

A Better Budget for Ulster County

*A CRREO Report for the
Ulster County Comptroller, Elliott Auerbach*



CRREO

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Executive Summary

Summary Recommendations

Adopt Performance-Based Budgeting and Multi-Year Forecasting: Ulster County should move away from traditional line-item budgeting to performance-based budgeting. Such a change will bring county budgeting into closer conformance with GFOA best practices. In addition, budgets are annual documents, but they are best if prepared within the framework of some longer-term thinking. Clear specification of longer term assumptions and goals will result in a budget that is a far better tool for all the governance purposes highlighted in this report: **financial forecast and plan, policy document, guide to operations and management tool, and communication device.**

Task Force to Develop Financial Management Software Proposal: At the request of the county comptroller, the county executive has included a new financial management system in the Capital Budget Plan. With the adoption of new financial management software, we will have a once in a decade opportunity to redesign our budget document. We need to make the most of this chance. Development of specific proposals for the performance requirements for this software should be the responsibility an advisory task force that includes all the major stakeholders involved in preparing and using the county budget

Functions of the County Budget

The county budget performs many functions. It is at once a **financial forecast and plan, a policy document, a guide to operations and a management tool and a device that communicates** all of these elements to all of us in the county. We ask in this report whether the content of the Ulster County budget, and its format – the way it is organized and presented – achieves these goals or purposes, and therefore best serves all the people who need to use or understand it.

The County's Line-Item Budget

The Ulster County budget format is traditional. It is a single year, line-item budget of over 500 pages that informs citizens of expenditures and revenues for the coming fiscal year. The budget succeeds as a financial plan for the county in that it explains where revenues that pay for county programs and services come from and how the money will be spent. The budget also details what the county owes in debt service and for what purpose it borrowed funds. Its current form is dictated by the county charter, adopted in 2006 and implemented in 2009.

Line-item budgets like Ulster County's generally show information to allow comparison of spending over time. The Ulster County budget shows actual amounts spent for the two previous years, the amount budgeted for the current year, any revisions for the current year since the budget was passed and for the budget year, the amount requested by the department and the amount recommended by the executive.

Provision of previous year information encourages people who prepare budgets and others who use them to think incrementally. This sort of budget presentation does not encourage asking questions like:

“Do we need this department or program at all?” Or “Are we getting the most for our money from this department or program?” Or “Does this department or program act in accord with a long-range plan?”

A line-item budget shows very clearly what the municipality is buying, the inputs, but not what it is getting – the outputs, or outcomes. Nor does it encourage year-to-year comparisons of these, whether we are improving, staying the same or doing less well. And with a line item budget we cannot tell how well a program is doing or, if there is more than one program or activity within a department or division, we cannot see how much is spent on each one. And, of course, if we do not have this information for ourselves, we cannot compare it to similar information for other counties, to see how we are doing in relative terms.

Performance-Based Budgeting (PBB)

Output oriented budgets, usually called program budgets, are organized within department by function or clients served (e.g. road resurfacing, consumer complaint response, drug dependency reduction).

Outcome oriented budgets, often called performance-based budgets (PBB), add mission statements, mission-related goals, plans to accomplish them and results-oriented performance measures to the equation. Short-term performance targets are meant to produce long-term outcomes that reflect the values of the community.

Of the 62 counties in New York State, at least ten outside of New York City (itself performance-based), use some form of performance measurement in their budget: Albany, Erie, Monroe, Nassau, Onondaga, Orange, Schenectady, Schuyler and Sullivan; this approach was recently adopted by Rockland County although performance measures do not yet appear in the budget. An eleventh county, Tompkins, is in the process of transitioning to PBB.

Some output, or outcome-oriented, budgets are developed with alternatives for consideration of the executive and the legislature. One focus may be upon “current services.” Developing this budget starts with the question: “How much would it cost to do for the budget year exactly what we are doing in this program area this year?” A following question may be, “What will happen to this program’s performance if we cut spending on it by 10%?” or “What more can we do if we increase spending by 10%?” With the answers to these questions, alternative program budgets, usually three, are then developed for consideration of decision makers.

Another approach is to build the budget each year from scratch, not proceeding incrementally as is the case for line-item budgets. As a practical reality, this sort of “zero-based budgeting” is very demanding in time and energy, and has proved impractical in most places that have tried it.

Finally, budget makers may overtly make the availability of revenues (and not an expenditure level, however defined) drive the budgetary process. This is called Target-Based Budgeting. A desire to minimize the demand upon revenues from one major source – the real property tax – is in fact an omnipresent reality in all local government.

Ulster County Budget and GFOA Recommended Best Practices in Budgeting

We considered the Ulster County budget against the best practices principles developed for the Government Finance Officers Association (GFOA) by its National Advisory Council on State and Local Budgeting (NACSLB). They say that a budget should:

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

I. Ulster County Budget as Financial Forecast and Plan

The Ulster County budget does present revenue estimates and relevant trends but, a description of the assumptions upon which revenue estimates are based and projected into the next fiscal year is not included in the Ulster County budget presentation. Assumption descriptions might include long-term trend analyses in all major revenue and expenditure areas, state and local government economic indicators and any consultant review of the budget that helped shape decision making.

II. Ulster County Budget as a Financial Policy Document

Policies followed in budgeting may include: fund balance requirements; budget amendment procedures; budget status reporting requirements; revenue policies regarding tax rate stability and the use of one-time revenues; annual reviews of service fees; investment standards; and debt policies that limit borrowing to a percentage of operating revenue.

Ulster County's budget process policies are outlined in the county charter. Informally, the county adheres to a policy that minimizes real property tax rate increases. The county also presents a balanced budget and maintains reserve and contingency funds.

However, formal and informal policies are not specified in the final budget document. Formally adopted financial policies that are endorsed by both the executive and the legislature set the standard for budget deliberations and therefore have the effect of diminishing politics in the budget process.

III. Ulster County Budget as Management Tool and Operations Guide

Ulster County department heads now provide narratives during the course of budget development that would be valuable if included in the final budget document. These "describe the program (division) with as much detail as possible including the benefits of the service, who and how many people are served and what the cost/benefit is to the County." These could be included in an expanded Budget Summary.

To the department head, this information represents an argument for maintenance or increase of funding.

For the executive, this information may be used in determining the relative level of priority of a particular county department and for a broad overview of potential inter-departmental collaborations and opportunities for restructuring.

For the legislature, this is as source of information that might be used to increase executive accountability.

An organizational chart for the entire county government and each individual program is essential to understanding collaborative potential and restructuring.

IV. Ulster County Budget as Communication Device

The county budget is the primary means by which the executive and legislative branches communicate what services are provided in meeting community needs and how and at what cost to the taxpayer needs are fulfilled. Clear, understandable effective public communication must therefore be a priority consideration in organizing and delivering the budget document.

As symbolic of this commitment, and because County elected officials serve at the pleasure of the voters, the "Citizens of the County" should top all county organizational charts.

A Better Budget for Ulster County

Introduction

Ulster County government is big business. At the outset of 2010, the county employed 2,013 people and had scheduled annual spending of \$349.3 million dollars. With 28% more workers than the county's third largest employer, SUNY New Paltz, that's a bigger payroll than any other organization, public or private, in our county.

Lately, as a result of the continuing effects of the Great Recession, that business has been in trouble. Sales tax fell short by \$7.8 million in 2009, and has been slow in coming in this year, as well. Families are finding it harder to pay their property taxes, and more and more are falling behind. Pay and benefits for employees make up 40% of county costs. No matter how bad the economy gets, the county has to honor its contractual commitment to these employees, which includes paying ever escalating pension and health insurance bills. No matter how tough times are, the county must meet the requirements of state government mandates; by some estimates, mandates account for two thirds or more of the county budget.

