

# Best Practices for Budgeting and Fiscal Policy

Presented to Maryland GFOA



Government Finance Officers Association

April 26, 2019

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### Best Practices by Topic

- > Financial Policies
- > Accounting & Financial Reporting
- > Budgeting & Financial Planning
- > CIP / Economic Development
- > Debt Management
- > Financial Management
- > Pension & Benefit Administration
- > Technology
- > Treasury and Investment Management



<http://www.gfoa.org/best-practices>



- Budget Awards home page
  - <http://www.gfoa.org/budgetaward>

## Distinguished Budget Presentation Award Program (Budget Awards Program)

- **NEW - Most Recent Award Results Sorted by State/Province: Budget Years Beginning 1/1/2018 (Winners through September 30, 2018)**
  - The **outstanding worksheet** highlights the governments that have received three outstanding ratings on any of the individual 27 Budget Awards criteria. The specific criteria are noted where they have received the outstanding rating.
- **Award Results Sorted by State/Province: Budget Years Beginning 1/1/2017 (Winners through September 30, 2018)**
- **Award Results Sorted by State/Province: Budget Years Beginning 1/1/2016**
- **Award Results Sorted by State/Province: Budget Years Beginning 1/1/2015**
- **Award Results Sorted by State/Province: Budget Years Beginning 1/1/2014**
- **Reviewers of Budget Documents During 2017 Calendar Year**
- **Details on how to become a Participant or Reviewer**



## 1. Adopting Financial Policies

Strong reasons for formal adoption:

- Institutionalizes good financial mgt practices
- Clarifies strategic intent for financial mgt
- Defines boundaries and framework for actions
- Supports good bond ratings
- Promotes long-term, strategic thinking
- Manages risk to financial condition
- Complies with established public management best practices



## 1. Adopting Financial Policies

**Scope** – Basic categories

- General fund reserves
- Reserves in other funds
- Grants
- Debt
- Investment
- Economic development
- Accounting and financial reporting
- Risk management and internal controls



## 1. Adopting Financial Policies

### **Scope** – Basic categories

- Procurement
- Long-term financial planning
- Structurally balanced budget
- Capital
- Revenues
- Expenditures
- Operating budget



## 1. Adopting Financial Policies

### **Development**

- Define problem to be addressed
- Draft policy – legal requirements, public comments, peer governments
- Review with governing body
- Governing body formally adopts
- Implement



## 1. Adopting Financial Policies

### ***Design***

- Must be in written form
- Expressed in understandable manner to the intended audience
- Available to stakeholders in more than one medium and accessible by multiple means
- Address all relevant issues and risks in a concise fashion



## 1. Adopting Financial Policies

### ***Presentation***

- Same section of the budget
- Original and revision dates on each policy

### ***Review***

- Monitored, reviewed and updated in a systematic way
- If not being followed, analyze reasons



## Compliance with Financial Policies

The District is in full compliance with the Financial Policies adopted in May 2012, as described above and provided in their entirety in Appendix D.

Specifically, the District has taken the following actions to ensure compliance with the Financial Policies:

- The annual operational expenditures for the District, including debt service, are less than the annual operating revenue forecasted to be received, meeting the requirement for a balanced budget.
- The District has designated an Operating Reserve of 15% of budgeted operating revenues (\$2,226,000) and a Cash Flow/Liquidity Reserve of \$10,987,000. These reserves meet the minimum requirements established in the Financial Policies.
- The District has estimated revenues conservatively for the current fiscal year. Additionally, one-time revenue sources have not been used to balance the operating budget, and there are no “unpredictable” revenues forecast in the budget or used to balance the budget.
- The District has adequately budgeted to meet all of its debt service requirements, and has maintained its debt service coverage ratio at a level higher than is required by bond covenants.
- There are adequate revenues available to transfer to the Capital Projects Fund to meet the near-term needs in the Capital Improvement Plan, although there are some shortfalls projected in some years of the plan.

A description of how the District will manage those shortfalls can be found in the Capital Improvement Plan section of this budget document.

Financial Policy Compliance		
NSD Policy	Target	FY 15/16
Balanced Budget	Operating revenues minus operating expenditures > \$0	\$1,671,153
Operating Reserve	15% of Operating Budget	15.0%
Cash Flow Reserve	As necessary	\$10,987,000
Debt Coverage Ratio	> 1.25x coverage	1.98x



## 2. Determining the Appropriate Level of Unrestricted Fund Balance in the General Fund

- Focus on *unrestricted fund balance* (GAAP)
  - Committed fund balance
  - Assigned fund balance
  - Unassigned fund balance
- Minimum level of *unrestricted fund balance*
  - Two months of regular revenues *or* regular expenditures



## 2. Determining the Appropriate Level of Unrestricted Fund Balance in the General Fund

- Factors to be considered in context of long-term forecasting
  - Revenue predictability, expenditure volatility
  - Perceived exposure to one-time outlays
  - Availability of other resources or potential drain by other funds
  - Impact upon bond rating, cost of borrowing
  - Commitments and assignments



## 2. Determining the Appropriate Level of Unrestricted Fund Balance in the General Fund

- Policy components
  - Time period and contingencies for its use
  - How expenditure levels will be adjusted to match any new economic realities
  - Time period over which it will be replenished and the means by which to do so



## 2. Determining the Appropriate Level of Unrestricted Fund Balance in the General Fund

- Factors influencing the replenishment time horizon
  - Budgetary reasons behind the fund balance targets
  - Recovering from an extreme event
  - Political continuity
  - Financial planning time horizons
  - Long-term forecasts and economic conditions
  - External financing expectations



**CITY OF WHEAT RIDGE  
UNRESTRICTED FUND BALANCE POLICY  
*Adopted by City Council June 2011***

City of Wheat  
Ridge, CO.

The City of Wheat Ridge has determined it to be a sound, financial practice to maintain adequate levels of unrestricted fund balance in its General Fund in order to mitigate current and future risks such as revenue shortfalls and unanticipated expenditures as well as to ensure stable tax rates. Additionally, the City believes that adequate unrestricted fund balance levels are a critical consideration to the City's long-term financial planning. In this regard, the City has established the following fiscal policy related to its unrestricted fund balance.

#### **Maximum and Minimum Amounts**

The City will maintain a minimum unrestricted fund balance of at least two months or approximately 17%, as recommended by the Government Finance Officers' Association (GFOA), of its General Fund operating expenditures. The City's maximum unrestricted fund balance shall not exceed 35.0% of General Fund operating expenditures. Not precluding the aforementioned minimum and maximum percentages, the City will annually target to maintain a 25.0% unrestricted fund balance percentage level as part of its annual budget process.

#### **Use of Funds**

While targeting to maintain an annual unrestricted fund balance of 25.0%, the City understands there may be circumstances that warrant that the City use these funds temporarily. The City has established the following instances where it may elect to use these funds:

- An economic downturn in which revenues are below budget
- Unexpected and unappropriated costs to service and maintain current City operations
- Unexpected and non-budgeted emergencies, natural disaster costs, and/or litigation
- Grant matching
- Early retirement of debt
- To cover deficits in other funds due to a shortfall in budgeted revenues
- Capital asset acquisition, construction and improvement projects

The use of the unrestricted fund balance for the above permitted events which cause the unrestricted fund balance to fall below the targeted 25% level will require a majority vote by City Council. Use of the restricted fund balance which causes the unrestricted fund balance to fall below the minimum required level of 17% will require a super majority vote by Council.





