

2018 Newly Elected Officials Conference

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Budgeting Basics

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City of Roanoke

Roanoke City Council



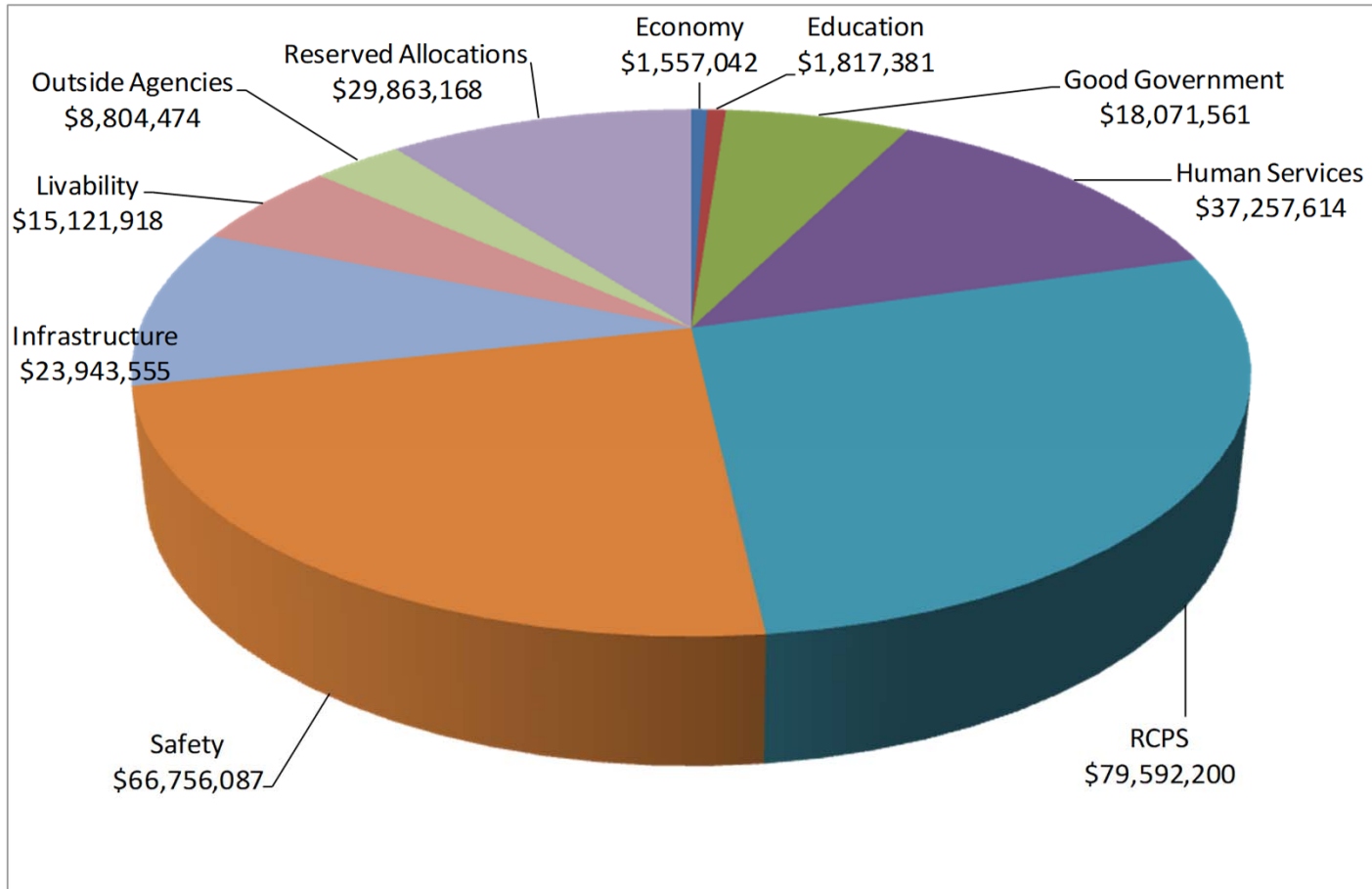
Amelia Clark Merchant

- B.S. Physics, (1991), Norfolk State University, Dozoretz National Institute for Minorities in Applied Science (DNIMAS)
- MBA, Management Concentration, (1996), Virginia Tech
- City of Roanoke (2001-present)
 - Budget/Management Analyst
 - Budget Administrator
 - Director of Management and Budget
 - Acting Director of Finance
 - Director of Finance (merger of Finance and Budget functions)
 - Real Estate Valuation
 - Accounting/Accounts Payable
 - Management and Budget
 - Payroll and Systems
 - Retirement
- Government Finance Officers Association (GFOA) Committee on Governmental Budgeting and Fiscal Policy (6 years)
- Virginia Government Finance Officers Association (VGFOA) Committees (Education, Conference)

City of Roanoke

- Council – Manager form of government
- FY 2018 Adopted Budget: \$282,785,000
- FY 2018-2022 Capital Improvement Program: \$200,681,544
 - Outstanding long-term liabilities: \$304,987,866 (principal and interest as of June 30, 2017)
 - FY 2018 Debt Service: \$32,464,602 (General Fund, RCPS, Water Authority, Parking, Civic Facilities Fund, Stormwater Utility Fund, Capital Leases)
- Credit Ratings: AA+ (Fitch and Standard & Poor's)
- Population: 99,644
- Employees: 1,714

City of Roanoke FY 2018 Priority Allocations





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BUDGETING

A DECISION-MAKING PROCESS IN WHICH MANAGEMENT DANGLES LESS-THAN-ADEQUATE RESOURCES OVER OUR HEADS TO SEE WHICH OF US BEGS MOST CONVINCINGLY.

What is a budget?

A legally required, quantified, planned course of action over a definitive time period:

- Forces an organization to consider the demand for services/resources required
- Translates priorities into resources
- Highlights potential problems in sufficient time to take corrective actions
- Creates a baseline against which actual results can be compared.

Budget establishes controls

- Spending limits and legal levels of appropriations
 - Controls for budget amendment requirements
 - Chart of accounts
- Authorizes all financial transactions of a locality
 - Prior to any spending

National Advisory Council on State and Local Budgeting (NACSLB)

- Four Principles of the Budget Process
 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
- Authorizes all financial transactions of a locality
 - Prior to any spending

Integration and use of the Budget

Should be well-integrated with:

- Comprehensive Plan
- Capital Programming (CIP)
- Long-range financial plan
- Policy Development
- Service/performance targets

To help decision makers make informed choices about the provision of services and capital assets; to promote stakeholder participation in the process.

