

Leadership through Budgeting

“Controlling Taxes and Increasing Services”

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Abstract

The county budget is a key responsibility of county leaders, and the ultimate control over how tax dollars are allocated and which services are provided to the citizens. Nowhere else is leadership more important than during budget preparation. However, county budgeting is typically more an annual event than an ongoing efficient and effective process. By implementing a budgeting process and preparing a budget in accordance with the criteria required by the Government Finance Officers Associations Distinguished Budget Presentation Awards Program and earning the award, a county can improve their budget and budgeting process, resulting in more efficient and effective operations, more public trust, and better control over taxes while increasing services. This paper provides a comparison of Chambers County's budgeting process past and present, and provides the advantages vs. disadvantages of a GFOA award winning budget. Advantages include improving the budgeting process, focusing more on priorities, providing a better understanding of operations for all stakeholders, and improving operational performance. Disadvantages discussed are staff commitment, cost, and the need for change. This paper provides sufficient evidence to suggest that Chambers County and its stakeholders will benefit by the county formally adopting the requirement to earn the GFOA Distinguished Budget Presentation Award as part of their annual budget policy.

Introduction

No other activity performed by county government can have as much positive impact on outcomes as preparing a detailed budget in accordance with the Government Finance Officers' Association's Distinguished Budget Presentation Awards Program. The adopted county budget is the ultimate control on financial management, and properly executed can provide a valuable resource for all stakeholders, while providing for efficient and effective management and operations. As stated in the GFOA Recommended Budget Practices Framework for Improved State and Local Government Budgeting, "of all the functional areas of finance, the one most in need of guidance is government budgeting." However, in practice, counties often throw together a line item budget at the last minute, resulting in a budget that is often misunderstood, provides no operational guidance, causes an unreasonable amount of budget transfers and budget amendments, and provides no real useful information regarding outcomes and performance measurement. In essence, the county budget is typically more an event than a process. By following the GFOA Distinguished Budget Presentation Awards Program Criteria, a county can implement a budget process that will help improve the county's operational performance and financial position; which will result in better control over tax rates while increasing services to the citizens and all stakeholders.

Background

In the past, Chambers County started their budgeting process only after receiving certified taxable values from the Chambers County Central Appraisal District in July of each year. The thought behind this seemed to be that they could not prepare a budget until they knew how much revenue would be available. Thus, the desired tax rate determined the budget instead of a prioritized budget determining the tax rate, which could have resulted in either a higher or lower tax rate. This smoothing of the tax rate may have resulted in surplus and waste in some years, and shortfalls and loss of opportunities in others.

After the desired tax rate determined the available funds, department heads and elected officials were asked to provide their department's line item budget as compared to the prior year budget and a round of budget workshops would ensue where all five members of the Commissioners' Court would analyze the proposed budget in its entirety. Also, department heads

and elected officials were given the opportunity to plead their case to the Commissioners' Court for their wish list. This often times resulted in a "brow beating" of department heads and elected officials by the Commissioners' Court resulting in lower morale and multiple "budget games" as described by Scott Douglas Lazenby in "The Human Side of Budgeting, Budget Games and How to End Them" (Lazenby). Obviously, not all department heads and elected officials possess presentation and public speaking skills and typically the more persuasive ones got their wishes and others did not.

Since the proposed budget typically was not vetted by a budget committee or the Budget Officer, it included a lot of requests that simply were not necessary or reasonable, which caused all five members of the Commissioners' Court to expend considerable time and debate over unreasonable requests. Typically, the first budget workshops started out with a round of "no's" and as the process progressed and other more persuasive presenters "won" it became necessary to re-visit previous presenters' request in order to be "fair and consistent." This process caused demoralization and also caused resentment between department heads and elected officials toward each other and towards the Commissioners' Court.

The past budgeting process resulted in a line item budget whittled down to match available revenues, with very little buy in from department heads and elected officials. The budgets were also unrealistic in regard to real priorities which caused excessive budget amendments and budget transfers when priority needs surfaced that could have been foreseen through a more effective budgeting process. With no clear focus on priorities, the budget amendments and transfers became time consuming hunts for available funds and ended with an amended budget at year end that was copied to the next year to continue the budgeting process. There had to be a better way.

Realizing that there had to be a better method of budgeting the county only had to find the solution. During Track 4 of the Texas Certified Public Manager Program at Stephen F. Austin State University in 2013, the county received the book *A Budgeting Guide for Local Government* by Robert L. Bland. In the book, Bland introduces the Government Finance Officers Association (GFOA) as the agency that "has been at the vanguard of promoting better budget communication" (Bland p.83). He further explains that the GFOA "has sponsored the

Distinguished Budget Presentation Awards program, inviting states, provinces, and local government to submit their budget documents for evaluation in four areas.”

