



Government Finance Officers Association of Arizona

2020 Virtual October Budget Forum

October 26, 29 & November 4

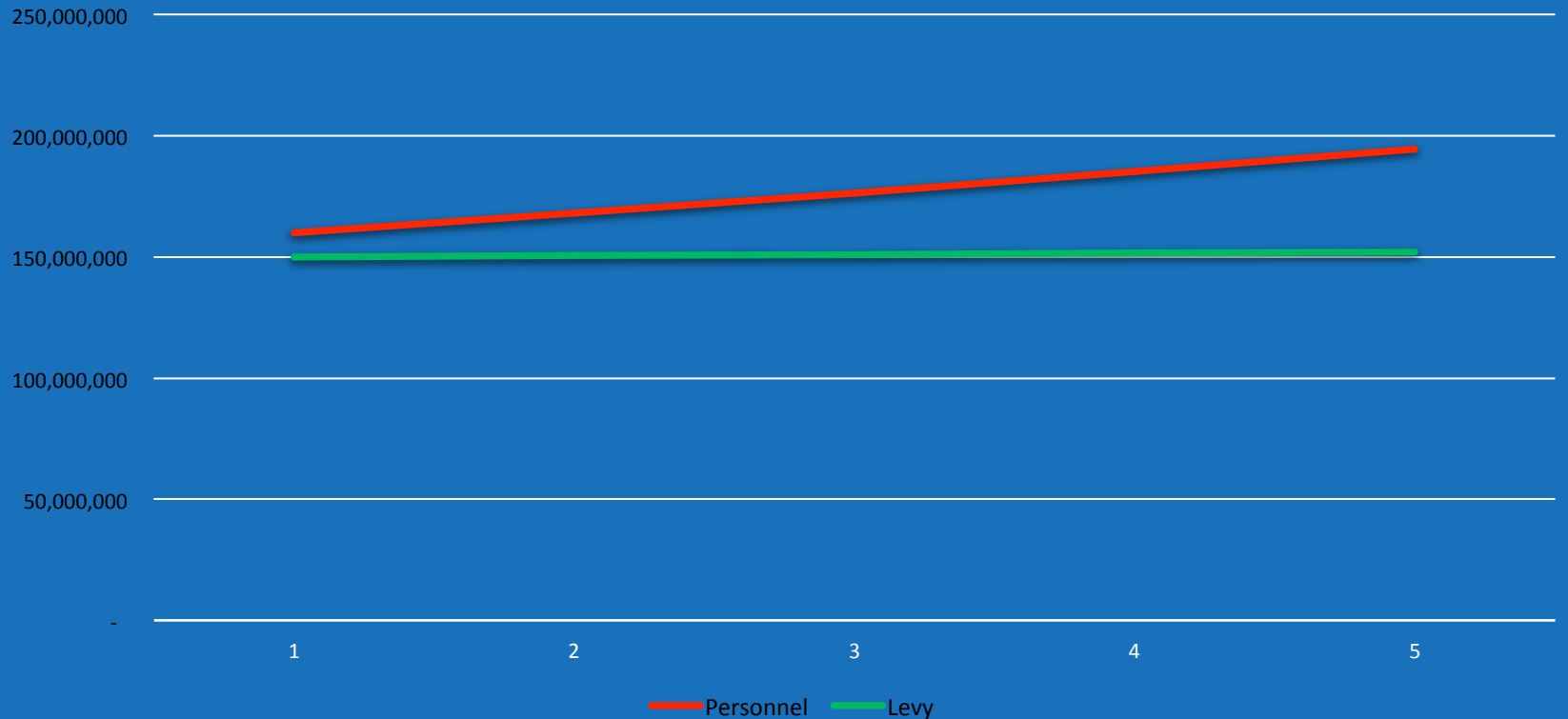
Incremental Steps to Move Away From
Incremental Budgeting



Patti Hetrick
Budget Director
Anoka County, MN

Why Strategic Budgeting?

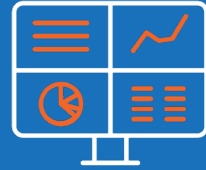
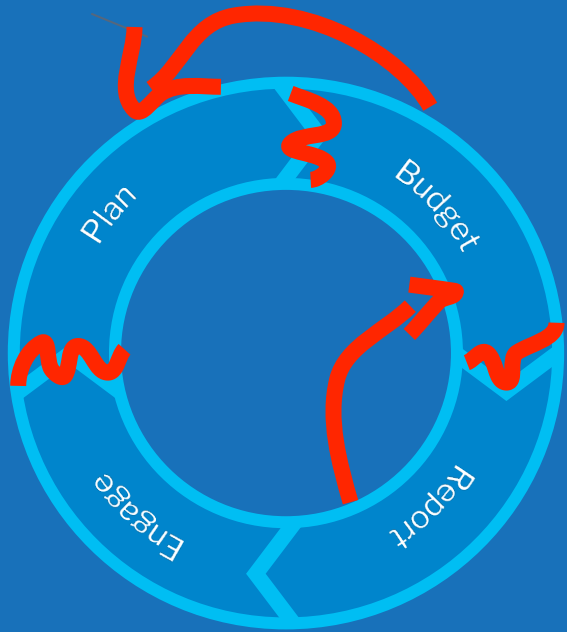
Projected Personnel Costs vs Levy Increase



What Is Strategic Budgeting?



What's So Hard About Strategic Budgeting?



4 Systems



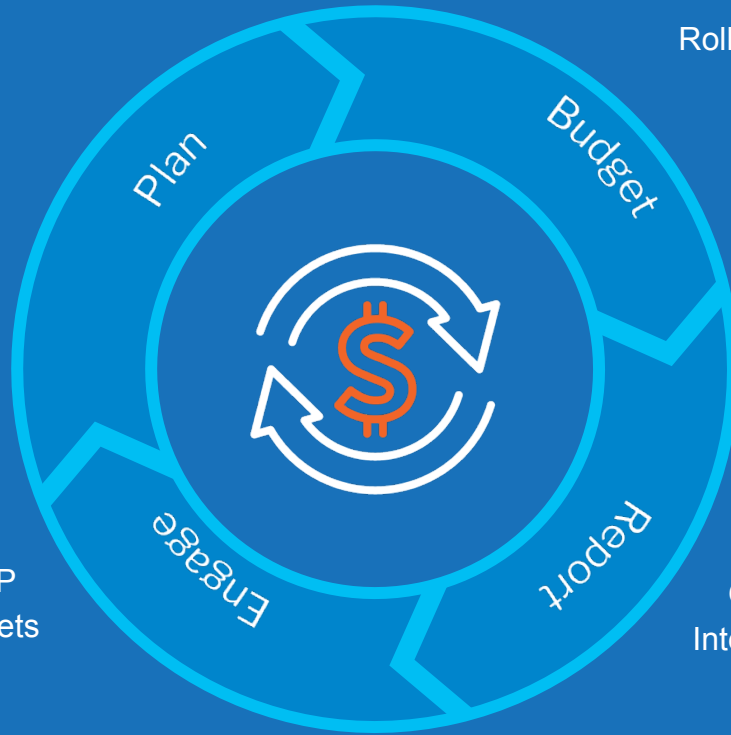
4 Audiences



6 Spreadsheets

We Needed 1 tool to streamline our process

Strategic Planning
Forecasting
Personnel Planning
CIP Planning



Rolling CY into FY estimates
Capturing Projections
Scenario analysis
Trend Analysis

Transparency
Stories about CIP
Interactive Budgets

Budget vs. Actuals
Operational Reporting
Interactive Dashboards

**And then.....my world turned upside down... twice
New assignment (aka- real world) PANDEMIC!!**



We Needed that tool NOW!