With less money coming in, the county executive and the legislature are working hard to reduce costs. The county has taken an important first step in seeking collaboration with the towns to plow and maintain highways. The county executive's "Taxpayer First" initiative, designed to eliminate or avoid \$8.6 million in spending, involves a host of big and small ticket items including an attrition plan, retirement incentives, overtime controls and several steps to reduce benefit costs – all targeted to achieve personnel cost reductions this year. These will help in coming years as well, though further economies will be required going forward to get things back into balance, at a level that taxpayers can afford.

In Ulster County, as in most local governments throughout New York State, we do annual budgeting. County Executive Michael Hein is committed to "a county government that is lean, effective, smart, and fully accountable to the people."¹ The continuing fiscal crisis in local government makes the Ulster County budget for 2011, delivered by his office on October 1, 2010, one of the most important in recent memory. It contains many choices, some of them difficult and potentially painful for people working for or served by the county. In the county's new separation of powers system, ultimate authority over taxing and spending is with the legislature. This budget, the second delivered under the new charter, will need to be carefully scrutinized by legislators, who will surely want to make some changes in it to reflect their own priorities, and must adopt a budget by December 9, 2010 (or, as was the case last year, when they failed to pass the legislative amended budget, forego their most important power). Interested organizations and ordinary citizens will have a chance to comment on the choices made by elected officials in preparing and altering the budget; clarity in the document makes these comments more informative and useful to those who receive them. Indeed, in the best of worlds, the choices made in the county budget would be understood by all of us, because we are either recipients of services, or providers of services, or payers for service, or all three.

¹ Michael Hein, *Ulster County Executive Home Page*. www.co.ulster.ny.us/exec/index.html.

This analysis focuses on the operating budget, including the budget summary. As mandated by the county charter, capital or infrastructure projects are presented in a separate document. The capital budget outlines project priorities over a six-year period explained in narrative and graphics with twelve year trend analyses for capital outlays and debt service obligations.

Budgets are projections: best estimates of how much money the government will have and how much it will need to accomplish what it desires to do, or must do. Once a budget is adopted, it becomes a tool for management and accountability. The county chief executive, his staff, department heads and other managers strive throughout the year to “keep on track”; making sure that essential programs are being delivered efficiently and effectively, within budget. Meanwhile, the legislature can use the budget to achieve essential oversight, checking that the money it appropriated is spent in accord with its intentions. And the comptroller, too, can help with accountability through financial audits and operational assessments. The key question is not only whether we are staying within budget, but whether we are getting the most for our money.

Budgets are annual documents, but they are best if prepared within the framework of some longer-term thinking. (See **Figure 1: Nassau County Multi-Year Plan and Appendix A** for an example of multi-year budget forecasts from Albany, Monroe and Nassau Counties).

- What decisions do we need to make now to keep demands down on property tax payers not only this year, but in future years?
- What equipment will we need, and how can we get it over time without too much burdensome spending or borrowing in any one year?
- What systematic plan should we have to regularly maintain roads and bridges, so we don’t end up always responding to the loudest demands, rather than the greatest needs?
- What investments might we make this year, even if we have to borrow, to lower our costs and improve our performance over many years in the future?

As should be clear from the brief summary, a budget performs many functions.

- It is both a political and managerial document.
- It needs to reflect current policy choices and long-term goals.

Figure 1: Nassau County 2010-13 Multi-Year Financial Plan Gap Update

Items	2010	2011	2012	2013
Estimated Baseline Gap (from 2010-13 Adopted MYP)	-	(127.0)	(176.1)	(213.6)
2009 Sales Tax Shortfall	(12.7)	(12.7)	(12.7)	(12.7)
Repeal of Home Energy Tax	(19.8)	(41.4)	(43.0)	(44.6)
Cigarette Tax (No State Implementation)	(16.0)	(16.0)	(16.0)	(16.0)
Initial 2010 Gap Openers	(48.5)	(70.1)	(71.7)	(73.3)
2009 Projected Surplus (Did not materialize)	(12.9)	(0.0)	(0.0)	(0.0)
Parks Revenue	(2.8)	(2.8)	(2.8)	(2.8)
State Aid	(4.6)	0.0	0.0	0.0
Part County Sales Tax	(7.2)	0.0	7.2	0.0
Fringe Benefits	(8.9)	0.0	0.0	0.0
Investment Income	(4.0)	0.0	0.0	0.0
NYSHIP Increase	0.0	(20.5)	(21.5)	(22.6)
Increased Pension Costs	0.0	(4.2)	(3.8)	(3.9)
Tax Certiorari Cost to \$100 Million	(25.0)	(50.0)	(50.0)	(50.0)
Overtime PD?CC	(11.0)	(11.0)	(11.0)	(11.0)
1 st Quarter Adjustments	(8.3)	(1.0)	(1.0)	(1.0)
Subtotal – 2010 New Exposures	(84.7)	(89.5)	(82.9)	(91.3)
Revised Gap	(133.2)	(286.5)	(330.7)	(378.3)
Nassau County Gap Closing Plan				
Items	2010	2011	2012	2013
Revised Gap	(133.2)	(286.5)	(330.7)	(378.3)
Workforce Management	22.0	22.0	22.0	22.0
Lower than budgeted Pre K & E1	6.5	3.9	3.9	3.9
Discretionary Program Cuts	6.0	6.0	6.0	6.0
OTPS restricted to 2009 Actuals	4.5	4.5	4.5	4.5
TPVA-Lower RLC Expense	2.2	2.2	2.2	2.2
Tobacco Proceeds	5.0	0.0	0.0	0.0
ARRA Funding (FMAP)	2.0	20.0	0.0	0.0
Re-estimate of Consumer Affairs	1.0	0.0	0.0	0.0
Initial 2010 Gap Closers (March 1 response to NIFA)	49.2	58.6	38.6	38.6
Value of New Construction	0.0	2.0	4.0	6.0
Contingency Reserve	10.0	0.0	0.0	0.0
Lease Reductions	0.0	1.0	1.0	1.0
FIT	5.5	5.5	5.5	5.5
Sales Tax(2010 @ 3%)	10.6	10.6	10.6	10.6
Utilities	2.1	0.0	0.0	0.0
Additional Discretionary Program Cuts	0.0	5.0	5.0	5.0
Subtotal – Initiatives to Close Remaining Gap	28.2	24.1	26.1	28.1
Remaining Gap	(55.8)	(203.8)	(266.0)	(311.6)
Assessment Reform	25.0	91.6	86.8	83.6
Labor Concessions & Early Retirement	15.0	60.0	120.0	120.0
Expense Reductions	9.3	38.3	38.3	38.3
Revenue Initiatives	4.0	24.0	38.4	38.4
Financing Options/Asset Sales	29.3	21.5	41.5	47.7
Subtotal – Additional Options to Close Gap	82.6	235.4	325.0	328.0
Surplus/(Deficit) After Gap Closing Measures	26.8	31.6	59.0	16.4

- It also needs to allow for control, direction, accountability and oversight of departments and agencies.
- And it needs to inform citizens about what its government is doing, why, at what cost, and with what expected result.

In summary, a budget is at once a **financial forecast and plan**, a **policy document**, a **guide to operations** and a **management tool** and a **device that communicates** all of these elements to all of us in the county.

We ask in this report whether the content of the Ulster County budget, and its format – the way it is organized and presented – achieves these goals or purposes, and therefore best serves all the people who need to use or understand it. This question is especially important this year. Currently, the county’s budget and financial data is managed using an out-dated system known as H.T.E. At the request of the county comptroller, the county executive has included a new financial management system in the Capital Budget Plan. The form and content of Ulster’s budget document have not been seriously altered within the memory of even the most senior people in county government. With the adoption of new financial management software, we will have a once in a decade opportunity to redesign our budget document. We need to make the most of this chance.

