

Presenting the Budget to Your Constituents

▶ Bill Statler, Consultant and Trainer/Retired Finance
& IT Director, City of San Luis Obispo



Now that the Budget is adopted, you are being deluged with constituent requests from throughout your community for presentations on your agency's financial condition and outlook. (Well, it could happen ...) Okay: maybe not deluged. But it is likely in the aftermath of budget adoption that opportunities may arise to tell your agency's fiscal story to community groups.

I should note that meaningfully engaging your community and telling your fiscal story is probably more important during the budget development and review process than after its adoption. However, the good news is that the following tips in telling your fiscal story work equally well either during the budget process or after its adoption.

Effectively Communicating Complex Numbers. Regardless of size, local government finances can be very complicated. So what's the best way of communicating complex numbers? Don't. Instead, focus on communicating what they mean.

Linking Goals/Outcomes with Resources. At the end of the day, whether through an intentional process or otherwise, budgets tell us what's going to get done in the coming year (or two); and perhaps more tellingly, what won't get done. Your budget story should lead with the top goals for the year and how the budget allocates resources for these. Depending on your circumstances, it might also be important to identify key areas of unmet needs.

Financial Challenges in Preparing the Budget. Highlight the fiscal challenges that faced your agency in preparing a balanced budget and the steps you took in meeting them. This could include the results of longer-term forecasts; budget balancing actions reflected in the Budget; and challenges that may remain ahead.

Key Fiscal Policies. In this case, just focus on key ones (like balanced budget, reserves, revenue/debt service

ratios) and most importantly, how the budget stacks up to these. This will help demonstrate strong fiscal stewardship: first, by showing that you have clearly articulated policies to begin with (a good thing!); and importantly, that you follow them. On the other hand, if reserves are below policy levels, for example, then this is also an opportunity to discuss why this is the case and your plan for restoring them to policy levels.

Focus on the Fewest Things that Explain the Most Amount of Stuff. Okay: at some point in your fiscal story you're going to present some numbers. Even the smallest agencies have thousands of balance sheet and income accounts in their general ledger. The key to telling your fiscal story is to focus on the most important ones: in other words, the fewest things that explain the most amount of stuff. This is a take-off on the Pareto Principle (otherwise known as the 80/20 rule): typically, a large amount of effect is caused by a small number of factors. For example, 80%

 "...a finance officer's top responsibilities is to effectively tell the agency's fiscal story to the organization, governing body and the community."

of your sales tax revenues come from 20% of your retailers; 80% of your TOT revenues come from 20% of your hotels; and 80% of your personnel problems come from 20% of your employees.

Stated simply, communicating your fiscal story means focusing on your top revenues and expenditures.

For example, in most cities, it is likely that your top five General Fund revenues account for 75% to 80% of total revenues: focus on these.

Using cities as an example, their fiscal story can often be presented in five simple graphics that show where city funds come from and where they go:

- All Funds (Figure 1). Even if the focus is on the General Fund, it's useful to first

focus on the city as a whole, and place the General Fund in context.

- General Fund Expenditures (Figure 2). With the General Fund in context, show General Fund expenditures by type: operating, capital improvements (CIP) and debt service. In virtually all cases, day-to day operating costs – arresting bad guys, putting-out fires, filling chuck holes and pumping-up volley balls – are going to be the largest category. And if CIP costs are missing-in-action and a very small slice (or non-existent slice), that's an important part of your fiscal story, too. Lastly, it's an opportunity to show that the use of debt financing is modest (or if that's not the case, explain the circumstances).

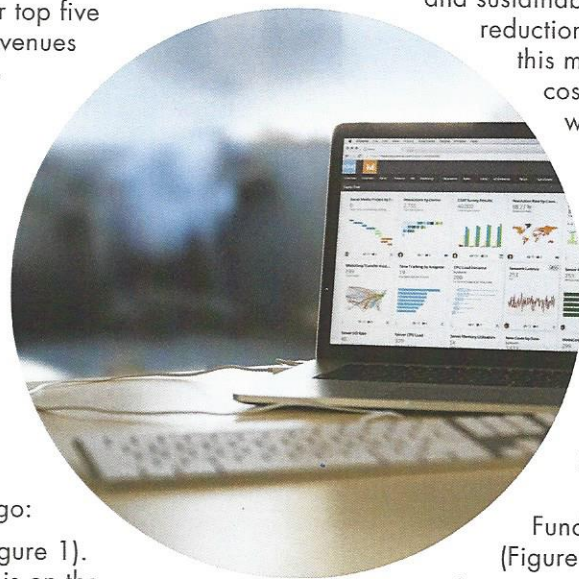
- General Fund Operating Costs by Function (Figure 3). With operating costs in context from Figure 2, this emphasizes how funds are used in delivering day-to-day services: in most cases (as in this example), public safety is likely to be the most significant factor. It underscores that if cost reductions are necessary, and public safety is not part of the solution, then all other services will have to be reduced twice as hard.