### 3. Determining the Appropriate Levels of Working Capital in Enterprise Funds

- Use working capital as the measure of available margin or buffer in enterprise funds.
- Defined as current assets minus current liabilities
- Recommendations:
  - Establish appropriate allowance for uncollectibles.
  - Ensure inventories and prepaids included in current assets are realistic one-year estimates.
  - Target of no be less than forty-five (45) days worth of annual operating expenses.



### 3. Determining the Appropriate Levels of Working Capital in Enterprise Funds

- Considerations and factors for setting a working capital target:
  - Support from general government
  - Transfers out
  - Cash cycles
  - Customer concentration
  - Demand for services
  - Control over rates and revenues.



### 3. Determining the Appropriate Levels of Working Capital in Enterprise Funds

- Considerations and factors for setting a working capital target:
  - Asset age and condition
  - Volatility of expenses
  - Control over expenses
  - Management plans for working capital
  - Separate targets for operating & capital needs.
  - Debt position



### 4. Establishing Government Charges and Fees

- Adopt formal policy (public)
  - Factors to be taken into account in pricing
  - Intent to recover full cost?
  - Circumstances where more or less than 100% recovery permitted
  - Rationale for not recovering full cost
- Full cost should be calculated to provide a basis for setting fees or charges
- Review and update regularly



- As a part of the budget process, the Board set water rates that will go into effect on January 1, 2016.
- The planned water rate adjustment is 2.5% based on a cost of service analysis. This represents an impact of \$1/month for the typical residential customer. The main cost drivers that make an increase in 2016 necessary are investments in infrastructure replacement, labor expenses, security enhancements, and a gradual decline in indoor water use.
- The 2016 rate is consistent with WaterOne’s approach to avoid rate volatility by creating incremental rate adjustments. Stable, predictable rates are preferred by customers and promote the growth of the local economy.



Department / Description	FY15 Rate	FY16 Rate	Net Revenue Impact	Reason for Change
<b>NEW FEES</b>				
<b>Parks and Conservation Resources</b>				
<u>1. Proposed new fee for a Six (6) Month Pass for Fort DeSoto Park, Sand Key Park and Fred Howard Park (beach) Parking Fee.</u>	None	<u>\$45.00</u>	\$5,000	The availability of a 6-month pass may appeal to part-time residents. Proposed fee is 60% of the \$75 Annual Pass.
<u>2. Proposed new fee for a Senior Citizen Six (6) Month Pass for Fort DeSoto Park, Sand Key Park and Fred Howard Park (beach) Parking Fee.</u>	None	<u>\$30.00</u>	\$2,500	The availability of a 6-month pass may appeal to part-time residents. Proposed fee is 55% of the \$55 Senior Citizen Annual Pass.
<u>3. Proposed new fee for a Military Six (6) Month Pass for Fort DeSoto Park, Sand Key Park and Fred Howard Park (beach) Parking Fee.</u>	None	<u>\$30.00</u>	\$500	The availability of a 6-month pass may appeal to part-time residents. Proposed fee is 55% of the \$55 Military Annual Pass.



## 5. Establishing an Effective Grants Policy

- Provides staff guidance to staff in order to maximize the benefits and minimize the risks of receiving grants.
- Identifies formal steps to take prior to applying for or accepting a grant.
- Policy should include, at a minimum, the following:
  - *Grants identification and application*
  - *Strategic alignment*
  - *Funding analysis*
  - *Evaluation prior to renewal or grant continuation*
  - *Administrative and operational support*



### Funding Contracts with Outside Granting Agencies

- All applications for new grants, which are submitted by a department during the off-budget cycle and request a match from the County's General Fund, must be approved by the Board of Supervisors.
- All applications for new grants, submitted by a department during the off-budget cycle, which do not require a match from the County's General Fund, must be approved by the County Manager.
- If new grants or contracts are received by the County, either by any of its agencies headed by elected or appointed officials, they must be approved first by the Board of Supervisors.
- Under ARS 42-17102, all expenditures must be shown in the budget, regardless of the source of the funds which pays for the expense.
- Departments must appropriate funds for grants that are received off-budget cycle. If it is a new grant, an appropriation is made to the budget holding account. Once the grant is awarded, a budget adjustment is made to move the appropriation into the new fund.
- Grant funds that have accumulated a fund balance must expend that fund balance before requesting new funds from the granting agency. An exception is made when there are grant restrictions on the use of the fund balance for a specific purpose.



## 6. Creating a Comprehensive Risk Management Program

- Identify potential events that may affect the government adversely
- Protect and minimize risks to the government's property, services and employees
- Grown in importance due to:
  - Legal, political, medical liabilities
  - Increased use of technology
  - Higher litigation costs
- Following **5 steps** should be included in an effective risk management program:



## 6. Creating a Comprehensive Risk Management Program

### 1. *Risk identification*

- Physical environment (disasters & infrastructure)
- Legal environment (laws and legal precedents)
- Operational environment (day-to-day activities within the organization, workforce demographics)
- Political environment
- Social/community environment
- Economic environment
- Internal environment (the attitude of individuals towards risk)



## 6. Creating a Comprehensive Risk Management Program

2. *Risk evaluation*
  - Frequency and severity
3. *Risk treatment*
  - Loss prevention and control (training, workshops, etc)
  - Risk transfer (financial, contractual, etc)
  - Risk retention (self insures)
  - Risk avoidance
4. *Risk management implementation*
5. *Risk management review*



## 7. Achieving a Structurally Balanced Budget

- Clarify distinction between satisfying a statutory definition and a true structurally balanced budget.
- Define parameters for achieving and maintaining structural balance whereby recurring revenues equal recurring expenditures in the adopted budget.
- Identify key items, including:
  - *Recurring and non-recurring revenues*
  - *Recurring and non-recurring expenditures*
  - *Reserves*
- Adopt a formal, written policy calling for structural balance of the budget.
- Require the budget presentation to clearly identify how recurring revenues are aligned with or not aligned with recurring expenditures.



Consolidated Sources, Uses and Fund Balance by Fund Type

Table with columns: GENERAL, SPECIAL REVENUE, DEBT SERVICE, CAPITAL PROJECTS, INTERNAL SERVICE, SUBTOTAL, ELIMINATIONS, TOTAL. Rows include: BEGINNING FUND BALANCE, SOURCES OF FUNDS (OPERATING, NON-RECURRING), and TOTAL SOURCES.



Consolidated Sources, Uses and Fund Balance by Fund Type

Table with columns: GENERAL, SPECIAL REVENUE, DEBT SERVICE, CAPITAL PROJECTS, INTERNAL SERVICE, SUBTOTAL, ELIMINATIONS, TOTAL. Rows include: USES OF FUNDS (OPERATING, NON-RECURRING), STRUCTURAL BALANCE, and ENDING FUND BALANCE (RESTRICTED, COMMITTED, UNASSIGNED).



