



# Best Practices in Local Government Budgeting

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Expert Insights into Enhancing Public Sector Organizational Performance



# Contents

<a href="#">3</a>	Introduction
<a href="#">5</a>	Local Governments' Most Important Documents
<a href="#">7</a>	Facing Numerous Challenges
<a href="#">9</a>	Overcoming Challenges with Best Practices
<a href="#">14</a>	Building Trust with Effective Processes
<a href="#">16</a>	Case Study: Boulder City, Nevada
<a href="#">18</a>	Case Study: Burnet, Texas
<a href="#">20</a>	Case Study: Cleveland Heights, Ohio
<a href="#">22</a>	Conclusion







## Introduction

A government's budget reflects its vision, strategy, and priorities. Similarly, the process public sector leaders use to create and communicate the budget reflects how they operate. The most effective processes are inclusive, transparent, and efficient. They build trust through involvement and buy-in from citizens, department heads, and elected officials.

According to public sector experts and professional organizations, local governments build greater trust and buy-in from stakeholders when they adopt and adhere to budgeting best practices. Operational best practices ensure budget planning is strategic and organized. Communications best practices help local leaders convey information simply, clearly, and frequently, which results in greater transparency and strengthened trust.



This executive brief summarizes important insights into modernizing local government budgeting practices that enhance organizational performance. It identifies common challenges budget and finance officers encounter, and it highlights effective best practices and solutions based on insights from the following experts, practitioners, research, and professional associations:

- Bill Statler, Municipal consultant and former Finance Director of San Luis Obispo, California
- Mike McCann, OpenGov VP of Government Finance Solutions and former Finance Director of Ukiah, California
- Hyun Kim, Finance Director of Boulder City, Nevada
- Connie Maxwell, Budget Director of Burnet, Texas
- Tom Raguz, Finance Director in Cleveland Heights, Ohio
- Government Finance Officers Association's (GFOA) National Advisory Council on State and Local Budgeting
- International City/County Management Association (ICMA)

## Local Governments' Most Important Documents

Budgets matter. As public sector budgeting has become more strategic<sup>1</sup> over the last several decades, the budget itself has increasingly become a combination of a policy, operational prescription, and communication tool.<sup>2</sup>

A local government's budget reflects its policies and civic priorities. It indicates how a community anticipates raising revenues, spending, and investing, encapsulating both fiscal and programmatic policy decisions. Its changes from one year to the next, articulating the direction in which a community wants to head. For instance, all else being equal, increased spending on police year over year signals that a city is placing a higher priority on addressing public safety.

Furthermore, it should convey not just what a community's policy priorities are, but also how the government's leaders plan to operationalize resources to address them. It conveys a strategic plan to those within and outside the government – those stakeholders including citizens, department heads, staff, and elected officials. Each year, the budget is the most important document a local government will produce.

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1 Tyler, Charlie and Jennifer Willand. "Public Budgeting in America: A Twentieth Century Retrospective." *Journal of Public Budgeting, Accounting and Financial Management* in Vol. 9, no. [http://www.ipspr.sc.edu/publication/budgeting\\_in\\_america.htm](http://www.ipspr.sc.edu/publication/budgeting_in_america.htm). Summer 1997.

2 Multari, Michael, Michael Coleman, Kenneth Hampian, and Bill Statler. *A Guide to Local Government Finance in California*. Solano Press Books. Chapter 7. June 1, 2012.





**“...In addition to being a fiscal plan that identifies and appropriates public resources, a local government budget is also 1) a policy document that sets forth goals and objectives to be accomplished and articulates the fundamental principles upon which the budget is prepared; 2) an operations guide that describes the basic organizational units and activities of the agency; and, importantly, 3) a communications tool that provides the community with a blueprint of how public resources are being used.”**

**A Guide to Local Government Finance in California**



## Facing Numerous Challenges

Local governments face numerous challenges, over which they have varying amounts of control:

1. **Economic uncertainty.** Given economic cycles, public sector organizations must plan for revenues that may rise or decline at different paces due to future conditions.<sup>3</sup>
2. **Changing revenues and costs.** Factors largely beyond government control like property valuations, consumer behavior patterns, and the economy influence revenue levels. Unfunded retirement liabilities and changing demographics are examples of structural factors significantly impacting how governments spend.
3. **Limited citizen engagement.** Especially because they often lack experience in the public sector and finance, citizens tend to have difficulty understanding how government works.

