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***Report to the Town Of Windsor
Budget Process Assessment and Recommendations***

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EXECUTIVE SUMMARY

Attached is our report on the current budgeting systems used by the Town of Windsor. Our impressions about current practices are informed by documents provided by the Town, and from interviews with Town employees and elected officials. We have examined this information in light of standard professional practices, contemporary scholarship in public budgeting and finance, and our own expertise. This summary highlights some of the key lessons from our consultation. Please refer to the full text of the report for our complete list of specific findings and recommendations.

The Town of Windsor is a mid-sized Connecticut municipality with annual expenditures in excess of \$80 million. Windsor has budget and finance operations with significant complexity, but has staffing levels and budgeting systems typical of far smaller places. Windsor no longer has an Assistant Town Manager or a Budget Analyst, two positions typically present in such organizations, and much of the budget process is decentralized so that finance staff can continue to support numerous essential but unrelated functions. As a result Windsor has experienced a budget process that produced a document with late revisions and typographical errors, and as a result some Town Councilors have expressed concerns about the accuracy and efficacy of the Town's budget systems.

Working relations between Town of Windsor departments and the finance staff appear to be good. Department heads recognize the time and staffing limitations of the finance department and have accepted the duties of budget monitoring and preparation. While such decentralization may produce some economies by shifting duties away from the finance and budget staff the trade-off can be accuracy, standardization and the ability to conduct more comprehensive analysis. Centralization and formalization of the budget process, particularly when issuing instructions, when controlling worksheets and when proofreading and checking the budget for numerical accuracy will serve as first steps to improve budgeting in this government. We also recommend the year round practice of budget analytic tasks such as variance analysis, forecasting and capital budgeting. In addition we recommend replacing the Excel based budget development tools with specific budgeting software.

The method of budgeting presently in use by the Town of Windsor is incremental budgeting, which relies upon the spending and effort commitments of the prior year as the starting point for future budget requests. This is the simplest form of budget and particularly well suited for applications where expenditure control is the premier objective. In fact, expenditures appear to be successfully monitored and variances anticipated by Town departments. When planning or efficiency concerns are central, however, different budgeting systems focusing on performance outcomes and programs are indicated. In fact, the National Advisory Council on State and Local Budgeting (NACSLB) and the Government Finance Officer's Association (GFOA) recommend a budget system that seeks to link budgeting to performance goals in some fashion. While Windsor reports some programmatic activity in its budget document, the activity is not linked to a formal planning process and costs for these activities are not derived in a standard fashion. It should be noted that replacing the existing budget process with a system focused on strategic planning and performance outcomes requires a substantial time and resource commitment.



Several Town Council members appear frustrated by the compressed time frame of the budget approval process and with their ability to gather the information necessary to render quality judgments about Town operations. There is a difference in the information that can be absorbed by volunteer elected officials in hearings and the operational knowledge obtained from daily contact with the details of government. This information asymmetry is a common characteristic of local governance. One remedy pursued to balance this asymmetry, but primarily by the largest of local governments, is to have independent analytic staff assigned directly to the Council. Other approaches are to have a longer approval process where more budget details can be shared, or to use a strategic planning process through which budgets can be analyzed in greater depth (typically on the basis of performance) for their connection to carefully developed sets of goals and objectives.

An important part of the budget planning process is identifying capital needs and assessing their impacts on operating budgets. The Town of Windsor has an interdepartmental team that works on capital plans and citizen support for Town capital projects is evident in a history of successful bond referenda. Current staffing levels reduce the Town's ability to estimate the impact of capital choices on operating costs. Formally linking this capital planning process to the operational budget process is a key recommendation that we discuss in our full report.

The connection of the Town of Windsor budget to the citizenry is bidirectional. The Town communicates externally through written communications, publications and hearings. Receptive communications occur through episodic conversations with staff, and correspondence and testimony at hearings. None of these systems are particularly effective at securing a representative sense of what citizens as a whole seek from their government or allowing the government to give citizens the opportunity to understand fully the real trade-offs faced by decision makers considering a town budget. Errors in the written correspondence from the Town regarding revaluation and tax assessments have raised concerns among the elected officials about the trust of citizens, the degree to which it has been eroded by this incident, and the potential for more illuminating and satisfying systems of citizen participation. While the status of citizen trust cannot be determined without taking a representative sample of public opinion, methodologies such as citizen panels and web interactive tax price surveys can provide both decision-makers and citizens an enhanced understanding of the concerns of the other.

The Town of Windsor has a large and complex budget and a diverse citizenry. It has a talented management staff with much experience and a history of absorbing many budgeting responsibilities, but staff limits and existing practices are a barrier to further improvement. Adding additional analysis, review and input into the budget process would enhance this function, but would require a commitment of additional resources. The following report identifies through a set of observations and recommendations, specific areas and actions that may help the Windsor budget process to be a more sophisticated and satisfying governance tool.

INTRODUCTION

The focus of this report is to help the Town of Windsor improve its budgeting systems and its communication with citizens. The Town of Windsor is a mid-sized suburb of Hartford that provides a full range of municipal and educational services. The Town is home to about 28,000 residents in about 11,000 households. Town services and education spending tops \$80 million annually.

Full-service towns the size of Windsor have budgets of substantial complexity. Our recommendations are aimed to help the Town manage its complex budget, improve budgetary decision-making, involve citizens meaningfully in the budget process, and communicate effectively with residents.

This report proceeds as follows. First, we describe our approach to analyzing the Town's budget process. Next, we provide analysis and recommendations in the areas of budget preparation, budget approval, budget execution, and audit. We also discuss methods for the Town to consider for improving citizen involvement.

APPROACH

Our overall approach to analyzing the Town of Windsor budget systems was to 1) assess the budget practices currently in place in the Town of Windsor; 2) compare them to established norms and standards; and 3) recommend improvements to the Town of Windsor's budget processes based on our findings. We gathered data from the town by reviewing documents and interviewing staff and elected officials.

Budget Phases

We looked at the current budgeting practices in the Town of Windsor using the following standard budget cycle framework; preparation, approval, execution, and audit. The purpose of each budget phase is described below.

Phase 1. Budget preparation. During this phase of the budget cycle the chief executive prepares and proposes his/her budget. These are the general tasks in budget preparation that occur in any government:

1. *Budget office issue budget instructions.* The budget office issues instructions to the line departments. These instructions typically include budget format and guidelines for submission of department budgets to the budget office.
2. *Departments prepare budget requests.* These department requests are prepared consistent with the budget instructions promulgated by the budget office and should



provide the needed information to facilitate budgetary decisions about services, service levels, and costs.

3. *Budget office reviews requests.* The budget office reviews departments' budget requests for accuracy and whether they reflect the organizations goals. At this point the budget office begins the process of establishing and analyzing the budget trade-offs within and between departments. Understanding the trade-offs requires evaluation of program service levels and related costs. The budget office analyzes the efficiency and effectiveness of programs and services to aid decision-making.
4. *Executive makes decisions.* Ultimately, the executive makes the decisions about the funding and associated service levels for each department.
5. *Budget office forecasts revenues.* Throughout the process revenues are forecast that inform the expenditure budget decisions.
6. *Budget document is prepared.* At the end of budget preparation a budget document is prepared and transmitted to the legislative branch (Town Council).

