



CITY AUDITOR
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MEMO

Re: Budget Content/Process Considerations

To: Audit Committee:
Deborah McDaniel
Marwan Cameron
Max Sinitsa, CPA
Anna Mockler
Quinn Dennehy

CC: City Council
Mayor Wheeler
Mike Riley

March 9, 2023

Dear Audit Committee Members,

SCOPE

During the mathematical testing of the draft 2023 budget, it was noted that some improvements could be made by modifying the nature and placement of the content. We reviewed budgets from multiple other cities, all of which were awarded the Distinguished Budget Presentation Award in 2021 from the Government Finance Officers Association, and identified certain elements the City of Bremerton could consider to make its budget more impactful and easier to comprehend. We also considered Council suggestions. Please note the list of considerations is not intended to be comprehensive nor are the items listed in order of importance. Bear in mind also that preparing a budget is a significant undertaking and the quality can be influenced by whether enough staffing is available for the job.

Respectfully,

Jennifer L. Sims

Budget Content/Process Considerations

1. **Increase opportunity for public engagement to facilitate a more meaningful exchange of ideas between the government and residents.**
 - a. The City of Redmond hosted five public meetings in 2022, including one in July and one in August.
 - b. The City of Redmond also recruits a volunteer team of community members, called the Civic Results Team, to support the City's Budgeting by Priorities process. Specifically, given the economic challenges facing the City of Redmond, the Civic Results Team played a key role in prioritizing city programs to help balance the City's biennial budget. This Team had a total of four two-hour online meetings in June and July 2022. The Civic Results Team agendas and summaries can be viewed here: <https://www.letsconnectredmond.com/budget>.
 - c. In connection with its budget, the City of Kirkland has been conducting a community survey each biennium since 2014 (<https://www.kirklandwa.gov/Government/City-Managers-Office/Community-Survey>) Types of information to glean from the survey may include:
 - i. Level of community satisfaction with City government services,
 - ii. Community attitude about quality of life in the City, and
 - iii. Resident priorities for the future
 - d. The City of Roseville, Minnesota includes a Resident Budget Priorities Form in its newsletter. Residents provide their name and address, answer three questions, and submit the form to the City. The following questions are posed in the form:
 - i. In what ways does the preliminary budget align with your priorities for the City?
 - ii. In what ways does the preliminary budget not align with your priorities for the City?
 - iii. What changes would you suggest for the 2023 City Budget?
 - e. Make the budget and opportunity for public input more accessible to the public by increasing publicizing.
2. Prior to the financial budget presentations, Council believes it would be helpful to have **an educational presentation** for interested parties that explains the nature and purpose of the various departments and funds: what the department does, how it is organized, what the department did the current year, what it is planning in the coming year. The presentation could be televised by BKAT.
3. Council would also like the **budget calendar modified** to provide Council more time to review and digest the information provided in the draft budget and presentations. Council finds there is insufficient time to digest the information and provide thoughtful input. The date range specified was from date of publication to the end of Q&A or workshops. Given the importance of the budget and amount of money at hand, City leadership should be given adequate time to review the materials. The [2022 Ridgefield, Washington budget calendar](#) shows that although the estimated budget is not complete until October 1, Council begins having budget work sessions around the end of August, with three or four work sessions scheduled approximately 3 to 4 weeks apart. The [2021-2022 Redmond biennial budget calendar](#) shows Council was presented the preliminary biennial budget October 6 with the eighth Council deliberation session ending November 24.

4. **Add a Finance Director's Message** that explains the factors that contribute to the major increases and decreases between the current budget and the prior budget; long-term financial planning that shows 10-year forecasted revenues and expenditures, and fund balances and reserves; and other important and relevant financial and economic information. A discussion on inflation, recession, labor shortages, interest rates, supply disruptions, unemployment rates, housing, homelessness etc. would help provide context on how the economy impacts budget decisions.

Refer to the [City of Bainbridge Island Finance Director's Message](#) within the budget narrative for additional ideas.

5. **Improve the budget message/summary impact by making it more succinct and focusing on the big picture.** According to MRSC, most casual readers will read the budget message and a few additional pages - these pages need to **Tell the Story...** the good, the bad, and the ugly. A well written story needs the right content in the right place. Consider focusing the budget summary on big picture information and moving details to the department sections of the budget. The summary might include narrative on how City resources will be spent, citing capital projects planned for the year, and pointing out significant changes compared to the prior/current year and explain why the changes are expected, including fund balance changes.

The City of Auburn prepares a Budget in Brief ([ElectronicFile.aspx \(auburnwa.gov\)](#)), a two-page document that is separate from the budget. Auburn's Budget in Brief includes information concerning salient economic events, major capital projects planned during the biennium, significant new programs and initiatives, and other high-level information. Something like this can also help bring the big picture into focus.