Strategic Planning
Forecasting
Personnel Planning
CIP Planning



Rolling CY into FY estimates
Capturing Projections
Scenario analysis
Trend Analysis

Transparency
Stories about CIP
Interactive Budgets

Budget vs. Actuals
Operational Reporting
Interactive Dashboards

New challenges



Potential Budget Reduction



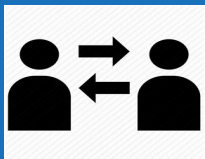
Formal Strategic Personnel Plan (e.g., restructure and broadband)



10 - Year Capital Improvement Plan



5 -year state funding plan

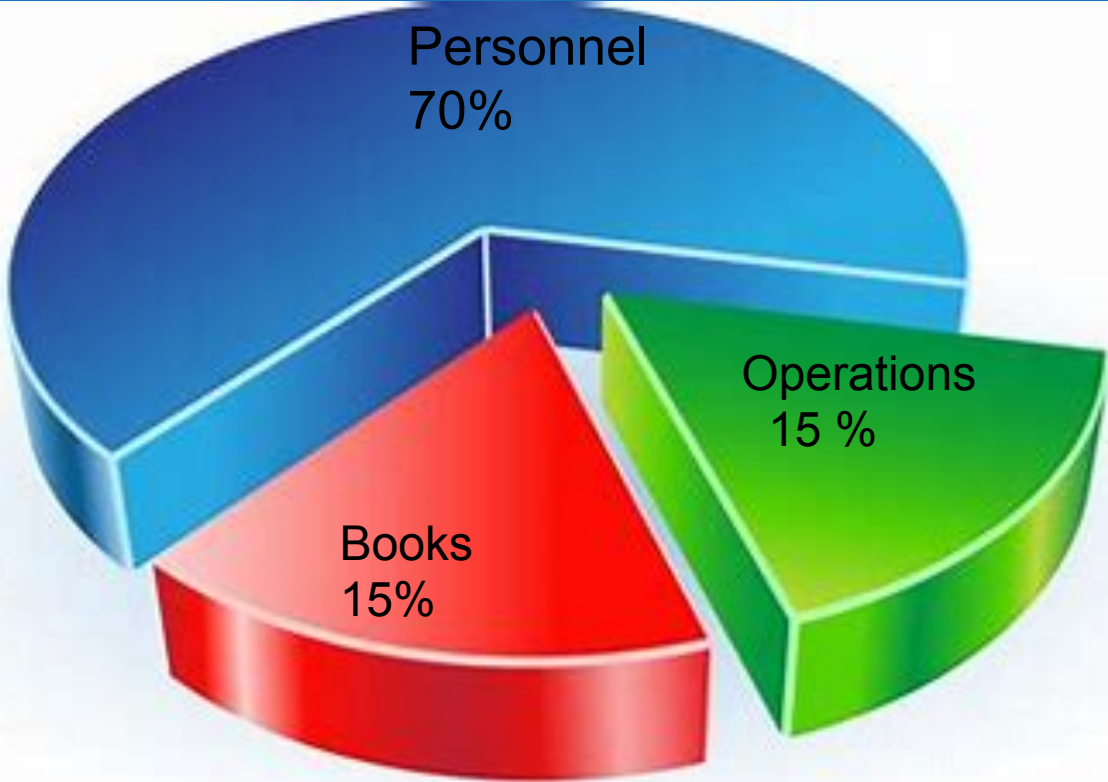


Communication method needed to ensure that County and Library Board have the same goals.

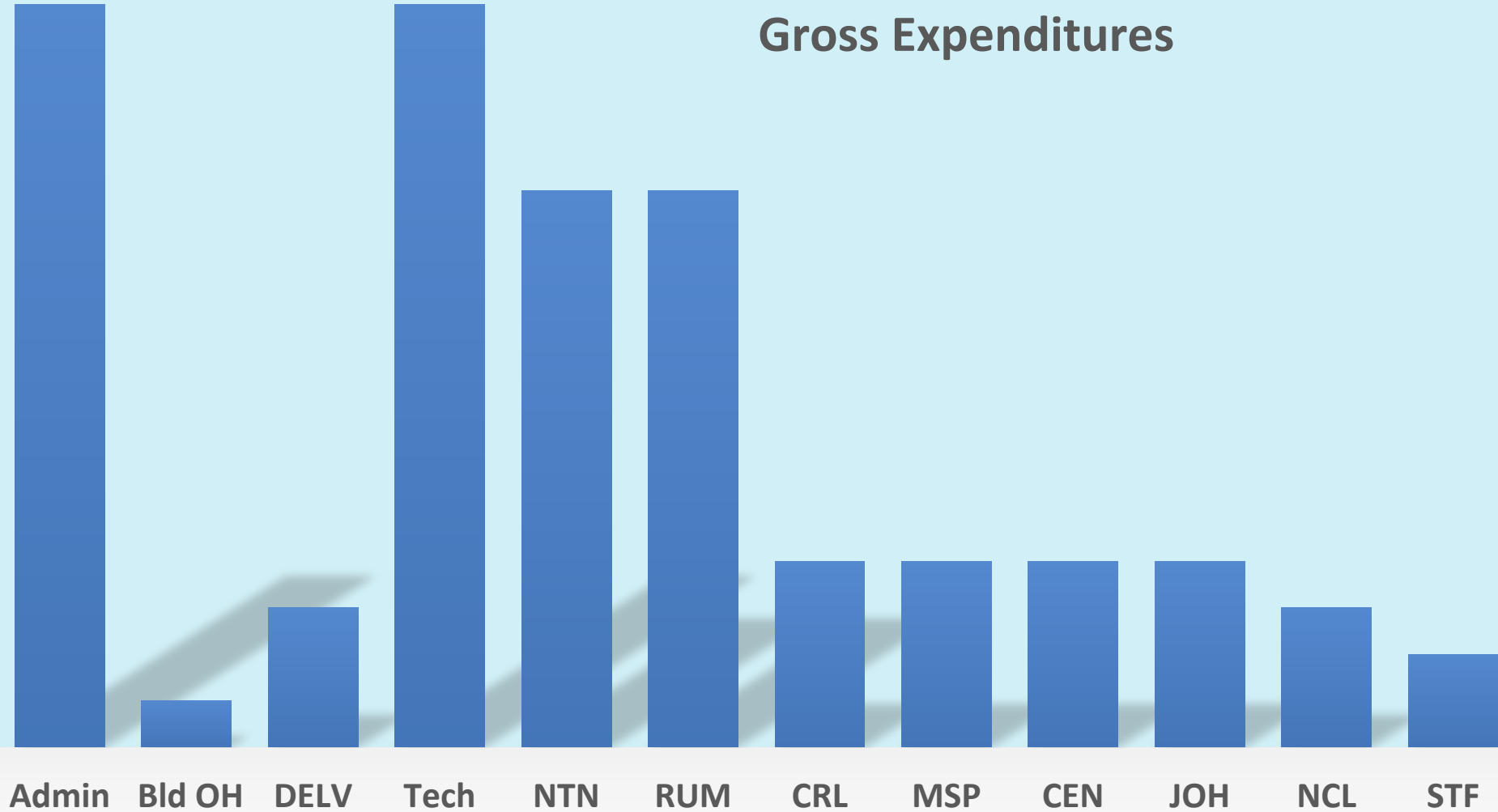
How am I going to start?

