

STRATEGIC BUDGET PLANNING FOR LOCAL GOVERNMENTS

Twinkle Singh¹ and Rebekka Dudensing²

County and other local budgets are created annually based on expected revenues, but many needs require multi-year planning. Certainly, local officials' budgets, priorities, and policies are subject to the interests of the public they serve. Strategic planning sets a course that provides a framework for annual budgeting toward long-term investments while remaining responsive to emerging needs and changes in leadership.

A strategic budget plan (SBP) is a multi-year guiding (non-binding) budget that assesses long-term needs to enhance purchasing efficiency and resource management. The SBP considers critical needs and budget requests across all departments over a time horizon (5 years is suggested) to smooth spending over time, identify opportunities to share expenses, and consider potential savings of larger investments. The process also gives equal voice to department heads with different management and communication styles, recognizing that some heads may be hesitant to request investments in the regular annual budgeting process, while others take the approach of asking for an investment annually until their request is approved.

A 2020 survey by the Texas Association of Counties showed that only 30 of 254 counties had an SBP, but a substantial number of other counties were interested in strategic budget planning. This publication aims to support local elected and appointed officials in their SBP efforts.

A 5-year planning horizon can be incorporated into the regular annual budgeting process. An SBP can be created outside the annual budget as well, but synergies between the two processes suggest that doing annual and strategic budgeting concurrently makes sense and saves time.

¹ Master of Agribusiness student, Department of Agricultural Economics, Texas A&M University, College Station, TX 77843

² Associate Professor and Extension Economist, Texas A&M AgriLife Extension Service, College Station, TX 77843

Project Introduction: A kickoff event introduces county officials to the SBP purpose and process. The meeting can be facilitated by county leadership or an outside facilitator and may be in person or virtual. It should take about 30 minutes to introduce the SBP concept, although the meeting may take 60 to 90 minutes if department heads are encouraged to do some initial brainstorming at the first meeting. It may be desirable to host more than one session to accommodate various schedules and adhere to Open Meetings Act requirements. However, it is important that participants have opportunities to ask questions and brainstorm at the outset. Department heads should be expected to attend, and they may wish to bring another leader from their department as well.

The project introduction should explain what SBP is and how it can help budgeting and long-term planning for improved service provision. This meeting should propose a plan to help the departments think about their resource needs in the next 5 years, including a timeline for departmental budgeting and a set of questions to guide the departments' thought process. It is helpful for the purchasing agent to provide a listing of prices for commonly purchased items, such as desktop computers, laptops, printers, desks, etc. All participants should have an opportunity to ask questions about the process and goals for the SBP. Time permitting, participants may identify initial budget needs at the kickoff event. Diving into the process can help department heads better understand SBP and identify questions that can be answered immediately. Seeing how others approach the SBP process can help department heads think creatively about their needs. Elected officials may be more conservative in their budgets, while appointed officials tend to be more willing to request larger, more outside-the-box resources. Whether the goal is to think big or scale back, mixing these two types of department heads at tables or breakout areas may be useful.