Normally, the preparation phase of takes about 4-6 months to complete.

Phase 2. Budget approval. During this phase of the budget cycle the legislative branch (Town Council) reviews the budget prepared by the executive. Ultimately, the approval of the budget by the Council constitutes the last step prior to the public referendum granting legal authority to spend money. The Council must trade-off the needs of each program and department against each other and against the impact on the tax rate. Sometimes a significant issue in budget approval is the information asymmetry that exists between the executive and the Council. That is, the executive staff has more information about the details of the budget than does the Council. In order to help alleviate the information asymmetry, the Council hears testimony from informed parties, such as the chief executive, the budget staff, and/or department heads.

This information asymmetry led the Federal government to create the Congressional Budget Office in 1974 to provide nonpartisan advice to Congress about the budget and financial matters. Now state legislatures typically have their own versions of the CBO. The State of Connecticut has its own in the Office of Fiscal Analysis. In addition, some of the larger local governments, including the City of New York, have analytical staff that report directly to the Council.

The approval phase generally takes 2-3 months.

Phase 3. Budget execution. During the preparation and approval phases the focus is on developing the spending and revenue plans. The focus shifts to budget control and monitoring during the execution phase. The key issue during execution is identifying and making mid-course corrections if expenditures or revenues deviate substantially from budget targets.

There are two general ways that governments control budget expenditures. The most popular approach is monthly monitoring of actual expenditures against the budget. This includes

deriving monthly budget estimates and diagnosing variances. The second, less common control mechanism, is to apportion funding periodically (monthly or quarterly). Under this plan, departments cannot exceed their spending allotments. This makes overspending the budget much less likely, but also limits departments' flexibility.

These are the key tasks in budget execution:

1. *Identify incorrect projections.* During budget execution revenues and expenditures need to be monitored to identify where actual and budgeted spending (or receipts) are likely to diverge. Variance analysis is employed to diagnose the causes of this divergence.
2. *Take compensating measures.* The government takes compensating measures when budget problems arise. This could mean reducing spending on certain items for the rest of the fiscal year, shifting funds, or other actions. Taking effective compensating measures requires that potential budget problems be identified as early as possible.
3. *Create supplemental budget.* The supplemental budget is the revised budget that includes the budget changes identified in 1 and 2 above. Generally, the supplemental budget process occurs about half way through the fiscal year. Council approval of the supplemental budget allows the government to spend money differently than in the original Council approved budget.

Phase 4. Audit. The audit is a retrospective look at the financial results. There are two different types of audits, financial audits and performance audits.

1. *Financial audits.* Generally conducted by independent Certified Public Accountants, financial audits examine whether financial reports are presented in a fair manner and whether resource use has complied with relevant laws, rules, and regulations. They may also be designed to discover fraud and embezzlement.
2. *Performance audits.* Performance audits seek to identify inefficiencies in the way the organization operates.

Some local governments have developed internal performance auditing capabilities, such as the City of Phoenix and Athens/Clarke County, Georgia.

Budget Systems

There are three goals of public budgeting systems:

1. *Management control.* This includes preventing corruption, keeping track of the organization's resources, and making periodic adjustments if necessary.
2. *Management efficiency.* This goal focuses on determining if the organization's resources are being efficiently used.



3. *Planning.* This area focuses on whether the organizations resources are allocated to best achieve its goals.

Different budget systems focus on different goals. A list of some budget systems is included as Appendix A. While no budget system serves each purpose equally well, they do not serve just one alone. There are a wide variety of budgeting systems. The budget system of the Town of Windsor would most accurately be classified as line-item systems which focuses on the management control function of budgeting.

NACSLB Recommended Practices

In 1997 the National Advisory Council on State and Local Budgeting (NACSLB) promulgated a set of recommended budget practices for local governments. The NACSLB recommends that state and local budget practices include the following:

1. Incorporate a long-term perspective;
2. Establish linkages to broad organizational goals;
3. Focus budget decisions on results and outcomes;
4. Involve and promote effective communication with stakeholders; and
5. Provide incentives to government management and employees.

The Government Finance Officers Association (GFOA) endorses the NACSLB recommended budget practices. The recommended practices include four principles with 12 elements as follows:

Principle 1. Establish Broad Goals to Guide Government Decision Making

1. Assess community needs, priorities, challenges and opportunities
2. Identify opportunities and challenges for government services, capital assets, and management
3. Develop and disseminate broad goals

Principle 2. Develop Approaches to Achieve Goals

4. Adopt financial policies
5. Develop programmatic, operating, and capital policies and plans
6. Develop programs and services that are consistent with policies and plans
7. Develop management strategies

Principle 3. Develop a Budget Consistent with Approaches to Achieve Goals

8. Develop a process for preparing and adopting a budget
9. Develop and evaluate financial options
10. Make choices necessary to adopt a budget

Principle 4. Evaluate Performance and Make Adjustments



11. Monitor, measure, and evaluate performance
12. Make adjustments as needed

Appendix B provides a more detailed explanation of the NACSLB recommended practices. The GFOA website (www.gfoa.org) has a number of best practice examples for the 12 elements listed above from local governments across the country.

Importance of Accuracy

No matter what budget system is used or whether governments adhere to the NACSLB recommended practices, accuracy of budget calculations is of paramount importance. Budget calculation mistakes not only can lead to poor decision-making that impacts government operations—they also can have a huge impact on the analysts' and the governments' credibility.

Data

We gathered data about the Town's budgeting process through analysis of existing documents and interviewing Town officials.

The documents reviewed include:

1. Financial Plan and Program of Services, Adopted for the Fiscal Year 2004-2005 (the budget)
2. Capital Improvement Program 2005-2010, Adopted
3. 5 Year Financial Forecast FY 2005-2009
4. Town of Windsor Charter
5. Citizen Perception Survey, July 2004.
6. Town policies on:
 - a. Debt financing
 - b. Fund balances
7. Comprehensive Annual Financial Report, June 30, 2003
8. Board of Ethics Request for Advisory opinion, August 2004
9. FY 2005 Revised Budget meeting Schedule With Budget Team
10. Preparation of FY 2005 Budget (Memorandum, budget instructions)
11. FY 2004-2005 Budget Calendar by Department
12. Budget Information FY 2004-2005 (FY 2005 Budget in Brief)
13. Budget Information FY 2004-2005 (Impact of 2005 Proposed Tax Increase)

We also spoke with the following officials:

1. Peter Souza, Town Manager
2. Donald Trinks, Mayor
3. Wayne Mulligan, Town Councilor
4. Alan Simon, Town Councilor
5. Donald Jepsen, Town Councilor



6. Gregg Pavitt, Finance Director
7. Charlotte Foley, Assistant Finance Director
8. Shermin Ferrier, Assistant Finance Director
9. Charles Petrillo, Director of Health Services
10. Kevin Searles, Police Chief
11. Steve Kosofsky, Town Assessor
12. Randy Graff, Town Treasurer

FINDINGS: BUDGET PREPARATION

Current Windsor Process

Budget preparation is the phase in the budget process where policy goals are translated into departmental budget items and where budget proposals are internally vetted prior to submission for approval by elected officials. The preparation phase is designed to be the step in the budget process where departmental staff are able to propose alternative methods or levels of service provision or adjust their budget requests to reflect changes in service needs and costs. Once completed, processes are required to assure that the accuracy of the budget text and numbers are confirmed prior to the next phase of the budget process (approval) when materials are presented to elected officials and the public.

