

CITY OF ROANOKE BUDGETING PRACTICES: BEFORE, DURING, AND AFTER A RECESSION



VGFOA
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PRESENTED BY:

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Agenda

- The City of Roanoke – Background
- Business as Usual
- Recession and Our Response
- Ongoing Challenges
- Evolving the Budget Practice
- Lessons Learned

ROANOKE, VA



City of Roanoke



- Chartered as an independent city in 1884
- 99,908 residents, 43 square miles
- In the Blue Ridge Mountains, midway along the “great valley” between Maryland and Tennessee
- Largest municipality in Southwest Virginia
- Council-Manager form of government
- 9th largest employer in MSA
- FY 2019 Budget:
 - Operating: \$291,699,000
 - CIP: \$204,826,495

Accolades and Recognitions:

- All-American City
- “America’s Most Livable Communities”
- Certified Crime Prevention Community
- Recognized for environmental stewardship
- Parks, recreation & cultural Amenities
- Digital City Award, 17 years

Business as Usual

Prior to the recession, there was little need to review the efficacy of the budget process.

Overall, this process included:

- No review of “base” budget items
- No review outside of budget department staff
- No metrics for success
- Offers organized by department/chart of accounts

Reacting to the Recession

Immediate measures included:

- Operating expenditure reductions
 - 20% across the board
 - Decrease to outside agencies
 - Mid-year reductions
- Capital realignment
 - Deferred capital maintenance
 - Reduction in street paving
 - Halt to most technology and fleet replacements
- Reduction in allocation to reserve funding
- No increase in taxes at the time

The Result

Expenditure reductions prevented financial crisis, but the downside included:

- Considerable increase to repair and maintenance costs for deferred capital upkeep/replacement
- Burn out/demoralizing to departments
- “Cushion” built into departmental budget requests
- Neglected to address sustainment in the longer term
- Decisions made not necessarily aligned with vision, no strategic planning

Changes to the Process

- Creation of a new budget system – Budgeting For Outcomes(BFO)
- Budget requests focused on services and outcomes (by establishing seven Priorities)
- Funding decisions based on correlation to priorities
- Involvement of more staff city-wide in the evaluation and ranking of requests
- Integration of performance measures into the budget process
- Enhance communication with City Council, employees, and the public



Safety

Economy

Education

Good

Government

Human
Services

Infrastructure

Livability

Assure community safety needs are met and promote a safe and desirable region.

Cultivate a thriving business environment and innovative workforce opportunities to ensure the prosperity of our community.

Foster an environment for lifelong learning which encompasses cradle to career and beyond through shared services and community involvement.

Provide effective government which maximizes resources to ensure an open, responsive, and innovative service to the community.

Foster a caring community that utilizes a regional and collaborative approach which encourages self-sufficiency while providing a social safety net to citizens when they are most vulnerable.

Enhance Roanoke's exceptional vitality as an attractive, diverse, culturally inclusive, vibrant and active city in which to live, work and play.

Maintain and build quality infrastructure that supports healthy residential neighborhoods, successful commercial areas, and accessible public facilities and amenities.