Where are the
opportunities?

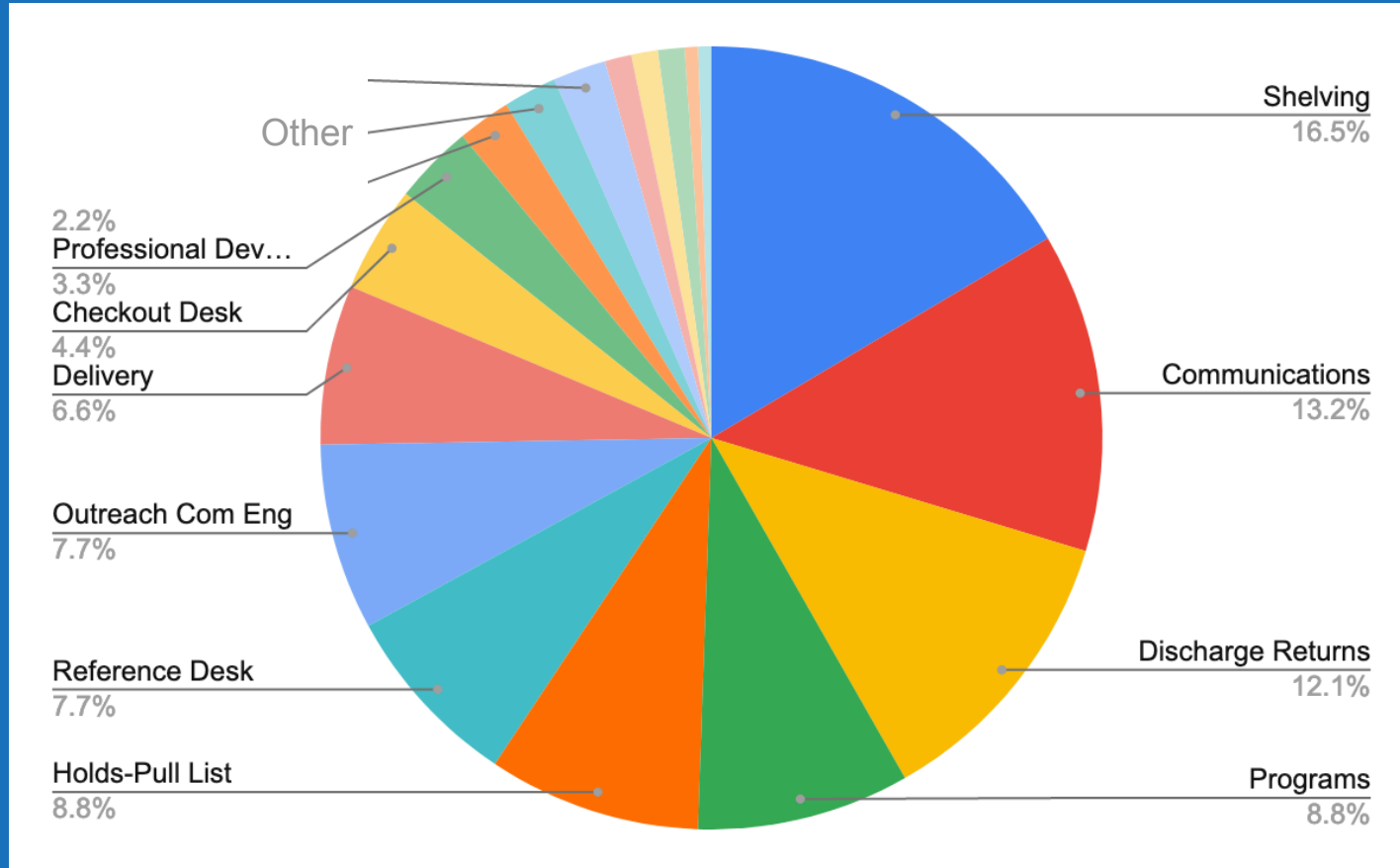
Where Are the Opportunities?



Gross Expenditures



Found a fantastic time study- 50% of work= Production



LSA



LA/Circ
\$60 K



LIB I
\$70 K



Br.Mgr.
\$ 80 K



Area Br. Mgr.
\$95 K



Planning for Personnel Comp Cost Elements (Global)

The screenshot displays the 'Data Manager' interface. On the left, a sidebar lists various personnel compensation cost elements. A red circle highlights this list, which includes:

- Temporary Employees
- 60190 - 911 Dispatcher Union
- 60190 - Licensed Deputy Union
- 60190 - Licensed Sergeants
- 60190 - Commanders and Lieutenants
- Non Union Steps
- 60325 - Salary Adjustment
- 60325 - Other Earnings
- 60110 - Non Union Steps/Ladders
- 60320 - Overtime
- 60716 - Social Security FICA
- 60716 - Medicare
- 60717 - Retirement PERA
- 60719 - Unemployment
- 60430 - Severance
- 60718 - Workers Compensation
- 60415 - Life Insurance
- Long Term Disability

The main configuration area on the right shows the following details for the selected element:

- Code: 60110 - Hourly Wage
- Base Wage: Base Wage
- Effective Start Date: Fiscal Year Start
- Description (required): Hourly wage is calculated using the uploaded hourly rate multiplied by the number of hours expected to work. Position hours will be used if available, otherwise standard hours will apply. In addition, we will take into account the duration of the year that the position is active using the position start and end dates. Lastly, we will factor in any allocation percentage provided.
- Object Account Code (required): 60110
- Calculation: Hourly * Position Hours * Duration * Allocation %
- Wage is calculated by taking the Position Hourly Rate (from the Import Template), multiplying that by the Standard Hours for the Position, then multiplying that by the duration and finally multiplying by the Allocation Percentage to determine the annualized cost.

Planning for Individual Comp Rate Adjustments

Data Manager >

— Go back to all positions Save

Position

Position Name (required)
COUNTY COMMISSIONER

Position Number (required)
199200004

Job Name
e.g Firefighter

Job Number
1000060004

Position Start Date (required)
01 / 01 / 1901

End Date?
OFF ON

Position End Date
12 / 31 / 2050

Class
NON CONTINGENT

Grade
00

Full Time Equivalency (FTE) (required)
1

Standard Hours per Year (required)
2080

Hourly Base Wage (required)
\$ 33

Account String Details

Funds (required)
0101 — General Fund x

Departments (required)
0110110000 — Management Appropriations x

JL Department (required)
N/A — N/A x

Allocation Percentage (required)
100 %

Projected Total Cost
\$97,644 Refresh

Cost Breakdown

60110 - Hourly Wage	\$69,576
60714 - Health Insurance	\$14,100
60716 - Social Security FICA	\$4,443
60717 - Retirement PERA	\$3,583
60110 - Merit Increase	\$2,087
60430 - Severance	\$1,935
60716 - Medicare	\$1,039
60720 - Dental Insurance	\$477
60721 - Long Term Disability	\$161
60719 - Unemployment	\$107
60718 - Workers Compensation	\$93
60715 - Life Insurance	\$42
60110 - Non Union Steps	\$0
60190 - 49ERS	\$0
60190 - Licensed Sergeants	\$0
60190 - Licensed Deputy Union	\$0
60325 - Other Earnings	\$0
60190 - Detention Sergeants and Lieutenants	\$0
60320 - Overtime	\$0
60110 - Non Union Steps/Ladders	\$0
60190 - Corrections Unions	\$0
60250 - Merit Increase Temporary Employees	\$0
60110 - Salary Adjustment	\$0