The four areas cited in the book are:

- The budget as a policy document
- The budget as a financial plan
- The budget as an operations guide
- The budget as a communication device

After studying and considering the information provided in Bland’s book, Chambers County started following the GFOA budgeting model with the intention of eventually achieving the GFOA Distinguished Budget Presentation Award. This resulted in a much improved 2015 budget process that was completed in record time, includes priorities; with buy in from department heads and elected officials. Chambers County expects a successful fiscal (calendar) year 2015 that provides better control of current and future tax rates while providing increased services to its citizens (Chambers County 2015).

Advantages of a GFOA Award Winning Budget

Improved Budgeting Process

Since 62% of the County Budget, excluding capital expenditures, consists of personnel costs, and since most of the prior budget debates related to salary decisions, the Commissioners’ Court created the Performance Evaluation Committee to consider personnel needs on a routine basis in lieu of only at budget time. The PEC Committee makes recommendations to the Commissioners’ Court after thorough review and consideration. This has saved a considerable amount of time and has improved consistency with merit raise requests. Employees have received more merit raises than in the past and morale is improving.

The county also adopted a formal budget policy and budget calendar which resulted in more time spent on the budget process in lieu of considering the budget as an “event.” As stated in the NEUBRAIN white paper *Performance Based Budgeting – Methodology and Tools*

“Organizations have a number of performance based budgeting (PBB) best practices and

approaches at their disposal, but rarely will they achieve a mature level all at once because implementing PBB is a process rather than an event” (NEUBRAIN). The Budget Officer formed a budget committee and fully vetted the department heads’ and elected officials’ requests prior to taking the proposed budget into budget workshops with the full governing body. The budget committee re-visited questionable requests as needed, which allowed the requestor adequate time and a safe environment in which to explain their needs.

Through this improved budgeting process evolved the County’s first formal Capital Improvement Plan with a focus on improving long range planning. All of this improvement effort aided in Standard & Poors Rating Agencies recent decision to rate Chambers County’s 2014 Revenue Bonds “AA”, resulting in improved interest rate savings on bond indebtedness.

Focusing on Priorities

With a 12% increase in certified property values providing increased revenues to the county, one would think that the Commissioners’ Court would stay with the past policy of keeping the tax rate the same as the past five years. However, with an improved budgeting process and consideration of our long term needs, the decision for the 2015 budget year was to adopt the rollback tax rate which would provide additional revenue to the county so that the county can increase services to the most citizens with available funds. Clearly, infrastructure needs are necessary to keep pace with growth in the county.

Increased industrial growth increases competition for personnel and need to attract and retain the best available personnel for increasing services to our citizens. Personnel are viewed as an asset now more than ever. Also, to operate more efficiently and effectively, and to comply with state and federal requirements, the county needed to invest in new financial, judicial and records management software after 17 years of using basic software applications.

Exploding population and industrial and retail growth requires increased needs for fire, EMS, and police protection. The improved budget process brought to light the urgency of these needs and allowed Chambers County to become more proactive with addressing these needs more than ever.

By focusing on priorities, more time will be spent on considering the projects and services that benefit the most citizens in lieu of the projects that benefit special interest groups. Through thorough analysis, each request should provide the details of the number of citizens benefitting from the project or service. Often times political pressures will focus on “pet” projects or high profile projects that really belong to a non-profit organization or private business to the detriment of critical infrastructure or emergency services needs.

Better Understanding of Operations

How many times have department heads and elected officials complained that “Commissioners’ Court doesn’t even know what they do?” How many times has the Commissioners’ Court stated “the department heads and elected officials don’t understand what it takes to run the county?” How many times has concerned citizens asked “what does the county do for us?”

Through an improved budgeting process Chambers County’s budget is becoming a better communication tool. A contributing factor to the questions previously stated is simply lack of communication and/or the ability to communicate. By using a budget committee to prepare the proposed budget the department heads and elected officials have a tool for better communication. Also, more narrative in the budget more clearly and concisely answers these types of questions. Once budgetary needs are clearly communicated and explained in terms of how the needs benefit the citizens, it becomes more necessary to include the priorities in the budget and tax rate.

By preparing a thorough proposed budget and five year capital improvement plan, the Commissioners’ Court formally participated in more clearly defining the county’s vision, mission, and objectives. Once everyone understood the magnitude of critical infrastructure, safety, and compliance needs the petty unreasonable requests were withdrawn without objection. Although much improvement is forthcoming, Chambers County is now clearer on their vision, mission, objectives, and priorities than ever before.

A GFOA award winning budget document will clearly justify each and every department, provide an organization chart, list goals and objectives, and provide metrics for measuring outcomes. Each department allocated funds in the budget will include a narrative so that most

citizens can easily understand where their tax dollars are spent and the outcomes and benefit to the community.

