive to customers

**Our goal and your goal:** better results for citizens and customers at lower cost to government and taxpayers
Five examples of what we’re doing

1) Citizen engagement tools and resources
   • Training on how to engage and report to citizens, increasing transparency
   • Pilot citizen survey project with Walla Walla, creating a template

2) Performance measure training and assessments
   • Training on how to develop performance measures and how to use performance data to evaluate and improve government services

3) Demystifying tools like “lean management” – can we do more with less?
   • Training plus a peer-support network to help governments learn and use process improvement methods to develop faster, cheaper delivery systems

4) Staff analysis training and tools
   • Help government leaders evaluate costs of overtime versus adding staff
   • Training formats include classroom style, webinar, and on-site

5) Ideas for saving money
   • For example sharing lessons learned from a recent state audit in a checklist format is helping governments save money on cell phone costs
This management framework was developed by Larisa Benson and Eva Santos for Governor Christine Gregoire in 2006.
What does “citizen engagement” look like?

Citizen workshops ➔ Community leader roundtables ➔ Town Hall meetings
Priority areas of state government based on citizen workshops in 2007

- **EDUCATION**: 51%
- **HEALTH CARE**: 38%
- **ECONOMY**: 27%
- **SOCIAL SERVICES**: 22%
- **TRANSPORTATION**: 18%
- **ENVIRONMENT**: 15%
- **SAFETY**: 10%
Washington State citizens ranked these measures in order of priority (2007 workshops):

<table>
<thead>
<tr>
<th>EDUCATION:</th>
<th>HEALTH:</th>
<th>ECONOMY:</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. Low Income Student Achievement Gap*</td>
<td>2. Infant Mortality*</td>
<td>2. Business Survivability*</td>
</tr>
<tr>
<td>3. Graduates in High Demand Fields*</td>
<td>3. Adult Obesity*</td>
<td>3. Household Income*</td>
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<tr>
<td></td>
<td>5. Tobacco Use - Adult</td>
<td>5. Median Hourly Wage</td>
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<tr>
<td></td>
<td></td>
<td>6. Median Home Price</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>SOCIAL SERVICES:</th>
<th>TRANSPORTATION:</th>
<th>ENVIRONMENT:</th>
</tr>
</thead>
<tbody>
<tr>
<td>3. Long-term Care</td>
<td>3. Travel Times in Major Corridors*</td>
<td>3. Air Quality</td>
</tr>
<tr>
<td></td>
<td></td>
<td>5. Endangered Wildlife*</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>SAFETY:</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Re-Offense Rate*</td>
</tr>
<tr>
<td>2. Crime Rates*</td>
</tr>
<tr>
<td>3. Emergency Responder Communication</td>
</tr>
</tbody>
</table>
Context

• Start with an “Environmental Scan”
  – What’s changing that you should react to?
  – What do you want to see changed (that you need to initiate)?

• Economic context
  – Financial sustainability
    • Adding on-going costs
Formal vs. Informal

• I suggest a “retreat”
  – This type of effort is not an item on your agenda

• Create the right atmosphere
  – Not your council chambers – not business as usual

• Get a facilitator
  – An experience, impartial voice who can “push” toward your goals for the discussion
Formal vs. Informal

• Don’t be satisfied until you develop real goals
  – Often easy to stop before difficult choices need to be made

• Adopt the goals as your policy statement

• Informal goals
  – “fill the gap”
    • when policymakers are unable to provide formal policy direction
The Town is home to several communities; residential, corporate and agricultural uses. Our largest residential development is home to a state of the art golf facility and many beautiful homes. Stagecoach Hills is located along the historic stagecoach line which transported passengers from Keller to Denton. Westlake neighborhoods include:

- Aspen Lane
- Glenwyck Farms
- Mahotea Boone
- Paigebrooke Farms
- Stagecoach Hills
- Terra Bella
- Vaquero
- Wyck Hill

The Town is located along the Tarrant and Denton County borders and has portions of major State highways that surround our perimeter. We are an ideal location for businesses and have enjoyed a long history with our corporate campus developments.