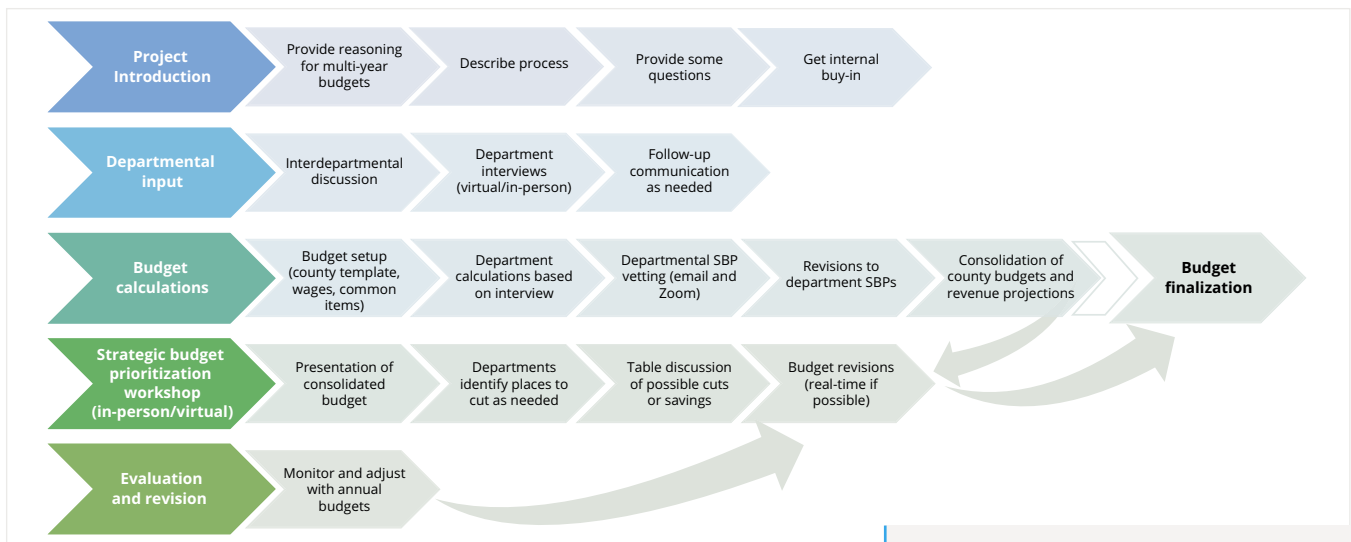


Figure 1. Strategic budget-planning process.

Departmental Input: Regardless of whether department heads identify needs at the kickoff event, they will need time to work on their SBP, meet with their departmental staff, and think critically about long-term needs and opportunities. The previous year’s adopted budget is a good reference to understand the expenses of the department. Population estimates should be listed for the next 5 years to guide thinking about the changing needs of the county. Additional columns can be built into the annual budget to consider expenses over the next 5 years. It is also possible to include SBPs in common budgeting software packages.

Alternately, department heads can note additional staff, training, equipment, service, and space needs over the planning horizon, and the purchasing agent, treasurer, outside planning consultant, or other designee can convert these physical needs to dollar amounts. This approach is most helpful for new department heads or if a facilitator is meeting with departments and guiding them through the budget-planning process. Expected changes to mandates and revenue streams should also be quantified.

It is helpful for some groups to ask department heads to complete two SBPs: one budget for operations at current service levels, adjusted for population needs, and a second budget that encourages departments to think about opportunities for enhanced service provision, technology and equipment, and employee training and retention.

Departments should also consider broader questions about their service goals, what is important to them, and what changes they see on the horizon for their department, including changing operations or compliance concerns. Discussions of broader impacts

often suggest budget needs and priorities, and they help the department recognize and communicate strengths and concerns.

Sample Questions to Guide the SBP Process:

Budget questions:

- ▶ Will you need to add staff? What types (e.g., clerk, auditor, legal)? How many?
- ▶ What additional equipment is needed for that staff (computers, cars, etc.)? Training? Travel?
- ▶ What routine information technology (IT)/non-IT equipment replacements or upgrades will be needed?
- ▶ What major equipment, technology upgrades, or enhancements will be needed?
- ▶ What changes in contracted services are likely?
- ▶ What are your expectations for departmental revenues?
- ▶ Do your needs have specific time frames?

Broader questions:

- ▶ What challenges and opportunities may be on your horizon?
- ▶ How could state mandates or population pressure change how your department functions?
- ▶ How do you prioritize your goals and your budgetary needs?

The broader questions help judges, commissioners, and other budget decision-makers understand what is important to each department and provide an opportunity to discuss needs and concerns not directly related to the budget.

Budget Calculations: After department heads have provided input, the needs they express are translated into the SBP. The current-year budget serves as a basis to estimate the budget for the next 5 years. The purchasing agent should be consulted regarding items not previously priced. Human resources staff should offer input regarding payroll and insurance requirements for various types of personnel. The IT staff may provide input into the costs and technical requirements of software purchases and updates, IT equipment, and other technology updates.

It is helpful to provide each department head their 5-year projections so they can see what their 5-year plan looks like and provide additional input.

After all departments have submitted their SBPs, the individual budgets are merged to create an overall budget, as in the annual budget. The totals across departments can then be compared to expected revenues based on anticipated changes in population, taxes, and fees. It is common for departments to express greater immediate needs, so expenses in the first 2 years may exceed revenues, while revenues and expenses are more aligned in later years. Not all

requests may be fulfilled, and some expenses may need to be delayed. On the other hand, requests and needs are on the table for consideration.

Strategic Budget Prioritization Workshop: After county-wide budget calculations are complete, a prioritization workshop gives department heads, along with one or two other staff members from each department, an opportunity to adjust their expenses if the initial overall budget is too large. However, officials recognize they are stewards of public funds and public trust, so their budget estimates tend to reflect this stewardship and be relatively conservative.