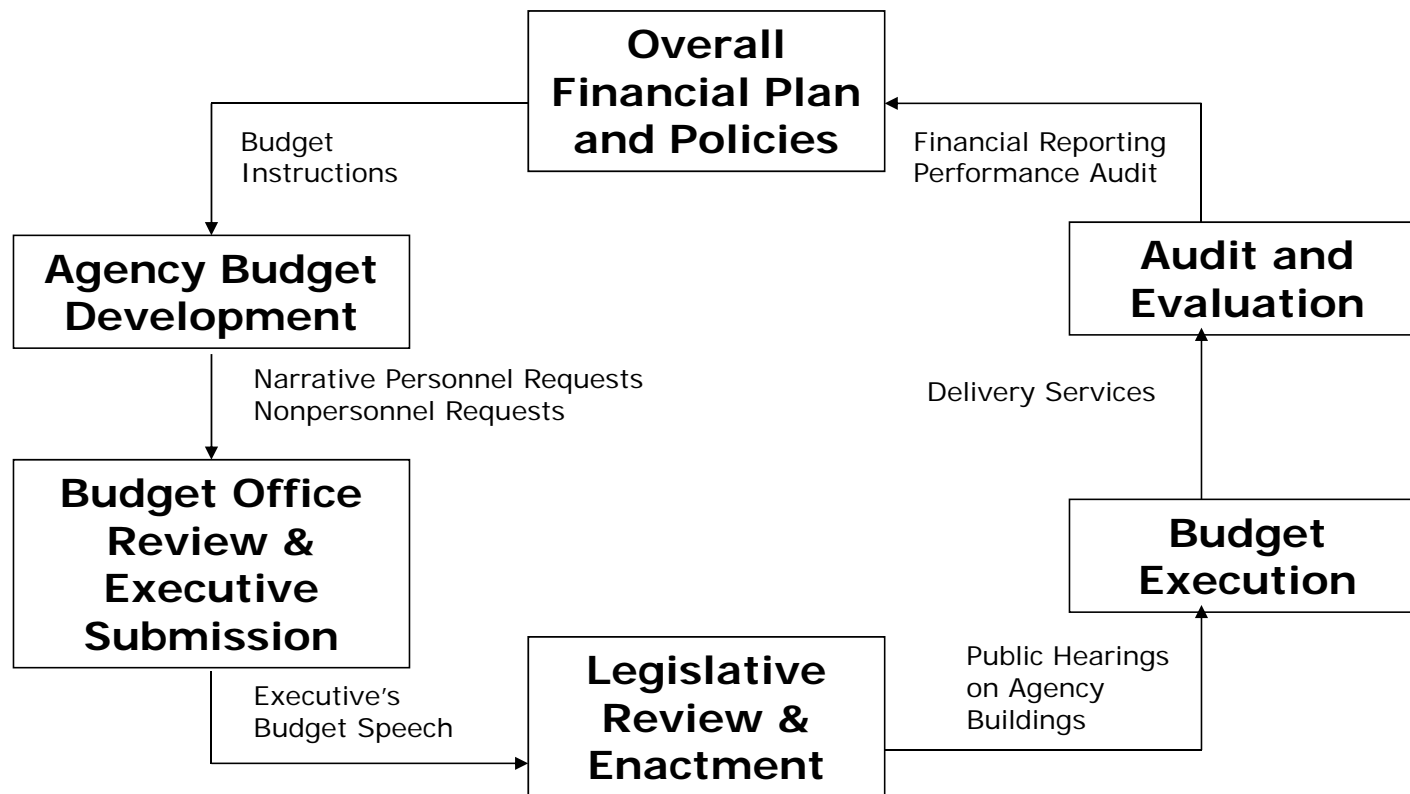
Methodologies and Timeframes

- Line Item/Departmental
- Incremental
- Zero-based
- Programmatic
- Budgeting for Outcomes

Timeframes:

- Fiscal Year, Biennial, 5 Year

Budget Process is “Continuous” and involves numerous entities



Role of the Elected Official

- Invest time in understanding the process and advising administration on what your needs are to fully participate in the process
- Understand limitations on locality's abilities before making commitments
- Set policy and give direction early as well as throughout the process
- Utilize the resources of the administration's expertise to provide relevant information
- Be willing to make the hard decisions and communicate with constituents

Other Participants in Budget Development

- Departments/Administration
- Partner Agencies
 - State agencies (Health Department, Courts, Mental Health agencies)
 - Economic development partners
 - Higher Education
 - Authorities
- Non-Profits
 - Arts and Culture, Human Services
- Citizens
- Businesses
- Employees

Public Involvement Opportunities

- Public hearings
- Advisory commissions
- Ad hoc committees
- Round table briefings
- TV presentations
- Opinion surveys
- Neighborhood meetings
- Office hours
- Letter writing

What To Expect from Citizen Engagement

- Sometimes successful dialogue
- Don't have time
- Lack of understanding
- Want simple solution
- Perception of government often poor to begin with
- Special & narrow interests
- Strong bias

Budget Development Components and Considerations

- Financial Policy reviews
- General Fund
 - Revenue
 - Expenditures
 - Fiscal Year and Five Year Operating Plan
- Capital Improvement Program
 - Cost of debt service and impact on operating budget
 - Maintenance requirements
- Benchmarks against other jurisdictions
- Communicating the final result

