



# **Independent Peer Review of the City's Budget Process**

**February 12-13, 2016**

**Tallahassee, Florida**

**Peer Review Team:**

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## OVERVIEW

The City of Tallahassee's fiscal year begins on October 1 and ends September 30. In February of each year, the City begins the annual budget preparation process, which includes working with each department to develop expenditure estimates, preparing revenue estimates, holding budget workshops with the City Commission, and providing various opportunities for residents and business owners to participate in the process and speak to their Mayor and City Commission. The City Manager's Proposed Budget is delivered to the City Commission in early June and the Commission sets the not-to-exceed millage rate in July of each year. Staff works diligently during the summer months to refine the budget and provide a final recommended budget to the City Commission by early September. The budget process concludes with two additional public hearings in the month of September and the adoption of a final budget by the City Commission no later than September 30<sup>th</sup> of each respective year.

## SCOPE OF PEER REVIEW

A Peer Review Team, consisting of David Goldman and Emilie Smith, reviewed and analyzed the City of Tallahassee's Budget Development Process to ensure transparency and inclusiveness from start to finish. The scope of work included meeting with various stakeholders in the process including the Mayor and three City Commissioners, members of the City's Leadership Team, business owners and grant recipients. In addition, the Peer Review Team met with Budget Office Team Members to discuss the process from their perspective and identify potential opportunities for additional transparency, outreach, communication, and inclusion of stakeholders. The City invited one additional peer reviewer, Pat Pate, from Virginia; however, his flight was cancelled and he was unable to join us in Tallahassee. Mr. Pate participated in multiple conference calls with the City and the Peer Review Team prior to the site visit, which assisted in developing the framework for the review.

## REVIEWER QUALIFICATIONS AND OBJECTIVITY

The individuals conducting the Peer Review have more than 20 years of combined experience with municipal budgeting in the State of Florida and have worked for a variety of cities in South Florida. The individuals have expertise with all aspects of municipal budgeting and have a proven track record in process improvement. The peer reviewers had no personal or economic interest or involvement with the project or the City prior to, during, or after the Peer Review. The City of Tallahassee paid for trip expenses; however, the Peer Review Team members are not being compensated for conducting the Peer Review. The Peer Review was conducted as a professional courtesy to the City of Tallahassee.

The Peer Review Team is relying solely upon the accuracy of the information provided by various City employees and individuals that were interviewed during the review process. The Peer Review Team assumes no legal liability or responsibility for the accuracy, completeness, or usefulness of the information or recommendations provided herein. The report is intended to be an objective review of the facts presented as they relate to the City of Tallahassee's Budget Process.

## INTRODUCTION

The Peer Review Team was charged with reviewing the City of Tallahassee’s Budget Process to determine whether there are opportunities for additional transparency and stakeholder inclusion during budget development. The Peer Review Team interviewed numerous individuals as part of the research and information gathering segment of the project. The Team used the Strengths, Weaknesses, Opportunities, and Challenges (SWOC) framework for the interviews. This framework allowed the Team members to identify the key internal and external factors that are influencing the process or that could influence the process going forward. The SWOC analysis resulted in a meaningful dialogue with the interviewees about the strengths, weaknesses, opportunities, and challenges to ensuring that the budget process is transparent and inclusive.

From the perspective of the Peer Review Team, budget transparency and inclusion generally includes the timely release of accurate and understandable budget data and relevant fiscal information, an effective role for the City Commission, and an effective role for the various stakeholders. As the City begins to implement enhancements to the budget process, frequent assessments are recommended to measure the success of each initiative. One method for continuous improvement is the **PLAN – DO – CHECK – ACT** model as shown below.

## PDCA: Plan-Do-Check-Act

PDCA stands for Plan-Do-Check-Act.

It is a cyclical method for continuous improvement of processes.



PLAN

Create a process improvement plan.



DO

Execute a process improvement plan.



CHECK

Inspect feedback and adjust plan accordingly.



ACT

Integrate a process improvement plan into the system.

## RESULTS OF SWOC ANALYSIS

Below are the results of the stakeholder conversations and SWOC Analysis in no particular order. The results have been synthesized and summarized for ease of reading and to avoid redundancy.