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3 “4 Factors Influencing Local Government Financial Decisions.” International City/County Management Association (ICMA). [http://icma.org/en/icma/knowledge\\_network/blogs/blogpost/4611/4\\_Factors\\_Influencing\\_Local\\_Government\\_Financial\\_Decisions](http://icma.org/en/icma/knowledge_network/blogs/blogpost/4611/4_Factors_Influencing_Local_Government_Financial_Decisions). August 27, 2016.



4. **Relations with council.** Finance and budget directors sometimes cite lacking clear direction from their councils and boards, which can result in reduced alignment around a central vision or strategy and unclear performance measures.
5. **Lack of budget ownership within and collaboration across departments.** Department heads have substantial expertise within their own fields, but as policy challenges become more cross-functional, shared resources must be distributed across departments and interdepartmental personnel must collaborate more.
6. **Difficulty tracking budget revisions and accessing real-time information.** During planning and development, budgets change often as forecasts are updated, budget requests are modified, and stakeholders offer input. Tracking those changes consistently across different versions of documents and spreadsheets is difficult.
7. **Errors slow down budgeting process.** Manual data entry, ad hoc calculations, and maintaining disaggregated supporting documents can lead to time-consuming errors.
8. **Staff retirement and other turnover.** As baby boomers retire, and as other staff leave and join the team, it can be difficult reconciling old and new work, especially amid an ongoing budget process.





**“Stakeholders need to be aware of when key budget tasks, events, and decisions will occur so they have an opportunity to plan and to participate in the process.”**

**GFOA National Advisory  
Council on State and Local Budgeting**

## **Overcoming Challenges with Best Practices**

We have compiled best practices from local government budget and finance directors, as well as research-based findings from professional associations. Adopting these operational best practices has helped public sector teams successfully improve their budgeting efficiency, effectiveness, buy-in, department ownership, and citizen engagement.

1. **Have a clear, well-defined process.**<sup>4</sup> As an organization is planning for, developing, and approving the budget, all key steps of the budget process should be clear on an annual and month-by-month basis. Visual representations of the process – budget calendars, timelines, and flowcharts – can help clearly identify important deadlines, milestones, required action items, and involved personnel.
2. **Start with a vision, goals, and a strategic plan.** The budget supports what a municipality and its citizens want to accomplish – now and in the future. Therefore, a successful budget process should begin with city leaders articulating a clear vision, identifying community and department goals, and undertaking a strategic plan that will help mitigate conflicting goals.<sup>5</sup> Bill Statler, municipal consultant and San Luis Obispo, California’s former finance director, says, “If you have a notion of where you want to be, your chances of getting there are significantly enhanced.”<sup>6</sup> While it is important for leaders to push the vision forward, it is also important for citizen input to inform and guide that vision as it develops.
3. **Prioritize.** Choose to focus on addressing key challenges in a given budget year. Attempting to tackle everything at once is not only inefficient, but it also commonly leads to staff burnout. Identify a focus area, and come up with a clear strategy to address it, taking care to report the results back to the community.

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4 National Advisory Council on State and Local Budgeting. “Recommended Budget Practices: A Framework for Improved State and Local Government Budgeting.” Government Finance Officers Association. Page 38. <http://gfoa.org/sites/default/files/RecommendedBudgetPractices.pdf>. 1998.

5 Multari et al., Chapter 7.

6 “Webinar: Budgeting for Success Amid Uncertainty.” OpenGov, Inc. <http://go.opengov.com/webinar-budgeting-for-success-amid-uncertainty.html>. March 21, 2017.



**“If you have a notion of where you want to be, your chances of getting there are significantly enhanced.”**

**Bill Statler**

**Municipal consultant and former Finance Director of San Luis Obispo, California**

4. **Empower and foster collaboration among internal departments.** In creating a budget, it is important for all department staff to understand the vision and goals underlying it, as well as how their departments factor into achieving those goals. Mike McCann, OpenGov VP of Government Finance Solutions and former Finance Director of Ukiah, California says that, as experts in their fields, department heads “may have great ideas on better ways of doing business, saving money, and providing better service to the public. However, speaking up during the budget process takes them far out of their comfort zone and into the black arts of finance and budget.”<sup>7</sup> Garnering buy-in across departments occurs when staff at all levels are engaged from the outset of the budget planning process and when they can collaborate easily on budget requests and revisions.