Types of Municipal Budgets

It was only in the 20th century that the idea took hold in the United States that it should be the responsibility of governmental chief executives to prepare a comprehensive account of revenues and expenditures for consideration of the legislative branch (which retained final say on taxing and spending under constitutions and charters). This alteration in the separation of powers system was controversial; in New York State, for example, there were major fights over the form of the first executive budgets that had to be resolved in the Court of Appeals.

Controversy arises because the different forms that a budget may take leaves discretion for controlling spending in different hands after the budget is passed. Large lump sums leave more leeway to the chief executive, and often to department heads; very specific, itemized budgets help the legislature better control the objects of spending, and by doing so limit executive discretion. Also, as experience with budgeting grew, practitioners and experts developed different processes for budgeting, different formats for the budget, and new requirements for information in budgets beyond straightforward dollars and cents – concerning mission, plans, goals, objects and performance. Budget documents in contemporary governments are often hybrids, drawing upon selected elements of a range of budget processes and formats developed over time to reflect changing uses and/or expectations of governmental budgets.

Line-Item Budgeting in Ulster County

Ulster County has a line item budget. Developed in business in the 19th-century, line item budgeting (or object-of-expenditure budgeting) was first applied to a municipal budget in New York City in 1906 in response to the corruption and money laundering of the previous century’s Tammany Hall political machine. Line-item operating budgets are most often organized by department; sometimes

they are broken down into divisions, or areas within departments. A standard identifying code is assigned to each department, with sub-codes – identical across departments – for such things as salaries, supplies and equipment, and contracts for services, all of which may be further specified in individual lines or “items.”

The Ulster County budget format is traditional. It is a single year, line-item budget of over 500 pages that informs citizens of expenditures and revenues for the coming fiscal year. The budget succeeds as a financial plan for the county in that it explains where revenues that pay for county programs and services come from and how the money will be spent. The budget also details what the county owes in debt service and for what purpose it borrowed funds. Its current form is dictated by the county charter, adopted in 2006 and implemented in 2009. Section C-34 (B) of the Charter states, in part:

The proposed budget shall be balanced, with projected revenues equaling or exceeding estimated expenses for the next ensuing fiscal year, and shall be presented in three sections, one of which shall set forth the estimated revenues and receipts, one of which will set forth the estimated expenses, and one of which shall set forth the proposed capital authorizations and expenditures. A statement of actual expenses and actual revenues for the immediately preceding year, and expenditures and revenues to date for the current fiscal year shall be included in the proposed County Budget, prepared in a format that facilitates year-to-year comparison.

The form of the Ulster County budget is responsive to requirements of the Government Accounting Services Board (GASB):

- The **General Fund** (Fund AAAA) accounts for revenues and expenditures for the legislature, public safety, public health, public transportation, social services, culture and recreation, and other aspects of general government. It is the general operating fund of the county.
- **Special Revenue Funds** are funds designated for specific purposes: the Community Development Fund (Fund BBBB) tracks funds received under The Workforce Investment Act and Community Block Grant Funds; the County Road Fund (Fund DDDD) pertains to highway maintenance; and the Road Machinery Fund (Fund EEEE) is used for highway maintenance equipment.
- **Enterprise Funds** are used for the management of the Golden Hill Healthcare Center (Fund CCCC) and the Workman’s Compensation Pool (Fund SSSS). These are the parts of county government with revenue and expenditure patterns closest to those that occur in private sector businesses.
- **Debt Service Fund** (Fund VVVV) is used to manage county government borrowing for major projects.

Within each fund, expenses – and, in a separate section, revenues – are presented by county budgetary unit organized by account codes.

For example, in the Ulster County Budget, the code for the Probation Department is 3140. (See **Figure 2: Ulster County Probation Department Expenditure Summary** and **Appendix B: Ulster County Probation Department budget**). Within the department there are eight “divisions” (one of which is being phased out), each with its own sub-code. Each division has spending shown for personnel, equipment, contractual services (and a few other categories). The sub-code for each of these is the same across departments and divisions: for example the personnel “line” throughout the Ulster County budget is 100.1, so the user can easily find personnel costs for any department or program. In some municipal budgets, there is a line-item in the budget for each person employed within the department or division, showing his or her actual salary. Ulster County used to do this; now it provides this information in a separate appendix.

The divisions in departmental budgets in Ulster County’s line-item budget do not conform to

Figure 2

Fund AAAA General Fund
DEPARTMENT 3140 Probation

2010 Adopted Budget – Expenditures

	2007 Actual Expense	2008 Actual Expense	2009 Adopted Budget	2009 Revised Budget	2010 Appropriation Request	2010 Executive Recommendation	2010 Appropriation Adopted
1835 Probation Division							
TOTAL: 1835 Probation Div	2,796,541	2,919,302	3,108,245	3,109,753	3,021,016	3,138,972	3,138,972
1836 CVAP Div							
TOTAL: 1836 CVAP Div	163,674	172,371	247,813	247,813	173,422	173,422	172,422
1837 Health Grant Div							
TOTAL: 1837 Health Grant Div	44,229	54,548	79,165	84,128	58,422	58,422	58,422
1838 ISP Div							
TOTAL: 1838 ISP Div	25,485	30,439	62,446	62,446	65,521	65,521	65,521
1839 DWI Div							
TOTAL: 1839 DWI Div	38,523	63,462	93,824	93,824	68,000	68,000	68,000
1840 Pre-trial Div							
TOTAL: 1840 Pre-trial Div	41,100	42,469	44,387	44,387	46,387		
1843 GPS Tracking Div							
TOTAL: 1843 GPS Tracking Div	25,896	26,516					
1844 Grants Div							
TOTAL: 1844 Grants Div		33,601	91,807	137,854	67,675	67,675	67,675
TOTAL: 3140 Probation	3,135,451	3,342,713	3,727,687	3,780,205	3,501,230	3,572,812	3,572,812

programs. Again, looking at the Probation Department, the bulk of its spending (87.9%) was budgeted in the Probation Division in 2010. Spending within that division is not segregated by function (e.g. administration) or program. (See **Figure 3: Schuylar County Probation Program budget excerpt** and **Appendix C: Schuylar County Probation Program budget** for an example of a program-oriented budget.) The seven other divisions seem to have been established because there were special revenue sources to support them (e.g. DWI) or to identify and aggregate income provided for the department’s program (e.g. Grants). The use of the term “division” to identify this category of activity, somewhat misleading, is probably the result of a limitation in the software used by the county to prepare and present its budget.

Figure 3: Schuyler County Probation Program Budget

Program	Personnel & Fringes	Equipment	Operational Expenses	Total Expenses	Revenue	Local Share
ADMINISTRATION	\$78,487	-	\$3,623	\$82,110	\$13,632	\$68,478
ADULT SERVICES	\$180,901	-	\$7,245	\$188,146	\$28,625	\$159,521
JUVENILE SERVICES	\$35,810	-	\$2,270	\$38,080	\$3,180	\$34,900
COMM. SERVICES	\$5,915	-	\$2,270	\$8,185	\$3,290	\$4,895
PRETRIAL RELEASE	\$6,414	-	\$1,208	\$7,622	\$1,034	\$6,588
COLLECTIONS	\$54,301	-	\$7,534	\$61,835	\$11,700	\$50,135
PROGRAM TOTALS	\$361,828	-	\$24,150	\$385,978	\$61,461	\$324,517

Line-item budgets generally show information to allow comparison of spending over time. The amount and kind of detail differs from jurisdiction to jurisdiction. One strength of the line-item budget format is that if an activity is no longer funded, this fact may be easily deduced from the year-to-year information provided. However, caution is needed in interpreting “blank spots” that seem to indicate that a program has been terminated: items that appear to have been removed may simply have been moved elsewhere in the budget. Without clear descriptive information in the budget or a supporting document, this may be hard to tell.