6. **Consider including in the Mayor's message or Budget Summary a list of specific planned projects for the budget year.** The Mayor's message already includes a comprehensive list of the current year's accomplishments. A second list of anticipated 2023 projects could be added. According to MRSC, a great budget message element is to describe what things of significance you hope to accomplish during the budget period.
7. **Consider updating the City's Strategic Priorities.** The budget includes a two-page Strategic Priorities and Initiatives section that remains substantially unchanged the past 14 years (since 2010.) Review it and consider an update. The City of Bonney Lake's Council Goals and Objectives section appears to be updated each biennial budget.
 - a. **Consider incorporating specific measurable goals for the budget year.** And beyond? The City of Goodyear, Arizona prepares a Strategic Plan <https://www.goodyearaz.gov/home/showpublisheddocument/28073/637629119319149479> (not part of the Goodyear budget but could be linked to the budget) that includes specific measurable goals. Below is an example from the Goodyear Strategic Plan:

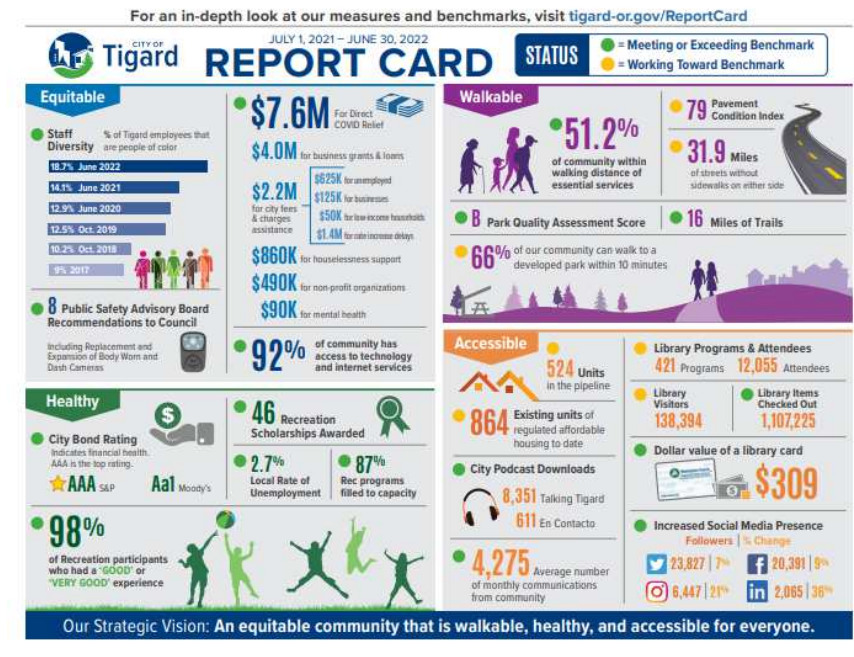


Economic Vitality

We will continue to ensure the prosperity of our community by increasing the growth of our economy through diversity of industry, business investment, quality job creation, education, and tourism. To support this growing economy, we will invest in transportation and infrastructure and seek high quality retail and entertainment opportunities.

1. Grow the property tax base through a primary assessed valuation increase due to growth average of 15% and total secondary assessed valuation annual growth of 9% for tax years 2019-2021.
2. Increase total job creation by 4,500 of which 2,000 jobs are in targeted industries by FY 2021.
3. Increase the number of businesses reporting in the Restaurant and Entertainment tax categories by 10% by FY 2021.
4. Increase the sales tax revenue reported in the retail category by 10% over 2018 projections by FY 2021.

b. The City of Tigard, Oregon utilizes **graphics** with a two-page Report Card to illustrate its progress in meeting Strategic Plan benchmarks. Page one shown below:



8. **Consider a biennial budget.** The City had biennial budgets for 1999/2000 and 2001/2002 under Mayor Lynn Horton. The City reverted to an annual budget in 2003 under Mayor Cary Bozeman. Although Kitsap County prepares annual budgets, the Cities of Bainbridge Island, Poulsbo, and Port Orchard prepare biennial budgets. According to MRSC, some commonly cited advantages of biennial budgets include:

- a. Reducing the total amount of time spent budgeting over a two-year period and freeing up time for other projects in year two.

- b. Encouraging the jurisdiction to think strategically over multiple years instead of just balancing the budget for a single year, and
- c. De-politicizing the budget somewhat because under state law cities may only adopt biennial budgets in even-numbered (non-election) years.

Some commonly cited disadvantages of biennial budgets include:

- d. More time and effort required to develop the budget in year one.
 - e. A perceived loss of control by the legislative body, since they are approving the budget for two years at a time.
 - f. More difficulty and uncertainty forecasting revenues/expenditures further into the future, and
 - g. Some jurisdictions spend too much time on budget amendments or mid-biennium review and adjustment, eliminating any time savings in year two.
9. **Include financial and ratio analysis in the budget.** While caution must be exercised when making comparisons of financial ratios across multiple cities due to differences in economic base and service delivery approaches, there is value in analyzing the City’s own trend over time. And some financial and demographic comparisons can be made across multiple cities, particularly some data that is equalized with percentages or shown per capita. [A few examples](#) have been extracted from the Fairfield, California budget.
10. **Consider purchasing an accounting software package that includes a budget module that would allow for a more automated budget preparation process.** Having a more automated process could improve mathematical accuracy and provide staff the ability to shift some time to the budget narrative. When considering the cost, it may be important to consider whether the City would need new accounting software anyway to accommodate a biennial budget, should the City decide to change to a biennial budget. While it is beyond the scope of this review, the City may want to research whether it could share software (and the cost) with another member entity such as AWC.
11. **Update the budget format to be more user friendly:**
- a. Electronically link the table of contents to the corresponding budget data.
 - b. Streamline the budget by replacing some of the detailed information with links to source documents. This could allow for a comprehensive report without bogging down the reader with excessive detail.
 - c. To make the budget more accessible to people who are more “video” oriented, consider disseminating budget information via alternative means, such as a podcast.
 - d. For referencing throughout the budget, consider inserting color-coded icons that show how different budget components relate to Strategic Priorities, Council Goals and Priorities, and Mayor Initiatives.
12. **Be mindful of your target audience.** A well written story also needs to be crafted with its target audience in mind. If your intent is to have the budget document resonate with City residents, staff, or councilors, bear in mind that most people are not trained in finance or accounting. Keep it simple.