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7 McCann, Mike. “The Path to Collaborative Budgeting.” OpenGov, Inc. <https://opengov.com/blog/the-path-to-collaborative-budgeting/>. Sep 20, 2016.



5. **Meaningfully engage citizens and elected officials.**<sup>8</sup> Budgets are more credible and receive the broadest support when citizens and elected officials have provided input throughout the planning process, are aware of major developments, and understand budget tradeoffs. Providing them with a genuine voice in the municipality's choices further strengthens trust and buy-in. To open input and feedback channels, municipalities may solicit feedback in person or online through public hearings, open houses, citizen academies, focused discussion sessions, and needs surveys. To reach a more representative cross-section of citizens, municipalities should use technology solutions whenever possible to make it more convenient for stakeholders to access information and participate on demand. Consider asking citizens the following:

- What core service areas are most important to you?
- What should the city/county/district's top priorities be – this year, and in the future?
- What do you want to see more of from your local government?
- What are you willing to pay more for?

6. **Communicate the budget broadly, simply, and clearly.** Once teams have collaborated to plan and develop the budget, it is important to communicate it to all key stakeholders, including elected officials, department heads, staff, and citizens. Successful local government leaders communicate the same information multiple times, in multiple formats. These formats include formal budget books, press releases, public presentations, summary sheets, and social media. When possible, publish information electronically and in formats beyond PDFs, such as

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<sup>8</sup> Governmental Budgeting and Fiscal Policy Committee. "Public Participation in Planning, Budgeting, and Performance Management." Government Finance Officers Association. <http://gfoa.org/public-participation-planning-budgeting-and-performance-management>. February 2009.



**“A process that effectively involves all stakeholders – elected officials, governmental administrators, employees and their representatives, citizen groups, and business leaders – and reflects their needs and priorities will serve as a positive force in maintaining good public relations and enhancing citizens’ and other stakeholders’ overall impression of government.”**

**GFOA National Advisory Council on State and Local Budgeting**

web-based data visualizations, infographics, and FAQ web pages. These electronic formats make it easier to find relevant data, gain high-level takeaways, and receive quick answers to common questions.

7. **Use technology to reduce time spent developing the budget and to power insights.** While the time spent budgeting varies from organization to organization, it typically takes local public sector organizations between six and nine months to complete the process from initial planning to final approval. Though even the best technology solutions are not substitutes for strategic planning and decision-making, they can help streamline budgeting by automating calculations, centralizing communications into collaborative environments, and increasing access to budget data on demand.

**“Not only can analytics speed up the decision making process by making your data more accessible, but it can also highlight trends and exceptions, foster a common understanding of the various drivers of performance and their relationship to future outcomes, and help develop new insights based on the extensive use of data, statistical and quantitative analysis, and predictive modeling.”**

International City/County Management Association (ICMA)

## Building Trust with Effective Processes

Securing the support, buy-in, and trust of all key stakeholders helps municipal leaders successfully implement their plans. OpenGov’s Mike McCann says, “Through better reporting, better transparency, and better collaboration during the budget process, governments can use data to inform their toughest decisions and win buy-in for necessary policies.”<sup>9</sup> Because budgets are complex and detailed, achieving understanding and trust requires effectively translating large amounts of data and complex policy into simple, clear information. The following communications tips can help local governments successfully communicate their decisions and build trust:

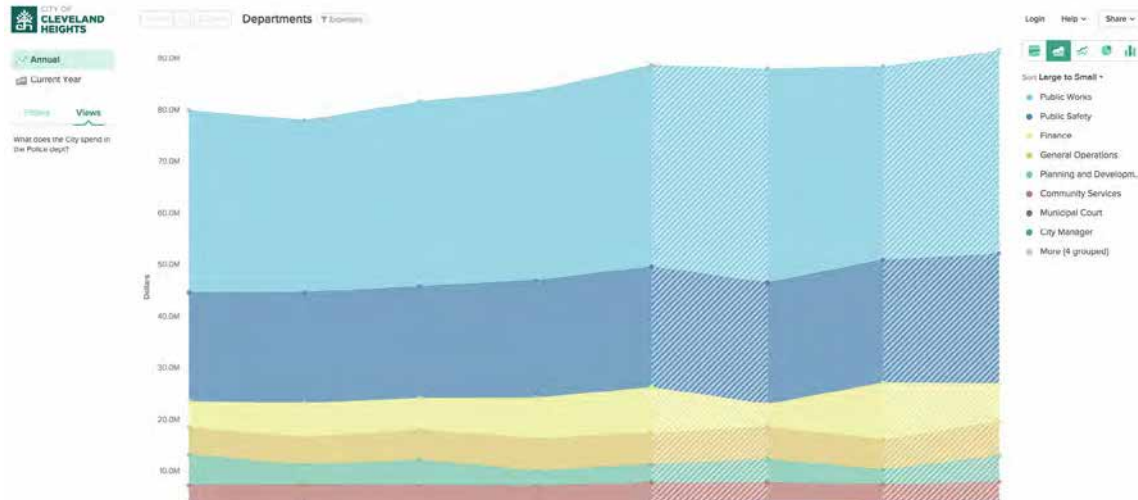
1. **Be as transparent as possible.** Transparency helps build trust. Share as much as you can, as often as you can. Sharing information proactively helps governments correct and counteract misinformation.
2. **Keep it simple.** Do not assume your audience knows what you know or has the same level of expertise. Consider having non-finance staff proofread written communications.

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9 McCann, Mike. “Governing for an Uncertain Future.” OpenGov, Inc. <https://opengov.com/blog/governing-for-an-uncertain-future/>. August 23, 2016.



3. **Use compelling visuals.** Pictures, infographics, and interactive charts help convey complex information simply, especially for non-finance audiences.



4. **Provide consistent, repeated messages.** Deliver the same messages over and over through different channels. Consistency helps build trust, and utilizing a variety of means – not just speaking to those who come out for public meetings – will engage a broader, more representative constituency. Repetition is good.
5. **Make data dynamic.** Create a dynamic web page that grants users as much flexibility as possible for interacting with information. Enable them to see multiple views of the same information.
6. **Promote feedback and engagement.** In addition to making budget information transparent and easily accessible, build trust by fostering frequent dialog with citizens.
7. **Choose technology solutions that make trusted communication easy.** Leverage user-friendly technology platforms that make internal collaboration, internal communications, and external engagement easy.



## Case Study: Boulder City, Nevada

Originally designed to house those building the Hoover Dam, Boulder City, Nevada was federally-planned as a model city in the 1930s. Currently, the City's population is 15,550, and its annual budget is \$60 million. However, population growth restrictions limit the City's ability to fuel long-term growth with population growth alone. And as the population ages, both the services the government needs to provide and the cost of providing them are evolving. Thus, as Boulder City's leadership team undertakes budget planning, they focus on planning for future sustainability and mitigating operational challenges.

Amid a multi-faceted budget process, tracking ongoing changes accurately and in real-time presents its own challenges. Onboarding staff during that process introduces even more variables, as Boulder City Finance Director Hyun Kim learned first-hand during a recent budget season. Kim, a seasoned professional with a background in both the public and private sectors, joined Boulder City as budget preparations were already underway.

**“We have seven bargaining groups and were in the middle of negotiating contracts while budgeting. As I got a sense of where negotiations were headed, I updated the budget accordingly. If I just had a static Excel spreadsheet, I’d have to update it for every bargaining unit every time I got wind of a different direction. I don’t have to do that now. I can make changes in Budget Builder on the fly based on what I’m seeing.”**

**Hyun Kim**

**Finance Director, Boulder City, Nevada**

## **Challenges:**

- Economic uncertainty.
- Changing revenues and costs.
- Staff turnover.
- Difficulty tracking budget revisions and accessing real-time information.