## 8. Business Preparedness and Continuity Guidelines

- Develop, test, and maintain a plan to continue basic business operations.
- Assess unique risks.
- Strategy should mitigate risks and control costs.
- External planning resources
  - U.S. Dept. of Homeland Security, Center for Domestic Preparedness (CDP) – assessment and testing
  - FEMA guidelines



## 8. Business Preparedness and Continuity Guidelines

- Other planning considerations
  - Plan compliance with OSHA, EPA, local, state and other federal requirements
  - Risk management (insurance coverage)
  - *Administrative support functions (HR, purchasing, treasury, legal, risk management)*
  - Outsourced/recovery services (e.g. garbage collection) able to function during disruption





1. Which staff, materials, procedures and equipment are essential for keeping your business operating?
2. Who are your suppliers and other businesses you work with on a daily basis?
3. If your workplace becomes inaccessible, what's your plan? Developing a continuity of operations plan (COOP) is essential to your organization's health.
4. Convene a core team to develop your emergency plan.
5. Train everyone.
6. Work with other organizations.
7. Review your plans annually.



## 9. The Public Finance Officers Role in Fiscal Sustainability

- Balance needed (“triple bottom line”)
  - Economy
  - Environment
  - Social Equity
- Categories of specific representations
  - Define sustainability
  - Reporting
  - Analyze return on investment
  - Integrate sustainability goals into planning and budgeting



## 10. The Public Finance Officers Role in Collective Bargaining

- Finance officer's expertise should be utilized.
- Develop timelines.
- Prioritize issues.
- Communicate financial pressures.
- Evaluate renegotiation triggers.



## 10. The Public Finance Officers Role in Collective Bargaining

- Make peer comparisons.
- Determine proposal costs and affordability.
- Determine the effects on different employee units.
- Evaluate retroactive proposals.
- Consider one-time payments or non-financial incentives.



## 11. Key Issues in Succession Planning

- Develop an integrated approach to managing succession.
- Continually assess potential employee turnover.
- Provide formal, written succession plans as frameworks.
- Develop written policies and procedures to facilitate knowledge transfer.
- Leadership skills should be a key component.



## 11. Key Issues in Succession Planning

- Encourage personal professional development activities.
- Design better recruitment and retention practices.
- Consider collective bargaining agreements and how those agreements fit in.
- Consider non-traditional hiring strategies.



### Succession Planning Steps





## 12. Ensuring Other Postemployment Benefits (OPEB) Sustainability

- *Prefund benefits* (vs. pay-as-you-go) using a formal written policy.
- Require employee contributions.
- Consider impact on OPEB costs before offering early separation packages.
- Do not issue OPEB bonds to fund liabilities.
- *Manage costs of offered benefits*. Fourteen methods are provided for consideration, such as raising the eligibility age for OPEB.



## 12. Ensuring Other Postemployment Benefits (OPEB) Sustainability

- Create a qualified trust fund for prefunding.
- Communicate and educate stakeholders.
  - Treat OPEB as part of the total compensation package.
  - Avoid undue burden of benefit costs on employee in order to maintain employer competitiveness.



### 13. Sustainable Funding Practices for Defined Benefit Pensions and OPEB

- Contribute the full amount of the actuarially determined contribution (ADC) each year.
- Adopt a formal policy.
  - Fully funding liabilities
  - Stable amortization period over time
  - Employee/Employer contributions made at regular intervals
- Select funding and amortization methods aligned with funding policy.



### 13. Sustainable Funding Practices for Defined Benefit Pensions and OPEB

- Prepare actuarial valuation at least biennially.
- Perform an actuarial experience study at least once every 5 years and update assumptions as needed.
- Perform an independent audit of the actuarial evaluations at least once every 5 to 8 years.
- Prepare and widely distribute a CAFR covering the retirement system, communicating plan status and activities.



## 13. Sustainable Funding Practices for Defined Benefit Pensions and OPEB

- Reduce ADC volatility by:
  - Smoothing returns on assets, typically 5 years
  - Diversifying the investment portfolio to reduce volatility of investment returns
  - Managing investment returns long term
  - Managing growth in liabilities, including COLAs, benefit increases, benefit formula enhancements



## 14. Establishment of Strategic Plans

- Every government should use some form of strategic planning
- Essential steps of a sound process
  - Initiate the process
  - Prepare a mission statement
  - Assess environmental factors
  - Identify critical issues
  - Agree on a small number of broad goals



## 14. Establishment of Strategic Plans

- Develop strategies to achieve broad goals
- Create an action plan
- Develop measurable objectives
- Incorporate performance measures
- Review or adopt the plan
- Implement the plan
- Monitor progress
- Reassess the plan



*Council has identified the following goals in order to achieve the vision. All of the following goals are equally important to Council. Progress reports will be regularly presented to Council for its consideration.*

<b>Facilitate Regional Collaboration</b>	
Referendum to twin Kal Tire Place	November 2015
Resolve specific funding and cost sharing arrangements with RDNO (including the Library, Transit, Fire Services and gateway signage)	December 2015
Establish a working group with the Okanagan Indian Band to develop a servicing plan for IR#6 (with grant funding)	June 2016
Develop a boundary extension and servicing plan for the Swan Lake Corridor to facilitate development and redevelopment	2016
Determine future locations of the Art Gallery and Museum, with consideration of a combined facility	2017
Review the Master Water Plan and associated DCC Bylaw, with due consideration for equitable rates for agricultural, residential and commercial users	2017
If Electoral Area B, Electoral Area C and/or Coldstream requests an amalgamation study, agree to support it	If required
<b>Be a Leader in Economic Development</b>	
Bring forward a resolution to increase the business tax exemption from \$10,000 to \$50,000 to SILGA/UBCM	March 2015
Develop and promote inventories of vacant commercial properties to reduce the downtown vacancy rate to 10% or less	December 2015
Engage realtors in the promotion of economic opportunities	December 2015
Endorse and implement the Industrial Lands Action Plan	June 2016
Support sustainable urban development by reducing off site costs and reviewing parking requirements for infill development	September 2016





## 15. National Advisory Council on State and Local Budgeting

- NACSLB (1995-1997)
  - GFOA and 7 other SLG associations
  - Goal = set of recommended budget practices
- Recommendation:
  - Adopt NACSLB Framework and practice statements
  - Blueprint rather than mandatory prescriptions
  - Incremental implementation foreseen



## 16. Long-Term Financial Planning

- Time horizon
  - Five to 10 years into the future
- Scope
  - Consider all appropriated funds, but especially those that account for issues of top concern
  - Don't just focus on the General Fund
- Frequency
  - Update long-term planning activities as needed
- Content
  - Financial environment
  - Revenue and expenditure forecasts
  - Debt position and affordability analysis
  - Strategies for achieving financial balance
  - Plan monitoring mechanisms
- Visibility
  - Effective means to communicate information

