

**County of Milwaukee  
Interoffice Communication**

Date: February 19, 2016

To: Supervisor Willie Johnson, Jr., Co-Chairman, Finance, Personnel & Audit Committee  
Supervisor Jim "Luigi" Schmitt, Co-Chairman, Finance, Personnel & Audit Committee

From: Steven R. Kreklow, Budget Director, Office of Performance, Strategy, and Budget,  
Department of Administrative Services

Subject: Review of Format and Presentation of the Budget Narratives

**Issue**

The Department of Administrative Services Office of Performance, Strategy, and Budget (DAS-PSB) has, at the request of County Board 2016 Adopted Budget Amendment 1A055, organized an advisory group to review the format and presentation of the Operating and Capital Improvement Budget narratives. This report will provide an overview of the research, findings, and the conclusions drawn from the advisory group.

**Background**

County Board 2016 Adopted Budget Amendment 1A055 requested DAS-PSB to organize a group to review the format and presentation of Operating and Capital Improvement Budget narrative. The goal of the group stated in Amendment 1A055 is to "develop an informative, professional budget presentation that serves policymakers, the public, and departmental staff." Prior to forming the group, DAS-PSB researched state statute and county ordinance as it relates to budgetary procedure, reviewed the existing narrative format, compared it with the best practices used by other units of local government, and compared the existing format with other units of local governments format and presentations.

**State Statute and County Ordinance**

Wis. Stat. § 59.60 is the section of state statute that explains budget procedures required for counties with a population of 500,000 or more. Wis. Stat. § 59.60(3m) requires "[e]very accounting and budgeting procedure" used by the County to comply with "generally accepted accounting principles for government as promulgated by the governmental accounting standards board (GASB). GASB provides detailed information on presenting financial statements showing past activity, but does not directly provide guidance on presentation formats of budgets for future activity.

In terms of state statute, the document submitted by the Executive to the County Board on or before October 1 is the "amended proposed budget," meaning the compilation of annual requests submitted by department heads as it has been amended or revised by the Executive.

The budget document submitted by the Executive to the County Board on or before October 1 is legally required to include the following:

- "A simple, clear, general summary of the detailed contents of the budget."
- A statement by organizational unit and principal object of expenditure comparing:
  - Actual spending in the previous fiscal year
  - Spending to date and total estimate for the current year
  - Recommended appropriations for the next year (i.e., the budget year)
- A comparison of actual and estimated revenue from all sources, including property tax, for the previous, current and next years

- Any surplus from the last year not otherwise appropriated

According to state statute, the above constitutes “the budget.” The budget is to be accompanied by a “message” that outlines “important features of the budget plan” along with “any major changes in policy” and “any major changes ... in recommended appropriations or revenues” compared with the current year, and reasons for same.

Note that only the budget – not the message – is subject to County Board action and modification. Wis. Stat. §59.60(7) (“the board shall adopt the budget with such changes as it considers proper and advisable”) (emphasis added). The “message” is informational only and is not subject to adoption or modification by the Board.<sup>1</sup>

**In practice the County Board takes action on the County Executive’s Recommended Budget Summary or “narrative” prepared by the DAS-Performance, Strategy & Budget Division. The Budget Summary is accompanied by a cover letter, or message from the County Executive. The County Board also receives the detailed line item budget, but does not take action on that document.**

### **Existing Narrative Format**

The County currently produces two separate budget narrative documents for the operating and capital budgets that are published at the recommended (by October 1) and adopted (in January) phases. The operating budget is organized by org unit categories numbered – 1000 to 9960. The operating narrative provides background on departments and program areas, as well as new initiatives and other changes from the prior year. The capital improvements budget is organized by org unit & project number. The capital improvements narrative provides background on each project and the fiscal sheet identifies past and future funding. The current budget narrative is the county’s business plan for the upcoming year and provides information about what the county intends to do with the resources provided.

DAS-PSB modified the budget document narrative in 2014. The primary purpose of the new narrative format was to focus on services by detailing which services the County provides, service levels, service resources, performance measures and improve clarity by reducing the amount of text and eliminating duplicative, unnecessary tables. The redesign of the budget narrative was also intended to meet the criteria necessary to earn the GFOA Distinguished Budget Presentation Award. The County has received the award for the 2014 and 2015 budgets.

The following items were added or restructured from their previous form in order to comply with GFOA criteria:

1. A “budget message that articulates priorities and issues for the upcoming year. The message should describe significant changes in priorities from the current year and explain the factors that led to those changes.” This message will likely take the form of messages on the budget from the County Executive and the Director of Administrative Services.
2. A description of the short-term factors (economic factors, State and Federal funding and policy, etc.) that influenced the development of the budget.
3. Analysis and explanation of major expenditure and revenue types and changes.
4. Analysis of long-range fiscal projections and issues.
5. Expenditure and revenue budgets by fund.

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<sup>1</sup> Bargren, P. (2016, January 7). Budget Formatting.

