

# BEST PRACTICES IN LOCAL GOVERNMENT BUDGETING



## EXECUTIVE BRIEF

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## Overview

A government's budget reflects its vision, strategy, and priorities. And, the process used to create and communicate the budget reflects how government leaders operate. Effective budget processes are inclusive, transparent, and efficient. They build trust through involvement and buy-in from citizens, department leaders, and elected officials. When done right, key budget processes and information are communicated simply, clearly, and frequently, which results in greater transparency and trust.

## Context

Based on insights from experts Christopher Rose, Budget Director in Miami, Florida; Tom Raguz, Finance Director in Cleveland Heights, Ohio; Nadine Alletto, Finance Director of the Village of Woodridge, Illinois; Barry Greenfield of EfficientGov; and Melanie Purcell of OpenGov, this summary provides important insights on budgeting practices in local governments. It identifies common challenges in the budget process and highlights effective budget processes, best practices, and lessons learned.

## Key Takeaways

### **BUDGETS ARE LOCAL GOVERNMENTS' MOST IMPORTANT DOCUMENTS.**

Budgets matter. They signal a municipality's policies and civic priorities. The budget is where the rubber meets the road; it shows how a community will spend and invest. A budget reflects what matters most to a community; changes in a budget from one year to the next show the direction in which a community wants to head. For example, a city investing more in its police is placing a higher priority in public safety.

### **BUDGET AND FINANCE DIRECTORS FACE MULTIPLE BUDGET CHALLENGES.**

Among the challenges:

- Diminished local government revenues. Many states have seen their tax revenues fall and have in turn cut funding for local governments.
- Lack of clear direction from councils and boards, and often lack of alignment around a central vision or strategy.

“It [the budget] is the most important document and information that the organization can provide to its citizens because it talks about the priorities, the money coming in, the money going out, the operation, the organizational structure, the services being rendered.”

— Melanie Purcell, OpenGov

- Lack of buy-in from all key stakeholders.
- Low levels of citizen understanding, input, involvement, and engagement.
- Lack of budget ownership by departments.
- Difficulty tracking budget revisions and lack of meaningful performance measures.
- Staff turnover and burnout.

## MUNICIPALITIES ARE DEVELOPING BUDGET BEST PRACTICES TO OVERCOME THESE CHALLENGES.

Budget and finance directors shared the practices they have adopted to improve their budgeting efficiency, effectiveness, buy-in, department ownership, and public involvement. These best practices include:

- **Have a clear, well-defined budget process.** Each of the budget and finance directors could clearly describe all of the key steps of their government’s budget process, on an annual and month-by-month basis. They have a timeline with all key steps, know what has to happen at each step, when the step must occur, how long the step must take, and who should be involved.

### Example of a Municipal Budget Process



MAY	Preliminary Revenue Forecast is prepared
JUNE	Resident Survey is conducted (every other year) Preliminary revenue and expenditure estimates presented to City Council (per City Charter)
JULY	Preliminary revenue and expense estimates included in Tax Budget First reading with public hearing and passage on the second/final reading
AUGUST	Results from Resident Survey evaluated Council Adopts Budget Goals and Policies Operating & Capital Budget development parameters and instructions distributed to departments
SEPTEMBER	Budget requests submitted and evaluated Capital projects submitted and evaluated
OCTOBER	Final operating and capital budget revisions are completed
NOVEMBER	Proposed Operating & Capital Budgets distributed to City Council and Senior Staff City Council Budget Workshops held
DECEMBER	First Reading and Public Hearing of the Operating & Capital Budget Final reading and passage of the the Operating & Capital Budgets

- **Start with a vision, goals, and a strategic plan.** The budget supports what a city or county wants to accomplish. For this reason, the first step in a good budget process is articulation of a clear vision by administrators and elected leaders. In Miami, the budget process begins with the mayor’s State of the City address, where the vision is laid out. In the Village of Woodridge, the budget process begins with a strategic planning and goal-setting session involving the Village’s board. In this session, board members share their visions and set short- and long-term goals.