The Ulster County budget shows actual amounts spent for the two previous years, the amount budgeted for the current year, any revisions for the current year since the budget was passed and for the budget year, the amount requested by the department and the amount recommended by the executive. Since the adoption of the elected executive under the charter, the latter two categories have contained identical information. Departmental requests are reported in the Tentative Budget presented to the legislature. During the budget preparation period, before adoption, the Ulster County document also shows year-to-date spending for the current year.

Provision of previous year information encourages people who prepare budgets and others who use them to think incrementally, to compare what will be spent this year and received this year in revenue to what was spent and received in previous years. The preparation of a large budget like Ulster County’s requires a lot of skilled work. Incremental budgeting may make the workload of budget preparation more manageable. In ordinary times, however, if a department’s costs and revenues remain little changed, this sort of budget presentation does not encourage asking questions like: “Do we need this department or program at all?” or “Are we getting the most for our money from this department or program?” “Does this department or program act in accord with a long-range plan?” This is a main reason that other budget formats, discussed further below, have been developed.

Employee benefit expenses in a line-item budget may be accounted for in a lump sum, or distributed proportionally among departments. Benefits are a very large portion of personnel costs, which are themselves – as noted – the greatest single expense in a municipal budget. In Ulster County, benefits range from 40.57% to 41.94% of personnel expenses² (not counted are those that are

² 40.57% represents the cost of retirement, employer share of social security, disability insurance, health insurance, worker’s compensation, and unemployment insurance. 41.94% includes these plus sick and vacation days, tuition reimbursement, meals, and uniforms for eligible employees.

unfunded, and therefore unbudgeted, a big problem not only for Ulster County but all New York local governments). Both the concentration of these costs in a lump sum and their distribution to departments and programs has advantages. Concentration draws the attention of decision-makers and citizens to the overall magnitude of the county's obligation for benefits. The distribution of these allows a person using the budget to get a clearer picture of what a department or division actually costs.

Benefits costs were distributed in the Ulster County budget in 2009; in 2010 they were not presented in the final budget, but did appear in the Tentative Budget presented to the legislature. In 2010, they appeared in the budget as a separate "department" under employee benefits. The county might consider distributing these costs for management purposes in the final budget, while also presenting their total in a separate chart or table in the shorter budget summary (discussed further below).

Other items of major interest to legislators, other decision-makers and citizens, both on the spending and revenue sides, appear as lump sums in various locations in the budget: income from borrowing (Finance), hotel tax and payments-in-lieu of tax proceedings (Finance), the amounts needed to pay back interest and principal on previously borrowed funds (Finance), sales taxes shared with other municipalities (Finance), sales tax revenues (Legislative Board), projections for the amount of fund balance to be used to cover coming year expenses (Budget Summary), and reserves for uncollected taxes (Budget Summary).

Spending for direct support for not-for-profits providing a variety of social and cultural services is budgeted under "legislative programs." In his first year, the executive made no recommendations in these areas, leaving decision to the legislature, which had over the years developed the practice of providing subsidies for these community-based institutions providing a range of services. Thus appropriations for these areas have come to be similar to "member items" or "member initiatives" at the state level. The budget would be easier to use and understand if this spending was organized within their respective functional areas, and subject to the same review and evaluation as other spending.

More generally, the allocation of spending and revenues to "departments" in the budget index sometimes seems serendipitous, and makes the document harder to use and understand. Why, for example, are modest spending and revenues for a "Handicapped Education Program" located in the index within the County Executive's office? Or why is funding for the "Assigned Counsel" division placed in the index under the Finance Department? (This may be even more confusing because there is a small, focused assigned counsel item placed within the Public Defender category in the budget.)

Regarding borrowing, the county provides great detail on specific debt issues and authorized borrowing but does not show in its budget or budget summary how much it will cost to meet already incurred obligations in future years; this is known because debt is scheduled for repayment over time. This information might be part of the budget summary, or an aspect of a separate capital budget (not discussed here).

On the revenue side of the ledger, a line-item budget shows any money coming in to support the department from the state, the national government, fees and charges. The Ulster County budget

provides the same amount of historic comparative detail for revenues as it does for expenses. Here, however, there are some differences reported in 2010 budget year between departmental requests and the recommendations reported by the executive. The line-item format could include more revenue detail than is actually given in the Ulster County budget. For example, the actual source of revenues for each department or division is not often specified, nor is the amount or proportion of revenue from general tax levy funds required to support each department or division. So, for example, there was \$1,188,963 in revenue projected to support the Probation Department in 2010, while expenses for the department totaled \$3,572,812 as is shown in **Figure 4: Ulster County Probation Department Expenditures and Revenues.**

Figure 4

2010 Adopted Budget - Revenues

Fund AAAA General Fund
DEPARTMENT 3140 Probation

	2007 Actual Revenue	2008 Actual Revenue	2009 Adopted Budget	2009 Revised Estimate	2010 Revenue Request	2010 Executive Recommendation	2010 Revenue Adopted
3140 Probation							
1835 Probation Div							
TOTAL: 1835 Probation Div	652,336	634,751	624,124		611,139	715,904	715,904
1836 CVAP Div							
TOTAL: 1836 CVAP Div	223,172	232,276	238,779		242,973	242,973	242,973
1837 Health Grant Div							
TOTAL: 1837 Health Grant Div	54,134	65,407	60,502		62,502	62,502	62,502
1838 ISP Div							
TOTAL: 1838 ISP Div	21,900	20,400	21,700		19,176	19,176	19,176
1839 DWI Div							
TOTAL: 1839 DWI Div	57,797	76,096	88,003		87,104	87,104	87,104
1840 Pre-trial Div							
TOTAL: 1840 Pre-trial Div	21,285	17,800	19,000		16,732	16,732	16,732
1843 GPS Tracking Div							
TOTAL: 1843 GPS Tracking Div		39,499					
TOTAL: 1835 Probation Div							
1844 Grants Div	20,617	43,332	44,052		44,572	44,572	44,571
TOTAL: 1844 Grants Div							
TOTAL: 3140 Probation	1,051,242	1,129,562	1,096,160		1,084,198	1,188,963	1,188,963