### Key Result Areas Supporting the Vision Point

<table>
<thead>
<tr>
<th>On-going comprehensive planning</th>
<th>Sensitivity to Neighborhood Integrity</th>
<th>Outstanding Community Appearance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Short-Range Goals</strong></td>
<td><strong>Integrity</strong></td>
<td><strong>Short-Range Goals</strong></td>
</tr>
<tr>
<td><strong>Mid-Range Goals</strong></td>
<td><strong>Landscaped Entrances</strong></td>
<td><strong>Short-Range Goals</strong></td>
</tr>
<tr>
<td><strong>Proxinct Line Rd. Construction</strong></td>
<td><strong>Connected Trail System</strong></td>
<td><strong>Streetscape Projects</strong></td>
</tr>
<tr>
<td><strong>Develop Master Plan as Community Focal Point</strong></td>
<td><strong>Long-Range Goals</strong></td>
<td></td>
</tr>
</tbody>
</table>
Evaluating Results

• Performance measurement efforts
  – Budget based vs alternatives
  – Reporting out
    • Internally for process improvement
    • Externally for accountability to community

• Policy focus
  – Outcomes are relevant to policy decisions
    • What do we want more / less of?
    • What works?
Surveys

• Increasingly common tool
  – Surveys are used to inform at the beginning of a budget
  – Surveys are used to confirm progress or alignment at the end of a reporting period

• Bottom line is – are citizens getting the type and quality of service that they feel they are paying for? - What we call the “value proposition”
Local government engaging citizens in setting priorities

Relative Importance, Performance: Quadrant Analysis

Source: Elway Research, Inc.
"Gap" = Importance Minus Performance

Gap = the distance between each individual respondent’s rating of the importance of a service and the rating for the city’s performance in delivering that service. The "Gap Score" for a service is the average of the gaps across all respondents.

Source: Elway Research, Inc.
Community Outcomes

• Government performance is about meeting needs
  – Performance management is a focus on intended outcomes – long range
  – Outputs are necessary to get to the outcomes
    • But outputs are not the reason cities exist
      – We write traffic tickets to help improve safety
      – We host community events to enhance the quality of life
      – We create budgets to improve the efficiency of our spending and operations to accomplish our mission
Measuring what really matters

Public Safety “Logic Model”

Output (Primary Product or Service)

Immediate Outcome

We investigate crimes
• # burglaries
• # cases assigned

We solve cases...
• % cases cleared with arrest

Intermediate Outcome

We prosecute criminals...
• Conviction rate

Ultimate Outcome

...so that...

Communities are safer.
• % residents who feel safe in their communities
• # crimes per resident
Approaches to Achieve Goals

• Financial policies

• Strategies
  – Sometimes called business plans
  – Departmental goals
    • Are they connected to broad goals

• Program inventory
  – Who has responsibility for advancing which goal?

• Long term financial planning
Renton Results

- Safety
- Mobility
- Representative Government
- Livable Community
- Environment
City of Renton – Core Services

Safety
- Community Risk Reduction
- Law & Regulation Enforcement
- Incident Response

Representative Government
- Community Risk Reduction
- Representation
- Civic Leadership
- Citizen Engagement
- Due Process
- Fiscal Accountability

Livable Community
- Human Services
- Recreation
- Neighborhoods
- Arts & Culture
- Parks
- Special Events
- Economic Development
- Land Use
- Library

Environment
- Streets, Sidewalks & Trails
- Transportation Planning & Programming
- Airport
- Environmental Sustainability
- Utility Systems
- Open Space

Renton Results
- Law & Regulation Enforcement
- Incidents Response
- Administrative Support
- Resource Development
- Incident Response
- Administrative Support
- Resource Development
Safety and Health (39 offers)

“I want Renton to be a safe and healthy community.”

- Perception of a crime free community and sense of security and protection.
- Well prepared for emergency/disaster.
- Timely, effective responses to requests for services.
- Services that support physical, mental, environmental, and financial health.