As he joined the Boulder City team, Kim became familiar with the city’s budget calendars and realized quickly that firm budget deadlines loomed. Given the time crunch, it would be difficult – but not impossible – to have a comprehensive budget book complete by the submission deadline. Given that various department-level modifications repeatedly changed overall budget requests and required tedious manual updates, the team adopted the cloud-based OpenGov Budget Builder™ to keep up-to-date and make ongoing – even last-minute – changes while maintaining confidence in the budget numbers.





## Case Study: Burnet, Texas

Much of Burnet, Texas's 6,000-person population consists of retirees and “snowbirds” who arrive during the winter to enjoy the mild weather and beautiful lakes. Each year, the City plans to serve a population that fluctuates seasonally, including providing and maintaining infrastructure, public safety, recreation, and other core service components. Budget Director Connie Maxwell and her staff sought to streamline their budgeting and reporting processes to enhance the city staff's ability to operate at its full potential.

Burnet's team built its budgets in spreadsheets, meaning its staff had to email them back and forth as they swapped proposals and edited various line items. This meant Maxwell and her staff had to track and reconcile dozens of spreadsheets, often going line by line to find changes. And when errors arose, it often took an entire day to find the formula or value causing the issue. Additionally, as she tried to track the overall budget, she struggled to identify who made which individual changes and why. These clerical tasks consumed hundreds of hours, prevented the team from focusing on strategic priorities, and minimized collaboration across departments.

**“I did not have a budgeting system and was forced to spend hours on reconciling numerous Excel spreadsheets, exchanging email-based proposals, and performing clerical tasks instead of evaluating proposals for effective budgeting.”**

**Connie Maxwell**

**Budget Director, Burnet, Texas**

## **Challenges:**

- Time-consuming budget process due to errors.
- Difficulty tracking budget revisions and accessing real-time information
- Budget ownership within and collaboration across departments.

Maxwell implemented OpenGov Budget Builder, which helped streamline the City’s budget process, reduce its budget preparation time by half, and refocus energy on aligning the budget with strategic priorities.

Through automatic reconciliations, Maxwell gained insight into how each department proposal would impact the overall budget. Furthermore, as an organizational leader, Maxwell also worked to engage and empower staff and council members throughout the budgeting process by reporting on the budget’s progress and soliciting input, increasing critical buy-in and support.

## Case Study: Cleveland Heights, Ohio

Cleveland Heights, Ohio, located 20 miles east of Cleveland, has a population of approximately 46,000 and a budget of \$91 million. The City works to strengthen communication with residents and the council throughout the budget planning, development, and approval process. As it worked to define its annual budgeting process, the budget team focused on increasing transparency, maintaining trust, incorporating community input, keeping stakeholders informed throughout the process, and aiding the council's decision-making.

**“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**



## Challenges:

- Limited citizen engagement.
- Engagement with council.
- Budget ownership within and collaboration across departments.

Cleveland Heights' budget process begins in May with a preliminary revenue forecast, which is presented to the city council in June. Every other June, the City also conducts a survey of residents to collect community input. There is a public hearing 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 public reading of the budget in December.

Finance Director Tom Raguz noted that the budget process must be collaborative, including staff, elected officials, and the public. Furthermore, achieving buy-in among those stakeholders is a must. Because communication and transparency are critical components of success, it is essential to involve stakeholders early in the process, and it is important to empower department heads with technology platforms that are easy to use, flexible, and accessible.

## Conclusion

Given the significant roles local public sector agencies play in confronting modern challenges – and the limited resources with which they must do so – budgeting strategically is more important than ever. Increasingly, a strategic budgeting approach encompasses both operational and communications approaches that will enable them to plan for the future, take into account various stakeholder input, implement decisions, and communicate back to stakeholders clearly and often. Furthermore, technology can undoubtedly play a critical role in helping organizations accomplish these tasks faster and more consistently.

Strategic budgeting is most feasible and sustainable when local organizations adopt and adhere to best practices across the organization. When leaders clearly articulate their goals and vision, establish a clear process, plan wisely, communicate clearly, and leverage technology, they set their organizations up for long-term success. Those organizations build foundations that strengthen trust, adapt to changes, and withstand uncertainty.



OpenGov is the leader in government performance management, with easy-to-use cloud software for better budgeting, improved operational intelligence, and comprehensive open data. OpenGov solutions give governments the right tools and relevant data for more informed decision-making and better outcomes for the public.

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