“You need buy-in for all involved. The way to create buy-in is to create a vision that all departments will buy into and make meaningful.”

— Tom Raguz, Finance Director, Cleveland Heights, OH

- **Focus.** Choose 1 to 2 challenges to focus on for the budget year. Tackling everything at once doesn't work and leads to staff burnout. Pick a challenge, and come up with a strategy to address it, execute, and report the results back to the community.
- **Get buy-in from all departments.** In creating a budget, it is important for all departments to understand the vision and goals of the budget, and how they fit into the budget process. The presenters emphasized the importance of achieving buy-in across all departments, engaging all departments in creating and implementing the budget, and delegating work to various departments.
- **Invite citizen input.** Budgets are more credible and receive more widespread support when citizens understand them and know that they have a voice in them. The budget and finance directors shared multiple ways in which their municipalities seek input. Municipalities may hold public hearings, town hall meetings, open houses, citizen academies, focused discussion sessions, and needs surveys. Common questions asked of residents are:
  - What's most important to you? (common answers are public safety, maintenance and repair, and economic development)
  - What should be the city/county/district's top priorities?
  - What do you want to see more of [from the local government]?
  - What are you willing to pay more for?
- **Communicate the budget broadly, simply, and clearly.** Once the budget has been developed, the key is to communicate it to all key stakeholders, including elected officials, departments, staff, and citizens. Successful local government leaders communicate the same information multiple times, in multiple ways. This includes through formal budget books, press releases, summary sheets, pdfs on websites, social media, and web-based tools such as OpenGov.

## AN EFFECTIVE BUDGET PROCESS BUILDS TRUST IN LOCAL GOVERNMENT.

For municipal leaders to successfully implement their plans they must have the support, buy-in, and most importantly, trust, of all key constituents. OpenGov's Melanie Purcell quoted management consultant Dr. Michael Stewart, who said, "A leader can only implement what people can understand." Therefore, successful implementation requires understanding and trust.

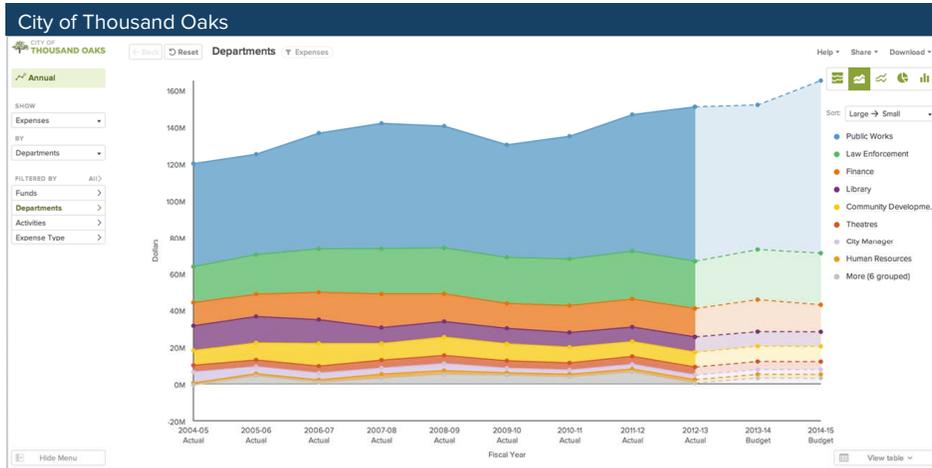
Because budgets are complex and detailed, achieving understanding and trust requires moving from often overwhelming amounts of data to simple, clear information. Keys to successfully communicating priorities and building trust include:

- **Be as transparent as possible.** Trust is built through transparency. Share as much as you can, as often as you can. Repetition is a good thing.
- **Make it simple.** Don't assume the reader knows what you know or has the same level of expertise. Have staff or citizens (outside of the budget team) proofread the budget document.

"A key component of our budget process is resident input. This has really been a key activity of the Village each year. We continually evaluate how we are engaging our residents and look for ways to improve our citizen involvement every year."