### Strengths

- ✓ New City Manager
- ✓ Community meetings
- ✓ New quarterly reporting
- ✓ Outstanding elected officials
- ✓ Reorganization of City departments
- ✓ The community trusts the City officials
- ✓ Executive Team is skilled and experienced
- ✓ Consolidation of departments is very positive
- ✓ Objective approach to distributing grant funding
- ✓ The City Manager met with the community on City Holiday
- ✓ Willingness of Team to explain the information when asked
- ✓ Transparency through the open government checkbook initiative

### Weaknesses

- ✓ Seemed to be a vocal minority
- ✓ Budget process is not transparent
- ✓ Not enough expenditure cuts to the budget
- ✓ Lack of sufficient funds for competing priorities
- ✓ Lack of education on the structure of the City's budget
- ✓ Historically balanced the budget with one-time revenues
- ✓ Some felt that staff did not try hard enough to identify cuts
- ✓ Not enough time to review the budget prior to discussing it
- ✓ Supporters did not voice their opinion so it was never heard
- ✓ Newspaper articles were hurtful to the process – “No, No, No.”
- ✓ Preferred that media met with the team prior to writing the stories
- ✓ Same people attended the community meetings; lack of participation
- ✓ The tax increase (as a percent of total property taxes) was reported incorrectly
- ✓ No orientation for the City Commission; no education on the budget and process
- ✓ City Commission needs to understand what they are cutting with across-the-board cuts
- ✓ Residents do not understand how small the General Fund is as a portion of total budget

## Opportunities

- ✓ Be more transparent
- ✓ More education for the community
- ✓ Very engaged and passionate residents
- ✓ Control the messaging to the media and public
- ✓ WCOT TV can be used for outreach and education
- ✓ Consider businesses before making recommendations
- ✓ Slow down the process for implementing a tax increase
- ✓ Present budgetary options for City Commission to consider
- ✓ Analyze core services vs. optional services that are nice to have
- ✓ Involve community and City Commission earlier in the budget process
- ✓ Review mass transit service levels and ask our partners to pay their share
- ✓ Present data from previous surveys where residents support a tax increase
- ✓ Increase revenue from other sources that are broader based such as electric
- ✓ Utilize the City Commission Budget Workshops as a more interactive session
- ✓ Use the utilities rate study to plan for increasing the transfer to the General Fund
- ✓ The City is very transparent – We need to use the word “transparency” more often
- ✓ Great opportunity to merge some departments and eliminate anything non-essential
- ✓ Look at other ways to address the high crime instead of just hiring more police officers
- ✓ Use water and electric bill for additional opportunities to publicize meetings and educate the public
- ✓ Keep a list of all budget requests that were not approved and all items that were cut from the budget

## Challenges

- ✓ Harmful media narratives
- ✓ Sensationalized newspaper reporting
- ✓ Poor community meeting attendance
- ✓ Maintaining a structurally balanced budget
- ✓ Educating the public about the complex budget
- ✓ Previous City Manager did not respond to requests
- ✓ Services are needed in areas that can't afford to pay for them
- ✓ Residents in other areas of city are paying for more police officers in areas with high crime
- ✓ Ensuring that elected officials have sufficient information to be able to answer budget questions
- ✓ City needs to allocate sufficient funds for infrastructure improvements today and in the future.

## RECOMMENDATIONS FOR ENHANCING THE BUDGET PROCESS

While there are numerous options to expand or enhance the City of Tallahassee's Budget Process, the Peer Review Team commends the City of Tallahassee for the current deliberate efforts to allow for early discussion and sufficient time to review and discuss the Proposed Budget prior to setting the proposed millage rate. We agree that the City of Tallahassee is already ahead of other municipalities with their continued efforts towards transparency and inclusiveness. This is evidenced by the multiple City Commission Workshops on the Budget, the City's Open Checkbook on the website, the newly instituted quarterly review of the budget, and the delivery of the Proposed Budget in the month of June to allow for ample review and discussion prior to the setting of the proposed millage rate in July.

Other objectives of a good budget process include long term perspective, linkages to organizational goals, focus decisions on outcomes, promoting effective communication with elected officials and other stakeholders. We recommend exploring a high-touch/high-tech approach to engaging stakeholders. This would include having face to face conversations, as well as, utilizing technology and social media to connect with constituents. Embracing both methods will ensure that the City reaches all segments of the population.

In order to measure success, it is recommended that the City adopt goals for the Budget Process. Three potential goals for the City of Tallahassee's Budget Process: Empower community members to become Ambassadors of the budget process; facilitate better communication between city officials and the community; and, inspire and collect good ideas for a healthy and sustainable budget.