**Fire District Fund (in \$ Millions)**

	Actual FY 2014	Projected FY 2015	Budget FY 2016	Projected FY 2017	Projected FY 2018	Projected FY 2019	Projected FY 2020
<b>Revenue:</b>							
Property Taxes	\$22.2	\$23.5	\$26.8	\$29.2	\$31.0	\$32.8	\$34.8
Grant Revenue	\$0.1	\$0.0	\$1.3	\$0.8	\$0.1	\$0.1	\$0.1
Other Revenue	\$0.6	\$0.6	\$0.5	\$0.4	\$0.4	\$0.4	\$0.4
Debt Proceeds	\$1.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
<b>Total Revenue</b>	<b>\$23.9</b>	<b>\$24.1</b>	<b>\$28.6</b>	<b>\$30.4</b>	<b>\$31.5</b>	<b>\$33.3</b>	<b>\$35.3</b>
<b>Expenditures:</b>							
Salaries	\$11.7	\$12.0	\$13.2	\$13.6	\$14.1	\$14.7	\$15.3
Overtime	\$1.1	\$1.3	\$1.1	\$1.2	\$1.2	\$1.2	\$1.3
Benefits	\$5.8	\$6.1	\$7.0	\$7.8	\$8.2	\$8.6	\$9.0
Grant Expenditures	\$0.0	\$0.0	\$0.6	\$0.0	\$0.1	\$0.1	\$0.1
Other Expenses	\$4.5	\$4.6	\$4.8	\$5.0	\$5.2	\$5.3	\$5.5
Transfer to Funds	\$0.8	\$1.0	\$1.0	\$1.2	\$1.4	\$1.4	\$1.5
Capital Outlay	\$1.5	\$0.6	\$1.9	\$1.8	\$1.8	\$1.8	\$1.8
<b>Total Expenditures</b>	<b>\$25.4</b>	<b>\$25.6</b>	<b>\$29.6</b>	<b>\$30.6</b>	<b>\$32.0</b>	<b>\$33.1</b>	<b>\$34.5</b>
<b>Net Increase (Decrease) in Fund Balance</b>	<b>(\$1.5)</b>	<b>(\$1.5)</b>	<b>(\$1.0)</b>	<b>(\$0.2)</b>	<b>(\$0.5)</b>	<b>\$0.2</b>	<b>\$0.8</b>
<b>Beginning Fund Balance</b>	<b>\$13.7</b>	<b>\$12.2</b>	<b>\$10.7</b>	<b>\$9.7</b>	<b>\$9.5</b>	<b>\$9.0</b>	<b>\$9.2</b>
<b>Ending Fund Balance</b>	<b>\$12.2</b>	<b>\$10.7</b>	<b>\$9.7</b>	<b>\$9.5</b>	<b>\$9.0</b>	<b>\$9.2</b>	<b>\$10.0</b>



## 17. Budgeting for Results and Outcomes

- 1) Determine how much money is available.
- 2) Prioritize results.
- 3) Allocate resources among high priority results.
- 4) Conduct analysis to determine what strategies, programs, and activities will best achieve desired results.



## 17. Budgeting for Results and Outcomes

- 5) Budget available dollars to the most significant programs and activities.
- 6) Set measures of annual progress, monitor, and close the feedback loop.
- 7) Check what actually happened.
- 8) Communicate performance results.



## Budget Process Overview

Budgeting by Priorities (BP) is about deploying the community's resources to address its priority issues. This is different from most government budgeting practices. Instead of starting with the last year's budget, adding a factor for inflation and perhaps a few new initiatives, this budgeting process is a bottom-up approach.

- It directly involves citizens in a new way of thinking for Cities
- All the services the City provides are reconsidered each budget cycle through the prism of what services the citizens' value most
- The final budget "buys" only those services most valued by the citizens
- As a result, the City of Redmond budget is focused on community priorities and not its organizational structure

### **Budget**

The City is using its Budgeting by Priorities (BP) for the fifth time in its 2017/2018 budget. By using lessons learned from each of the three previous efforts, the City strives to continue providing the highest priority services to the community.



## 18. Performance Management

Principles adopted by the National Performance Management Commission, in a 2010 report, *A Performance Management Framework for State and Local Government: From Measurement and Reporting to Management and Improving*

- Information, measures, goals, priorities, and activities are relevant to the priorities and wellbeing of the government and the community.
- Information related to performance, decisions, regulations, and processes is transparent — easy to access, use, and understand.



## 18. Performance Management

Principles continued . . .

- Goals, programs, activities, and resources are aligned with priorities and desired results.
- Decisions and processes are driven by timely, accurate, and meaningful data.
- Practices are sustainable over time and across organizational changes.
- Performance management helps to transform the organization, its management, and the policymaking process.

**POLICE****DIVISION/PROGRAM: PATROL SERVICES****PERFORMANCE MEASURES FOR FISCAL YEAR 2015-16**

Core Value	Five-Year Long Term Goal	Performance Measures	FY 2013-14 Actuals	FY 2014-15 Target	FY 2015-16 Target
A Safe and Prepared Community	Minimize The Impact To Life, Property And The Environment From Natural Hazards And Emergency Situations	Percentage of CSO's trained in the operation and set up of the Mobile Command Post	60%	75%	80%
	Remain Within The Federal Ranking Of The Top 25 Safest Cities	Percentage of patrol officers maintaining 24 hour perishable skills training	95%	100%	100%
Healthy and Livable City	Maintain A Safe And Family Oriented Environment	Number of overall calls for Police service	85,514	87,083	88,000

**Streets Division Performance Measures**

Indicator	2012-13		2013-14		2014-15	2015-16	2016-17
	Actual	Est	Actual	Est	Actual	Est	Est
<b>Outputs</b>							
Miles of streets to maintain	167	N/A	167	N/A	167	170	170
Asphalt digouts/repairs made on segments	25	20	32	20	23	20	20
School crosswalk to maintain	84	84	85	85	85	85	85
Number of street segments crack sealed	31	25	60	25	55	35	35
<b>Effectiveness</b>	<b>Actual</b>	<b>Goal</b>	<b>Actual</b>	<b>Goal</b>	<b>Goal</b>	<b>Goal</b>	<b>Goal</b>
Percent of asphalt repairs maintaining City standards one year after completion.	98	95	100	95	95	95	95
Percent of signs inspected per year for readability and retro reflectivity	25	20	30	20	25	20	20
Percent of School crosswalks maintained each year before school starts	100	100	100	100	100	100	100
<b>Efficiency</b>	<b>Actual</b>	<b>Goal</b>	<b>Actual</b>	<b>Goal</b>	<b>Goal</b>	<b>Goal</b>	<b>Goal</b>
Sq. feet of asphalt repairs per man-hour	22	20	25	20	22	20	20
Feet of roadway cracks sealed per man-hour	55	40	45	40	53	40	40



	2013	2014	2015		2016
	Actual	Actual	Budget	Est. Actual	Budget
<b>Performance Measures</b>			<b>2014</b>		
			<b>Benchmark @</b>		
Total Expenditures / Finance FTE	4,109,504	4,180,696	3,587,043	4,822,693	5,659,118
Receipts & Checks / Finance FTE	1,954	1,811		1,827	1,843
Insurance Losses / Worker Hour	0.08	0.08	0.12	-	-
Computer Services as % of Total Expenditures	3.2%	4.5%	1.9%	3.7%	3.2%
Certificate of Achievement for Excellence in Financial Reporting (Consecutive years)	15	16		17	
Distinguished Budget Presentation Award (Consecutive years)	12	13		14	

@ Where available, the "Benchmark" represents the average of the seven Puget Sound cities that Maple Valley considers comparable for salary survey information. The benchmark cities are: Burien, Covington, Kenmore, Mill Creek, Sammamish, University Place, and Woodinville.