GFOA Distinguished Budget Presentation Award

4 major aspects of budget documentation are identified and communicated:

- Budget as a policy document
- Budget as a financial plan
- Budget as an operations guide
- Budget as a communications device

GFOA 4 Major Aspects of Budget Document

- Budget as a policy document
 - Should identify and clarify policies.
 - Policies should be adopted by governing body.
- Budget as a financial plan
 - Takes account of available and anticipated resources and provides a plan for their disposition.
 - Primary instrument for promoting solvency, efficiency, and collective choices regarding distribution/allocation of resources

GFOA 4 Major Aspects of Budget Document

- Budget as an operations guide
 - Operating considerations go beyond financial dimensions, and effect the number and level of employees and other factors that affect day-to-day activities of various units
 - The budget seeks to explain the relationship between organizational units and programs.
- Budget as a communications device
 - The printed operating budget is a central focal point for residents, taxpayers, the financial community, and the media.
 - Budget hearings on the proposed operating budget afford the public the single most important opportunity to obtain and to understand the workings of a locality

Purpose of a Capital Improvement Program (CIP) and 5 Year Operating Forecast

- Decision Making Mechanisms
- Linkages to Long-Range Planning
- Financial Management Tool
- Reporting Document

Capital Improvement Programming

Capital Asset (typically):

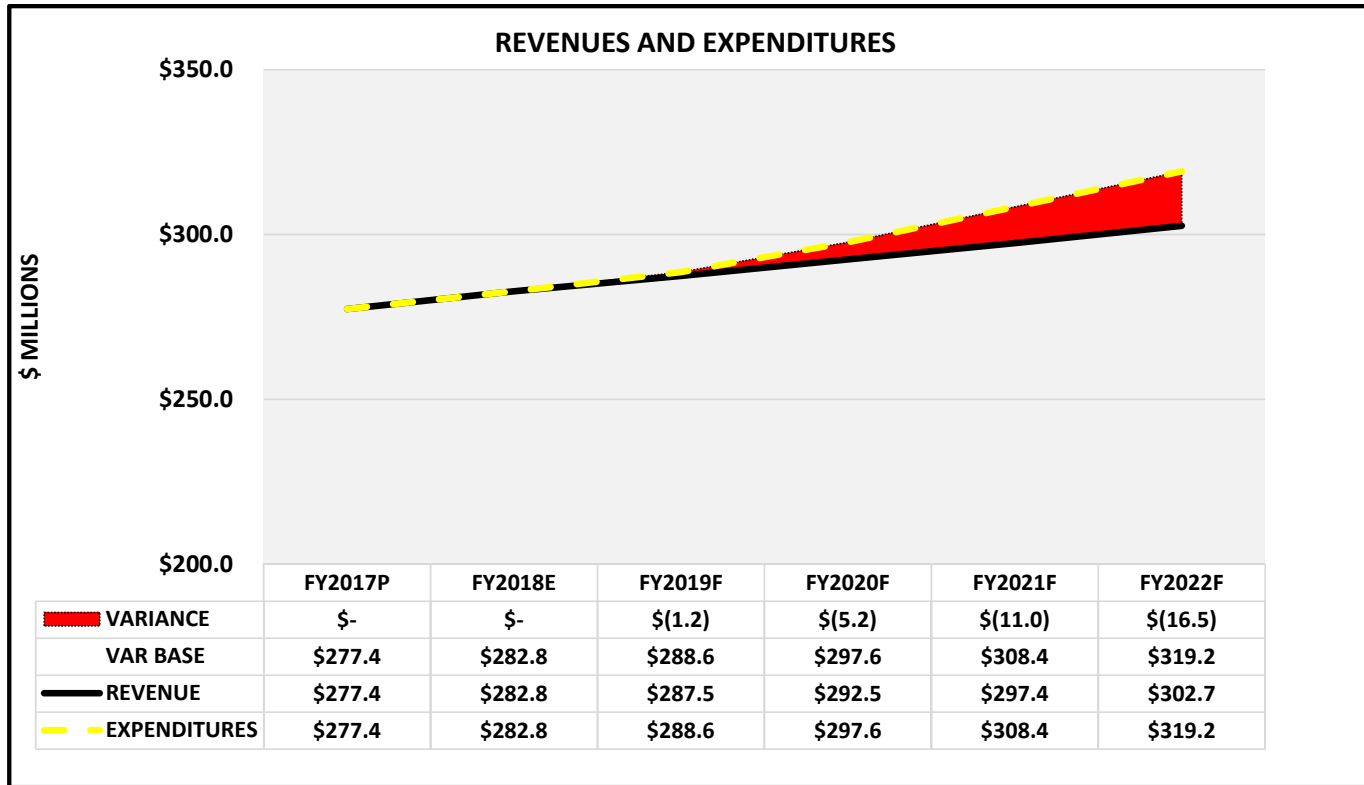
- New or rehabilitated physical asset
- Non-recurring
- Useful life of more than 3-5 years
- Expensive to purchase