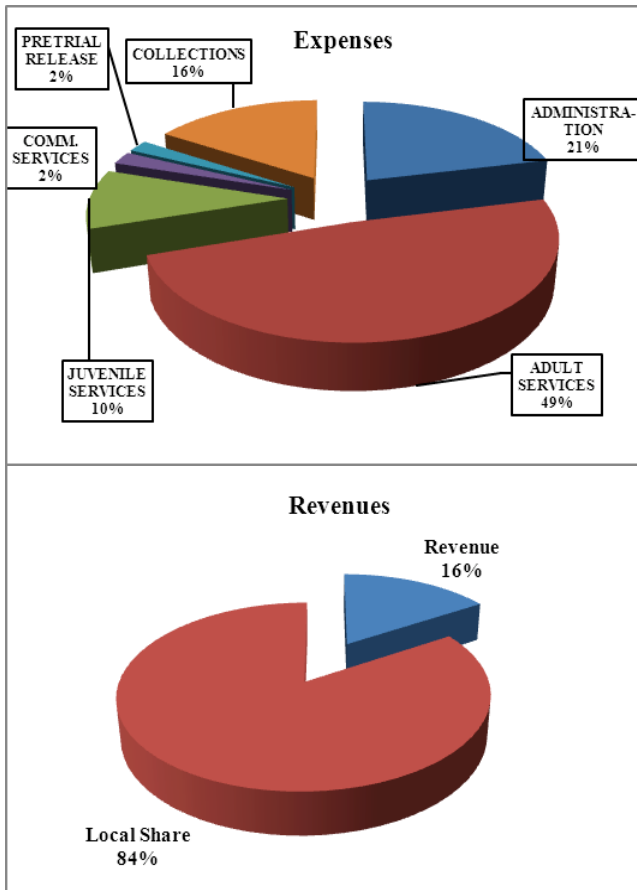
2010 Adopted Budget – Expenditures

Fund AAAA General Fund
DEPARTMENT 3140 Probation

	2007 Actual Expense	2008 Actual Expense	2009 Adopted Budget	2009 Revised Budget	2010 Appropriation Request	2010 Executive Recommendation	2010 Appropriation Adopted
1835 Probation Division							
TOTAL: 1835 Probation Div	2,796,541	2,919,302	3,108,245	3,109,753	3,021,016	3,138,972	3,138,972
1836 CVAP Div							
TOTAL: 1836 CVAP Div	163,674	172,371	247,813	247,813	173,422	173,422	172,422
1837 Health Grant Div							
TOTAL: 1837 Health Grant Div	44,229	54,548	79,165	84,128	58,422	58,422	58,422
1838 ISP Div							
TOTAL: 1838 ISP Div	25,485	30,439	62,446	62,446	65,521	65,521	65,521
1839 DWI Div							
TOTAL: 1839 DWI Div	38,523	63,462	93,824	93,824	68,000	68,000	68,000
1840 Pre-trial Div							
TOTAL: 1840 Pre-trial Div	41,100	42,469	44,387	44,387	46,387		
1843 GPS Tracking Div							
TOTAL: 1843 GPS Tracking Div	25,896	26,516					
1844 Grants Div							
TOTAL: 1844 Grants Div		33,601	91,807	137,854	67,675	67,675	67,675
TOTAL: 3140 Probation	3,135,451	3,342,713	3,727,687	3,780,205	3,501,230	3,572,812	3,572,812

Thus, \$2,383,849 in own source county revenues (sales taxes, property taxes) were projected to be needed to deliver this department’s program, but neither this number nor the percentage it makes up of the cost for the department (66.7%) is found in the budget. For an alternative approach, see the example for the Schuyler County budget, shown below in **Figure 5**.

Figure 5: Schuyler County



Moreover, not all Probation Department spending appears in its budget. The Table of Contents for the Ulster County budget lists Community Corrections and Community Services under the Probation Department, but budgets for these are not found in the same location in the budget as the rest of the department’s budget. This makes understanding the range of the department’s operations and their interconnection harder to understand from the budget. Also, there are probation-related expenses in still other places in the budget, for example, in the budgets of the Sheriff’s Department, the Public Defender’s department and the Buildings Department.

On the spending side, a line-item budget shows very clearly what the municipality is buying, the inputs, but not what it is getting – the outputs, or outcomes – or year-to-year comparisons of these, whether we are improving, staying the same or doing less well. For example, we do not know from our Ulster County budget how many people were expected to be supervised by the probation

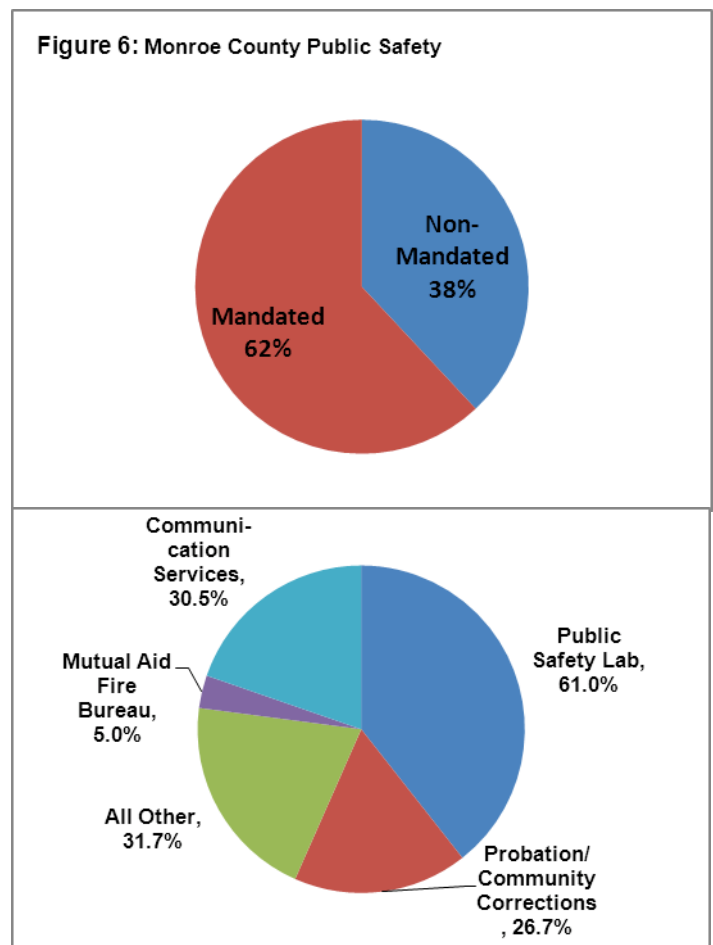
department, nor do we know the workload of each probation officer. And we cannot tell how well a program is doing; there is no agreed upon measure of program performance – for example, the proportion of time that probation is “successfully completed” by a person under supervision. Additionally, if there is more than one program or activity within a department or division, we cannot see how much is spent on each one, and what we are getting for what we spend – outcomes. And of course, if we do not have this information for ourselves, we cannot compare it to similar information for other counties, to see how we are doing in relative terms.

Some but not all of the major areas of budgetary focus for the county are discussed in greater detail in a summary presentation that accompanies the budget. It is most useful when the county presents year-by-year information about these key items in the summary, as it does for the sales tax and the appropriated fund balance, so that trends over time are clear. In addition to showing trends, there appear to be various reasons for inclusion of topics in the summary. One is very straightforward and clear: to give a general overview of county revenues and spending, with particular attention to how much will be required from the real property tax levy. Some summary presentations show the county’s

fiscal diligence in certain key areas – filling personnel vacancies, purchasing vehicles. A table regarding year-to-year totals for Social Service spending seems to be included to support the county executive’s budget message by bringing public attention to the very high proportion that these costs, almost all mandated, that make up the total of county obligations. Inclusion of this message in the budget summary would communicate this point more fully. Interestingly, however, the county does not make a general statement about all mandated costs it must pay as part of the summary budget presentation as is the case in the Monroe County budget, excerpted in **Figure 6**. (See **Appendix D: Monroe County Public Safety**.)

The presentation on property tax exemptions can be used to show the revenue foregone by the county – and the consequent shift of the tax burden – that occurs as a result of specific exemptions and the total of all exemptions or certain categories of exemptions. However, the county shows the valuation of exemptions in its report; it does not focus on the revenue implications.

A chart in Ulster County’s 2011 tentative budget that organizes spending by functional categories gives an overall picture of where the preponderance of resources are allotted. Another on the property tax makes clear that most resources are claimed for the schools, not for general purpose governments or other special districts (e.g. fire, libraries). Two charts that show the county’s taxing and spending are far below state limits, seem to make symbolic claims of prudence rather than address any of the major functions of the budget, summarized earlier: **financial forecast and plan, policy document, guide to operations and management tool, and communication device**. In general, it might be salutary for the summary budget presentation to be reconsidered and reorganized in light of the needs identified by these categories.