If the overall budget is in line with projected revenues, a brief meeting as part of another event or a virtual meeting may be sufficient to allow officials to see the overall projected budget and understand how their needs fit within that budget. A mismatch between stated needs and expected resources requires a longer event, perhaps 2 to 3 hours. The overall budget should be presented along with projected revenues. It is also helpful for county leadership (judge, commissioners, etc.) and the facilitator, if there is one, to note common themes from the broader impact questions.

County:	Kaufman County					DO NOT MERGE CELLS					DO NOT MERGE CELLS															
Department:	County Auditor																									
Contact:	David Jones																									
	Year 1	Year 2	Year 3	Year 4	Year 5																					
	2021	2022	2023	2024	2025																					
Population Est	125,826	128,500	131,050	131,990	135,800																					
Population Upper Est	144,923	150,397	150,910	161,700	165,152																					
Current level of service													Enhanced level of service													
Staff types	# in Year 1	# in Year 2	# in Year 3	# in Year 4	# in Year 5	Total	Notes					Staff types	# in Year 1	# in Year 2	# in Year 3	# in Year 4	# in Year 5	Total	Notes							
Accounts Payable	2	3	3	3	3	14						Accounts Payable						1	1							
Field Auditors	2	3	3	4	4	16						Field Auditors	1							1						
Asst Auditor	1	1	2	2	2	8														0						
County Auditor	2	2	1	1	1	7														0						
						0														0						
Add'l staff equipment													Add'l staff equipment													
Desktop Setup	2021	2022	2023	2024	2025	Total	Notes					Desktop Setup	2021	2022	2023	2024	2025	Total	Notes							
Desktop Setup	6	9	9	10	11	45														0						
Furniture(Chair, Desk)	6	9	9	10	11	45														0						
Printers	2	1	1	1	1	6	might have to replace some old ones													0						
iPads(for field audit)	2	3	3	4	4	16														0						
						0														0						
Add'l staff reqs													Add'l staff reqs													
Training	2021	2022	2023	2024	2025	Total	Notes					Training	2021	2022	2023	2024	2025	Total	Notes							
Training						0	Covered in management budget													0						
						0														0						
Routine IT/equipment													Routine IT/equipment													
Software upgrade	2021	2022	2023	2024	2025	Total	Notes					Software upgrade	2021	2022	2023	2024	2025	Total	Notes							
Software upgrade	2	3	3	3	3	14														0						
Desktop setups						0	(already listed in staff equipment)													0						
						0														0						
Major IT/equipment													Major IT/equipment													
	2021	2022	2023	2024	2025	Total	Notes						2021	2022	2023	2024	2025	Total	Notes							
						0	All computers and softwares updated this year													0						
						0														0						
						0														0						
New Space Require													New Space Require													
Conference room	2021	2022	2023	2024	2025	Total	Notes					Conference room	2021	2022	2023	2024	2025	Total	Notes							
Conference room		1				1	Quote for furniture(table & chairs)~ 6000													0						
						0														0						
						0														0						
Contractor Services													Contractor Services													
Shredding	2021	2022	2023	2024	2025	Total	Notes					Shredding	2021	2022	2023	2024	2025	Total	Notes							
Shredding						0	part of county shredding; comes from gen budget														0					
Conference room construction						0															0					
						0															0					
Onset of new revenue sources / Do not project revenues													Onset of new revenue sources / Do not project revenues													
Expected Revenue CI	2021	2022	2023	2024	2025	Total	Notes					Expected Revenue CI	2021	2022	2023	2024	2025	Total	Notes							
Expected Revenue CI						0															0					
						0															0					
						0															0					
Expected Mandates													Expected Mandates													
	2021	2022	2023	2024	2025	Total	Notes						2021	2022	2023	2024	2025	Total	Notes							
						0															0					
						0															0					
						0															0					

Figure 2. Needs identification by expense category and year.

For example, if maintaining existing staff, replacing outdated technology, or serving the public to the best of their ability are common themes, recognize those strengths or challenges in front of the entire group.

If adjustments in the budget are needed, department heads should be encouraged to think on the spot about possible changes. These modifications can be incorporated in real time, although some departments may need more time to think about revisions. As with the kickoff event, it can be helpful to mix elected and appointed officials and people from different departments to stimulate critical questioning and idea generation. This can also be a time for departments to explore ways to share large or expensive office equipment or split needed part-time staff between departments to provide full-time jobs and improve workforce stability.

Finalizing the SBP may be completed by a small team after the prioritization workshop. The SBP should be

provided back to department heads so they can see both their department's final numbers and the overall blueprint.