In Windsor budget preparation begins with elected officials identifying the goals and objectives for the municipality for the coming year at a retreat sometime in January. The finance department staff circulate worksheets, labor cost information and other details necessary to complete their budget requests and establish deadlines for their review and submission. The department heads we spoke with reported a good working relationship with finance staff participating in this process while recognizing the limitations in the time that these staff have available to assist them.

Windsor prepares budgets on an incremental basis. Such budgets are predicated on the assumption that services will continue into the future at the same level of effort and in the same configuration as in previous years. This saves time in the internal preparation and later approval process (compared with examining each dollar of proposed spending) because scrutiny may be limited only to that spending that deviates from past patterns. Such an incremental approach fails to create opportunities for considering large scale changes or restructuring of government operations, and does not facilitate efficiency or effectiveness analysis.

When preparing for budget cuts or increases Windsor uses 'decision packages.' Department heads are directed to specify the manner in which they would achieve certain targeted spending increases or reductions.

Instructions to departments are brief and the forms and spreadsheets allow for much variation in how proposals are developed, costs are allocated, and programs identified (See Appendix C). Very little guidance is given, and no standardization is applied, for creating the budget numbers

or the narrative. The instructions contain no requirement for participating in a process to check the accuracy of budget proposals.

Observations

1. *Budget Document.* The Windsor budget, as adopted by the Town Council and approved by public referendum, is published as the "Financial Plan and Program of Services." It is organized by department and shows by line item the actual overall departmental expenditures for the most recently audited fiscal year, the estimates for the year in progress, and the adopted budget for the following year. General service descriptions are provided for each department as are goal statements. Some programmatic details are provided under the heading 'Products and Services' (see Program Budgeting below for more information about this section). In some areas actions taken to change the budget during budget deliberations are highlighted in a separate text box. Each department is responsible for preparing and submitting budget requests, and for copyediting and proofreading budget text.

The document we reviewed for the fiscal year 2004-2005 was organized, legible and conforms with the guidelines suggested by the Government Finance Officer's Association (GFOA). The budget narratives as printed contain several typographical errors, none of which appear to affect the overall numerical accuracy of the budget. The amount and format of information provided in the budget document varies to some degree by the department providing it (some for instance providing substantial program highlights, program descriptions and program budget details, and others providing less of this information). For some departments text is in boxes and in paragraph form while other departments provide open text in telegraphic or 'bullet' phrases. Some (e.g. Community Development) have an opening page with a description of several paragraphs that describes the department's responsibilities and activities while others (e.g. Safety Services) provide instead a one sentence description immediately preceding the budget tables.

Participants in the FY 2005 budget process describe several revisions in the proposed budget document even after the budget approval process had begun. Others noted that deadlines for preparing such materials were flexible. Late revisions to budget spreadsheets created difficulties for finance staff responsible for linking and aggregating these spreadsheets into totals.

2. *Budget Analysis and Software.* Budget analysis is the process of evaluating budget requests for accuracy and for their sensitivity to changes in core assumptions about revenues and expenditures. Budget analysis facilitates budget approval by identifying errors, faulty assumptions and savings opportunities, and facilitates long term planning by applying projections and observing their future implications. Budget analysis also includes identifying opportunities for efficiency gains as well as ascertaining the links between budget allocations and goal achievement. Analysts are the link that assures other management decisions are made with a sophisticated understanding of their budgetary implications (e.g. capital improvement planning, debt management, labor



negotiations, etc.). Ideally budget analysts are independent from departments making budget requests, but very thoroughly familiar with the details of departmental operations. In some governments analysts are permanently assigned to the same departments each year in order to retain the knowledge that they gain from reviewing them each budget cycle. The budget analysis process takes a substantial amount of time and continues throughout the year across all phases of the budget process. When working well it provides insightful information for managers and elected officials alike, and adds analytic capacity that an organization can rely upon all year long.

The primary tools of the budget analyst are financial reporting (managerial accounting) data and budget software. Budget software is designed to aggregate budget preparation materials in a standard format, but also to facilitate flexible budget analysis that allows the analyst to observe the effects of changes in budget assumptions (e.g. a change in health care costs, inflation rates, etc.).

Windsor uses Munis, an accounting and financial software package primarily designed for the recording and reporting of financial transactions. Budgets are developed using Microsoft Excel, a general application well suited for the development and analysis of relatively small quantities of numerical information. Excel worksheets and workbooks are linked together when aggregating the budgetary information, ultimately creating a complicated set of interlinked files with connections that become hard to evaluate as this complexity grows.

3. *Skills, functions, and staff levels.* The finance functions of local governments include a broad set of disparate tasks including bookkeeping, accounting, coordinating audits, risk management, cash and investment management, and debt management in addition to operating and capital budgeting. In some cases the requisite skill sets for these tasks are quite different. Accountants, for example, are trained in transaction analysis, financial reporting and financial controls, while those with finance training study the pricing and cost implications of purchasing, borrowing and investment activities. It is the rare person that possesses mastery of all of these functions. Consequently, most municipalities sort and assign these tasks by skill set perhaps having accountants, budget analysts and finance professionals assigned to separate respective duties.

In Windsor just three finance employees (and clerks) staff all of these functions and all share responsibility for most of them. The absence of additional finance and budgeting capacity, particularly in the form of a dedicated budget analyst, requires the existing staff to fit budget preparation, approval, execution, audit and evaluation tasks into their ongoing operational duties. This leaves little room to support and lead departments through a thorough and tightly controlled budget preparation process. As a result the town's department heads have absorbed budgetary responsibilities that one would otherwise expect to reside in a budget office. This places the burden of budget analysis on staff that may not be trained or have an interest in completing it and removes an important check in the system of budget preparation that can both help to avoid errors. It also limits the Town's ability to perform management analysis of budget decisions.



The Town of Windsor no longer has a dedicated budget analyst. The position was allowed to remain vacant after the departure of the last analyst several years ago. The three Finance Department staff and clerks add the budget analyst responsibilities to their regular duties during the budget preparation phase but do not have time to provide ongoing analytic support for the remainder of the year. These staff appear to have very good working relations with the other departments. The skills of existing staff have concentrated strengths and experience in financial transactions and reporting. Ongoing expenditure review, scenario analysis, forecasting and other analyst duties occur only on an ad hoc basis.

4. *Program Budgeting.* Program budgets report revenues and expenditures on discrete activities within a department. Within public works, for instance, a program budget might show plowing, sidewalk repair and building maintenance each broken down into the line items that are reported for the department as a whole. Program budgets provide advantages for expenditure planning and control and for evaluating how activity levels relate to spending in particular areas, particularly over time. Program budgets require considerably more labor to prepare than their line item counterparts and unless financial reporting is also conducted on a program basis offer little opportunity for improved management decision making.