— Nadine Alletto, Finance Director,  
Village of Woodridge, IL

- **Provide consistent, repeated messages.** Deliver the same messages over and over, in different ways, using slightly different phrases and methods. Consistency helps to build trust.
- **Use compelling visuals.** Pictures, charts, and interactive graphs (see example below) can help convey complex information in a simple way.



“Communicate, communicate, communicate. Do it repeatedly. Do it in writing. Publish the books and put together summary sheets based on them. Tell everyone where they fit in.”

— Christopher Rose, Budget Director, Miami, FL

- **Make data dynamic.** Create a dynamic webpage that provides flexibility and enables users to see multiple views of the same information.
- **Allow feedback and interaction.** In addition to making budget information transparent and easily accessible, build trust by fostering frequent dialogues with citizens.
- **Choose tools that make trusted communication easy.** Use platforms and tools that make achieving transparency easy.

## Best Practices

### General Best Practices

- Have a clear budget process/timeline
- Start with a vision, strategy, goals
- Get buy-in from all departments
- Invite citizen input
- Be as transparent as possible

### Communication Best Practices

- Communicate broadly, frequently, simply
- Use simple, clear language
- Go beyond words/use compelling visuals
- Make data easily accessible, dynamic
- Allow feedback, interaction

## Case Study: Miami, Florida

Miami has 420,000 residents and an operating budget of \$936 million. The city’s budget process begins in February and March with the mayor’s state of the city address, and as departments develop their budget submissions. This is followed by OMB reviews and initial meetings (April) and meetings with the city manager (May). Decisions are finalized (June/July), and after public hearing the budget is adopted. The new budget begins in October.

Budget Director Christopher Rose thinks about key steps before, during, and after the budget is developed and adopted.

- **Before:** Identify and borrow best practices, such as GFOA’s Recommended Budget Practices. Plan all dates, processes, and forms, and pick one or two key areas to focus on each year as part of the budget process. Then, lay the groundwork through meetings with department directors, staff, and elected officials.

**“THIS YEAR, THE IDEA WE HAVE PICKED IS TO BE ABLE TO EXPLAIN OUR BUDGET BETTER THAN ANYONE ELSE IN THE WORLD. SO, WE ARE TAKING A DEEPER DIVE INTO SUCH THINGS AS INFOGRAPHICS AND DATA VISUALIZATION, SO ANYONE CAN UNDERSTAND OUR COMPLEX BUDGET.”**

– Christopher Rose, Budget Director, Miami, FL

- **During:** Follow the plan that has been developed, keep moving forward, communicate constantly, delegate the work, and keep everyone aligned so that the budget is consistent with the strategy.
- **After:** Adopt the budget by publishing the documents and creating concise summary sheets. Make the rounds with all key parties to communicate the important parts of the budget and answer questions. Tell everyone where they fit in.

**“KEEP TELLING EVERYONE WHERE THEY FIT IN. TELL YOUR STAFF. TELL THE ELECTED OFFICIALS. HAVE DEPARTMENT DIRECTORS TELL THEIR FRONT-LINE PEOPLE WHERE THEY FIT IN IN THE BUDGET PROCESS.”**

– Christopher Rose, Budget Director, Miami, FL

## Key Takeaways

- **Communicate repeatedly**
- **Put it in writing**
- **Tell everyone where they fit in**

## MIAMI, FL

**Residents:** 420,000

**Operating Budget:** \$936.5M

**Gini Ratio** 2nd, 3rd, or 8th in USA, similar to Mexico City

An “Alpha City” that is a major center of finance, culture, media, entertainment, the arts, and international trade

**Case Study: Village of Woodridge, Illinois**

The Village of Woodridge, 30 miles outside of Chicago, has 33,000 people and a budget of \$45 million. Key elements of its budget process are:

- A strategic planning/goal-setting session with the Village’s Board.
- Establishment by the Board of short- and long-term priorities.
- Resident input, through a town hall meeting with focused discussion groups and a community needs survey, as well as public comment at a board meeting.
- A Strategic Action Plan Scorecard (shown below) to track progress on key priorities.