Alternatives to the Line-Item Budget Format

Budget formats developed as alternatives to the line item budget all have one shared characteristic: they are client- or function-centered. That is they focus to a greater degree on the task to be performed or service to be delivered (outputs, or outcomes) than on the resources required to do the task, or perform the function (inputs).

Program-Based Budgets

Output oriented budgets, usually called program budgets, are organized within department by function or clients served (e.g. road resurfacing, consumer complaint response, drug dependency reduction). Often they include a brief statement of the goals or objectives of the department and each of its programs. Of course, all a department’s costs are not involved in direct service delivery; some are incurred in providing support or direction for all its activities. These may be organized separately as programs (office of the department head, accounting, public relations) or distributed on a cost-accounting basis to determine the “true cost” of each program. (For an example of program-based budgeting, see **Figure 7**: Schenectady County Probation Program format and **Appendix E**: Schenectady County Probation Program).

Figure 7						
SCHENECTADY COUNTY PUBLIC SAFETY PROGRAM						
2010 Sub Program Element Expenditures						
Sub Program Code	Sub Program	Expended 2008	Budget as Modified 5/1/2009	Departmental Request 2010	Manager Recommended 2010	Adopted 2010
Sub Program –	Law Enforcement					
Element –	Probation-Adult					
Total Probation – Adult		\$2,138,815	\$2,254,363	\$2,405,432	\$2,372,427	\$2,372,427
Sub Program –	Law Enforcement					
Element –	Probation-Juvenile					
Total Probation – Juvenile		\$1,451,940	\$1,655,207	\$1,622,072	\$1,616,656	\$1,616,656

The Performance-Based Budget (PBB)

Outcome oriented budgets, often called performance-based budgets, add mission statements, mission-related goals, plans to accomplish them and results-oriented performance measures to the equation. Short-term performance targets are meant to produce long-term outcomes that reflect the values of the community. This approach allows determination of units costs, year-to-year performance comparisons, and comparisons with other similar jurisdictions. (See **Figure 8**: Erie County Probation Department budget excerpt and **Appendix F**: Erie County Probation Department budget.) In order to maximize effectiveness, the measures used in a performance-based budget work best when they are developed by the departments that must deliver the programs. Such a budget can be useful in all of the most of the critical areas of governance touched upon by budgeting: informing decision-making, achieving greater efficiency and effectiveness in service delivery, promoting accountability, improving public information and access, and therefore, ultimately, improving the quality of life for residents.

Figure 8: Erie County Probation Department - Administrative Operations

Outcome Measures

- Supervision of offenders, both effective and efficient, by adherence to the Division of Probation and Correctional Alternatives Rules and Regulations
- Six Sigma Cashier Project: Increase revenue by 10%
- Six Sigma RUS Project: Decrease the number of days spent in Erie County Holding Center and Correctional Facility by defendants who are eligible for RUS. Number released in 2008 (552) compared to number of releases up to August 2009 (600).
- 20% Reduction of Probation Department mileage by use of Department car.
- 100% of all Probation Officers will complete the DPCA training requirement of 21 hours of training annually
- Reduction of overtime by 10%

Cost per Service Unit Output

- The cost of Caseload Explorer in 2009 was \$143,000 which equals \$979 per employee. There is an annual \$30,000 maintenance fee which equals \$205 per employee.
- Cost of \$280 per month for 'People Track Plus' (to determine the number of people found through its use).

In the early 1990s, then-Vice President Al Gore spearheaded the National Performance Review task force, later called the National Partnership for Reinventing Government. The partnership “refocused attention on monitoring agency activities for improving performance, promoting customer-friendly service, and increasing cost-savings through improved productivity.”³ The result was the 1993 Government Performance and Results Act that requires the establishment and use of performance measures in federal agencies. State government quickly followed suit and, by 2001, forty-eight states had adopted performance-based budget (PBB) practices, excepting New York and Massachusetts.⁴ In 1993, former Massachusetts Governor Weld tried to implement performance-based budgeting for the state but the effort succumbed to politics.

There is some movement for budget redesign at the state level in New York. The Palisades Principles advanced earlier in this decade by the Citizens Budget Commission (CBC), a highly respected fiscal watchdog group, call for “performance assessment of State expenditures” and “a version of the budget in clear language understandable to the lay citizenry.” In 2010, New York State Senator Liz Krueger of Manhattan, Chair of the Select Committee on Budget & Tax Reform and Vice Chair of the Senate Finance Committee, introduced a seven-point plan for state budget reform, two of which call for:

1. A two-year budget and requires the Executive to submit two-year financial plans (\$7160);
2. The creation of a 15-member Empire State Performance Commission to develop a performance-based management and budgeting blueprint (\$7259);

A 2000 study reported that one third of all U.S. counties had moved over to some form of performance-based budgeting.⁵ Of the 62 counties in New York State, at least ten outside of New York City (itself performance-based), use some form of performance measurement in their budget: Albany, Erie, Monroe, Nassau, Onondaga, Orange, Schenectady, Schuyler and Sullivan; this approach was recently adopted by Rockland County although performance measures do not yet appear in the budget.

³ Robert L. Bland, *Budgeting: A Guide for Local Government*. (Washington, D.C.: ICMA Press, 2007), 127.

⁴ Theodore H. Poister, *Measuring Performance in Public and Nonprofit Organizations*. (San Francisco: Jossey-Bass, 2003), 187.

⁵ Poister, 8.

An eleventh county, Tompkins, is in the process of transitioning to PBB. (See **Appendix G**: Nassau, Onondaga, Orange, and Sullivan County Probation Department Budgets)

Both Erie and Nassau adopted PBB in the wake of financial crisis. They view the budget as a financial plan and long-term policy document that improves the efficiency and effectiveness of county government. Monroe and Tompkins counties view PBB primarily as a management tool. Sullivan County views PBB as tool in long-term strategic planning, with the added bonus of transforming organizational culture. And Schuyler County adopted PBB to better communicate the costs and services of county government to its citizens: its first performance-based budget was met with applause.⁶ Erie County’s performance-based approach, called “Balanced Scorecard,” is particularly interesting. With a focus on strategic planning and management, Balanced Scorecard measures performance from four perspectives: Customer, Internal Processes, Finances and Employee Learning and Growth.⁷(See **Figure 9**: Erie County Expedited PSI Unit Balanced Scorecard excerpt and **Appendix F**.)

Figure 9: Erie County Probation Department - Expedited PSI Unit – 2009

DESIRED OUTCOME

To have completed Pre-Sentence Investigation for incarcerated defendants to the Courts within four weeks of the original request made by the Courts in order to reduce the number of days a defendant is held in a County Correctional Facility.

BALANCED SCORECARD – FOUR PERSPECTIVES

- **Customer:** Our customer is the Courts
- **Goal:** To measure what percentage of PSI's are available to the Court when they are needed.
- **Outcome:** This number is tracked: each PSI is logged with date received, date due, and date completed. 100% of PSI's have been available within the expedited time frame.

- **Internal Business:** To monitor the key elements to the process of completing a PSI. To document customer satisfaction.
- **Goal:** To engage the customer to complete a quarterly satisfaction survey as to the timeliness of delivering PSI's. To track the number investigations delivered to the Courts on a monthly basis.
- **Outcome:** A continual feedback loop is maintained between the unit supervisor and judges and court personnel. Any concerns on the part of the customer are dealt with immediately. Customer feedback has been uniformly positive.

- **Innovation and Learning:** To ensure that Probation Officers in this unit are thoroughly trained in the completion of PSI's.
- **Goal:** To have 100% of staff fully trained.
- **Outcome:** 100% of staff is fully trained.

- **Financial:** The actual cost of this unit including equipment and supplies.