Projected Total Cost
\$113,902 Refresh

Cost Breakdown

60110 - Hourly Wage	\$83,200
60714 - Health Insurance	\$14,100
60716 - Social Security FICA	\$5,313
60717 - Retirement PERA	\$4,285
60110 - Merit Increase	\$2,496
60430 - Severance	\$2,314
60716 - Medicare	\$1,243
60720 - Dental Insurance	\$477
60721 - Long Term Disability	\$193
60719 - Unemployment	\$129
60718 - Workers Compensation	\$111
60715 - Life Insurance	\$42

Planning for Compensation Costs (Global)

OpenGov Budgeting / Anoka County

controlpanel.opengov.com/budgets/anokacountymn/QnVkJZ2V0OjYxNjI=/proposals/UHJvcG9zYWw6WzYxNjIjM...

2021 Proposed Budget > Anoka County Library

Production > Anoka County > Switch entity

Last saved a day ago Export Submit Proposal Done

Proposal Details Expenses Revenues Activity

Personnel

Search Open Excel Reset Amounts Select Line Items Done

2021 Proposed Budget > Anoka County Library

Last saved a day ago Export Submit Proposal Done

Activity

Search Open Excel Reset Amounts Select Line Items Done

Object	FY - 2018 Actuals	FY - 2019 Actuals	FY - 2020 Actuals	2020 Adopted ...	Base	2021 Proposed Adjustment	%	Proposed	Description
					\$5,819,430	0	0%	5,819,430	
Salaries; Regular Employees 60110	571,296	595,598	226,251	624,328	618,873	0	0%	618,873	Description
Temporary Salaries-Intermittent 60250	-312	0	0	0	0	0	N/A	0	Description
Salaries; Overtime 6320	13	0	0	400	400	0	0%	400	Description
Administration 2380110101	N/A	N/A	N/A	Unemployment Compensation 60719	928	952	312	937	Description
Administration 2380110101	N/A	N/A	N/A	Dental Insurance 60720	3,552	3,799	1,624	4,293	Description
Administration 2380110101	N/A	N/A	N/A	LTD Insurance	935	966	392	1,224	Description

Select Funds Select Departments Select JL Department Select Expenses Add item

Expected Outcomes



10 % Budget Reduction



Strategic Personnel Plan (e.g., restructure and broadband)



10-Year Capital Improvement Plan



5 Year State Funding Plan



YTD projections on shared dashboards and public Stories



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Incremental Steps to Move Away From
Incremental Budgeting



Walter C. Rossmann

Deputy City Manager/Director of Finance
Milpitas, CA

From Reactive to Preemptive Budgeting



4-5 hours:
questions



2 questions



4 Weeks:
Budget book



3 days to
Proof

**COVID-19: 2 Weeks for Scenario Planning +
Proposed Budget Redo**

Overview

1. Ways of the past ...
2. What did we change?
3. How did we change?
4. COVID-19
5. Council and Community Engagement

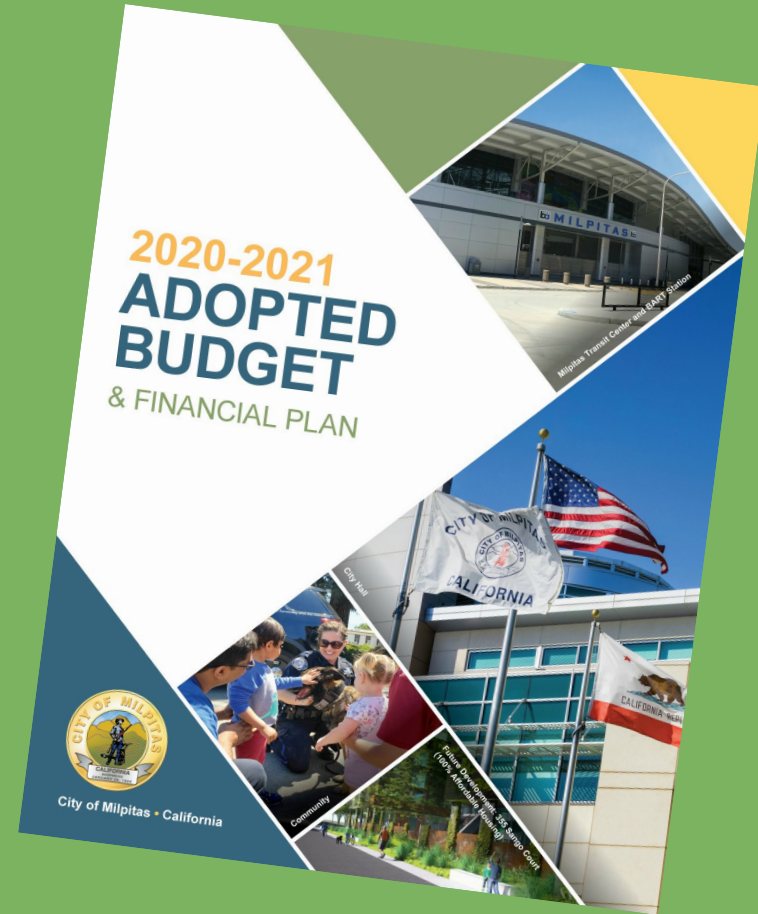
Ways of the past ...

1. Incremental budgeting
2. 20-year old system
3. Five-Year General Fund Financial Forecast
4. All budget proposals are treated the same
5. Little analysis
6. Financial document



What did we change?