6. Information related to fund balances and fund balance policies
7. An analysis of major expenditure and revenue types.
8. Capital project and debt service information.
9. Community and Organizational Data

Additionally, DAS-PSB made changes made to the Department Front Page that consolidated and simplified expenditures and revenues, and presented position information by full and part-time positions, and reported overtime in dollars. The new narrative format also includes department mission, structure, and summary on the Department Front Page. The Service Summary page includes activity data on "What We Do," resource data on "How We Do It," performance measures on "How Well We Do It," and budget highlights. DAS-PSB worked with departments and constitutional offices to develop performance measures for the identified services. Many departments and offices participated, and the 2014 budget narrative included these performance measures.

#### **Other Units of Local Governments Format and Presentations**

DAS-PSB reviewed other government agencies budget formats and processes, starting with a list of thirty-eight government organizations, and categorized them around the following parameters:

- Type
- Population
- Region
- Budget Period
- GFOA Budget Award
- Bond Rating

Out of the original thirty-eight organizations, DAS-PSB compared the existing format and presentation with the following units of local governments:

- City of Milwaukee, WI
- Brown County, WI
- Dane County, WI
- Fairfax County, VA
- Hillsborough County, FL
- City of Boston, MA

#### **Process**

DAS-PSB found that both the budget format document and the budget process of the above mentioned counties and cities vary to meet the individual government agencies' needs. In contrast to Milwaukee County, none of the other local governments reviewed take legislative action directly on the budget summary or narrative document that is provided. Removing the budget summary or narrative document from direct legislative action could aid in adding additional information and analysis to the document and is a change Milwaukee County may wish to consider.

In addition, the other Wisconsin counties contacted complete an initial departmental budget review at the standing committee level before amendments are reviewed by the committee responsible for finance.

Counties including standing committees in the budget review process found it distributed workload more equitably and leverage the expertise developed by standing committee members.

### **Advisory Group**

In January of 2016 a group was formed with members from Department of Administrative Services – Office of Performance, Strategy & Budget, Office of the Comptroller, Corporation Counsel, County Clerk, County Board, selected Departmental Staff and the Public Policy Forum. The group held two meetings and each member was interviewed individually. In the first group meeting DAS-PSB presented the history, background and research of the state statute, county ordinance as it relates to budgetary procedure, the existing narrative format, GFOA best practices used by other units of local government, and other units of local governments' format and presentations.

DAS-PSB conducted individual interviews and asked the following questions:

- What are the strengths, weaknesses, opportunities and threats of the current format of the Milwaukee County budget document? The budget process?
- What are two or three items that we do not include in the current budget format that you believe could improve the budget document as an operational and communication tool?
- Of the several examples of other county and city budget documents provided in the group meeting, can you please provide us with your thoughts about the components that those budgets documents included?
- Is there anything currently in the budget document that is unnecessary?
- Do you think that any of the examples provided would be good models for the county's format? Did you see any gaps that existed?
- Are there short-term improvements you'd like to see in either format or process? Long-term changes?
- If you could change one element in our current format, what would it be? Of our current process?

After the individual interview, DAS-PSB compiled a list of findings which are the common themes and perceptions that were found among the group to improve the document as a communication and operational tool. The key discussion points and findings from the individual interviews were discussed again as a group in the second group meeting.

The general consensus of the advisory group members is that the budget narrative could be improved in the following areas:

- Areas to Include, Expand, and Improve
  - Expanded department summary including additional background on department services and operations
  - List changes to positions, revenues and expenditures
  - Highlight major initiatives or challenges
  - Improve performance measures in program areas
- Level of Detail

- Consistent and uniform format for each department and division
- Level of detail across the departments and divisions more consistent
- Performance Measures
  - Need to be improved, including measures and data for all departments
  - Focus on outcomes not inputs
  - Measure and evaluate performance measures
- Sample Formats to use for Modeling Future Budget Documents
  - City of Milwaukee, WI
  - Fairfax County, VA
  - Hillsborough County, FL
  - Brown County, WI

Any changes to the budget narrative format need to consider the documents' audience and other variables that can affect implementation. The variables that can affect implementation are the size of budget staff and department/division participation in improving the budget document. The ERP project may also have an effect on the budget process and budget format. Any plans or changes should accommodate and build on the opportunities of the counties changing technology.

DAS-PSB will seek to improve the budget format on an incremental basis in order to ensure the documents meet the needs of the various audiences and take into account factors such as the size of the budget staff and future implementation on a new Enterprise Resource Planning system. Short term changes on the way positions are presented in the budget and the identification of significant programmatic changes are identified may be possible in the 2017 budget. Long-term changes that will take more time to develop and implement, like improving performance measures and moving towards performance and outcome based budgeting and will need to be considered as part of the upcoming ERP project.

**Recommendations**

This report is for informational purposes only. No action is required.



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- cc:
- Chris Abele, County Executive
  - Supervisor Theodore Lipscomb, Chair, County Board of Supervisors
  - Scott Manske, Comptroller
  - Raisa Koltun, Chief of Staff, County Executive's Office
  - Teig Whaley-Smith, Director, Department of Administrative Services
  - Stephen Cady, Policy and Research Director, Office of the Comptroller
  - Janelle Jensen, Committee Coordinator, Finance Personnel and Audit Committee