Personnel	\$494,656
Fringe	250,148
Mileage	7,958
Personal Protective Equipment	21,700
TOTAL	\$774,462
- **Goal:** To save the County a factor over the actual cost of the unit.

The Ulster County Budget Process

The Ulster County budget process begins in mid-May. At this time, detailed instructions are distributed to department heads for the completions of on-line excel workbooks. In June, budget training sessions are conducted for department heads. In the course of the process, the county executive’s office already gathers data and material that would be helpful if the county were engaged in

⁶ Thomas A.P. Sinclair, Pamela Mischen, and Tom O’Hearn, “Small is Beautiful: Knowledge Management and Budget Reform in a Rural County.” *Public Administration Review* (publication pending).

⁷ Paul R. Niven, *Balanced Scorecard: Step-by-Step for Government and Nonprofit Agencies*. (Hoboken: Wiley, 2008).

program budgeting. Preliminary budget requests are submitted to the county executive by early to mid-July. Follow-up budget reviews are conducted with each department throughout the remainder of the month. After reviews are completed, the county executive prepares the Tentative Budget for the coming year. The tentative budget details expenses and revenues across seven columns: Actual Expense (Revenue) three years prior, Actual Expense (Revenue) two years prior, prior year Adopted Budget, prior year Revised Budget, prior year expended and encumbered to date, department request, and executive recommendation.

The County Executive submits the tentative budget to the Clerk of the Legislature no later than the first Friday in October. Responsible for budget oversight, the Legislature reviews and posts a written analysis of the budget, prepared by an outside accounting firm hired by the legislative body, on the county web site no later than the second Friday in November. Three public hearings on the proposed budget and legislative review are held no later than the third Friday in November. After the public hearings, the Legislature may amend the budget and return it to the County Executive for review and resubmission to the Legislature. If budget as amended by the legislature does not pass, the executive's original budget is adopted and the legislature will have abdicated its most important responsibility. This was the case in 2009. The budget must be adopted no later than the second Thursday in December.

After adoption the budget may be modified in two ways. Upon written notice to the Legislature, the County Executive may transfer funds within a department or agency to another department or agency. The establishment of new programs and the appropriation of unanticipated revenues require a resolution by the Legislature.

Budget Process Alternatives

Some output, or outcome-oriented, budgets are developed with alternatives for consideration of the executive and the legislature. One focus may be upon "current services." Developing this budget starts with the question: "How much would it cost to do for the budget year exactly what we are doing in this program area this year?" A following question may be, "What will happen to this program's performance if we cut spending on it by 10%?" or "What more can we do if we increase spending by 10%?" With the answers to these questions, alternative program budgets, usually three, are then developed for consideration of decision makers.

Another approach is to build the budget each year from scratch, not proceeding incrementally as is the case for line-item budgets. Here the budget makers say: "I want to pave 10 miles of road. What people, supplies and materials do I need to do a quality job, at the lowest possible cost?" As a practical reality, this sort of "zero-based budgeting" is very demanding in time and energy, and has proved impractical in most places that have tried it.

Finally, budget makers may overtly make the availability of revenues (and not an expenditure level, however defined) drive the budgetary process. This is called Target-Based Budgeting. A desire to minimize the demand upon revenues from one major source – the real property tax – is in fact an omnipresent reality in all local government, but this broader process is focused on the combined revenues available at the program level.

GFOA Recommended Best Practices in Budgeting

In 1998, the Government Finance Officers Association (GFOA) adopted and published the National Advisory Council on State and Local Budgeting (NACSLB) recommended budgetary practices that followed the following principles:

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

Though admittedly somewhat subjective, as an exercise to determine areas in which the Ulster County budget process might be strengthened – as a **Financial Forecast and Plan**, a **Financial Policy Document**, a **Management Tool and Operations Guide**, and a **Communications Device** – we scored it against GFOA standards: “Included” indicates that the budget contains the best practice while “Not Included” indicates that the recommended best practice is not in the budget document. For our purposes, items scoring “Not included” could be incorporated either into the Budget or the Budget Summary. A score of “Partially Included” indicates that the item is in the budget but not to the recommended extent of GFOA best practices. For example, a chart may summarize an aspect of the budget but lack analysis to fully explain it.

Ulster County Budget as Financial Forecast and Plan

The Ulster County budget, like all budgets, encompasses a series of projections about future economic and social developments. It is the culmination of a process that, at its best, produce a reasonable estimate – often a negotiated compromise – between the executive and legislative branches regarding how much money the government will have and how much it will need to accomplish what it desires to do, or must do. The Ulster County budget accomplishes this purpose of budgeting on an annual basis and, as a result of the process used, the budget also likely reflects longer-range thinking regarding the impact of current decisions on future years.

Budget as Financial Forecast and Plan: GFOA Recommended Best Practices	
Document describes all funds subject to appropriation	Not included
Document includes a summary of major revenues and expenditures and other financing sources and uses	Included
Document includes summary of revenues and expenditures or the prior year actual, current year budgeted and/or estimated current year actual, and proposed budget year	Included
Document explains assumptions for revenue estimates and discusses significant revenue trends	Partly included
Document includes projected changes in fund balances	Included
Document includes budgeted capital expenditures	Included

Document includes information and financial data on current debt obligations and legal debt limits	Included
Documents explains the basis of budgeting	Not included

GFOA recommends descriptions of fund structure, as outlined on page 4, and specification of the basis for budgeting or accounting – such as accrual, modified accrual, or cash – for greater understanding of the document and its process by users. The Ulster County budget does present revenue estimates and relevant trends. But because the budget summary has no narrative component, a description of the assumptions upon which revenue estimates are based and projected into the next fiscal year is not included in the Ulster County budget presentation. Assumption descriptions might include long-term trend analyses in all major revenue and expenditure areas, state and local government economic indicators and any consultant review of the budget that helped shape decision making.

Ulster County Budget as a Financial Policy Document

All municipal budgets are prepared with financial policies in mind, although these are often unwritten and unstated. For example, although not formally adopted by the legislature, Ulster County adheres to a policy to maintain the fund balance at no less than 5% of general fund revenues, as recommended by the state comptroller’s office. This limits the amount of appropriated fund balance that may be used to cover expenditures in any given fiscal year. Such policies reduce risks and produce potential benefits. For example, Onondaga County cites its formally adopted 10% fund balance policy as a factor in achieving its high credit rating, which in turn reduces the county’s interest on borrowing for capital projects. Their debt service policy limits county indebtedness to 1% of the full valuation of taxable property or \$500 per capita.

Policies run the gamut. They may include: budget amendment procedures; budget status reporting requirements; revenue policies regarding tax rate stability and the use of one-time revenues; annual reviews of service fees; investment standards; and debt policies that limit borrowing to a percentage of operating revenue. Ulster County’s budget process policies are outlined in the county charter. Informally, the county adheres to a policy that minimizes real property tax rate increases. The county also presents a balanced budget and maintains reserve and contingency funds. However, these formal and informal policies are not specified in the final budget document, though they guide the budget preparation process.

Informal policies that are adhered to by custom and tradition rather than resolution are subject to situational manipulation. Formally adopted financial policies that are endorsed by both the executive and the legislature set the standard for budget deliberations and therefore have the effect of diminishing politics in the budget process. Once formally adopted, any attempt to override a policy would require deliberation and action by the legislature.