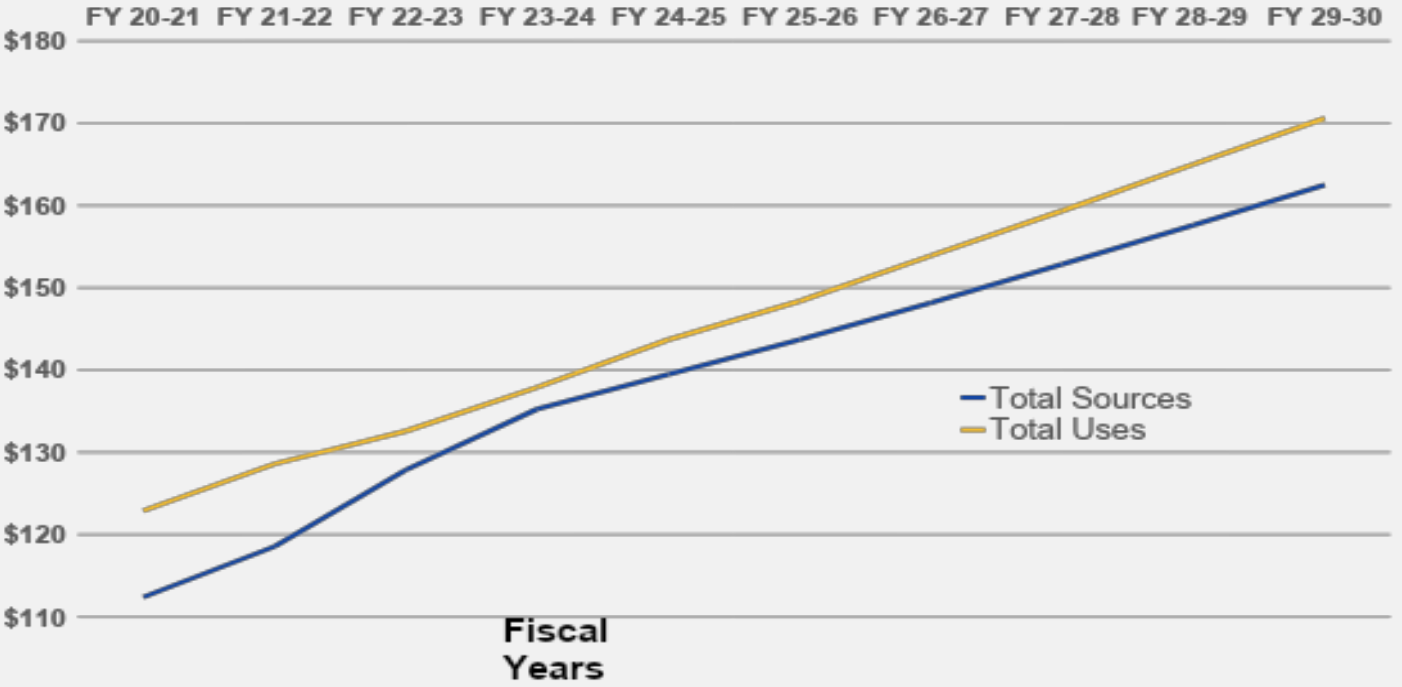
1. New budget system
2. Ten-Year General Fund Financial Forecast
3. Implementation of budget phases
4. Policy document
5. Council and Community Engagement
6. Incremental budgeting ... less so



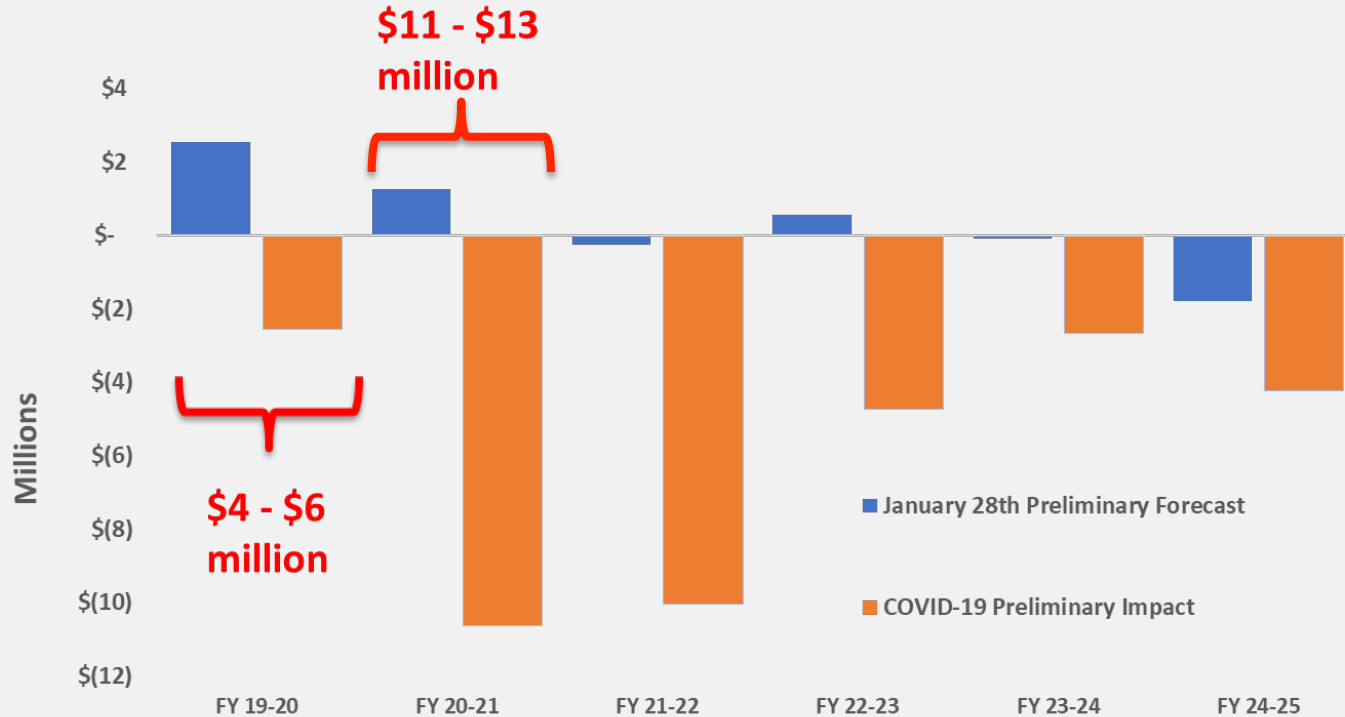
How did we change?

1. Buy-in from Council
2. Eight week implementation period
3. Buy-in from the City Manager's Office, Executive Leadership Team and department staff
4. Training, training, training ...
5. Improvements for everyone
6. Allowing for missteps

COVID-19 Preliminary Fiscal Impact (late March)



COVID-19 Preliminary Fiscal Impact (late March)



Personnel Cost Budgeting

- Pension
 - Miscellaneous and Sworn Employees
- Health Benefits
 - Based on employees' election of benefits
- Retiree Medical Benefit
 - Based on actuarial study
 - Miscellaneous and Sworn Employees

DOLLARS BY CATEGORY		2017-18 Actual	2018-19 Actual	2019-20 Adopted	2020-21 Proposed	FY 2021 Change \$	FY 2021 Change %
PERSONNEL SERVICES							
4111	Permanent Salaries	\$294,004	\$328,633	\$351,179	\$365,571	\$14,392	4.1 %
4112	Temporary Salaries	4,991	972	0	0	0	0.0 %
4113	Overtime	244	272	0	0	0	0.0 %
4121	Allowances	0	0	0	6,600	6,600	0.0 %
4124	Leave Cashout	7,713	11,123	0	0	0	0.0 %
4131	PERS	96,782	123,280	144,133	116,671	(27,462)	(19.1)%
4132	Group Insurance	49,058	61,566	64,692	60,960	(3,732)	(5.8)%