## 19. Best Practices in School District Budgeting

GFOA has developed a series of Best Practices in School District Budgeting, which clearly outline steps to developing a budget that best ***aligns resources with student achievement goals***. The budgeting process presented in these Best Practices is focused on optimizing student achievement within available resources. It encompasses a complete cycle for long-term financial planning and budgeting, including planning and preparing to undertake the budget process, developing a budget, evaluating how the budget process worked, and adjusting accordingly. Within this cycle, the district's ***instructional priorities provide a guide for decision-making***. GFOA recommends that all districts go through the defined steps as part of their planning and budgeting process.



## 20. Best Practices in Community College Budgeting

GFOA has developed a series of Best Practices in Community College Budgeting, which outline steps to developing a budget that ***aligns resources with student achievement goals***. The budgeting process advocated is focused on optimizing student achievement within available resources. It encompasses a complete cycle for long-term financial planning and budgeting, including planning the budget process, developing a budget, evaluating how the budget process worked and adjusting accordingly. Throughout this cycle, the community college's ***institutional goals serve as the guide for decision-making and resource allocation***. GFOA recommends that all community colleges go through the defined steps as part of their planning and budgeting process.



## 21. Public Participation in Planning, Budgeting, and Performance Management

- Can improve accountability and responsiveness
- Not only traditional, public participation, e.g. voting, running for office, attending public hearings, and reading the local newspaper
- New forms of public involvement – surveys, focus groups, neighborhood councils, and Citizen Relationship Management systems -- as inputs to decisions about service levels, preferences, priorities, and organizational performance



## 21. Public Participation in Planning, Budgeting, and Performance Management

- Identifying the Public's Perspective - broader range collected through variety of ways and sources.
- Collection information *before* a decision has been made
- Should encourage *all* citizens to participate
- Communicate how public involvement has specifically made a difference, and gather public feedback on how successful the process has been.



### Financial Planning Process

City of Coquitlam, BC.

The City of Coquitlam's *Financial Plan* development process begins with strategic planning and includes public consultation, extensive background briefings for Council and comprehensive discussion sessions that culminate in a proposed *Five-Year Financial Plan* for Council approval. The process also includes a number of key budget assumptions. Using this as a basis, work plans are developed for each department with resource needs identified. Major capital expenditures are identified on a five-year cycle, with annual reviews and updates. The *Five-Year Capital Plan* reflects projects consistent with corporate objectives and long-range plans. Together with the *Strategic Plan* and *Business Plan*, this approach to financial planning provides for a thorough, strategic focus in the budget deliberations.

#### Key Steps

##### 1. Identify Community Priorities

- a. Statistically valid telephone survey of residents provides opportunity to gain feedback on priorities, issues and progress towards goals (results are accurate to a  $\pm 4.4$  percentage point, 19 times out of 20).
- b. Online Budget Survey for community members to provide input and recommendations on programs and services





## 22. Financial Forecasting in the Budget Preparation Process

- Define assumptions – time horizon, objective, political/legal issues, major revenue and expenditure categories.
- Gather information.
- Preliminary/exploratory analysis
  - Business cycles
  - Demographic trends
  - Anomalies
  - Variables



## 22. Financial Forecasting in the Budget Preparation Process

- Select methods – extrapolation, regression, knowledge-based.
- Implement methods, make the forecast, and forecast ranges.
- Use the forecast.
  - Credibility of the forecaster
  - Presentation approach
  - Linking forecast to decision-making.



## Summary of Major Revenue Sources Assumption Analysis for Budget Year 2017

City of Manhattan, KS.

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### PROPERTY TAXES

*Average annual growth rate (2013-2016): 5.5%*

*2017 Budget Assumption: 6.0%*

The annual increase in valuation from new improvements has continued to increase over the past several years due to the increase in commercial real estate and the new subdivision growth that has regained momentum over the past year. Unfortunately service demands, especially from the Riley County Police Department, have absorbed nearly all of those new property taxes. The growth of the City through new annexations has placed additional stress on other City operations including a growing debt burden necessary to pay for infrastructure costs associated with this community-wide growth. Each year, it is the goal of the City Commission and City Administration to levy property taxes at a rate that is fairly consistent with the change in total valuation as to not have a dramatic impact on individual taxpayers. In 2017, the City will levy an additional \$1,400,895 in property taxes or 1.072 mills for all city services, as well as services provided by the Riley County Police Department and the Manhattan Public Library.

### UTILITY FEES

*Average annual growth rate (2013-2016): 3.5%*

*2017 Budget Assumption: 3.7%*

City Administration is recommending an increase in general water fees in order to collect additional revenues for the debt payments resulting of the Water Treatment Plant expansion. In total the proposed increase to monthly water rates is estimated to be about 3%. There is also a small wastewater utility rate increase of 3% proposed for 2017 as the result of various improvements mandated by the state and federal government for the Wastewater Treatment Plant. Increases to the City's stormwater fee rates were first implemented in April 2007. In January, 2017, the stormwater monthly fee will increase by 3%, or about \$0.14 per month for the average utility user.



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## 23. Effective Budgeting of Salary and Wages

- Personnel tracking system
- Vacancy adjustments
  - Start dates
  - Trends, attrition
  - Frozen positions
  - Funded versus unfunded
- Collective Bargaining Agreements



## 23. Effective Budgeting of Salary and Wages

- Impact of Inflation
- Optimal Staffing Level
  - Comparison to other Governments
  - Staffing Guidelines
  - Classifying Position by Goal
  - Use of Volunteers/Temporary Positions



## 23. Effective Budgeting of Salary and Wages

- Compensation approaches
  - Step and grade systems
  - Pay for performance
  - Surveys



## 23. Effective Budgeting of Salary and Wages

- Personnel categorization
  - Capital versus operating
  - Cost allocation
  - Funding sources
  - Privatization or shared services
- Monitoring



### SUMMARY OF AUTHORIZED FULL TIME STAFF BY FUNCTION

	2013	2013	2014	2014	2015
	<u>Authorized</u>	<u>Filled</u>	<u>Authorized</u>	<u>Filled</u>	<u>Budget</u>
City Manager's Office	2.75	2.75	1.75	2.00	2.00
Finance	4.00	4.00	4.00	5.00	5.00
Assessment Office	2.00	2.00	2.00	2.00	2.00
City Clerk's Office	3.00	2.00	3.00	2.00	3.00
Personnel	1.25	1.25	1.25	1.00	1.00
Information Services	1.00	1.00	1.00	1.00	1.00
Community Television	2.00	2.00	2.00	2.00	2.00
Police Patrol/Investigation	35.00	35.00	36.00	36.00	37.00
Police Admin/Clerical	3.00	3.00	3.00	3.00	3.00
Parking Enforcement	2.00	2.00	2.00	2.00	2.00
Fire Services	17.00	17.00	17.00	17.00	18.00



## 24. Inflationary Indices in Budgeting

- Inflation indices
  - CPI (BLS)
  - GDP Deflator (BLS)
  - Construction Price Index (*ENR*)
  - Employment Cost Index (BLS)
  - Municipal Cost Index (*American City & Co*)



## 24. Inflationary Indices in Budgeting

- Alternatives to using indices
  - Economic consultants
  - Local universities
  - Peer governments
  - Vendor contacts
  - Industry specific journals



The philosophy of Collier County Government is to provide a market-based compensation program that meets the following goals:

1. Facilitates the hiring and retention of the most knowledgeable, skilled and experienced employees available.
2. Supports continuous training, professional development and enhanced career mobility.
3. Recognizes and rewards individual and career achievements.