Budget as a Financial Policy Document: GFOA Recommended Best Practices

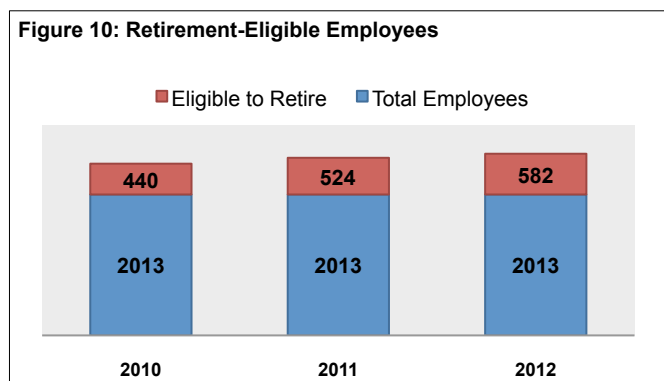
Document includes a coherent statement of entity-wide long-term financial policies	Not included
Document includes entity-wide mission statements and long-term strategic goals and objectives	Not included
Document includes short-term initiatives in budget development including changes in staffing levels	Partly included
Document includes a budget message	Partly included
Document includes clearly stated goals and objectives for organizational units	Not included

Although Ulster County adheres to financial policies in budget preparation, they are not articulated in the Budget Summary. The document should also include the Tentative Budget Message to the legislature which provides context for budgetary decisions and outlines short-term initiatives. The county provides a complete personnel listing as part of the budget but does not include staffing trends, or year-to-year changes in the document. Ulster County departments do have mission statements. Departments already provide narrative descriptions and objectives as part of the budget review process. These could be included in an expanded Budget Summary.

Ulster County Budget as Management Tool and Operations Guide

The budget process can help the county government identify redundancies in service delivery, help prepare for continuity in a changing fiscal and operational environment and target potential areas for interdepartmental collaboration. As one of the two major cost centers in the county budget, and the primary spending-driver open to executive and legislative discretion, personnel expenses are an obvious target for cost-cutting measures. Reducing the county workforce while maintaining service delivery levels often requires organizational restructuring; the budget is a guide to this process.

Moreover, the Ulster County workforce is aging out. In 2010, 440 county workers –22% of the total workforce – were eligible for retirement. An additional 84 will be eligible in 2011, and 58 more in 2012. (See **Figure 10**) This provides an opportunity for cost-cutting, but also bodes a substantial loss of institutional memory that may threaten organizational continuity. The budget is one place to anticipate and begin to overcome the performance gap likely to arise from potentially large scale personnel changes.



UC Budget as Management Tool and Operations Guide: GFOA Recommended Best Practices

Document describes activities, services or functions of organizational units	Not included
Document provides objective measures of progress toward goals and objectives	Not included
Document includes an organizational chart for the entire entity	Not included
Document includes a summary table of personnel or positions for prior, current and budgeted years	Not included

As mentioned previously, the budget templates now distributed to department heads in the budget development process include a narrative section that asks the respondent to “describe the program (division) with as much detail as possible including the benefits of the service, who and how many people are served and what the cost/benefit is to the County.” To the department head, this information represents an argument for maintenance or increase of funding. For the executive branch, this information must be used in determining the relative level of priority of a particular county department, including its personnel needs. It also provides the administration with a broad overview of potential inter-departmental collaborations that can provide potential managerial focus, or an opportunity for restructuring. An organizational chart for the entire county government and each individual program is essential to understanding collaborative potential and restructuring. As the work force is reduced while service needs remain constant or grow, including this vital narrative information in the budget can explain the hard decisions made in workforce reduction and organizational restructuring.

Ulster County Budget as Communication Device

A noted authority on municipal budgeting, Robert L. Bland, in his *Budgeting: A Guide for Local Government*, put it aptly and succinctly: “Public managers are educators.”⁸ A government is accountable to the interests of the community it serves. In recent decades, with burgeoning deficits, divided partisanship, and a general mistrust of government, particularly at the state and federal level, citizens in all jurisdictions have called for greater transparency and accountability from government(s). The “Citizens of the County” should top all county organizational charts. County elected officials serve at the pleasure of the voters. The county budget is the primary means by which the executive and legislative branches communicate what services are provided in meeting community needs and how and at what cost to the taxpayer needs are fulfilled.

⁸ Bland, 60.

Budget as Communication Device: GFOA Recommended Best Practices

Document provides summary information on significant budgetary issues, trends and resource choices.	Partly included
Document explains the effect of strategic, long-range financial and capital improvement plans upon the budget and budget process	Partly included
Document describes the process for preparing, reviewing, adopting and amending the budget	Not included
Document includes charts and graphs and narrative information to highlight financial and statistical information	Included
Document provides narrative, tables, schedules and matrices to show the relationship between functional units and major funds in aggregate	Partly included
Document includes a table of contents	Included
Document includes a glossary of terms	Not included
Document includes statistical and supplemental data that describe the community and its population and economy	Not included
Document is produced and formatted in such a way as to enhance understanding by the average reader	Partly included

The county budget format is difficult to negotiate for the average citizen. Much of the county line-item budget is specified in the charter, though the format may be supplemented within a line-item framework to be far more program and performance-focused. Moreover, the County Executive is granted broad leeway in the accompanying budget summary document by Section C-35 of the County Charter.⁹ An expanded budget summary, and “executive summary,” would better communicate the budget to all constituencies. For example, Tompkins County refers to its budget summary as “A Citizen’s Guide to the Budget.”

⁹ “The County Executive shall submit with the County budget a budget message summarizing and explaining the main features of the County budget, including information identifying and analyzing new or changed programs, with such supporting schedules and explanatory materials as he or she may deem desirable or the Legislature may by resolution require. The County Executive’s proposed budget shall include a clear summary demonstration that there is a balanced relationship between the total estimated expenditures and the total estimated revenues for the next ensuing fiscal year and shall compare these figures with actual receipts and expenditures for the last completed fiscal year and year-to-date projected total expenditures and revenues for the current fiscal year. The County Executive’s budget message shall also outline the existing and any proposed financial policies of the County relating to the capital program, including a description of each capital improvement proposed to be undertaken in the preceding fiscal year and not yet completed. The budget message shall specify the manner in which the County Executive is overseeing management of departmental operations to assure economic, efficient, effective delivery of public services, and contain such additional information as the County Executive may deem appropriate, and shall be posted on the county’s web site.”

Conclusion

The Budget Summary may demystify the line-item budget by presenting summary information in clear, graphic terms. It could be improved with the inclusion of the Budget Message, short and long-range financial plans and the assumptions underlying them, listings of financial strategies and policies, organizational charts, and the presentation of departments by program and the introduction of performance measures and results. This report's appendices provide a range of examples of alternative to the current Ulster County budget format and contents.

The Ulster County budget in its current form falls significantly short of GFOA best practices. The budget's shortcomings, in the context of GFOA recommended best practices, could be addressed by adopting performance measures and formal financial policies, and further documented in an expanded Budget Summary. The Ulster County Capital Budget, not discussed in detail here, is a model for this in that it explains long-range plans and priorities in a clear, graphic and narrative format. Such a transition must originate in the executive branch to be successful.

Recommendation

It is long past time for Ulster County to move away from traditional line-item budgeting to performance-based budgeting. The county should also implement multi-year forecasting. Such a step will bring the county budget document into far closer conformance with GFOA best practices, specified, above, and result in a better tool for all the governance purposes highlighted in this report: **financial forecast and plan, policy document, operations guide organization and management tool and communication device.**

The county plans this year to purchase new financial management software. Development of specific proposals for the performance requirements for this software should be the responsibility an advisory Task Force that includes all the major stakeholders involved in preparing and using the county budget. The findings of this report may provide information and guidance for this Task Force. In addition to members drawn from the County Executive's finance staff, departmental managers, the legislature, and the Comptroller's office, the Task Force should include representatives from the business community, not-for-profit managers, and citizen groups interested in public affairs and conversant with budgeting and financial management.