Evaluation: Some groups consider a strategic budget-planning process as part of a special initiative. Many local governments have a need for ongoing SBPs and may undergo an SBP annually or every 2 to 3 years. Economic realities change unexpectedly. It is not uncommon for planning budgets to vary from actual budgets. Nevertheless, it is a good idea to compare expected revenues and expenditures each year to check assumptions about growth trends. It is equally important to compare planned and actual expenditure patterns over the planning horizon to see what types of expenses and departments have been prioritized and which changes have been postponed. Evaluation information can help inform future budgeting efforts to ensure efficient and fair resource allocation.

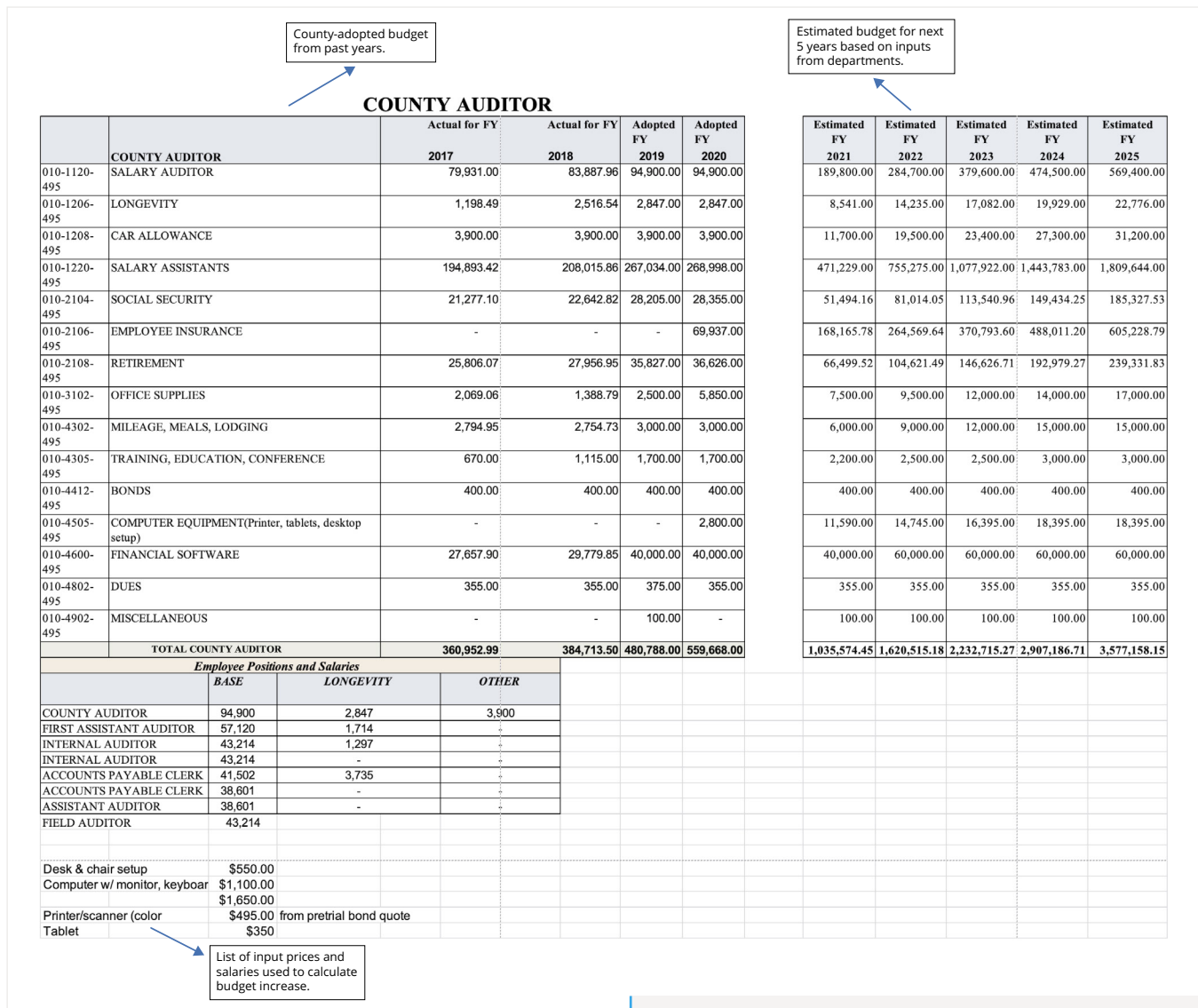


Figure 3. Needs translated to expenses within the 5-year SBP.