Pension Cost Components

Normal Cost

- annual benefit cost for active employees
- percentage of payroll

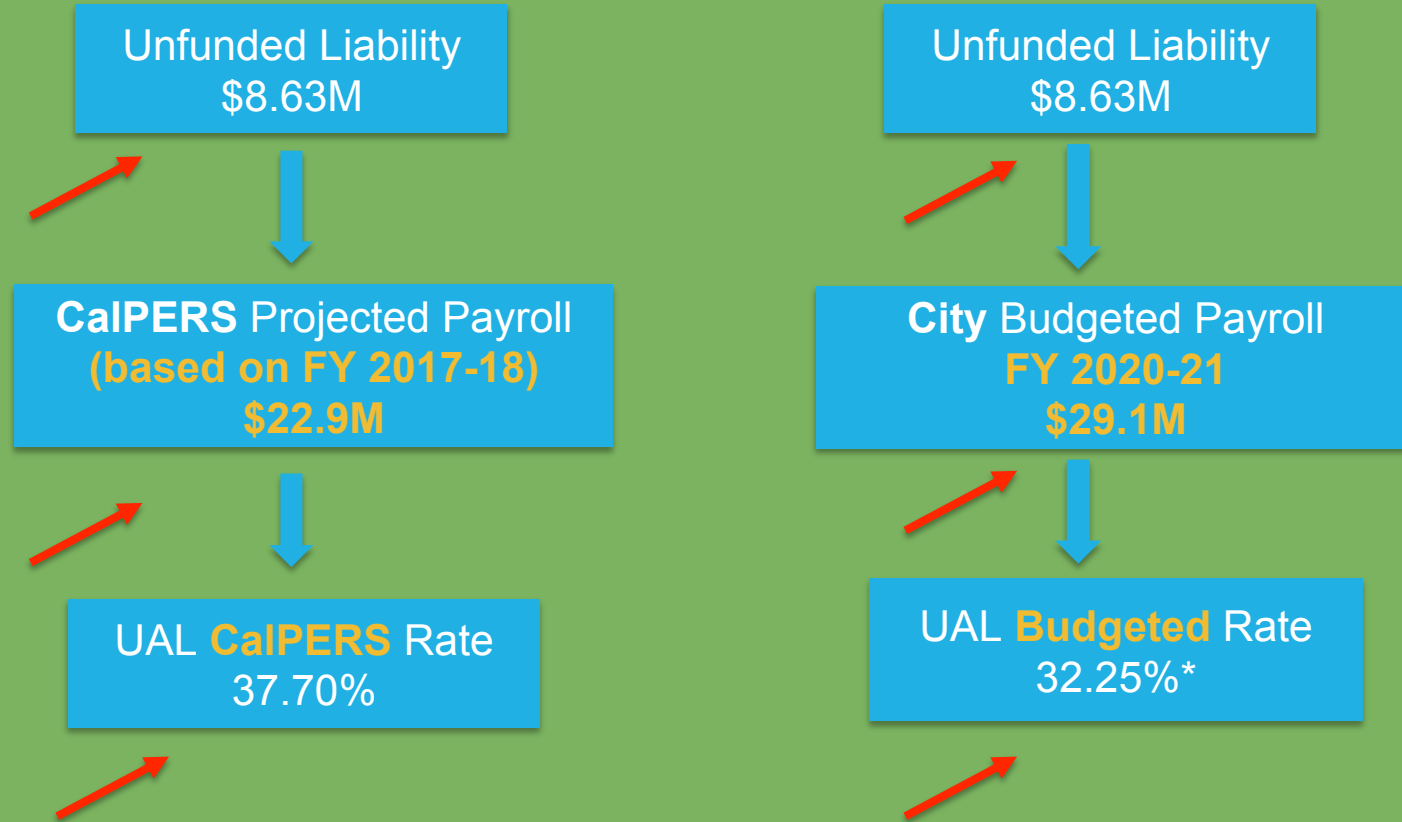
	Miscellaneous Plan	Safety Plan
FY 2020/21	10.145%	20.47%

Unfunded Actuarial Liability (UAL)

- represents outstanding funding needed for services provided by active or former City employees
- fixed amount payable translated into a percent of payroll