While the Windsor budget contains sub-departmental information under the heading "Products and Services" for a few activities within each department, such information is not broken down in the same format as the departmental budgets. This limits the usefulness of this information should decision makers and management desire this level of budget oversight. No common set of rules for allocating costs are in use, nor is the function centralized. The accuracy of the amounts assigned to each Product and Service varies with the approach that each department takes when allocating costs to create those numbers. In some cases departments are following allocations based upon activity levels from several years past. The present budget and financial reporting systems do not allow for programmatic or activity based cost allocations for budgeting or financial reporting. Some departments (e.g. Public Works) do some of this on their own. No central set of allocation rules or procedures support program budgeting and reporting on a town wide basis.

5. *Performance Measures.* Performance measures quantify the degree to which a government has accomplished its goals. Governments seek to achieve certain outcomes such as safe neighborhoods, healthy residents or educated students. Valid performance measures quantify such notions in a manner that provides objective evidence of progress on these goals. Governments sometimes use the budget process as an opportunity to set and review performance targets in departments and programs.

Windsor presently reports under the title of 'Performance Measures' certain activity levels for various services, such as the number of library visits and number of senior center users. These measures do not appear to be linked in any formal way to the goal setting process of the Town. The identification, collection and reporting of performance measures is left to each department.



Recommendations

We recommend the following revisions to the budget preparation process based on our analysis of the Town's existing procedures. Each recommendation is marked with either short-term (S/T) or long term (L/T). S/T denotes recommendations that would likely take less than one year to implement, while L/T is used to highlight those recommendations where implementation would require more than one year.

- *Standardize budget data (S/T)*. Budget preparation forms and formulae should be standardized and formats centrally established so that each budget section is accurate and presented in the same manner.
- *Keep to deadlines, consider starting preparation months earlier (S/T)*. Budget preparation deadlines should be early and inviolate. Spreadsheets and text should be developed with adequate time to assure their accuracy. This likely means the budget preparation process needs to begin earlier in the fiscal year.
- *Centralize control (S/T)*. Control of the budget preparation process and materials should be centralized after the departments submit their budgets to the Manager. Budget staff should work with each department to assure that the materials are prepared using a common set of assumptions and formats.
- *Ensure accuracy (S/T)*. Multiple approaches should be used to assure budget document accuracy. After requests have been assembled by departments and reviewed by finance staff, compose and *ad hoc* 'Document Review Team' made up of employees from various ranks and departments throughout the organization. Use this team to re-check budget text, test numbers for accuracy, and assure the clarity and parallel construction of the document.
- *Switch to appropriate budget software (L/T)*. The Town should use budgeting software specifically designed for municipal government applications. The software should integrate multiple program and department budget requests, facilitate sophisticated scenario analysis, and include modules for forecasting and capital budgeting. The software should be able to assimilate information from existing accounting software. The use of Microsoft Excel for budget preparation and analysis should be discontinued.
- *Get more budget analytic help (S/T)*. The Town of Windsor should hire a full time budget analyst (with a Master of Public Administration degree or equivalent credential) to support all phases of the budget process. This person should be trained in all aspects of governmental budget and finance analysis. Since accounting and financial reporting skills are well covered by existing staff we do not recommend the addition of an accountant, unless that person had substantial training in budget and finance analytics.



- *Continue budget analysis throughout the year (S/T).* Budget analysis should be staffed as an ongoing finance function that continues throughout the year in monitoring, planning and evaluation, in addition to budget preparation and approval.
- *Fix or eliminate 'Product and Services' information (S/T or L/T).* We recommend the elimination of the current "Product and Services" information in the budget because it is not uniformly prepared and is not presently used for budget deliberations or program evaluation. Elimination is a short-term solution. If decision makers would find programmatic information useful for planning and monitoring purposes then a common methodology for cost allocation should be employed and support should be provided to assure that the numbers truly reflect the pattern of work. Financial reports should then be designed to show managers how expenditures have accrued within each programmatic activity. Ensuring accuracy and improving the "Products and Services" information is a long-term solution requiring substantial resources to implement.
- *Relate performance measures to goals (L/T).* We recommend the development of select performance measures that relate the achievements of the organization to its goals and the outcomes desired by its citizens.
- *Consider citizen identified measures (L/T).* The Town might consider the use of citizen identified performance measures in areas of particular public interest or concern (see Citizen Participation, Communication and Trust below).

FINDINGS: BUDGET APPROVAL

Current Windsor Process

The Town Manager transmits the proposed budget to the Town Council by the end of March. The Town Council considers the budget and approves the budget for referendum by late April. The referendum occurs in mid-May. For the FY 2004-2005 budget the following dates were in place (see Appendix D):

Date	Task
March 26, 2004	Town Manager submits proposed budget to Council
April 21, 2004	Town Council approves budget for referendum
May 11, 2004	Referendum

During April the Town Council holds meetings twice a week to review the proposed budget. During these meetings the Council hears testimony from the Town Manager, department heads, and the budget staff. For the 2004-2005 budget the Council held four such meetings. The

council also holds two public hearings on the budget, typically one meeting is held in February to hear budget requests from citizens, and in April to hear public response to the Town Manager's proposed budget. The Council also holds a goal-setting retreat prior to the Manager's budget preparation.

Observations

Based on information collected from Town officials and our document review, we have the following observations about the budget approval process:

1. *Budget approval calendar is condensed.* The Council has about one month (five meetings) to review, analyze, and modify the manager's proposed budget. This does not provide enough time for in-depth analysis.
2. *Information asymmetry exists.* The Councilors are part-time volunteers. The Manager's staff has vastly more knowledge about the details of the budget than does the Council.
3. *Budget figures changed during approval.* The proposed budget is provided to the council in a three-ring binder. Several times during the FY 2005 approval process department budgets were revised prior to their budget hearing, sometimes new budgets were delivered the day of the hearing. This limited the ability of the Council to prepare prior to the meeting. Also, confusion was created when Councilors had different versions of the department budgets during the hearings. At best, this suggests an inability by the Manager's staff to produce accurate numbers in a timely way.
4. *Multi-year budget impacts are not provided to the Council.* The Council is provided a multi-year base budget forecast prior to their priority setting meeting in January. However, the proposed budget does not include impacts of budget and financing choices on the future financial position of the Town. Budget decisions have future year impacts that may not be apparent in the first year.
5. *The budget presentation does not facilitate analysis.* The budget format is comprised of aggregated line-items. The products and services sections are of questionable accuracy. Performance measures are reported, but are not integrated with budget decisions. Departments may articulate goals, but budget decisions are not related directly to goal achievement. However, the budget message does include discussion of how the budget allocations relate to council goals.

Recommendations

The approval process does not facilitate budget analysis by the Council. The Council is at a disadvantage in terms of detailed knowledge of the budget, the time frame is short, the budget presentation is aggregated line-item, there are no forecasted out-year projections, and Council goals are not related to budget requests. Moreover, the inaccuracies in the proposed budget have reduced the credibility of the Manager and the budget staff. In light of the above, we recommend the following for consideration.