<table>
<thead>
<tr>
<th>City Service Area</th>
<th>Desired result</th>
<th>Strategies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human Services</td>
<td><strong>Baseline</strong></td>
<td>FTE</td>
</tr>
<tr>
<td></td>
<td><strong>Expenditure</strong></td>
<td><strong>Revenue</strong></td>
</tr>
<tr>
<td></td>
<td>$357.90</td>
<td>$48,892,986</td>
</tr>
<tr>
<td></td>
<td>$12,762,669</td>
<td>$12,501,758</td>
</tr>
<tr>
<td>City Service Area</td>
<td><strong>Baseline</strong></td>
<td>FTE</td>
</tr>
<tr>
<td></td>
<td><strong>Expenditure</strong></td>
<td><strong>Revenue</strong></td>
</tr>
<tr>
<td></td>
<td>$348.90</td>
<td>$47,821,283</td>
</tr>
<tr>
<td></td>
<td>$12,762,669</td>
<td>$12,501,758</td>
</tr>
</tbody>
</table>
The below chart represents the City Council’s short and long-term City-wide goals and objectives and links the goal and objective with the department responsible for carrying out the priorities associated with the goal and objective.

<table>
<thead>
<tr>
<th>City Council Goals</th>
<th>Department Goals</th>
<th>Implementing Department(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Continue to place a high priority on public safety services for City residents with an emphasis on community based policing and outreach efforts</td>
<td>Restore Police beat coordinator program, identify and mitigate gang-related crime, finance operation of Fire Station No. 5, coordinate exercise for disasters, continue Listos and CERT programs, develop online crime reporting system, implement software-based tracking system to prioritize criminal cases.</td>
<td>Police, Fire, Public Works, City Attorney’s Office</td>
</tr>
<tr>
<td>Address traffic safety issues</td>
<td>Conduct vehicle checkpoints, enhance traffic enforcement, improve traffic circulation at selected intersections and improve street lighting.</td>
<td>Police, Public Works</td>
</tr>
<tr>
<td>Better the quality of life for the City’s current and next</td>
<td>Provide educational programs on recycling, enhance partnership with schools and design new recreational facilities. Conduct “Walk and Talk” community</td>
<td>City Manager’s Office Utilities, Public Works, Recreation and Parks</td>
</tr>
</tbody>
</table>
Budget that Achieves Goals

- Starts with budget instructions
  - Advise staff what focus the budget will take
    - (e.g. capital investment, public safety, etc.)
  - Works with either expansion or contraction
  - Require measures indicating results
    - Illustrate connections of measures to goals
    - Set targets
- Financial plan that focuses on right areas
FISCAL & BUDGETARY POLICIES

I. STATEMENT OF PURPOSE

The overall intent of the following Fiscal and Budgetary Policy Statements is to enable the Town to achieve a long-term stable and positive financial condition. The watchwords of the Town’s financial management include integrity, prudent, stewardship, planning, accountability, and full disclosure.

The more specific purpose is to provide guidelines to the Town Manager and Finance Director in planning and directing the Town’s day-to-day financial affairs and in developing recommendations to the Town Manager and Town Council.

The scope of these policies generally span, among other issues, accounting, purchasing, auditing, financial reporting, internal controls, operating and capital budgeting, revenue management, cash and investment management, expenditure control, asset management, debt management, and planning concepts, in order to:

- Present fairly and with full disclosure the financial position and results of the financial operations of the Town in conformity with generally accepted accounting principles (GAAP), and
- Determine and demonstrate compliance with finance related legal and contractual issues in accordance with provisions of the Texas Local Government Code and other pertinent legal documents and mandates.

The Town Council will annually review and approve the Fiscal and Budgetary Policy Statements as part of the budget process.

II. SUMMARY OF POLICY INTENDED OUTCOMES

This policy framework mandates pursuit of the following fiscal objectives:

- Operating Budget: Prepare, conservatively estimate revenues, present, and adopt the Town’s
Redmond used the "Price of Government" model for budgeting for 2009-2010. We learned that our "price" has been between .05% and .06% (typically) and that was an acceptable level for the future. This includes all city "revenues".