Infrastructure

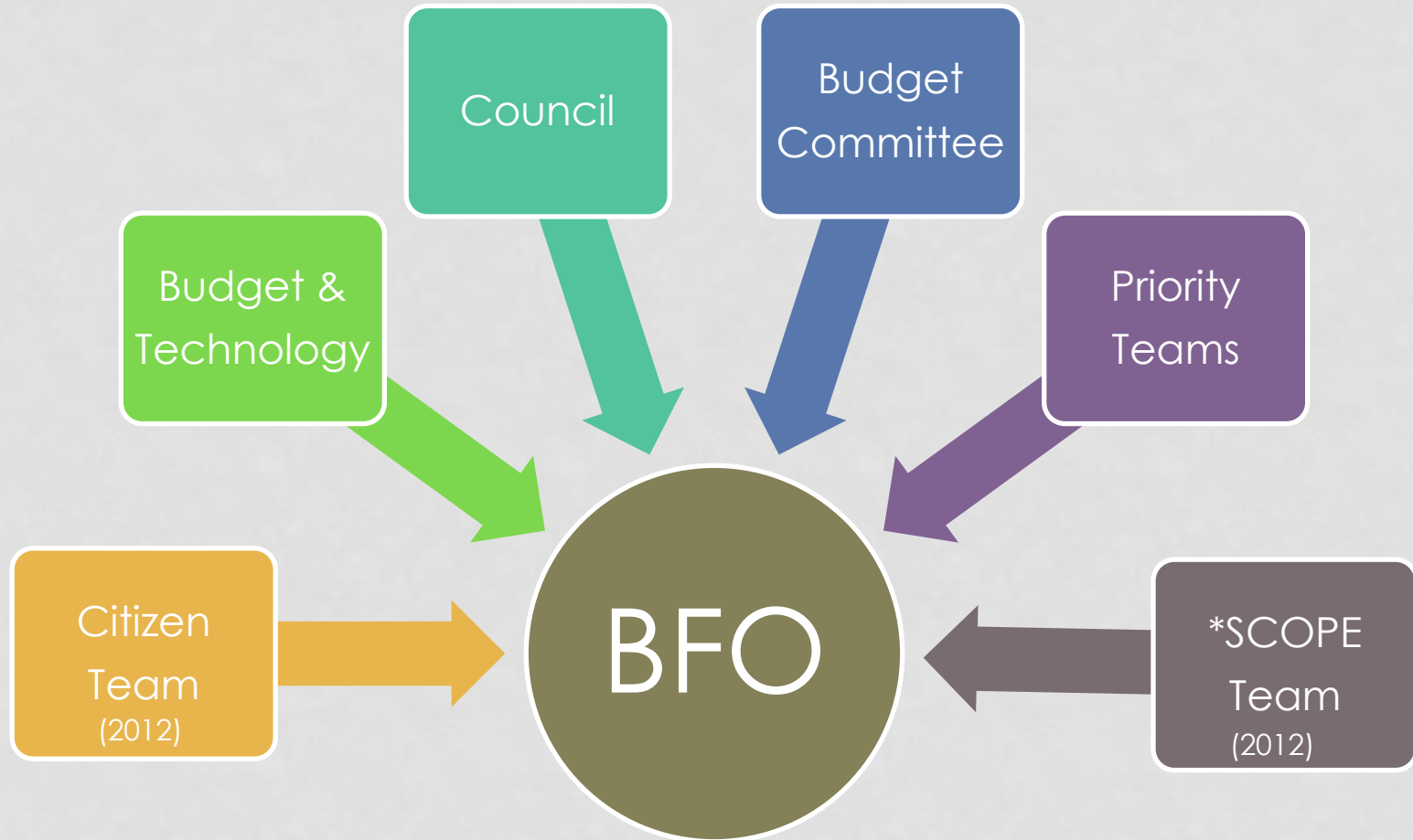
Maintain and build quality infrastructure that supports healthy residential neighborhoods, successful commercial areas, and accessible public facilities and amenities.



Indicators

- Meeting Regulations/Legal Mandates
- Environmental Trends
- Citizen Survey Results
- Proactively evaluate and maintain infrastructure