- *Lengthen the budget approval process (S/T).* The Council should consider lengthening the approval process to two months from one month. One month (5 meetings) is not enough time to understand, analyze, and modify an \$80 million dollar budget.
- *Consider working group structure (S/T).* Rather than each department having one hearing before the entire Council, the Council should consider creating working groups to learn about and examine specific departments and functions. This would create centers of expertise among councilors that can help alleviate the budget information asymmetry.
- *Council should decide its priorities (L/T).* The line-item budgeting structure was invented over 100 years ago to establish budgetary controls. Line-item budgeting is the simplest of the budgeting systems and is designed to support and control the purchase of resources. It does not focus on the results to be achieved or the goals to be accomplished. The program structure and performance measures as they currently exist do not provide much guidance. Therefore, we suggest that the Council decide the role it wants to assume in budget approval. If the Council is satisfied with line-item budgeting, it should continue with the existing budgeting system. If the Council would like to take a more results based approach, such as the NACSLB recommends, it should consider changing budget systems. However, the Council should realize that establishing a results based budgeting system takes significant investments of resources, effort, and time.
- *Consider establishing independent analysis capability (S/T).* In a Council-Manager form of government it should be the primary role of the Council to provide policy direction and leave administration to the professional management. However, budget decisions are of paramount importance in the priority setting process. The Council may want to develop independent analysis staff if it decides it wants a larger role in budget decisions. Independent analysis capability would help provide comfort to the Council that budget numbers are accurate and their priorities are being articulated in budget allocations.
- *Decide what to do with 'Products and Services' (S/T or L/T)* The current 'Products and Services' structure is very weak and probably misleading. The Council should either insist on improvement (long-term implementation) of its accuracy or eliminate it (short-term).
- *Develop out-year estimates (S/T).* Regardless of the budget format, the proposed and adopted budgets should include out year projections so the longer term impacts of decisions are better understood.
- *Consider strategic planning (L/T).* The Council currently has a retreat to set priorities. Although this is certainly an excellent practice, it falls far short of strategic planning. Strategic planning, similar to what is recommended by the NACSLB, would include a detailed look at the future of the town, incorporate stakeholders, formulate goals and objectives, and derive measures of performance toward achieving the goals. The current performance measures do not appear to be systematically related to overall organizational



goals. A full strategic planning exercise is a substantial undertaking that requires significant resources and will entail implementation over a number of years.

FINDINGS: BUDGET EXECUTION

Current Windsor Process

Budget execution includes expenditure processing, budget monitoring, tracking program costs, analyzing variances and making periodic revenue and spending adjustments. These functions are decentralized in the Town of Windsor. While department managers have the best vantage point to understand the processes and determinants of events with budgetary impacts, the structure, method and thoroughness with which budget execution actually occurs appears to be largely a function of the interest and engagement of departmental staff.

Observations

1. *Understanding variances.* Variance analysis is the process of identifying deviations between budgeted and actual expenditures, labeling these as favorable or unfavorable, and classifying their determinants (separating each variance into that attributable to input prices, input combinations, service volume or activity levels). The information provided by such an exercise helps managers to identify the causes of budget variances and to identify cost overruns that may be hidden by other offsetting factors early enough in the process to make corrections or requests for supplemental reallocations. The regular and frequent completion of variance analysis is essential to budgetary control, particularly when cost drivers have components that cannot be predicted in advance (such as fuel and other commodity prices and overtime requirements).

In Windsor variance analysis begins in November, five months into the fiscal year. This analysis consists primarily of observing how the proportional spending compares with that predicted by consumption in equal proportions across the year. Staff in each department are able to generate reports from the accounting system at any time that show how much has been spent for the line items in that department. No automated or centralized capacity to conduct a more thorough variance analysis exists at this time.

2. *Supplemental budget.* Windsor does not have a supplemental budget process for reallocation or additional appropriations. The Town has been successful in maintaining enough of a fund balance to cover unexpected expenditures without a second annual approval process.

Recommendations

- *Create and monitor monthly budgets.* The finance staff should prepare detailed monthly budgets that account for spending that occurs episodically throughout the year, such as road sanding only during the winter.



- *Create variance reports.* The finance staff should prepare, analyze, and distribute departmental variance reports. The value of a purchase during the time between a purchase order is approved and the good or invoice is received is called an encumbrance. Encumbrances should be explicitly identified in the variance reporting.
- *Analyze variances.* A complete variance analysis should be conducted where variances appear material. This analysis should be detailed enough to identify the sources of variances.

FINDINGS: AUDIT

The Town of Windsor conducts a financial audit that complies with the requirements of the Comprehensive Annual Financial Report (CAFR) in accordance with Generally Accepted Accounting Principles (GAAP). The Town does not undertake performance audits.

CAPITAL BUDGETING

Capital budgeting is a core public finance function because of the magnitude of the costs, and the long term implications of the decisions. Capital budgets identify the infrastructure needs of the municipality and how and when they will be addressed. Capital budgets, based on a capital improvement plan, are typically multi-year forecasts of capital expenditures and financing costs. Because of their prospective nature, capital budgeting activities involve substantial scenario analysis in order to estimate the budgetary impacts of changes in common variables such as inflation, interest rates, school enrollments, etc. The capital budgeting process identifies the costs associated with the issuance of municipal bonds and capital leases and examines the optimal structure and size of debt issuances with the objective of identifying lowest costs alternatives. Mil rate impacts of debt issuance are a component of capital budgeting. The budgetary impacts of deferred capital investments are also estimated.

Current Windsor Process

The Town of Windsor has a capital budget process that is mostly separate from the annual budget process, although the Council approves the capital budget during the same time frame as the operating budget (generally submitted to the Council in February). The capital budget process combines staff from several departments and elected officials from the planning and zoning commission in a town improvement committee that assembles lists of projects to be approved. Once a project has been selected and a bond sale has been approved by public referendum the finance department works with the Town Manager and Financial Advisor to issue the debt and budget for the debt service.

Observations

The inclusion of multiple parties, particularly those with architectural, engineering and construction backgrounds is a strength in any capital budgeting process, and is a strength in the Town of Windsor. Finance staff resources are spread thinly over many functions already. The operating budget is linked to capital expenditures in more ways than accounting for the bonded debt service. Renovating a building may increase or decrease heating costs; introducing technology may reduce the need for personnel; and so on. An opportunity exists to use additional financial analysis throughout the process to improve the link between the capital and operating budgets.

Recommendations

- *Conduct scenario analysis (S/T).* The Town should conduct scenario analysis to estimate the operating budget impacts of capital investment and various financing mechanisms. The Town should use present value analysis to analyze the impact of bond issue structure and size on borrowing costs, debt service, and mil rates.

NACSLB AND WINDSOR'S BUDGET PROCESS

The Town boasts the GFOA Distinguished Budget Presentation Award for many years running. However, the GFOA award focuses on presentation, not the substance of the budget or the processes used to derive the budget allocations. The NACSLB recommended budget practices address the processes and the approach to budgeting.

Below we briefly review the status of the Town's budget process in light of the 12 elements contained in the NACSLB recommended practices (see Appendix A):

Element 1 Assess Community Needs, Priorities, Challenges and Opportunities. The Town currently completes an annual citizen satisfaction survey to help determine community desires. The Town does not systematically include the citizen satisfaction survey or stakeholders in the budget process other than through public hearings.

Element 2 Identify Opportunities and Challenges for Government Services, Capital Assets, and Management. The current budget process leaves this management analysis to each department, which may or may not have the appropriate management capacity or information.

Element 3 Develop and Disseminate Broad Goals. The goal setting process for the budget is the Council retreat. The NACSLB recommends a process that resembles strategic planning and includes consultation with stakeholders in the creation of goals and objectives.

Element 4 Adopt Financial Policies. The NACSLB recommends creation of a wide range of financial policies. The Town of Windsor has a debt policy and a fund balance policy.