Adopt Financial Policies
Budget Development Tips

– Calendar
– Guidelines / Instructions
– Roles
– Forecasts
– Other
Calendar

• Develop and distribute a Budget Calendar
  – Start with the “required” by state law (Use MRSC)
  – Add internal & community driven steps

• Benefits of budget calendar:
  – Provides a “big picture” view of budget process
  – Highlights important statutory deadlines
  – Assigns responsibility
  – Coordinates the preparation
  – Keeps participants on track
  – Informs stakeholders of key budget events
# 2013-2014 Schedule of Events

## Financial Planning Calendar

<table>
<thead>
<tr>
<th>Activities</th>
<th>Timeline</th>
<th>Responsibility</th>
<th>Financial Planning</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Salary/benefit worksheets to department for review</td>
<td>February 3-29</td>
<td>Finance</td>
<td>Nancy</td>
</tr>
<tr>
<td>2. Preparation of budget instructions</td>
<td>February - March</td>
<td>Finance</td>
<td>Malisa lead</td>
</tr>
<tr>
<td>3. Seek input from Council on potential changes to information, revisit</td>
<td>February 14 (assumes same PAF</td>
<td>Exec Office/Finance</td>
<td>Malisa/Mike</td>
</tr>
<tr>
<td>issues from last budget cycle, agree on any changes to next process,</td>
<td>schedule as 2011</td>
<td></td>
<td></td>
</tr>
<tr>
<td>review calendar at Public Admin and Finance Committee.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Preparation of Results Team instructions</td>
<td>February 21</td>
<td>Finance</td>
<td>Shannon lead</td>
</tr>
<tr>
<td>5. Results Team Lead training</td>
<td>February 21</td>
<td>Finance</td>
<td>Malisa lead</td>
</tr>
<tr>
<td>6. Results Team training</td>
<td>February 21</td>
<td>Finance</td>
<td>Malisa lead</td>
</tr>
<tr>
<td>7. Citizen Results Team Member Briefing</td>
<td>Week of February 20</td>
<td>Finance</td>
<td>Malisa/Mike</td>
</tr>
<tr>
<td>8. Results Teams review/develop Requests for Offers (factors and</td>
<td>February 21 - March 12</td>
<td>Results Teams</td>
<td></td>
</tr>
<tr>
<td>purchasing strategies) for each priority</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9. Capital Equipment replacement plans to Departments</td>
<td>February 27</td>
<td>Finance</td>
<td>Nancy lead</td>
</tr>
<tr>
<td>10. Council briefing on Dashboard Performance Measure update</td>
<td>February 28</td>
<td>Finance</td>
<td>Malisa/Mike</td>
</tr>
<tr>
<td>11. Salary/benefit worksheets returned to Financial Planning</td>
<td>February 29</td>
<td>All Departments</td>
<td></td>
</tr>
<tr>
<td>12. Employee briefing on Dashboard</td>
<td>March?</td>
<td>Exec Office/Finance</td>
<td>Malisa/Mike</td>
</tr>
<tr>
<td>13. Capital Equipment replacement info returned to Finance</td>
<td>March 3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>14. Department performance measure training</td>
<td>Week of March 12</td>
<td>Finance</td>
<td>Malisa/Mike</td>
</tr>
<tr>
<td>15. Council briefing on Request for Offers (PAF Committee)</td>
<td>March 13</td>
<td>Exec Office/Finance</td>
<td>Malisa/Mike</td>
</tr>
<tr>
<td>16. Final Request for Offers due to Project Team</td>
<td>March 16</td>
<td>Results Teams</td>
<td></td>
</tr>
<tr>
<td>17. Department Directors meet with Results Team Leads on final RFOs</td>
<td>March 20</td>
<td>Results Teams</td>
<td></td>
</tr>
</tbody>
</table>
City of Redmond Budgeting by Priorities Process

1. City Council approves priorities based on input from citizens in focus groups and open meeting.

2. Results Teams (including city staff and citizens) are formed around each priority.

3. Each Results Team develops a Request for Offers to support its priority. Each RFO includes 3 indicators, a cause-and-effect map and purchasing strategies.