The following is a recent history of Board approved compensation plan adjustments.

Program Component	FY 09	FY 10 – FY 12	FY 13	FY 14	FY 15	FY 16	Future Fiscal Year
Cost of Living	4.20%	0.00%	2.00%	0.00%	Greater of 2.0% or \$1,000	Greater of 1.5% or \$1,000	Varies Annually
Awards Program	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	Varies Annually
Pay Plan Maintenance	0.00%	0.00%	0.00%	\$1,000	0.00%	1.5%	Varies Annually
<b>Total</b>	<b>4.2%</b>	<b>0.00%</b>	<b>2.00%</b>	<b>\$1,000</b>	<b>Greater of 2.0% or \$1,000</b>	<b>3.0%</b>	<b>Varies Annually</b>



## 25. Strategies for Managing Health-Care Costs

- Monitor medical plan network and prescription drug discounts.
- Set an appropriate level of employee cost sharing.
- Encourage good consumer behaviors.
- Analyze risks in self-insurance
  - Premiums, administrative fees
  - High-cost claims and high cost areas
  - Stop-loss insurance programs
  - Wellness programs



## 25. Strategies for Managing Health-Care Costs

- Measurements to assess plan performance
  - Medical loss ratio
  - Medical claim trends
  - Network discounts
  - Administrative fees
  - Prescription drug cost trend/generic drug substitution rate



## 25. Strategies for Managing Health-Care Costs

- Additional Strategies
  - Federal Requirements
  - Long-term Plan
  - Build Support
  - Educate Employees
  - Audit Plan Records
  - Rebid Periodically



## 26. Evaluating Service Delivery Alternatives

Carefully analyze all aspects of a service delivery option before changing service delivery methods.

- Current service – level of service, secondary functions
- Required governmental control of service
- Risks and benefits
  - Flexibility, reversibility of the arrangement
  - Public opinion
  - Specialized knowledge



## 26. Evaluating Service Delivery Alternatives

- Risks and benefits
  - Mgt capacity for alternative arrangement
  - Continuity of competitive forces
  - Financial risks – legal liability for performance and safety
  - Continuity
- Risk mitigation
  - Transferring risk thru bonding/ insurance
  - Monitoring
  - Multiple vendors





## 26. Evaluating Service Delivery Alternatives

- Financial analysis
  - Focus on avoidable costs
  - Internal costing information accuracy
  - Present value analysis for multiple year contracts
  - Transitional financial impacts
  - Equipment, capital and infrastructure usage
  - Market input
  - Peer government comparisons
- Communication and change mgt strategy



### Joint Services and Initiatives

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The seven communities that compose the North Shore of metropolitan Milwaukee (Bayside, Brown Deer, Fox Point, Glendale, River Hills, Shorewood, and Whitefish Bay) pride themselves in working collectively to provide the most efficient, cost effective services possible. Joint ventures include:

**Bayside, Brown Deer, Fox Point, Glendale, River Hills, Shorewood, Whitefish Bay**

- Dispatch 911 Services
- North Shore Fire Department
- Regional Telecommunication Commission
- North Shore Health Department
- Milwaukee Area Domestic Animal Control Commission
- North Shore Public Safety Records Management System
- Milwaukee County Public Works Emergency Response Mutual Aid
- Milwaukee County Radio System

**Bayside, Fox Point, Glendale, River Hills, Shorewood, Whitefish Bay**

- Joint Incident Command Station

**Bayside, Brown Deer, Fox Point, River Hills, Whitefish Bay, Shorewood**

- Public Works Shared Services

**Bayside, Brown Deer, Fox Point, River Hills, Schlitz Audubon Nature Center**

- Capacity Management Operations and Maintenance
- Emerald Ash Borer Management Plan



## 27. Measuring the Full Costs of Government Service

- Calculate the full cost of all services
  - Useful when considering alternative service-delivery options
    - ✓ Distinguish avoidable costs from unavoidable costs
    - ✓ Consider cost of transition
    - ✓ Consider offsetting revenues



## 28. Pricing Internal Services

- Identify Goals
  - Govern demand for a service
  - Develop enterprise rate models
  - Calculate indirect costs
  - Provide input for full costing
  - Discuss value of service
  - Promote competition in service delivery
  - Customize service levels for different customers
- Decide Basis of Allocation
  - Cause and effect relationship
  - Benefit received
  - Fairness
  - Legal constraints



## Examples of Cost Allocation Bases

<u>Internal Service</u>	<u>Basis</u>
Payroll processing	No. of employees, No. of checks
Budgeting	Labor hours, size of budget
Insurance	No. of employees, experience
Legal services	Direct labor hours
Office space / rent	Square feet of space occupied
Procurement services	No. of POs, dollar volumes, direct labor
Vehicle costs	Miles driven, hours used
Information technology	No. of devices, server time, No. of help desk calls, direct labor hours



## 29. Presenting Official Financial Documents on Your Government's Website

- **Benefits**
  - Heightened awareness
  - Universal accessibility (range of potential users)
  - Potential for interaction with users
  - Enhanced diversity (use of different languages)
  - Facilitated analysis (can extract data)
  - Increased efficiency (reduce redundant reports)
  - Lower costs
  - Broadened potential scope (use of hyperlinks)



## 29. Presenting Official Financial Documents on Your Government's Website

- Specific guidelines:
  - Consistency with hardcopy version (if any)
  - Legibility (font size and page layout/direction) should be consistent
  - Pagination (numbers pages sequentially)
  - File size
  - Security (protect document from unauthorized changes)



## 29. Presenting Official Financial Documents on Your Government's Website

- Specific guidelines:
  - Placement (predominately on homepage)
  - Software compatibility
  - Features such as zooming, bookmark, facing pages and search mechanism should be available



## 2018 Results - Distinguished Budget Presentation Award

GFOA congratulates the 461 governments awarded the Distinguished Budget Presentation Award for the fiscal year beginning 2018 (through September 30, 2018).

Additional 2018 winners will be posted once a quarter. Results are listed and can be filtered or searched using the tools below. (Note: the display shows 200 award winners at a time. To view the next 200, use the navigation found in the header.)

### Budget\_2018

Entity Name	State	Province	Entity Type	Budget Period	Special Recognition	Number of Awards	Document
Aberdeen	WA		Municipality	Annual		2	Budget Document
Adams County	CO		County	Annual		27	Budget Document
Agua Special Utility District	TX		Special District	Annual		1	Budget Document
Alameda	CA		Municipality	Biennial		8	Budget Document



## 30. Making the Budget Document Easier to Understand

- Organization – Consider Budget Awards criteria
- Avoid excessive detail
- Attractive, simple and easy to use design
- Consistency – ex. department presentations
- Highlights
  - Consider a budget-in-brief
  - Effective tables, charts, illustrations
- Format
  - PDF numbering matches document pages
  - Hot links in table of contents
  - All pages same direction



### ABOUT OCEANSIDE

Year of incorporation	1888
Area of City	42 square miles
Public streets	1,452
Population	175,948*
Police station	1
Fire stations	8
Library facilities	2
City parks	30
Community rec center	4
Municipal swim center	2
Senior center	2
Golf courses	2
Public beaches	3.5 miles
Public marina	1,000 slips
Pier	1,954 feet

Located 35 miles north of San Diego and 83 miles south of Los Angeles.