### Additional Outreach

- ✓ Send a **personal email invitation** to stakeholders who have expressed an interest in being part of the budget development process.
- ✓ Create a **"Meeting in a Box"** with budget information, an agenda for discussion, and a form with questions and answers to be completed by meeting attendees. This "Meeting" can be provided to Homeowners Associations, the Chamber of Commerce, or any group interested in participating in the budget process. Completed forms would be returned to City Hall for review and consideration by City staff.
- ✓ Hold **Telephone Town Hall Meetings** whereby the Mayor and each City Commissioner will host a meeting via conference call with City residents and business owners. Telephone Town Hall Meetings are hosted by a third party and can result in a robust conversation with stakeholders.
- ✓ Consider **Community Meetings** with a focus on the priorities that have been set by the City Commission and other stakeholders. These meetings should be held in convenient locations throughout the community and used as an opportunity to educate the public as to how the City operates, the sources and uses of City revenues, the challenges facing the City, and soliciting input as to how to address these challenges.

- ✓ Offer a **website option for resident participation** in the budget process. This would be hosted by a third party and can allow stakeholders to vote on their highest priority for the budget. The Peer Review Team has experience with Granicus Citizen Participation Suite.
- ✓ **Send the notice for budget workshops** to homeowners associations and the Chamber of Commerce.
- ✓ Develop simulations that are not only entertaining, but help explain how local government works. It could be similar to the County's "**Let's Balance!**" **Budget simulation game** which provides residents with a first-hand look at what it takes to balance a budget. Another example is a simulation called Budgetopolis for municipalities which is designed to assist public officials in making strategic long-term budget choices and help the public understand the complexity of the local budgeting process.
- ✓ Capitalize on the City's **WCOT TV** to present budgetary information and encourage resident participation in budget workshops. It would also be helpful to rebroadcast budget workshops and record the Neighborhood Leadership Academy sessions to play at various times.
- ✓ Use **social media to engage** the City's residents. Possible uses include announcing meetings, asking meaningful questions, surveying followers, and/or asking for input on the budget.
- ✓ Create a **Budget Engagement In Tallahassee (BEIT) App** to allow City residents to participate in the budget process from the comfort of their home.
- ✓ Consider using PeakDemocracy.com to host an **on-line Open Town Hall Forum** to allow for online civic engagement and continuous feedback from constituents.

### Enhancing Communications and Controlling the Messaging

- ✓ Include a **Budget 101** pamphlet in the water and sewer and electric utility bill.
- ✓ Spend additional time on the Budgeting topic during the annual **Neighborhood Leadership Academy**. These folks can function as Ambassadors for the City.
- ✓ Utilize **press releases** to advertise budget workshops and positive press related to the budget.
- ✓ Create a **Budget in Brief** that highlights important budgetary information and explains how the General Fund tax dollars work. The Budget in Brief is a short, visually intensive summary that highlights key points in order to inform the public of how and why their money is being spent. There are numerous examples of this concept, ranging from short reports to a double sided pamphlet that can be included with the utility bill.
- ✓ Create more **robust reporting** (monthly or quarterly) for grants and capital projects to ensure that the City Commission is aware of the status of critical items.
- ✓ Create a **plan of action** for quick responses to negative messages or news articles in the media.
- ✓ Develop a **budget projection model** to increase awareness of potential structural issues concerning the City's budget and to measure the impact of today's policy decisions on future budgets. Many Florida cities use an outside consultant for this process. The Peer Review Team previously worked with Burton and Associates for this type of financial modeling.

- ✓ **Resume Community Meetings** and enhance marketing to ensure robust attendance.
- ✓ **Create tools** for non-profit service providers and community advocacy groups to help them educate, engage and empower residents around budget issues. These groups can play a greater role supporting the budget and in boosting budget literacy.