Multiyear plan (5 or more years) identifying projects “planned” for funding

- Identifies each project
- Year in which started or acquired
- Cost expended each year
- Proposed method of financing

Recommended that CIP be approved each year by governing board

5 Year Forecast



Assumption	Percentage and Time Period
Operating Expenditure Growth	1.5% - 2% in FY 19-22
Salary Increases	2% in FY 19-22
Real Estate Tax Growth	1% - 2% in FY 19-22
Personal Property Tax Growth	2% in FY 19-22
Prepared Food and Beverage Tax Growth	1% in FY 19-22
All Other Revenue Growth	2% in FY 19-22

Resources

- Budget documents
 - Citizen's Guide
 - Appendix – Glossary of Terms and Acronyms
- Capital Improvement Program document
- Government Finance Officers Association (GFOA) resources
 - Elected Officials Guides
 - Courses
 - Annual Conference (May 6-9, St. Louis)
- Virginia Government Finance Officers (VGFOA) resources
 - Courses (on-line and classroom)
 - Conferences (May 23-25, Norfolk and October 24-26, Richmond)

From Roanoke City Council

- Advice to newly elected officials regarding role in budget process or budgetary decisions
 - Don't be discouraged if you don't understand much in the beginning
 - Meet with administration to understand current budget, budget process and how monitoring will occur
 - Explore the history related to why particular items are included in the budget, especially the overarching policy objective
- Most valuable thing you have learned about governmental budgeting
 - Collaboration and communication are imperative
 - "It's not about choosing between good ideas and bad ideas; it's about finding the right balance among many good ideas"
 - Counting pencils and line item "adjustments" don't move the needle at all; look at the long term "big picture" and at the same time, educate the public about, and bring them into, the process and explain the reasons behind the decisions eventually made.
 - It is up to Council to deal with the policy matters that form the foundation of developing the budget.
 - Utilize the expertise of staff to understand the process and your role/responsibilities

From Roanoke City Council

- **Biggest challenge in responding to budgetary policies and decisions**
 - Consideration of tax increases when economic growth does not produce increased revenues sufficient to meet priority needs
 - Getting colleagues to actually talk about policy instead of gravitating towards what is desired in addition to the current budget
 - Determining a clear picture of what the baseline may be and, at times, determining a list of priorities and why
- **Steps to undergo in preparation for responsibilities**
 - Meet with other elected officials one-on-one, in addition to administration, especially those who have been through multiple budget cycles, to get their perspectives
 - Understand budget policy
- **Support to considering requesting of administration**
 - Aids that report directly to elected official to assist in researching policy issues and responding to constituent concerns
 - Share performance measure information
 - Identify for Council the budgetary items we cannot touch, resources that are “tapped out” (rates set as high as they can go) and those which have room for adjustment, what our neighbors are doing as well as peer jurisdictions
 - Regular and timely updates on the budget (development and throughout the fiscal year)

In Summary.....

1. Establish a team approach
2. Listen
3. Ask Questions
4. Set/Revisit Priorities and Goals
5. Make the hard decisions with sound reasoning
6. Communicate