4. Results Teams rank the offers based on contribution to the factors on the cause and effect map.

5. Based on rankings and feedback, Departments revise and resubmit offers. Results Teams rank offers again, this time including mandates.

6. Mayor uses Results Teams recommendations to develop Budget.


8. Council reviews budget, holds public hearings (Oct 16 & Nov 20) and adopts final budget in Nov/Dec.

9. Mayor uses Results Teams recommendations to develop Budget.

10. Results Teams use rankings to develop recommended purchases to advance priority.

Using focus groups and an open public meeting, City collects input on citizen’s expectations.

Citizens review RFOs, come to community meeting to submit their suggestions to departments.

WE ARE HERE

Mayor’s budget

FINAL BUDGET

43
Renton’s 2010 process

**RESULTS TEAM** (Due May 15)
- Prepare “Request for Results” with:
  - Cause and effect map
  - Key results for service areas
  - Key performance indicators for success
  - Purchasing Strategies/evaluation criteria for selecting offers
  - Proposal submittal form / format

**DEPARTMENT** (by Mid July)
- Prepare Offers for specific results:
  - Write “offers” to provide services that respond to the request for results.
  - Re-build the program at the minimum service level with options to meet the request—how will the City deliver this service?
  - Identify 3 performance indicators that demonstrate the City is accomplishing requested results

**RESULTS TEAM** (2 rounds, by end of July)
- Prioritize proposals
  - Prioritize proposals based on purchasing strategies and ability to achieve identified results
  - Submit recommendation w/ rationale to city administration

**ADMINISTRATION**
- Prepare Balanced Budget
  - Prioritize services and revenue options
  - Prepare balance budget
  - Submit preliminary budget to Council

**CITY COUNCIL**
- Review and Adopt Budget
  - Review budget submittal
  - Direct staff make desired changes
  - Conduct public hearing
  - Adopt budget as amended
Guidelines / Instructions

• General set of guidelines regarding budget increases/decreases and service levels

• Provides “focus” in the budget process

• Serves as a tool to:
  – Minimize misunderstanding and extra work
  – Facilitates the evaluation of budget requests

• Should reflect the:
  – Short term and long term goals of your entity
  – Established financial policies
  – Budget Priorities
Roles

• Policymakers
  – Set initial policy direction
  – Adopt a budget that reflects that policy

• CEO (Mayor / Manager)
  – Proposes preliminary budget
  – Provides revenue estimates

• Staff
  – Advocates for their programs
Forecasts

• Start with what you know (or think you know)
  – Property Taxes
  – Salaries
  – Debt Service
  – Contracts
  – Fixed Costs
  – Debt Obligations

• Add assumptions for more volatile items
  – Sales / Business Tax
  – Utility / Fuel Costs

• Create parameters for new initiatives
  – Some from forecasts
  – Some from what if’s
Forecast Period

• Budget term
  – Annual / biennial

• Long-term financial forecasts
  – Helpful for context
  – Can illustrate longer-term effect of current decisions
  – Decision making context
## Long Range Financial Planning