Element 5 Develop Programmatic, Operating and Capital Policies and Plans. The NACSLB recommends that governments have processes in place for translating broad goals into service delivery options. The current goal setting process is disconnected from service delivery choices.

Element 6 Develop Programs and Services That Are Consistent with Policies and Plans. This element requires that service delivery performance be evaluated in light of achieving goals through the use of performance measures and benchmarks. The current performance measures do not relate directly to goals and benchmarks have not been set.

Element 7 Develop Management Strategies. The NACSLB recommends that governments institute incentives for goal achievement and procedures for ensuring budgetary compliance (such as budget monitoring systems). The Town does articulate Council goals as part of the budget document as described in the budget message and budget monitoring could be improved (see budget execution section)

Element 8 Develop a Process for Preparing and Adopting a Budget. See the budget preparation and budget approval sections for our assessment and recommendations.

Element 9 Develop and Evaluate Financial Options. This element includes management analysis of alternatives and long range planning. As mentioned earlier, in Windsor the management analysis is vested at the departments. Long range budget projections for the proposed and adopted budgets are not currently developed.

Element 10 Make Choices Necessary to Adopt a Budget. This element focuses on budget presentation. The Windsor budget conforms to the GFOA presentation standards. See our comments in the preparation and approval sections for our assessment of the substance of the budget presentation.

Element 11 Monitor, Measure, and Evaluate Performance. This element focuses on measuring and evaluating financial condition and organizational performance. The citizen satisfaction survey provides feedback about citizen assessment of services. This element requires performance measurement, establishment of benchmarks, and monitoring of budgetary performance.

Element 12 Make Adjustments as Needed. This element focuses on the organizational response to potential budget problems and the willingness to adjust goals and service delivery mechanisms in light of new information.

The Town Manager and Council should decide whether they wish to move toward implementing the NACSLB recommended budget practices. The NACSLB is based on a strategic planning model. Therefore, a good strategic planning effort would accomplish much of what the NACSLB recommends.



CITIZEN PARTICIPATION, COMMUNICATION AND TRUST

The budget is the primary policy tool of local governments, yet citizen participation at budget hearings is typically characterized by the attendance of a small number of persons representing very narrow interests. This can be explained in large part by the general satisfaction that most citizens have with their local governments. In the absence of a crisis, when resources are adequate and consensus and trust are strong, the hearing may be all that is necessary to conclude a budget process while assuring the public that their concerns are being addressed in conformity with their wishes. When trust has been ruptured, or consensus is weak, more may be required to satisfy the citizenry that their voice has been heard.

The property revaluation and budget processes that concluded in 2004 resulted in several events capable of heightening public concern about the accuracy and integrity of these activities. Residents received a communication understating the tax increase facing the median valued residential property. A subsequent set of inquiries from a Windsor resident led to the filing of an ethics complaint, the investigation of which was reported in the press. A question that has not been answered is how much of a concern these matters are for citizens at present, and how tolerant they may be of the tax increases necessary to provide current services to the community. Through the process of our interviews we identified three additional questions of interest to elected officials and managers; What set of tax and budget communications would be the most helpful and persuasive to local residents? What tax and budget trade-offs would citizens be willing to accept? How can we restore the trust of citizens in the budget and revaluation processes?

Assuring the accuracy of tax and budget communications is essential, and involves establishing checks and balances in the vetting of public communications. While important, the solution is inexpensive. Identifying citizen trust and preferences in a manner that is reliable and representative, and restoring any lost trust is a more difficult and resource intensive process. We present recommendations in each area below.

Communicating Accurately with Citizens

Budget and revaluation communications with citizens presently occur through the mail and the local newspaper in addition to the information disseminated through the budget hearing process. These communications can be checked for accuracy through the use of a standardized, ongoing review process. In order to assure that communications are clear, persuasive and relevant to citizens Windsor could convene citizen panels in order to gauge the response of citizens with an emphasis on those who do not typically participate in government hearings or activities. Panels are composed of residents chosen at random from the larger Town population. In this manner the responses of the general public can be gauged without concern that any sole agenda will have particular influence. Representativeness can be assured through the use of a large panel sample design, or by confirming the results of smaller samples through other survey methods.



Revealing Citizen Attitudes and Preferences

The extant levels of citizen trust, satisfaction and preferences for taxing and spending among the general population in Windsor are not presently known. Hearings and forums that are open to the public are unlikely to reveal the same sets of priorities and concerns that the public at large actually possess because the few who participate in such activities look different than the rest of the population (possess more information, are engaged in particular issues and agendas). In order to gain a reliable measure of citizen attitudes and preferences representative samples of citizens must be obtained.

Restoring Trust through Citizen Participation

No single process or set of events can restore citizen trust that has eroded. If it is established that citizen trust in government budgeting and tax assessment is at a level below that which decision-makers find acceptable, several interventions possess at least the potential for increasing the trust of citizens in these functions. Any process must possess the support of public officials and be promoted in the media in order to gain legitimacy among the public at large.

Recommendations

The Town should consider the following recommendations for citizen involvement in the budget process:

- *Convene a citizen panel on communication (S/T).* The Town should consider creating a one-time citizen panel to assist in the design of budget and tax communications that are clear and persuasive about their accuracy.
- *Establish 'Document Review Team' (S/T).* Create a 'Document Review Team' (see Budget Preparation, Budget Document, above) to review such communications before sending them out. Allow team members to challenge and verify the facts presented in such communications. Use a decision making process that satisfies all team members before communications are released.
- *Survey citizens (S/T).* The Town should consider telephone, mail or web surveys to ascertain current levels of trust in government and citizen budget preferences.
- *Convene budget panels (S/T).* Sponsor a set of citizen panels on the budget. Panelists would be recruited from the public at large and agree to receive information and make recommendations on a variety of budget related matters including:
 - Format and content of budget and tax communications
 - Methodology and practice in tax assessment
 - Willingness to accept tax increases and/or spending reductions in certain areas
 - [Additional panels open to anyone might be included to assure that all who wish to do so have an opportunity to participate]

- *Use web technology (S/T).* Internet technology now allows an interactive web based tax price interface showing each resident their tax bill and how it would be changed by reassessment, or tax and service changes.



APPENDIX A. SAMPLE LIST OF BUDGETING SYSTEMS

Budget System	Budgeting Goal
<i>Line-item budgeting.</i> Developed in the late 1800's to provide budget control structures. Line-item budgeting was developed as part of the 'good government' management reforms that also led to the council-manager form of government.	<i>Management Control</i>
<i>Performance budgeting.</i> Developed in the 1950's to relate inputs and outputs.	<i>Management Efficiency</i>
<i>Program budgeting.</i> Developed in the 1960's with an explicit focus on achieving program goals and analysis of alternatives.	<i>Planning</i>
<i>Zero-based Budgeting.</i> Developed in the 1970's with a focus on relating service levels to service costs and making explicit budget trade-offs.	<i>Management Efficiency and sometimes Planning.</i>
<i>Performance-based Budgeting also called Results-based Budgeting.</i> Developed in the 1990's as part of the reinventing government movement and implemented in the federal government as part of the Government Performance and Result Act of 1993 (GPRA). The focus is on strategic planning and providing management flexibility to aid in achieving results (goals).	<i>Planning</i>

The list of budget systems above is not meant to be exhaustive; rather it provides a flavor of the kinds of systems that exist. The budgeting systems that came after line-item are all focused on providing information to government officials to aid decision-makers. Each of the systems has its own strengths and drawbacks.