## Enhancing the Presentation of Information

- ✓ Provide the Proposed Budget to the City Commission **no later than June 1<sup>st</sup>** of each year to allow for sufficient review time.
- ✓ Clearly identify and **list any budget cuts** that were made to the budget prior to the proposed budget.
- ✓ Provide the City Commission with a **variety of options** for reducing expenses and/or increasing revenue.
- ✓ Present the General Fund as a **separate budget** for review and consideration.
- ✓ **Present all transfers** from other funds to the General Fund in a very clear manner with historical comparisons.
- ✓ **Utilize graphics** in the budget presentations and documents to demonstrate the services that are supported by the General Fund.
- ✓ **Educate elected officials and residents** about the importance of excellent bond ratings.
- ✓ Use **benchmarking and performance metrics** to educate the public.
- ✓ Contract with **OpenGov.com** to provide a budget portal to provide additional opportunities for residents to review the historical and Proposed Budget information. This visual budget platform enables the public to view, manipulate, drill down and report on financial data in a graphical manner through the use of line graphs, pie charts, bar charts and data tables in an easy to follow manner. The Peer Review Team has had extensive experience with OpenGov.com as an effective tool.
- ✓ **Educate the City Commission** and the various stakeholders about the non-traditional services that the City provides which places a financial burden on the General Fund such as Mass Transit and Health and Human Services.
- ✓ Promote the City's **Open Checkbook** application that is currently available on the City's website. Offer training sessions for residents and local community groups to teach them about the use and transparency of this innovative tool.
- ✓ **Streamline the Proposed Budget** binder into a user friendly document with only meaningful information. Consider consolidating schedules and clearly separating out the General Fund departments from the other departments.

## Enhancing the Budget Process

- ✓ Begin **capital planning much earlier** with Capital Improvement Project requests due to the Budget Office by mid-December.
- ✓ **Request revenue estimates earlier** than operating budgets to allow for more focused attention by both the department and the Budget Team.
- ✓ Have the **Budget Kickoff by early February** to allow the Budget and Policy Analysts sufficient time to conduct a thorough analysis of departmental budget requests.

- ✓ Prepare a **5 year financial forecast** and review it every year as part of the budget workshops.
- ✓ Graph the General Fund fund balances as compared to the **required levels of fund balance**.
- ✓ **Review all vacant positions** on a regular basis and as part of the budget process, to ensure that vacancies are not prolonged.
- ✓ Present the City Commission with the **full breadth of budget requests**, especially the ones that are not prioritized for funding.
- ✓ Allow department **directors to present their respective budget** needs and challenges to the City Commission.
- ✓ Budget Team should **discuss any necessary expenditure cuts** with the respective Department Director and ask for recommendations.
- ✓ Rely on **rate studies** to assist with informing the policy issues.
- ✓ Consider using the International City Manager's Association's (ICMA) **Financial Trend Monitoring System** to gain an in-depth understanding of the City's financial condition. This system includes 42 indicators to assist with bringing potential emerging issues and opportunities to the attention of the City Commission through a systematic method of trend analysis.
- ✓ Consider **crowdfunding** for some community enhancements that are requested and supported by the constituency. The City could create a matching program whereby neighborhoods could put forth a portion of the funds and the City would fund the balance. With this program, there is buy-in from residents and only the most popular and well-funded ideas will be undertaken in any given year.

## CONCLUSION

The budget process is at the heart of community development, providing spaces for social interaction, collective learning, problem solving, and resource sharing. Defining and measuring the transparency of the budget process is a necessary first step towards achieving it. The concept of budget transparency and inclusion continues to be widely embraced by the City of Tallahassee. As evidenced by their outreach efforts, stakeholder engagement has also been a priority of the City of Tallahassee for many years. The City further deserves credit for ongoing efforts to improve the accessibility and readability of the budget. The City of Tallahassee is to be commended for their commitment to transparency and further enhancement of the City's budget process.

As previously indicated, it is very important for all stakeholders to feel as if they had an effective and collaborative role in the budget process. This is especially true for the Mayor and City Commission given their essential task of making the necessary difficult decisions to ensure structural balance and long-term sustainable practices. The Peer Review Team's playbook of options provides a variety of ways to enhance the City of Tallahassee's Budget Process while ensuring transparency and stakeholder inclusion. As indicated by the vast number of options included in this playbook, budget enhancement does not follow a standard template.

The Review Team recommends that the City restructure budget workshops, budget presentations, and budget documents to focus much needed attention on the General Fund. Clearly demonstrating the limited revenue available for General Fund related services will help to educate all stakeholders as to the importance of long term financial planning and ensuring revenue sufficiency. The City should also consider a formal policy to maintain a structurally balanced General Fund budget, where recurring revenues equal or exceed recurring expenditures.

Worthy of note is that the City of Tallahassee has a significant number of passionate and committed local groups and media outlets that can be embraced as Ambassadors for the City. The City should consider harnessing the power of these local groups by enabling them to assist with enhancing public understanding of the budget process, developing public platforms for meaningful participation, and facilitating more transparency.

Special thanks to everyone who participated in the peer review process. Your valuable time and commitment to improving the City of Tallahassee's Budget Process is recognized and appreciated.