### CITY OF MUKILTEO STREET FUND

**For Preliminary Fiscal Fund Analysis**

<table>
<thead>
<tr>
<th></th>
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<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>Beginning Fund Balance</strong></td>
<td>$57,566</td>
<td>$121,846</td>
<td>$159,900</td>
<td>$104,974</td>
<td>$19,344</td>
<td>$50,714</td>
<td>$65,414</td>
<td>(rounded to $00's)</td>
</tr>
<tr>
<td><strong>REVENUES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Motor Vehicle Fuel Tax</td>
<td>$311,093</td>
<td>$297,213</td>
<td>$296,801</td>
<td>$290,000</td>
<td>$295,000</td>
<td>$297,000</td>
<td>$298,000</td>
<td>Flat to 2012</td>
</tr>
<tr>
<td>Interest Earnings</td>
<td>2,407</td>
<td>951</td>
<td>272</td>
<td>240</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>1.0%</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>$313,500</td>
<td>$298,164</td>
<td>$297,073</td>
<td>$290,240</td>
<td>$295,100</td>
<td>$297,100</td>
<td>$298,100</td>
<td></td>
</tr>
<tr>
<td><strong>EXPENDITURES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personnel</td>
<td>$343,371</td>
<td>$365,267</td>
<td>$364,705</td>
<td>$370,660</td>
<td>$375,000</td>
<td>$386,300</td>
<td>$397,900</td>
<td>3.0%</td>
</tr>
<tr>
<td>Supplies</td>
<td>75,880</td>
<td>66,181</td>
<td>$77,565</td>
<td>$75,880</td>
<td>$70,700</td>
<td>$71,400</td>
<td>$72,100</td>
<td>1.0%</td>
</tr>
<tr>
<td>Services</td>
<td>251,495</td>
<td>212,243</td>
<td>$220,448</td>
<td>$229,320</td>
<td>$206,070</td>
<td>$200,000</td>
<td>$200,000</td>
<td>Flat</td>
</tr>
<tr>
<td>Intergovernmental</td>
<td>45,078</td>
<td>35,866</td>
<td>$25,583</td>
<td>40,610</td>
<td>42,000</td>
<td>40,000</td>
<td>40,000</td>
<td>Flat</td>
</tr>
<tr>
<td>Capital Outlays</td>
<td>8,445</td>
<td>0</td>
<td>3,202</td>
<td>0</td>
<td>5,000</td>
<td>5,000</td>
<td>5,000</td>
<td>Flat</td>
</tr>
<tr>
<td>Interfund Payments</td>
<td>71,260</td>
<td>72,235</td>
<td>0</td>
<td>85,500</td>
<td>49,960</td>
<td>69,700</td>
<td>71,800</td>
<td>Based on Schedule</td>
</tr>
<tr>
<td><strong>Total expenditures</strong></td>
<td>$795,529</td>
<td>$751,792</td>
<td>$691,503</td>
<td>$801,970</td>
<td>$748,730</td>
<td>$772,400</td>
<td>$786,800</td>
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</tr>
<tr>
<td><strong>Income (Loss) Before Accruals</strong></td>
<td>($482,029)</td>
<td>($453,628)</td>
<td>($394,430)</td>
<td>($511,730)</td>
<td>($453,630)</td>
<td>($475,300)</td>
<td>($488,700)</td>
<td></td>
</tr>
<tr>
<td>Accruals (Payments and receivables)</td>
<td>$31,308</td>
<td>($13,348)</td>
<td>($10,496)</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Operating Transfers In</td>
<td>$15,000</td>
<td>505,000</td>
<td>350,000</td>
<td>426,100</td>
<td>485,000</td>
<td>490,000</td>
<td>503,000</td>
<td></td>
</tr>
<tr>
<td><strong>Ending Fund Balance</strong></td>
<td>$121,846</td>
<td>$159,870</td>
<td>$104,974</td>
<td>$19,344</td>
<td>$50,714</td>
<td>$65,414</td>
<td>$79,714</td>
<td></td>
</tr>
</tbody>
</table>
Other Tips

• Transparency
  – Often other participants just want to know what is going on
  – Communicate – it takes effort
    • Internal and external
• “Form guides content”
  – Use the “forms” effectively
  – Forms take many forms
More Tips

• Budget goals & priorities met? (take a big picture view)
• Budget cuts?
  – Analyze level of service
  – Across the board cuts may not be best
• Review expenditure distribution
  – Wages/benefits, M & O costs
  – Overtime (growing?)
• Avoid creative budgeting practices / red flags
  – Interfund loans, surplus distributions, negative fund balance
• Consider Interlocal agreements for service?
Expenditures