APPENDIX B. NACSLB RECOMMENDED BUDGET PRACTICES

Principle 1 Establish Broad Goals to Guide Government Decision Making

Element 1 Assess Community Needs, Priorities, Challenges and Opportunities

- 1.1 Identify stakeholder concerns, needs, and priorities
- 1.2 Evaluate community condition, external factors, opportunities and challenges

Element 2 Identify Opportunities and Challenges for Government Services, Capital Assets, and Management

- 2.1 Assess services and programs, and identify issues, opportunities, and challenges
- 2.2 Assess capital assets, and identify issues, opportunities, and challenges
- 2.3 Assess governmental management systems, and identify issues, opportunities, and challenges

Element 3 Develop and Disseminate Broad Goals

- 3.1 Identify broad goals
- 3.2 Disseminate goals and review with stakeholders

Principle 2 Develop Approaches to Achieve Goals

Element 4 Adopt Financial Policies

- 4.1 Develop policy on stabilization funds
- 4.2 Develop policy on fees and charges
- 4.3 Develop policy on debt issuance and management
 - 4.3a Develop policy on debt level and capacity
- 4.4 Develop policy on use of one-time revenues
 - 4.4a Evaluate the use of unpredictable revenues
- 4.5 Develop policy on balancing the operating budget
- 4.6 Develop policy on revenue diversification
- 4.7 Develop policy on contingency planning

Element 5 Develop Programmatic, Operating and Capital Policies and Plans

- 5.1 Prepare policies and plans to guide the design of programs and services
- 5.2 Prepare policies and plans for capital asset acquisition, maintenance, replacement, and retirement

Element 6 Develop Programs and Services That Are Consistent with Policies and Plans

- 6.1 Develop programs and evaluate delivery mechanisms
- 6.2 Develop options for meeting capital needs and evaluate acquisition alternatives
- 6.3 Identify functions, programs, and/or activities of organizational units

- 6.4 Develop performance measures
 - 6.4a Develop performance benchmarks

Element 7 Develop Management Strategies

- 7.1 Develop strategies to facilitate attainment of program and financial goals
- 7.2 Develop mechanisms for budgetary compliance
- 7.3 Develop the type, presentation, and time period of the budget

Principle 3 Develop a Budget Consistent with Approaches to Achieve Goals

Element 8 Develop a Process for Preparing and Adopting a Budget

- 8.1 Develop a budget calendar
- 8.2 Develop budget guidelines and instructions
- 8.3 Develop mechanisms for coordinating budget preparation and review
- 8.4 Develop procedures to facilitate budget review, discussion, modification, and adoption
- 8.5 Identify opportunities for stakeholder input

Element 9 Develop and Evaluate Financial Options

- 9.1 Conduct long-range financial planning
- 9.2 Prepare revenue projections
 - 9.2a Analyze major revenues
 - 9.2b Evaluate the effect of changes to revenue source rates and bases
 - 9.2c Analyze tax and fee exemptions
 - 9.2d Achieve consensus on a revenue forecast
- 9.3 Document revenue sources in a revenue manual
- 9.4 Prepare expenditure projections
- 9.5 Evaluate revenue and expenditure options
- 9.6 Develop a capital improvement plan

Element 10 Make Choices Necessary to Adopt a Budget

- 10.1 Prepare and present a recommended budget
 - 10.1a Describe key policies, plans and goals
 - 10.1b Identify key issues
 - 10.1c Provide a financial overview
 - 10.1d Provide a guide to operations
 - 10.1e Explain the budgetary basis of accounting
 - 10.1f Prepare a budget summary
 - 10.1g Present the budget in a clear, easy-to-use format
- 10.2 Adopt the budget

Principle 4 Evaluate Performance and Make Adjustments

APPENDIX C. FY 2004-2005 BUDGET INSTRUCTIONS

MEMORANDUM

TO: Leadership Team
FROM: Leon Churchill, Town Manager
SUBJECT: Preparation of FY 2005 Budget
DATE: January 14, 2004

As has been customary, the six month point of the fiscal year serves as the beginning of the budget development process. The purpose of this memo is to describe some of the conditions affecting this year's budget and to provide you with some general guidelines for preparing your budget request.

1) General Guidelines:

- a) Each department should submit a proposed budget based on their FY 2004 Adopted Budget. Non-personnel line items may also be increased to keep up with inflation.
- b) Restoration of positions eliminated and/or items that were reduced in prior budgets should be listed in decision packages. Please prioritize your decision packages which should consist of the following:
 - i) an explanation of what was reduced and arguments for restoration
 - ii) an explanation of why that particular item was selected
 - iii) the expenditure categories where the changes are located
- c) Fees for services should be assessed with an eye toward increasing those that do not recover an appropriate portion of the related costs. The rationale for each change must be clearly listed, so that we can put it in with the Price Guide.
- d) As in previous years, the Budget Team will provide each department with budget figures for the personnel line items (40010 through 41200). Unionized staff will be budgeted at the level identified in their respective contracts. Non-union personnel will be budgeted at 3.25% increases. Part time and seasonal staff will be budgeted at a rate (TBD) increase over FY 2004 to provide regular part time employees with merit increases.

2) Format:

- a) Some changes to the organizational structure are planned for FY 2005. Family and Leisure Services will be re-organized into two separate departments: Recreation and Leisure, and Human Services. The Social Services Division will move from the Health Department to Human Services as part of this change. A chart of accounts providing department and division numbers will be distributed to the affected departments for use in developing the budget.



3) **Milestone Dates:** Budget development will proceed as follows.

- January 16: Budget team meeting with department directors to go over guideline and to discuss personnel lines, FY 2003 actuals and other information. These iter will be distributed by February 2, 2004.
- February 2 and February 4: Scheduled MUNIS budget training from 10:00 a.m. - 11:00 a.m. each session. Contact Gregg to sign up for either session.
- February 18: Departments submit complete draft budgets to budget team.
- February 23 - March 5: Departments meet with Town Manager, Assistant Town Manager and Finance Director (schedule to be announced).
- March 15 - 24: Resolve open issues and prepare document.
- March 26: Distribution to Town Council