The new budget document will be a valuable resource to county leaders to help explain during meetings, conferences, town hall meetings and other public events what the county does for the community and where the tax dollars are allocated. This will improve citizens' confidence in their elected officials and build trust and credibility.

Improved Operational Performance

By preparing a long range capital improvements plan Chambers County is now aware of its needs ahead of time which will allow them to leverage their buying power and negotiate more favorable prices on capital equipment, facilities and construction contracts. Realizing future needs, the county is able to consider the economic value added for capital purchases and is able to take advantage of lower interest rates and better cash reserves utilization.

Chambers County's investment into the best available financial software will allow them to move toward performance based budgeting and provide performance measures for decision making; and away from only line item budgeting. But, what is meant by performance based budgeting?

Numerous resources and definitions have been provided for performance based budgeting since the early 1950's when the federal government first embraced the concept. One good definition is, as cited in the winter 2004 edition of *Popular Government's Defining Performance Budgeting for Local Government* is that it is a "process for budget preparation and adoption that emphasizes performance management, allowing decisions about allocation of resources to be made in part on the efficiency and effectiveness of service delivery" (Rivenbark, 2004).

Implementing a performance based budgeting program is necessary to measure inputs, outputs, and outcomes related to the use of county resources and ultimately tax dollars. Here are recommended practices from cited resources, many of which were introduced in the Texas Certified Public Manager Program at Stephen F. Austin State University. First, it is important to find out what is truly going on in the organization. Since personnel are the most significant part of the county budget and operations; why not start here?

Often times department heads, elected officials, and employees are heard complaining that the Commissioners' Court simply does not understand what they do. In his book *Managing Information and Human Performance, Strategies and Methods for Knowing Your Workforce and Organization*, Gary C. English states that "there is no reason for management not to be familiar with its own operation. It is a matter of will, not cost, and system, not strain" (English, 2004). Using the tools suggested by English, it would be very achievable to obtain enough data about county operations to thoroughly analyze the processes and procedures and arrive at an optimized set of standard operational procedures. Through employee surveys, management by walking around, well planned and implemented department head meetings, audits, and other improved communications methods, management can learn what is really going on in the county's operations. The problem seems to be that government leaders lack the will to do the hard work of leadership. In order to truly find out employees' challenges and to seek ideas for improvement, we simply have to become better leaders and ask the right questions and be willing to listen and accept the answers. As Dr. John C. Maxwell states in his book *Good Leaders Ask Great Questions*, "If you want answers, you must ask questions." (Maxwell, 2014, p. 5).

Next, every program funded by the county should face annual evaluation. Performance in the public sector has always been a major concern, but now more than ever. Citizens are working harder for their money while they witness their hard earned tax dollars wasted on frivolous government spending, corruption, and useless entitlement programs with unintended consequences. But, what is program evaluation and how is it performed? In his book *Practical Program Evaluations – Getting From Ideas to Outcomes*, Gerald Andrews Emison describes program evaluation as "an important way to advance the public interest. It opens windows to improving the performance of public organizations" (Emison, 2007, p. xiii). He goes on to say "Program evaluation concerns the core of public management: how public organizations can be effective in achieving society's interests while advancing democratic governance. It is simultaneously important, challenging, interesting, and exciting." Every program offered by the county should be evaluated internally and through involving the public. Too often, we hear comments such as "what would the taxpayers think," typically when a public official is trying to make a point to look conservative; but then the same public official can't name the top five taxpayers in the county or prove that he/she understands what taxpayers truly value. It's easy to say no to a program that would benefit the taxpayers while using the taxpayers as the excuse; but

a quick tour of the top taxpayers' facilities would confirm that in fact they, the taxpayers, are spending their money on the same best practices because they realize the value of the program. At the same time, we continue routine, non-productive programs that do not benefit the taxpayers but never discuss them. Understanding your client, as described in Chapter 3 of the referenced book (Emison, 2007, p.29) will provide a foundation for effective program evaluation.

An improved budget process will consider researching best practices and recommendations from top tax payers. The county's industrial stakeholders have state of the art facilities and can provide valuable input on facilities management, ergonomics, personnel development and other best practices. The county simply just has to ask. It's time that counties partner with their taxpayers and learn from them.

By improving the budgeting process the county will be able to keep their financial house in order in real time and spend less time at the end of the year cleaning up budget transfers, making last minute purchases to avoid "use it or lose it" which will result in closing out the year and preparing a consolidated annual financial report (CAFR) earlier in the year. This will allow for completion of the annual audit earlier in the year as well. The earlier and more accurately the county can report operational results, the more time it has to make corrections to any deficiencies that may need attention. In a nutshell, the less time spent on budget issues, the more time available to focus on operations. Additionally, the better the budgeting processes and procedures, the less time will be spent orientating and training new elected officials, department heads, and employees.