	Miscellaneous Plan	Safety Plan
FY 2020/21	\$6.32 Million	\$8.63 Million

Budgeting for Pension UAL – Safety

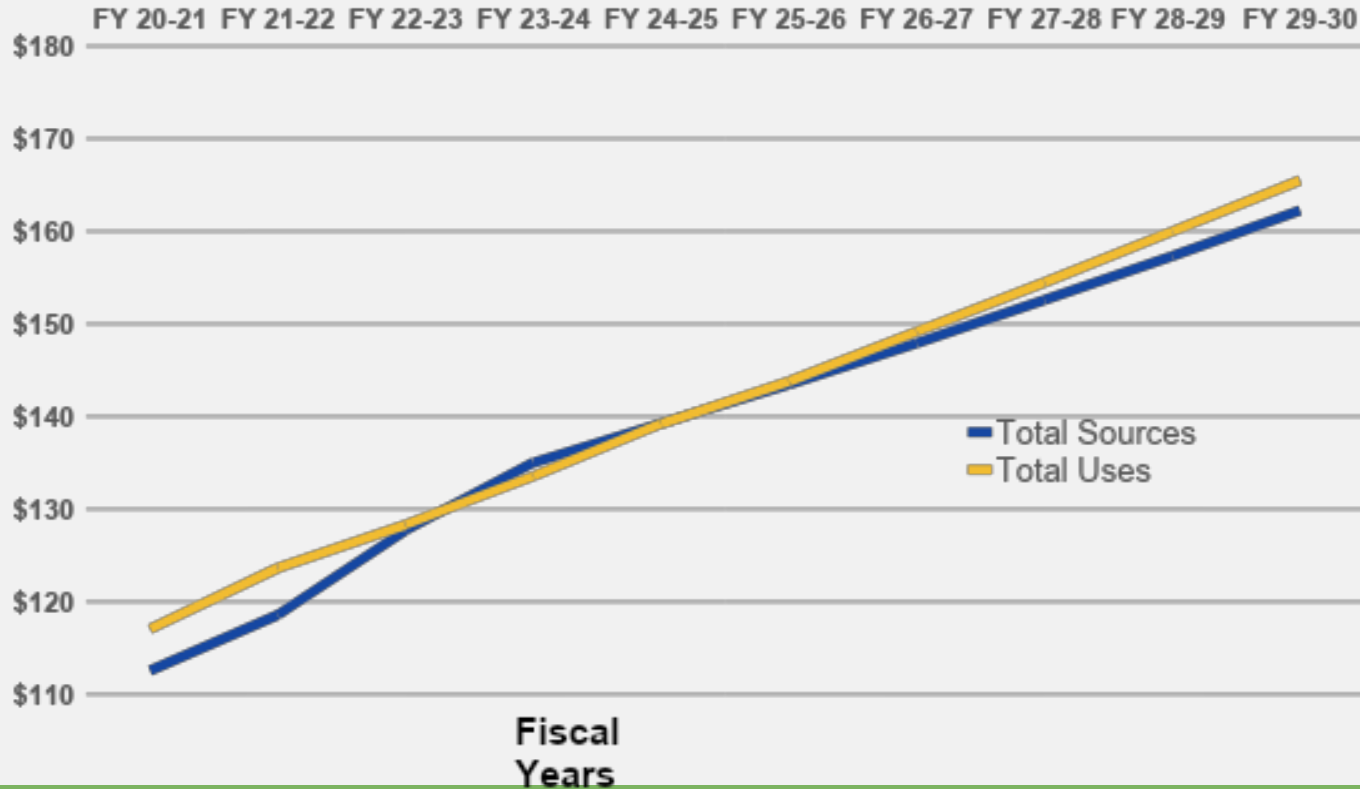


Pension Cost (General Fund) – Safety

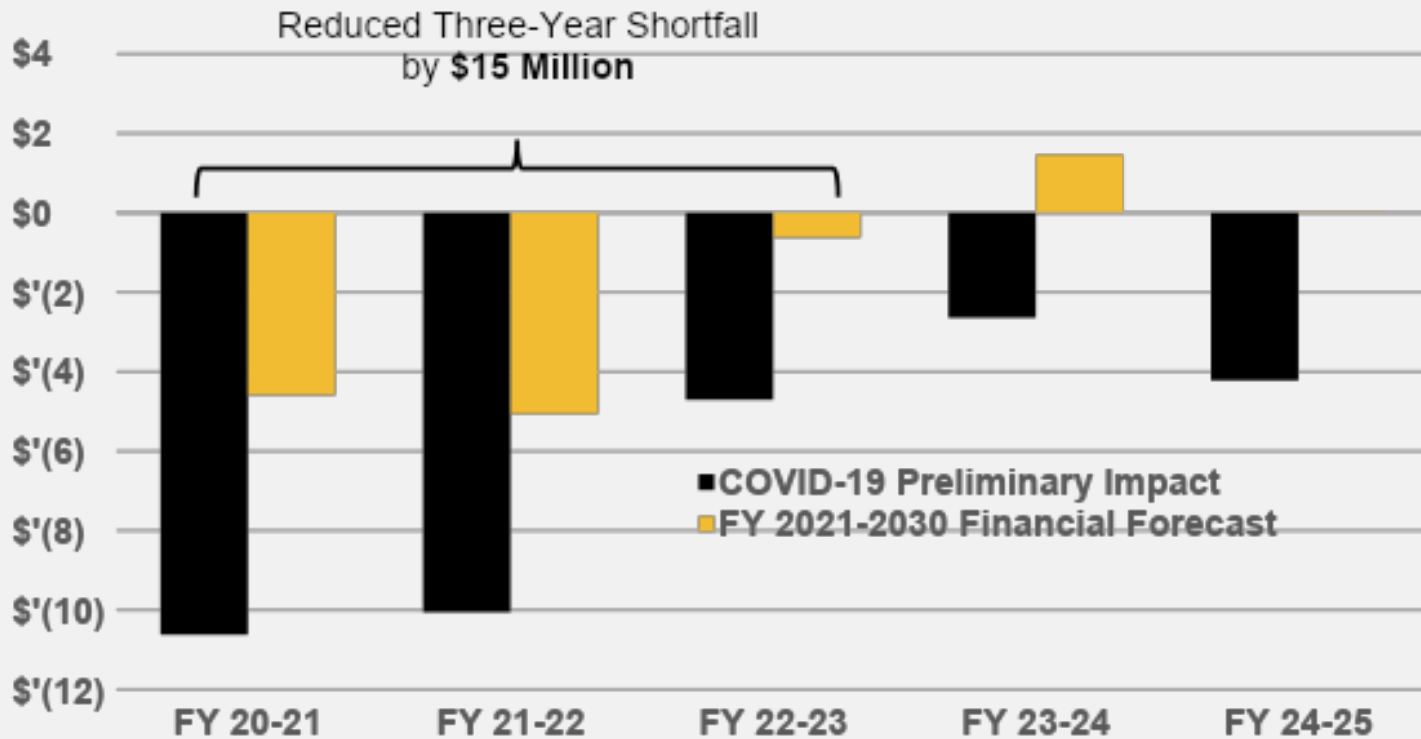
Safety Plan	Prior Method	New Method
Budgeted Payroll FY 2020-21	\$29.1	\$29.1
Normal Cost	20.47%	20.47%
UAL (8.63 million translated as % of Payroll)	37.713%	32.25%
Budgeted Pension Cost as % of Payroll	58.183%	52.720%
Total Budgeted Pension Cost (in millions)	\$16.9	\$15.3

Ongoing Impact of \$1.6 million
(General Fund)

FY 2021-2030 Financial Forecast (early May)



Remaining Shortfall - \$10 million



Policy Document

Budget Reconciliation

	Positions	General Fund Expenditures	Other Fund Expenditures	All Fund Expenditures
PRIOR YEAR BUDGET	3.00	\$939,806	\$50,000	\$989,806
One-Time Prior Year Budget Adjustments				
Pilot Façade Improvements Grant Program*			(50,000)	(50,000)
Pilot Better Block		(50,000)		(50,000)
One-Time Prior Year Budget Adjustments	0.00	(50,000)	(50,000)	(100,000)
Adjustments to Costs of Ongoing Activities				
Salary and Benefits	0.00	24,312	0	24,312
Adjustments to Costs of Ongoing Activities	0.00	24,312	0	24,312
Total FY 2020-21 Budget	3.00	\$914,118	\$0	\$914,118

* Additional \$50,000 was budgeted in FY2019-20 in the Community Benefit Fund

Year over Year reconciliation

Base Budget vs Service Level Changes

Total FY2020-21 Base Budget	24.00	4,087,819	85,950	4,173,769
Service Level Changes				
USA Locate Contractual Services		67,000	134,000	201,000
Total Service Level Changes	0.00	67,000	134,000	201,000
Total FY 2020-21 Budget	24.00	\$4,154,819	\$219,950	\$4,374,769

Service Level Changes





Council Priority Area →

Detailed descriptions →

Performance results →

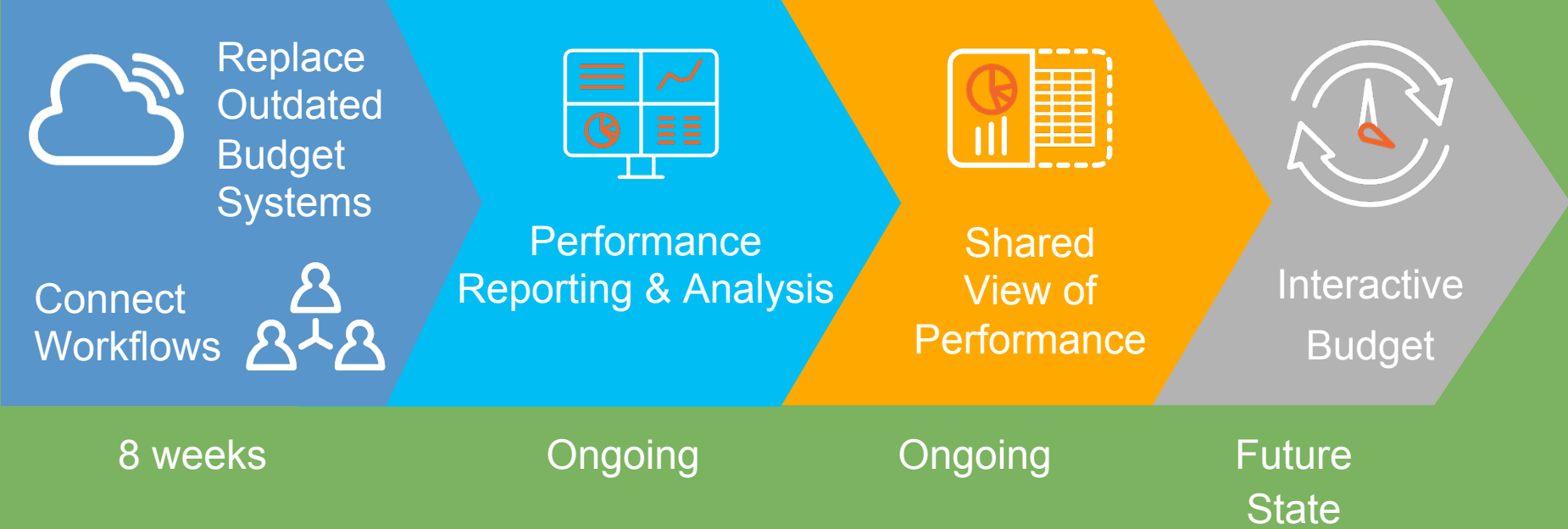
Impact statement, if the service level change is not funded →