APPENDIX D. TOWN OF WINDSOR, CONNECTICUT FY 2004-2005, BUDGET CALENDAR BY DEPARTMENT

**TOWN OF WINDSOR, CONNECTICUT
FY 2004-2005
BUDGET CALENDAR BY DEPARTMENT**

Date	Day	Step
Feb. 2, 2004 7:15 PM	Monday	Public Hearing by Town Council to hear budget requests from citizens.
March 26, 2004	Friday	Estimated receipts and expenditures submitted to Town Council by Town Manager (proposed budget).
April 6, 2004 7:15 PM	Tuesday	Regular Town Council meeting; Public Hearing re: public opinion regarding budget as proposed by Town Mgr.
April 7, 2004 6:30-9 PM	Wednesday	Board of Education, Health, Library Services, Human Services, Recreation and Leisure Services, Child Care and Adult Day Care
April 12, 2004 6:30-9 PM	Monday	Safety Services, Public Works, Landfill, Development Services, Community Development and Administrative Services
April 14, 2004 6:30-9 PM	Wednesday	Board of Education, Information Services, General Government, Town Support for Education, General Services, Insurance Internal Service Fund, and Revenues
April 19, 2004 6:30-9 PM	Monday	Capital Spending and Town Council final deliberations.
April 21, 2004 6:30-9 PM	Wednesday	Town Council budget work session and approve TC budget to be adopted at Adjourned Town meeting
May 11, 2004	Tuesday	Recommended Adjourned Town Meeting held (referendum); budget adopted; tax rate determined by Town Council; official copy filed with Town Clerk.
May 17, 2004	Monday	Regular Town Council Meeting; Council sets tax rate
June 25, 2004	Friday	Tax bill mailing completed
June 30, 2004	Wednesday	End of current fiscal year.
July 1, 2004	Thursday	FY 2005 budget becomes effective; taxes for FY 2005 fiscal year due and payable



APPENDIX E. SUMMARY LIST OF RECOMMENDATIONS

Each recommendation is marked with either short-term (S/T) or long term (L/T). S/T denotes recommendations that would likely take less than one year to implement, while L/T is used to highlight those recommendations where implementation would require more than one year.

Budget Preparation

- *Standardize budget data (S/T)*. Budget preparation forms and formulae should be standardized and formats centrally established so that each budget section is accurate and presented in the same manner.
- *Keep to deadlines, consider starting preparation months earlier (S/T)*. Budget preparation deadlines should be early and inviolate. Spreadsheets and text should be developed with adequate time to assure their accuracy. This likely means the budget preparation process needs to begin earlier in the fiscal year.
- *Centralize control (S/T)*. Control of the budget preparation process and materials should be centralized after the departments submit their budgets to the Manager. Budget staff should work with each department to assure that the materials are prepared using a common set of assumptions and formats.
- *Ensure accuracy (S/T)*. Multiple approaches should be used to assure budget document accuracy. After requests have been assembled by departments and reviewed by finance staff, compose and *ad hoc* 'Document Review Team' made up of employees from various ranks and departments throughout the organization. Use this team to re-check budget text, test numbers for accuracy, and assure the clarity and parallel construction of the document.
- *Switch to appropriate budget software (L/T)*. The Town should use budgeting software specifically designed for municipal government applications. The software should integrate multiple program and department budget requests, facilitate sophisticated scenario analysis, and include modules for forecasting and capital budgeting. The software should be able to assimilate information from existing accounting software. The use of Microsoft Excel for budget preparation and analysis should be discontinued.
- *Get more budget analytic help (S/T)*. The Town of Windsor should hire a full time budget analyst (with a Master of Public Administration degree or equivalent credential) to support all phases of the budget process. This person should be trained in all aspects of governmental budget and finance analysis. Since accounting and financial reporting skills are well covered by existing staff we do not recommend the addition of an accountant, unless that person had substantial training in budget and finance analytics.
- *Continue budget analysis throughout the year (S/T)*. Budget analysis should be staffed as an ongoing finance function that continues throughout the year in monitoring, planning and evaluation, in addition to budget preparation and approval.



- *Fix or eliminate 'Product and Services' information (S/T or L/T).* We recommend the elimination of the current "Product and Services" information in the budget because it is not uniformly prepared and is not presently used for budget deliberations or program evaluation. Elimination is a short-term solution. If decision makers would find programmatic information useful for planning and monitoring purposes then a common methodology for cost allocation should be employed and support should be provided to assure that the numbers truly reflect the pattern of work. Financial reports should then be designed to show managers how expenditures have accrued within each programmatic activity. Ensuring accuracy and improving the "Products and Services" information is a long-term solution requiring substantial resources to implement.
- *Relate performance measures to goals (L/T).* We recommend the development of select performance measures that relate the achievements of the organization to its goals and the outcomes desired by its citizens.
- *Consider citizen identified measures (L/T).* The Town might consider the use of citizen identified performance measures in areas of particular public interest or concern (see Citizen Participation, Communication and Trust below).

Budget Approval

- *Lengthen the budget approval process (S/T).* The Council should consider lengthening the approval process to two months from one month. One month (5 meetings) is not enough time to understand, analyze, and modify an \$80 million dollar budget.
- *Consider working group structure (S/T).* Rather than each department having one hearing before the entire Council, the Council should consider creating working groups to learn about and examine specific departments and functions. This would create centers of expertise among councilors that can help alleviate the budget information asymmetry.
- *Council should decide its priorities (L/T).* The line-item budgeting structure was invented over 100 years ago to establish budgetary controls. Line-item budgeting is the simplest of the budgeting systems and is designed to support and control the purchase of resources. It does not focus on the results to be achieved or the goals to be accomplished. The program structure and performance measures as they currently exist do not provide much guidance. Therefore, we suggest that the Council decide the role it wants to assume in budget approval. If the Council is satisfied with line-item budgeting, it should continue with the existing budgeting system. If the Council would like to take a more results based approach, such as the NACSLB recommends, it should consider changing budget systems. However, the Council should realize that establishing a results based budgeting system takes significant investments of resources, effort, and time.
- *Consider establishing independent analysis capability (S/T).* In a Council-Manager form of government it should be the primary role of the Council to provide policy direction and leave administration to the professional management. However, budget decisions are



of paramount importance in the priority setting process. The Council may want to develop independent analysis staff if it decides it wants a larger role in budget decisions. Independent analysis capability would help provide comfort to the Council that budget numbers are accurate and their priorities are being articulated in budget allocations.

- *Decide what to do with 'Products and Services' (S/T or L/T)* The current 'Products and Services' structure is very weak and probably misleading. The Council should either insist on improvement (long-term implementation) of its accuracy or eliminate it (short-term).
- *Develop out-year estimates (S/T).* Regardless of the budget format, the proposed and adopted budgets should include out year projections so the longer term impacts of decisions are better understood.
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Citizen Participation, Communication and Trust

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- *Establish 'Document Review Team' (S/T).* Create a 'Document Review Team' (see Budget Preparation, Budget Document, above) to review such communications before sending them out. Allow team members to challenge and verify the facts presented in such communications. Use a decision making process that satisfies all team members before communications are released.
- *Survey citizens (S/T).* The Town should consider telephone, mail or web surveys to ascertain current levels of trust in government and citizen budget preferences.
- *Convene budget panels (S/T).* Sponsor a set of citizen panels on the budget. Panelists would be recruited from the public at large and agree to receive information and make recommendations on a variety of budget related matters including:
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 - Methodology and practice in tax assessment
 - Willingness to accept tax increases and/or spending reductions in certain areas
 - [Additional panels open to anyone might be included to assure that all who wish to do so have an opportunity to participate]
- *Use web technology (S/T).* Internet technology now allows an interactive web based tax price interface showing each resident their tax bill and how it would be changed by reassessment, or tax and service changes.



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 - Methodology and practice in tax assessment
 - Willingness to accept tax increases and/or spending reductions in certain areas
 - [Additional panels open to anyone might be included to assure that all who wish to do so have an opportunity to participate]
- *Use web technology (S/T)*. Internet technology now allows an interactive web based tax price interface showing each resident their tax bill and how it would be changed by reassessment, or tax and service changes.

