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What are the ideal components of a good budget process:

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Establishes linkages to broad organizational goals,
Focuses budget decisions on results and outcomes,
Involves and promotes effective communication with stakeholders, and
Provide[s] incentives to government management and employees.”

The National Advisory Council of State and Local Budgeting neatly summarizes five municipal budgeting best practices:

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Is your municipality living up to its full potential? Find out eight things that could be missing from your strategic plan.

To take this a step further, we’ve expounded on why each of these elements is critical. If you take these five things into account, you’ll have a solid mindset about your budgeting process.

The Municipal Budget Preparation Process: 5 Things To Consider

1. Your municipal budget guidelines should incorporate a long-term perspective.

Even if your budget only extends through the fiscal year, you’ll want to think into the future when creating it. That way, you’ll be considering how to budget for

important projects that aren't right in front of you but will eventually require funding.

2. Your municipal budget should establish linkages to broad organizational goals.

No municipality has an unlimited budget (or unlimited time to formulate that budget). This means every municipality has to carefully consider their limited resources and how to allocate them properly. The best way to do this is to start with your municipal objectives and back into your budget from there. By doing this, you'll ensure that your strategic plan (which should have included input from constituents across your municipality) is taken into account during the budgeting process.

3. You should focus municipal budget decisions on outcomes.

Because the majority of budgeting processes take information from previous years and the current year into advance—as well as projections for the next few years—you'll need to have at least some of your municipality's outcomes in mind while budgeting. If you have a clear set of goals (see step #2 above), then you should have key performance indicators or outcomes linked to those goals. Many high-performing municipalities will align their major budget items to outcomes to demonstrate why they are spending their funds in a certain way. This way, your constituents can better understand why there's been an increase in taxes or why a program has been cut.

4. Your municipal budget should involve and promote effective communication with stakeholders.

If you've complied with suggestion #2 and #3 and focused your budgeting decisions on goals and outcomes, it's then important to communicate this with anyone who has a stake in city government. This includes municipal employees, businesses, citizens, council members, the mayor, administrators, and more. One of the best ways to do this is to have a public-facing community dashboard on your website. This gives you a simple way to express to your community where tax dollars are going and whether or not you're meeting your goals.

5. Your municipal budget should provide incentives to government management and employees.

When your strategic plan is aligned and incorporated into your municipal budget preparation process, you'll see buy-in increase across your municipality. Both government management and employees will be able to see that what they're doing on a day-to-day basis is contributing to yearly goals and that their contributions are important to the success of the municipality.

Incentive compensation is trickier—and sometimes not possible in government—but giving recognition is easy and doesn't cost much. It also has a high payout in employee satisfaction. At a minimum, you should be consistently looking for ways to encourage the right employee behavior across the organization.

A Final Takeaway

Think of your budget less as an operational necessity and more of a leveragable tool. If used properly, you can ensure that you meet your goals (laid out in your strategic plan) by tying them directly to your budget (which informs what you're able to do). These two elements should be symbiotic. If you follow the five suggestions above, you'll be able to do just that!