- General Fund Operating Costs by Type (Figure 4). This shows the same total operating costs as Figure 4 but by type: in most cases (as in this example), staffing is likely to be the largest cost area. In this sample, this is directly related to public safety: police officers arrest bad guys and firefighters put out fires. It also shows that if meaningful and sustainable cost

reductions are needed, this means staffing cost reductions will be required.

On the other hand, for cities that largely contract-out their operations, this type of presentation can be helpful in making that point.

- General Fund Revenues (Figure 5). This shows top revenues, with the top five accounting for 75%.



After service charges and other taxes, everything else is just 5%.

On using pie charts: this type of presentation is often the best way of showing the "fewest things that explain the most amount of stuff." But if this is the goal, be careful that your pie chart only has a few slices! After about six slices, this is not the fewest things anymore; and if there's "leader lines" for 0.2% for fines and forfeitures, grants or interest earnings, Pareto is turning over in his grave.

Where You've Been. In some cases, it may be helpful to show where you've been. Figure 6 is a simple example of General Fund revenue trends that highlight the revenue challenges facing this agency. While it doesn't in this case, it might show how declines have bottomed-out and modest recovery is underway.

Know the Story You Want to Tell – and Tell that One. What's the plot? Who are the characters? Why do we care what happens to them? What's the moral?

Wrapping-Up: Zen Finance. One of a finance officer's top responsibilities is to effectively tell the agency's fiscal story to the organization, governing body and the community. The key to success is translating the numbers into what they mean in making your community a good place to live, work and play. ■

figure 1

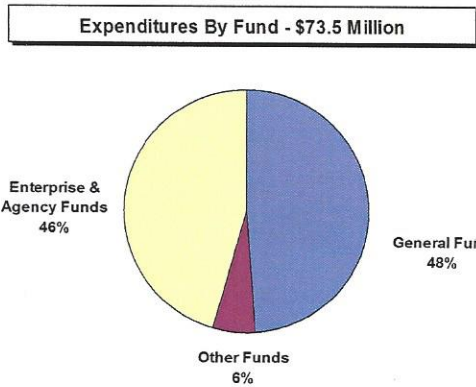


figure 2

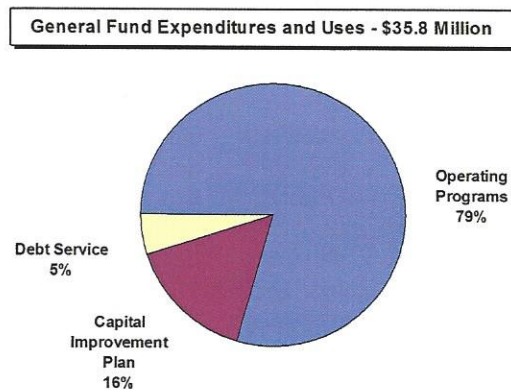


figure 3

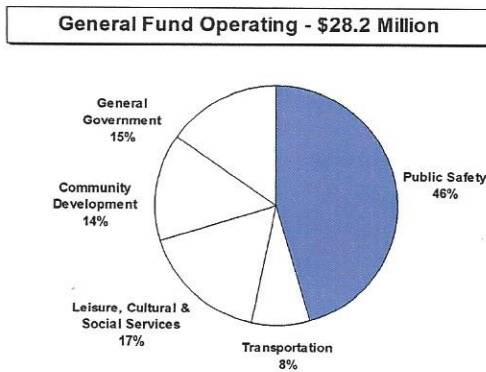


figure 4

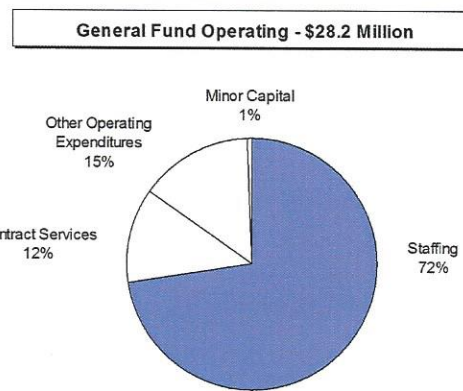


figure 5

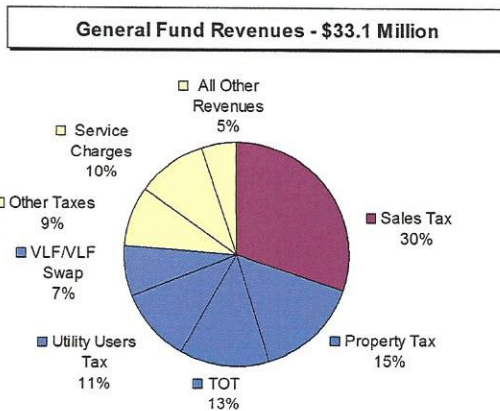


figure 6