### CITYWIDE STAFFING

Department	FTE	% of total
City Attorney	8.66	0.92%
City Clerk	9.00	0.96%
City Council	10.00	1.06%
City Manager	45.37	4.83%
City Treasurer	3.00	0.32%
Development Services	59.87	6.37%
Finance	32.85	3.49%
Fire	126.00	13.40%
Harbor	17.27	1.84%
Human Resources	13.05	1.39%
Library	27.00	2.87%
Neighborhood Services	58.00	6.17%
Police	311.00	33.09%
Public Works	71.98	7.66%
Water Utilities	146.95	15.63%
Total**	940.00	100.00%

\* Department of Finance  
\*\* Full and part time equivalent positions

### ELECTED OFFICIALS

Mayor	Jim Wood
Deputy Mayor	Chuck Lowery
Council Member	Jack Feller
Council Member	Jerome Kern
Council Member	Esther Sanchez
City Clerk	Zack Beck
City Treasurer	Gary Ernst

### EXECUTIVE MANAGEMENT

Michelle Skaggs Lawrence	City Manager
John Mullen	City Attorney
Deanna Lonson	Assistant City Manager
Frank McCoy Jr.	Police Chief
Rick Robinson	Interim Fire Chief
Jane McPherson	Financial Services Director
Rob O'Brien	Human Resources Director
Rick Brown	Development Services Director
Carl Dale	Water Utilities Director
Margery Pierce	Neighborhood Services Director
Shem Cosby	Library Services Director



City of Oceanside  
300 North Coast Hwy  
Oceanside, CA 92054  
(760) 435-4500

The complete budget document is available at the  
City of Oceanside Official Website  
[www.ci.oceanside.ca.us](http://www.ci.oceanside.ca.us)



Navigation bar with icons for back, forward, search, zoom (150%), and print.

## How to Use This Document

This document is divided into 5 sections. The breakdown is listed below:

**General Overview:** This section is designed to give the reader a general look at Lenexa and an overview of the total budget and is divided into two main sections. The City Overview includes demographic data and tables and the Financial Overview includes summary information on the budget. Many parts of this section can be reproduced for the general public and media.

**Capital Improvement Program/Debt Management:** A general description of the 2016 – 2020 Capital Improvement Program along with the funding sources can be found in this section. The general guidelines the city uses to manage the Debt program, debt ratios and debt schedules are also listed.

**Fund Budgets:** A description of the funds and departments can be found in this section. A summary of all department expenditures is listed, along with a mission statement, accomplishments, objectives, key performance measures, staffing requirements and budget highlights.

**Non-Budgeted Funds:** This section lists the city's non-budgeted funds with a short description of each one. Also included are listings of uses for the money transfers into the Capital Improvement Fund.

**Appendix:** This section contains a detailed personnel table and a glossary of terms and acronyms that are used throughout the document.



## 31. Accurately Displaying Total Expenditures in Budget Presentations

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- **Identification.** Identify items that may be appropriated twice (e.g. interfund transfers, internal service funds). Determine how your organization uses internal service funds. Government-wide services may be provided by the organization versus externally (i.e. fleet, warehouse, and print/mail/graphics). Consider if different uses affect presentation preference for policy and other purposes. Look at the magnitude or size of the double-counted items and determine whether they are relevant or material to the overall budget. Consider any ramifications of the double-counting.
- **Requirements.** Determine whether there are statutory requirements or state and provincial guidance for reporting the total budget, or any other legal rules, forms, and formats regarding presentation of budgets consistent with such statutory reporting.
- **Presentation.** Determine the presentation preference for the organization. Consider how information may be interpreted by different audiences. Investigate how other peer governments report and present double-counting transactions in their budgets.
- **Transparency.** Be transparent and consistent in presentation. Provide a written explanation in non-technical terms with the presentation. This may include presenting the total budget with the identified items and then net those items with an explanation.



## 32. Department Presentation in the Operating Budget Document

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- **Design.** Enhances clarity, consistency, graphics
- **Brevity.** Especially in financial schedules, text
- **Services.** A description of services or functional responsibilities must be included.
- **Issues.** Challenges, issues, opportunities
- **Revenues.** May include any fees or charges that the department generates
- **Expenditures.** Analysis in a broad manner



## 32. Department Presentation in the Operating Budget Document

- *Staffing.* Two options -- 1) organization chart as a supplement the overall organization chart of the government, or 2) brief schedule summary of headcount over a period of time (including the upcoming budget year)
- *Prioritization/Goals and Objectives.*
- *Performance Measures.* Sometimes tied to government-wide strategic plan



### STRUCTURE OF THIS DOCUMENT - DEPARTMENT INFORMATION

A department is an organizational unit of the City which has a unique function in its delivery of services. Within the funds section of this document, the following information is provided for each department:

- **Department Sections** – Illustrates the core areas of service provided to internal and/or external customers.
- **Department Description** – Explains the core areas of service provided to internal and/or external customers.
- **Summary of Full Time Equivalents (FTES)**– Contains updated current fiscal year information and changes for the adopted budget year.
- **Statistics** – Each department is given an opportunity to provide statistical information such as the number of calls for service or size of an area serviced.
- **Recent Accomplishments** – Each department is given an opportunity to highlight what has occurred in their department recently.
- **Future Challenges & Opportunities** – Each department is given an opportunity to provide future challenges and opportunities that might include a section or program needing more resources or issues involved in continuing to provide current services.
- **Goals, Objectives, & Measures** – Each department is given an opportunity to identify departmental goals, objectives, and meaningful metrics of results and accomplishments that are linked to an overall City goal.
- **Highlight of Budget Changes** – Summary of changes in revenue or expenditures included in the budget.
- **Financial** – Included are charts summarizing the budget and financial reports detailing the budget and recent actual history by general ledger account.





### 33. Capital Budget Presentation

- Directly link to, and flow from, the multi-year capital improvement plan.
- Define capital expenditure.
- Place in a distinct section of the document.
- Focus presentation on financial sources and uses for both upcoming budget year and for multi-year plan.



### 33. Capital Budget Presentation

- Communicate the decision making process.
  - Calendar juxtaposed with operating budget schedule and statutory deadlines
  - Criteria for prioritization
  - Schedule for reporting status and completion dates
- Identify projects as recurring or non-recurring
  - Greater detail for non-routine projects



## 33. Capital Budget Presentation

- Include detail for each major project.
  - *Concise description* - purpose, funding sources, total project cost and current budget year cost
  - *Timetable*, including phases
  - *Graphic illustrations* – photos, maps
  - *Links to other organizational plans*
  - *Operating impacts*, described and quantified
  - Additional info as links or references, avoiding excessive detail



## 33. Capital Budget Presentation

- A specific policy on operating impacts should be included under the capital section in the financial policies of the government. A rule might be established that the capital improvement program may not be submitted/approved until impacts are noted.
- In order to accurately reflect and describe these impacts, assumptions should be noted. Staff involved with estimating operating impacts should be trained on how to set up the methodology.