Service Level Changes

	Positions	General Fund Expenditures	Other Fund Expenditures	All Fund Expenditures
1. USA Locate Contractual Services	0.00	\$67,000	\$134,000	\$201,000
 <p>This action funds ongoing contractual services for locating and accurately marking the location of the City's underground utility facilities on the surface of the ground upon request prior to excavations by contractors as required by State law. This is a health and safety requirement with the purpose of preventing contractors from damaging underground infrastructure. Following several high profile incidents such as the San Bruno gas explosion, the State has increased the requirements for locating of underground utilities, and there are significant penalties for non-compliance. The City has to respond to calls for the Water, Sewer, Stormwater and Fiberoptic undergrounded utilities.</p> <p>Public Works has provided USA locating services for City utilities, however, Public Works staff are not trained and certified in accordance with State law to perform utility locating, and the City does not have the required equipment. Public Works staff are not able to handle the volume of USA requests received per day (20) where it is required that a utility respond, locate, and mark out utilities with two working days and in no case beyond ten days.</p>				
Performance Results:		  		
This action will ensure timely compliance with State law requirements performed by a certified contractor.				
Impact if funding is not approved				
If funding is not provided to the Engineering Department for the contracting USA utility locating services, the Engineering Department will not be able to oversee this service. The responsibility for utility locating will remain with the Public Works Department, the services may not be performed in compliance with State law unless dedicated staff will be added and trained, and the City may be liable for the costly damages for not responding to utility request, and utility no-marks and mismarks.				

Total Service Level Changes	0.00	\$67,000	\$134,000	\$201,000
------------------------------------	------	----------	-----------	-----------

Plan for Ongoing “Implementations”



Replace
Outdated
Budget
Systems

Connect
Workflows



8 weeks



Performance
Reporting & Analysis

Ongoing



Shared
View of
Performance

Ongoing



Interactive
Budget

Future
State

Budget Book -- Past, Present, Future (Interactive)



2019-2020 Budget Financial Plan ADOPTED BUDGET



Milpitas Transit Center and BART Station



City Hall



Future Development: 355 Sango Court
(100% Affordable Housing)



Creighton Park

City of Milpitas
California



City of Milpitas • California

2020-2021 ADOPTED BUDGET & FINANCIAL PLAN



Updated On 16 May, 2020

← Back ↻ History ↺ Reset

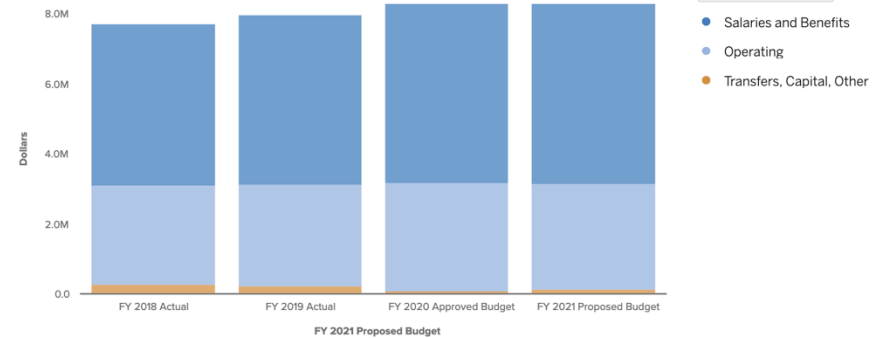
Broken down by

Expenses

General Fund

Transportation Department

Visualization



www.milpitasca.opengov.com/

From Reactive to Preemptive Budgeting



4-5 hours:
questions



2 questions



4 Weeks:
Budget book



3 days to
Proof

**COVID-19: 2 Weeks for Scenario Planning +
Proposed Budget Redo**



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Incremental Steps to Move Away From
Incremental Budgeting



Brad Harris
Finance and Accounting Consultant
University of Tennessee - MTAS



Municipal Technical Advisory Service
INSTITUTE *for* PUBLIC SERVICE

Speakers

- Brad Harris, Finance and Accounting Consultant, University of Tennessee, MTAS
- Patti Hetrick, Budget Officer, Anoka County, MN
- Walter Rossmann, Deputy City Manager/ Director of Finance, City of Milpitas, CA



Session Agenda

- What is incremental budgeting?
- Case Study: Anoka County, MN
 - Leveraging new tools to implement strategic budgeting practices:
 - Personnel, operational, and capital planning
 - Reporting
- Case Study: City of Milpitas, CA
 - Getting leadership and department buy-in
 - Implementation of a new system and budget publication tool
 - Redesigning the budget document



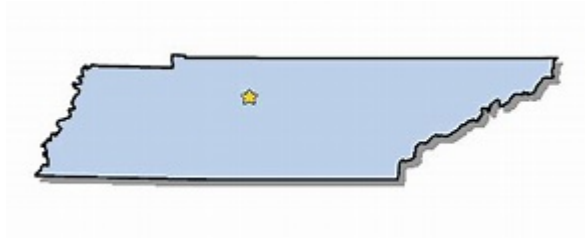
Poll Question #1

- Does your organization currently do incremental budgeting?
 - Yes/No



Topic Overview

- What is incremental budgeting?
- Better said, what is line item budgeting?



Incrementalism - An incremental budget is a budget prepared using a previous period's budget or actual performance as a basis with incremental amounts added for the new budget period.

1%, 2%, 3% of prior year – what's wrong with this picture?

- Assumes everything stays the same
- Doesn't account for unusual variants (uh... COVID-19?)
- Perhaps OK for some things, but not others
- Will it work? Well yeah, but...



Line item budgeting

- incorporates some aspects of incrementalism but doesn't simply rely on the past
- Still looks at individual revenues and expenditures
- Is a better approach than 'blanket incrementalism'



Line item budgeting

- Why use line item budgeting?
 - We've always done it that way
 - Fits into our comfort zone
 - That's what the governing body expects
 - It's not complicated, and I have 25 hats to wear



I literally Googled “What is the best way to make a government budget”



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And the winner is...

(stolen from clearpoint strategy.com)

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

“A good budget process:

- Incorporates a long-term perspective*
- Establishes linkages to broad organizational goals*
- Focuses budget decisions on results and outcomes*
- Involves and promotes effective communication with stakeholders, and*
- Provides incentives to government management and employees.”*



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*I think I may have figured it out...
otherwise known as what your
grandparents taught you to do...*

(stolen from payoff.com)

Follow these steps to put a solid budget plan into action:

- 1. DETERMINE YOUR INCOME**
- 2. CALCULATE EXPENSES**
- 3. CALCULATE THE DIFFERENCE**
- 4. DETERMINE WHAT TO DO WITH YOUR SAVINGS**
- 5. MAKE IT A HABIT**



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Takeaways...

1. Make it understandable
2. Make it adaptable
3. Keep it realistic
4. Make sure your governing body can comprehend it
5. Realize it is only a plan – it's going to be wrong the day you pass it!
6. Understand that you can change it at any time



*Thank you for the opportunity to
work with you!*

brad.harris@Tennessee.edu