Disadvantages of GFOA Distinguished Budget Presentation Award

Staff Commitment

Certainly there are some staff requirements to applying for and building a budget that will meet the requirements of the Government Finance Officers' Association's Distinguished Budget Presentation Award, but these staff costs are a one-time up front commitment. Once the budget format is established, subsequent budgets will require no more effort, and possibly less effort, than the current budgeting process described in this paper. As the county transitions into the new budgeting process much of the information required from department heads and elected officials

will be provided in real time and once document submittal becomes routine and habitual the process will be closer to effortless.

As mentioned in this paper, the benefits of a GFOA Award Winning Budget far exceed the effort required and the county is already experiencing some of the benefits of adopting only a fraction of the requirements. By taking a slower approach to the new budgeting concept, employees will be allowed to learn and grow along with the goal and understand the “why” of the goal. Keeping employees involved is the key to gaining their buy-in and ultimately the success of the goal of achieving the GFOA award. Once again, this is a process, not an event.

Cost

The county is a member of the GFOA and will benefit from the discounted application fee of \$425 .00. There are no hidden costs involved with the process because the efforts for budget preparation are already being expended on the current process. The real cost to consider is the opportunity cost of not building a better budget. Currently, countless hours are spent on budget workshops, repeat presentations and multiple work budget revisions. An analysis of the cost of the current budget process will prove that building a better budget will save considerable money and therefore, results in no real cost of implementing a GFOA Award Winning Budget process.

Change

The new budgeting process is a change to the “way we have always done it” and will cause some anxiety. Change management is important to the success of any improvement effort. To effectively implement change county leaders must start with realizing the three key barriers to change:

- People must learn enough to want to change;
- People must receive enough that they are able to change; or
- People must hurt enough that they have to change.

The ideal scenario is to learn enough to want to change and then to receive enough to be able to change. With this in mind, the change process starts with education and communication of the “why” that it is necessary to achieve this goal. Then, it is important to provide the team members with the tools they need to effectively implement the change. Properly equipped, the team

members responsible for this initiative will have access to information, the proper reference materials, good training, and the hardware and software that is required to build a better budget.

Management must be willing to make a complete shift in thinking in order to move from where they are with budgeting to where they want to be. Building a better budget requires more employee and citizen involvement. As IMCA's *A Budgeting Guide for Local Government* states "Budgets raise the social conscience of a community by making inequities more visible and by exposing a government's commitment to fairness" (Bland, 2007). It will not be easy for management to adopt and adapt to this philosophy and move toward a more Theory "Y" management approach to budgeting. But the payoff is that if everyone is involved and has buy in, there will be less on-going controversy, budget amendments, budget transfers, and the budget games as explained in Lazenby's "The Human Side of Budgeting."

Although a GFOA Award Winning Budget will raise the social conscience of the community and expose the county's commitment to fairness, it will also provide for a more transparent budget that will reduce speculation and the number of public information requests; and through transparency, build more public trust.

Conclusion

The purpose of this paper is to emphasize the benefits to Chambers County of building a better budget in accordance with the Government Finance Officers Association's Distinguished Budget Presentation Award Program, and becoming an award recipient. A comparison is made between the history of the budget process and the current process which is already implementing the budget process which is the basis of this paper. Research into the past budgeting practices revealed an ineffective and inefficient budget process in terms of ease of implementation, employee morale, and budget reporting effectiveness. Also, past budgets did not meet the GFOA criteria of a budget document that is 1) a policy document; 2) a financial plan; 3) an operations guide; and 4) a communication device. Several books and research papers are cited in this paper that provide an in depth look into better budgeting processes and procedures. Many of the reference materials were introduced in the Texas Certified Public Manager Program at Stephen F. Austin State University in 2013-2014. Although Chambers County is already well on its way to producing a budget document that will meet GFOA criteria, and is preparing to apply for the

budgeting award; this paper is intended to re-visit the benefit of the initiative and to gain more support from the Commissioners' Court so that it is formally a county wide initiative.

Applying for, and receiving the GFOA Distinguished Budget Presentation Award will allow Chambers County to improve their budget process, while providing a budget document that focuses on priorities, provides a better understanding of operations to all stakeholders, and improves operational performance. This is achievable with no increased staff requirements and no real cost. In fact, Chambers County's budget process will be much more efficient and effective and will save significant time and effort which results in savings and increased productivity.

Achieving this initiative will require a management paradigm shift from a Theory "X" to a Theory "Y" style budgeting process, but the payoff in employee morale and the usefulness of the budget will pay dividends. Additionally, a GFOA Award Winning Budget Document will raise the social conscience of the County and expose the County's commitment to fairness while being more transparent, reducing speculation, reducing public information requests, and building more public trust.

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