## 33. Capital Budget Presentation

- Operating impacts can be classified into one of three elements or a combination of the three. These include increased revenues, increased expenditures or additional cost savings.
- Long-range financial plans should include anticipated operating impacts from approved or anticipated capital projects.



All improvements must be prioritized and ranked based on the following categories:

**Priority I: IMPERATIVE (*Must-Do*) – Projects that cannot reasonably be postponed in order to avoid harmful or otherwise undesirable consequences.**

- A. Corrects a condition dangerous to public health or safety
- B. Satisfies a legal obligation
- C. Alleviates an emergency service disruption or deficiency
- D. Prevents irreparable damage to a valuable public facility.

**Priority II: ESSENTIAL (*Should-Do*) – Projects that address clearly demonstrated needs or objectives.**

- A. Rehabilitates or replaces an obsolete public facility or attachment
- B. Stimulates economic growth and private capital investment
- C. Reduces future operating and maintenance costs
- D. Leverages available state or federal funding.

**Priority III: IMPORTANT (*Could-Do*) – Projects that benefit the community but may be delayed without detrimental effects to basic services.**

- A. Provides a new or expanded level of service
- B. Promotes intergovernmental cooperation
- C. Reduces energy consumption
- D. Enhances cultural or natural resources.

**Priority IV: DESIRABLE (*Other Year*) – Desirable projects that are not included within five-year program because of funding limitations.**



**Council District:** All  
**Type:** New Construction  
**Category:** Park  
**Start & Complete Date:** 2012-2013  
**Cost (total):** \$2,650,000  
**Operational Costs (additional):** \$50,000  
**Operational Staff (additional):** Minimal

Botanica continues to provide a premium attraction on the river that supports the Core Area and Neighborhood goal. The development of the gardens and infrastructure will strengthen the economic viability of the Botanica organization and support the City of Wichita in providing cultural arts programs for citizens and visitors.

The first phase of the Botanica Expansion Project included the development of a children's garden comprised of approximately one acre located west of the current complex. New infrastructure for utilities and a road linking North Amidon to Sim Park Drive and Museum Boulevard were included. Additional improvements include more meeting and classroom space. Additional operating costs are estimated at \$50,000 for maintenance and utilities.



## 34. The Statistical/Supplemental Section of Budget Document

- Ensure relevance of data
  - Relate to rest of document
  - Fit to the specific type of government
  - Avoid excessive detail
- Organize information by major category
  - Form of government
  - Geography
  - Community profile - demographics & economics
- Provide explanations



## DEMOGRAPHIC PROFILE



### Mother Tongue Breakdown (2011 Census)



## 35. Basis of Accounting versus the Budgetary Basis

- Clearly define the basis of budgeting.
  - State if the *basis of budgeting* and the *basis of accounting* are the same.
  - If not, note major differences and similarities.
- Avoid technical terminology.
- If use of technical terminology is unavoidable, define and explain terms.



## 36. Budget Monitoring

- *Revenues.* Governments need to carefully analyze sources of funds with particular attention to:
  - Seasonality, and whether comparable to prior observations
  - Any potential volatility and the resulting impacts
  - Trends and comparison to projections
  - Timing of receipts
  - Relationship to economic indicators and potential impacts
  - Changes in policy/practice of overarching governments involved in disbursement of revenues
  - Review of patterns at other similar/related governments



## 36. Budget Monitoring

- *Expenditures.* Governments need to carefully monitor all expenditures as well – including one-time uses and also examining key aspects of the following:
  - *Personnel.* Examine additional detail beyond just regular payroll expenses, including analysis related to hiring and vacancy information and also, depending on magnitude, analysis of part-time, overtime and special pay. In addition, conduct analysis of re-class/promotions to see if on-track with expectations. And whether fringe benefit costs are within budgeted expectations as well.
  - *Non-personnel.* Monitoring needs to include more than just current expenses. Governments need to analyze draw down of encumbrances, outstanding purchase orders, and its major contracts to develop a better picture of not only what was spent, but what remains to be spent.



## 36. Budget Monitoring

- How the elements should be analyzed
  - *Root cause.* Governments should move beyond just identifying deviations from budget versus actuals and work towards analyzing and articulating why deviations occurred in order to move towards resolution.
  - *Time frame.* Is it anticipated for any identified variance to continue or is there an underlying reason for the variance? How does the current spending pattern impact the subsequent year's budget?
    - *Requirements.* Structure budget monitoring to meet any interim reporting requirements that the government may have, if possible.



## 36. Budget Monitoring

- At what level of detail should the analysis be conducted. This will vary depending on revenue/expenditure type. Organizations should discuss benefits of more versus less detail and its impacts on the timeliness, usefulness, and degree of difficulty to compile, among other factors. Potential levels at which to monitor the budget should mirror an organization's chart of accounts, including the following:
  - *Fund.* Use for high level analysis and also may be the only monitoring needed for minor revenue/expenditure areas
  - *Department.* Analysis at this level can be used to establish budget accountability for department heads
  - *Sub-department/division.* Appropriate to analyze in particular if budget accountability resides at the sub-department head level.
  - *Function.* Use to track expenditures by major organizational responsibilities, i.e. public safety, public works, etc.
  - *Object/account.* Utilize for examining key types of expenditures at an organization-wide basis, such as overtime.
  - *Project/program/grant/activity.* Use to track revenue/expenditures of specific activities associated with areas that need additional scrutiny or for reporting requirements



## 36. Budget Monitoring

- Who is responsible and outlining roles
  - *Production.* Who produces the analysis, reports, etc. related to budget monitoring should be clearly articulated and disseminated.
  - *Roles.* Collaboration and ownership within the organization should be promoted to help provide context related to any potential issues.
  - *Ownership.* Identify who is responsible for resolving variances related to both spend and service delivery as well as any other problems identified that need attention.



## 36. Budget Monitoring

- Tools for conducting the analysis
  - *Electronic system.* An organization's enterprise resource planning (ERP) system should drive data gathering and analysis related to budget monitoring. Use of the ERP system allows for real time information to be readily accessible for encumbrances and other time sensitive information as opposed to reliance on static, stand-alone reports.
  - *Automation.* Budget monitoring data and reports should be integrated into and generated by an organization's ERP system to ensure efficient use of staff time and also consistency of information.
  - *Overspend Protection.* Governments should also ensure that mechanisms are in place in their ERP system to automatically prevent overspending of budget and notify the organization's financial leadership.
  - *Consistency.* Off-system analysis should be consistently applied to all aspects of monitoring the budget and clearly articulated to both staff conducting the analysis and end users.





## 36. Budget Monitoring

- Communications
  - *Frequency.* The frequency of how often budget monitoring reports and information is generated should be agreed upon at all levels of the organization.
  - *Delivery.* How the information is communicated and to which stakeholders, both internally and externally, needs to be clearly structured.
  - *Format.* The format for how information related to budget monitoring needs to be clearly established as well.
  - *Transparency.* How can the information be shared on a wide spread basis to the community and include the proper context to best inform the public and minimize additional request for more information.