Key Players



* SCOPE: Support, Communication, Organization, Planning, Education

BFO Verses Traditional Budgeting

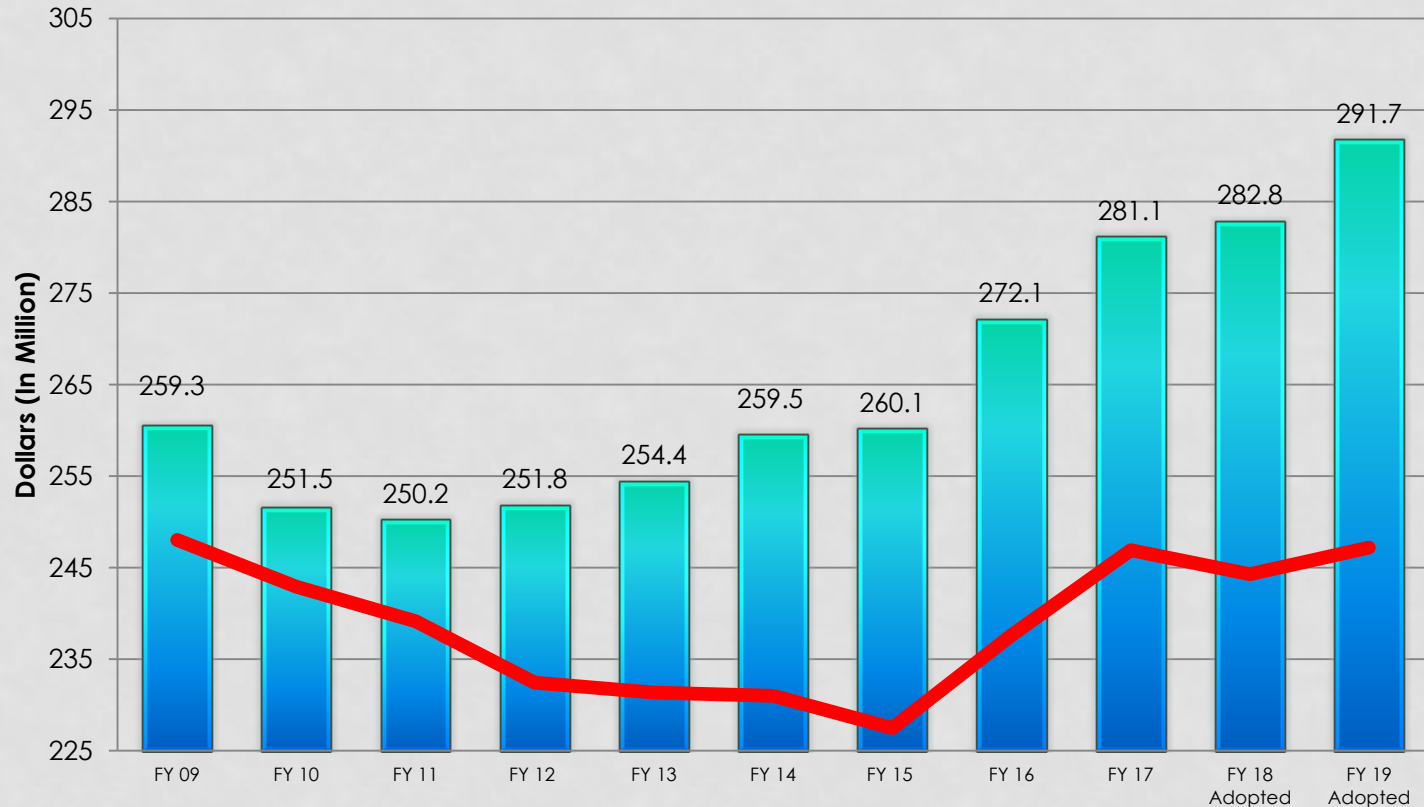
BFO compared to Traditional Budgeting

	Traditional	BFO
Focus	Add to or cut departmental “base budgets”	Services and activities that support priorities and strategies
Budget requests	Departments ask for amount that can be justified based on ongoing activities (plus a little extra)	Departments make requests structured around programs likely to produce desired results
Budget office job	Find places to cut, balance the budget	Facilitate discussion and analysis of budget offers, provide efficiency tools, balance the budget

Additional Funding Challenges

- Underperformance of local tax revenue
- Funding cuts from State of Virginia
- Increasing capital and operational needs (general fund and school division)
- Replenishing budget items that had been cut during the recession
- Re-establishment of unfunded positions
- Retirement contribution for employees
- Medical costs
- Compensation increases

REVENUE HISTORY



Revenues for all fiscal years have been adjusted for tax rate changes and day care revenues for comparability

Red line represents inflation adjusted buying power in 2008 dollars

Moving Forward

- Though progress was made through the implementation of BFO, the process became routine and some of the impact became lost
- Revenue performance continued to be precarious and uncertain, pushing us towards further evaluation of the process for another “rainy day”
- Slight modifications were made to prevent the budget process from becoming stagnant and ineffective

Continual Improvement

- Creation of “tiers” to further align budget requests to priorities by assigning a level of criticalness
- Segregate additional costs into inflationary increases for existing items, verses truly new expenses
- Have departments prioritize their supplemental requests
- Two-year expenditure outlook, comparing budget requests to actual spending
- Creation of “Team 1” with directors

Continual Improvement (cont.)

- Strengthening reserve policies for future underperformance in revenues
- Utilizing bond funds for needed capital upkeep/replacement to defray repair costs
- Issuing BANs to allow bond issuance to better correlate with timing of actual expenditures, but not cause any delays in procurement
- More “right-sizing” of known budget overages

Tier Guidelines

Tier	Description	Support
1	<p><u>Basic</u> emergency, safety operations (basic 911 Police, Fire, Sheriff, Transportation, Building Inspections, etc)</p>	<p>Facilities, Fleet, Technology, Human Resources, Finance, Purchasing, Budget, etc)</p> <p>Service level to support Tier services</p>
2	<p>Code requirement that cannot be modified without legislative action Code-mandated levels of service only Agreements with others that can't be changed for next fiscal year or more *Minimum required to meet code or agreement requirements</p>	<p>Service level to support Tier services</p>

Tier Guidelines

Tier	Description	Support
3	City code (Council can change) Roanoke core Council mandates Strategic initiatives Agreements that can be changed for next fiscal year Grant matches Beyond basic emergency operations Sponsorships	Facilities, Fleet, Technology, Human Resources, Finance, Purchasing, Budget, etc) Service level to support Tier services
4	Inefficient Low participation Nice to have Private industry can provide Can charge a fee	Service level to support Tier services

Successes and Challenges



Successes and Challenges

- Engagement of management in the process served to overcome some of the silos that had been built
- Comparison of actual spending to requests to highlight unnecessary budget cushions
- Funding known expenses at appropriate levels to prevent later drain on contingency funds

Lessons Learned

- Finding the right level of engagement for management staff (focused on big picture)
- Review and simplification of the budget process
- Identifying appropriate cycling of budget activities
- Early and frequent communication with governing board, management, and employees on revenue outlook

Lessons Learned (cont.)

- Clear methodology for decision-making, while still allowing for the flexibility to fund services of high-importance to citizens and/or Council
 - Means to identify those items with the least impact to cut, if needed
- Build in time for periodic review, and subsequent modification when needed
- Improve utilization of meaningful performance measures and indicators to better gauge success

Questions?

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