 **VILLAGE OF WOODRIDGE** 2014-2015 Strategic Action Plan Scorecard

Legend: ● NOT STARTED ● COMPLETED ● IN PROGRESS

Short-Term Complex Goals	Develop & Implement Ide, Alden, ARC & Seven Bridges	Bring before the Village Board a proposal for subdivision of Ide Farm that follows Comprehensive Plan land use	Bring before the Village Board consideration of final PUD approval for the Alden Senior Living Facility	Demolish the Janes Plaza Shopping Center by August for the Athletic Recreational Center development	Hold by August a workshop with businesses and residents of Seven Bridges to consider Main Street Development		
		●	●	●	●		
	Finalize Facility Plan/ Architectural Study	Confirm space requirements and program elements	Evaluate various options to bring to the Mayor and Board for consideration.	Develop financing plan for Space Needs Project	Secure broker/land for Public Works	Develop construction plan for Public Works and Police	
		●	●	●	●	●	
	Complete Town Centre Plan	Hold the Plan Commission public hearing for the draft plan	Hold a joint Park District/Village Board workshop to consider draft plan by July 2014	Village Board approval of the Town Centre plan by August 2014	Tie Out Grant		
		●	●	●	●		

The Village of Woodridge is constantly seeking opportunities to involve and educate the community; presents its financial information in a dynamic, user-friendly format; and uses social media to communicate.

**“STARTING LAST YEAR, WE UPLOAD OUR BUDGET DATA TO OUR FINANCIAL DASHBOARD ON OUR WEBSITE. WHAT THIS DOES IS IT PUTS OUR BUDGET IN A DYNAMIC, INSTEAD OF JUST A STATIC, ENVIRONMENT, WHERE RESIDENTS AND THE BOARD AND STAFF CAN ACTUALLY INTERACT WITH THE DATA.”**

– Nadine Alletto, Finance Director, Village of Woodridge, IL

**Key Takeaways**

- **Involve and educate the community**
- **Make budget information visually engaging**
- **Provide budget information in a dynamic format**

**WOODRIDGE, IL**

**Location:** 30 miles southwest of Chicago

**Residents:** 32,971

**Budget:** \$45M

Recognized by *Money Magazine* as one of the “Top 100 Places to Live”

Home to Edward Don, a leading food service and equipment supplier; and Orbus Display & Exhibit Group

**Case Study: Cleveland Heights, Ohio**

Cleveland Heights, located 20 miles east of Cleveland, has a population of around 46,000 and a budget of \$91 million. Its budget process begins in May with a preliminary revenue forecast, which is presented to the city council in June. Every other year a resident survey is also conducted in June. A public hearing takes place in July, and initial operating and capital budget parameters are distributed to departments in August. In September budget requests and capital projects are submitted and evaluated, and the final operating budget is completed in October. The budget is distributed to the city council and senior staff in November, with the first reading of the budget in December.

Key learnings for finance director Tom Raguz are that the budget process must be collaborative, including staff, elected officials, and the public, and buy-in is needed from all involved. Also, communication and transparency are critical, it is essential to involve stakeholders early in the process, and it is important to shift responsibility to department directors.

**“THE BUDGET PROCESS IS A COLLABORATIVE EFFORT AMONG OFFICIALS, EXECUTIVE STAFF, THE PUBLIC, AND ALSO MANAGEMENT; IT’S AN ORGANIZED COLLABORATIVE EFFORT. YOU NEED BUY-IN FOR ALL INVOLVED. THE WAY TO CREATE BUY-IN IS TO CREATE A VISION THAT ALL DEPARTMENTS WILL BUY INTO AND MAKE MEANINGFUL.”**

– Tom Raguz, Finance Director, Cleveland Heights, OH

**Key Takeaways**

- ▶ **The budget process is a collaborative effort**
- ▶ **You need buy-in from all; involve stakeholders early**
- ▶ **Communication and transparency are vital**

**CLEVELAND  
HEIGHTS, OH**

**Location:** 20 minutes east of Cleveland

**Residents:** 46,121

**Budget:** \$91M

Located close to museums, colleges, and world-renowned medical facilities, including Cleveland Clinic and University Hospitals