• Focus on key issues

• Compensation
  – Salaries, taxes, medical, pensions
  – A significant share of your expenditures

• Other big drivers
  – Fuel, utilities
  – Replacement accounts
Outline of Budget

1. Table of contents – to use as a guide
2. The budget message – to provide overall perspective
   1. Most important part – include policy direction – operating impacts
3. Fund balances – to determine amounts and usage
4. Financial summary – compare to previous years
   1. Revenues and expenditures – total and by fund
5. Debt – to illustrate entity debt level
6. Personnel changes – explain additions and/or deletions
7. Departmental budgets – program descriptions
8. Capital Improvement – what & effect on operation
What to include

• Mission Statement / vision
• Budget Message (from mayor / manager)
  – Concise – key messages
• Summary of Funds
• General & Economic Context
• Revenue Summary
• Performance Measures
  – Identify programs &/or activities to measure
  – Develop performance benchmarks
More to include

• Departmental Narratives
  – Department Organizational Chart
  – Staffing authorizations (FTE)
  – Ongoing Functions
  – Current year accomplishments
  – Requesting year goals

• Personnel Services
  – Employees classification/salary schedule
  – Benefit packages
Communications

• Chief spokespersons
  – CEO, Chief Policy spokesperson, council members
  – City staff – department heads
  – Consistent messages
    • Key messages
    • Other issues that always come up
      (tax increases, personnel changes, capital projects)
Keep it Simple

• Easy for us to explain how to build the watch
  – Property taxes
  – Key budget messages
  – Personnel (FTEs, layoffs, etc.)
  – Funds – and other esoteric governmental accounting jargon
  – GASB 54
    • who really cares
      – but it matters, so…
Public Hearings / Adoption

• Hearings are required for...
  – Preliminary budget (RCW 35.33.057)
  – “Final Budget” (RCW 35.33.071)
    • Budget becomes “final” – “on or before the first Monday of the month next preceding the beginning of the ensuing fiscal year” (i.e. 1st Monday in December)
  – Property taxes – hearing required (RCW 84.55.120)

• Adoption
  – By ordinance by year-end
  – Ordinance determines budget adoption level
Final Steps / Implementation

• Adoption of the budget is...
  – The first step of next budget period
  – Need to make appropriate changes
    • Personnel (wages, moves, funding)
    • Implement any new agreements

• Follow-up
  – Monitoring
    • At least quarterly (RCW 35.33.141)
    • Should be more often if any “red flags” exist
    • Should be very public (transparency)
Monitor and adjust (if necessary)

• Monitor both financial plans and operational plans
  – Are revenues performing
  – Are expenses in line
    • If not why (learn from it)
  – Are goals being met / will they be?
    • If not why (learn from it)

• Adjust through budget amendment
  – Amendment is a formal action (adjustment isn’t)
Tracking better than budget due to **one-time** revenues and control of expenditures.
Lower water sales and development revenues
Costs being controlled as well
Conclusion

• Focus on defining the value you provide
  – Goals lead to great discussions
  – Policy makers define the products and levels of service your organization should deliver

• Mechanics need to support the big picture
  – Alignment isn’t automatic (or always easy)

• Follow-up and set the stage for next steps
  – Continuous improvement toward real results
Welcome!
The Local Government Performance Center offers training and tools to help solve problems, reduce costs, and improve services. Please let us know what you think by email at performance@sao.wa.gov or through this anonymous survey.

Cell Phone Savings
In 2011, the State Auditor’s Office identified tools and resources that help make government work better, faster and cost less. Although originally written for state government, the tools and resources are applicable to local government. This three-page paper includes tips and related resources for saving money on cell phone use.

Communicating with Citizens Training
This presentation is from a one-hour training on communicating with citizens. This presentation was given at the 2012 annual conference for the Association of Washington Cities. The training focuses on how governments choose the appropriate method of citizen participation based upon their objectives and desired level of participation.

New website launches November 5:
www.sao.wa.gov/PerformanceCenter
Questions?

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360-725-9720