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FINANCE TEAM

Rethinking Budgeting in Action: The City of Plano's Fiscal Roadmap

BY KATIE LUDWIG

Realizing that its existing budget and financial management practices are not sufficient to address the city's changing fiscal reality, leaders in the City of Plano, Texas, are rethinking the city's approach to budgeting and planning.

City leaders have dubbed the initiative the fiscal roadmap, and while the effort has started by developing a new approach to budgeting, it also strives to achieve deeper collaboration across departments, a more comprehensive approach to planning, and data-informed decision making.

Deputy City Manager Shelli Siemer has been tasked with leading this evolution

of the city's financial management practices. "It's not just going to be budget alone," Siemer said. "Budget just happens to be where we're starting."

The City of Plano is committed to the fiscal roadmap. "This is a long-term project. It does not happen overnight," said Budget Director Karen Rhodes-Whitley.

"We are committed to living up to our tagline and culture as the City of Excellence," Siemer explained. "We have a great foundation, and now we're focusing on refining our budget practices. The reality is that revenues are leveling off while expenses are increasing at a faster rate, so we need to be proactive in how we manage this shift."

Introducing the Roadmappers

To ensure the broad support for the fiscal roadmap, the City of Plano's efforts include staff from more than just the city manager's office and the budget department. Rachel Patterson, the city's director of environmental health and sustainability, is a key member of the "Roadmappers," as the inter-departmental leadership team is known. "I love strategic planning," she said. "That's one of the things I really enjoy. I'm not afraid of change. I don't mind asking questions. These attributes make her a great fit for the team because a big part of developing the

fiscal roadmap is questioning why the city does things the way it does and exploring new ways of doing things.

Another key member of the Roadmapper team is Casey Srader, assistant director of budget and research. Srader focuses on Plano's operating budget and works with all the departments to develop the city's core business matrix, which will be incorporated into realigning the budget process in a later stage.

Siemer described Elizabeth Johnson, assistant to the city manager, as "the glue" of the fiscal roadmap. "Really what that means is we have several connected efforts going on right now. Some are very budget-related, and others dive into culture a little bit," Johnson said.

Johnson works very closely with the ten fiscal roadmap focus groups. "My role is to keep them aligned, synced, and connected," she said. "I'm also the one who will bring up discussion points and questions to make sure different perspectives are added so we cover things holistically."

Johnson believes it's important for governments seeking to implement lasting, organization-wide change to assign staff like her to identify "the bite-sized steps you can take, since you're not trying to swallow the ocean at once, and make sure it all connects at the end of the day."

Impetus for a new fiscal roadmap

Mark Israelson was appointed city manager in 2019. Around this same time, the Texas State Legislature passed a bill that limited local governments' ability to increase their property tax revenue.

Siemer explained that the Plano City Council is focused on both maintaining a low property tax rate and excellent value to the community. These two goals underscore the importance of the fiscal roadmap initiative. "As staff, I think we also need to communicate differently about what those impacts are when setting a tax rate," she said. "Ultimately, the city council sets the tax rate, and we implement it. It's our job to clearly explain how the tax rate will impact our

core business and what it could mean to the community."

Siemer mentioned two other factors that led the city to develop the fiscal roadmap. The first is the city's transition from a "very high-growth city to a built-out city." While the fiscal roadmap is starting with budgeting, the team will also need to turn its attention toward economic development so that the city has a good understanding of the long-range financial and operational effects of prospective redevelopment projects.

"Our developable land is very limited," Siemer said. "We're now looking toward redevelopment, so we need to be very cognizant of what redevelopment entails and how it will impact future tax revenues, as well as operational demands."

Changing demographics is the other factor Siemer mentioned. "We have a population that is choosing to stay in Plano," she said. The city also has a property tax freeze for senior citizens, so as the population ages, the city needs to



The Roadmappers visited the City of Fort Collins, Colorado (above) and the City of Henderson, Nevada, in an effort to gain knowledge about other cities' approaches to budgeting, planning, and financial sustainability.



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CASEY SRADER

ASSISTANT DIRECTOR OF BUDGET AND RESEARCH



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KAREN RHODES-WHITLEY
BUDGET DIRECTOR

forecast how that policy decision, which was made many years ago, will affect property tax revenue in the years to come.

Johnson said that even in the 1960s, when Plano was just a small town, it had a visionary and proactive approach to growth and planning. “Plano has carried that visionary spirit through a lot of its high-growth decades, and now we’re an established city,” she said. Given that the city is done with its “growth spurt,” the fiscal roadmap initiative is an effort to develop a long-term, sustainable approach for an established city, knowing that it will need to make adjustments along the way.

Site visits to peer cities

One of the first steps the city took when embarking on the fiscal roadmap was visiting two other cities to learn more about their approach to budgeting, planning, and financial sustainability.

“We’re looking for a more collaborative approach to all of this,” Srader said. “My site visit was to Fort Collins, Colorado, to see their processes, and that was one of my biggest takeaways—what a collaborative effort their budget was.”

“That was the same in Henderson, Nevada,” Siemer said. “They each approached things a bit differently, but both spent time focusing on reviewing processes, making sure there’s consistency across their organizations.” The City of Henderson and the City of Fort Collins have both achieved the Malcolm Baldrige National Quality Award for performance excellence.

Rhodes-Whitley said the site visits also provided valuable insight into how long it can take to implement the kind of deep-rooted change envisioned in the fiscal roadmap. She was initially surprised to learn that the Henderson team had been working on its budget and planning processes for nine years. “I don’t think it’s going to take us nine years, but this is not an initiative you finish overnight. This is a much more comprehensive organizational change that will take multiple years to complete and become ingrained in our culture,” she said.

Johnson would advise other local governments embarking on similar efforts to rethink their budgeting and planning efforts to “invest in doing something bigger than just a benchmarking survey and talking to cities.” She believes there is significant value in having a small group of leaders break out of their day-to-day work to get an up-close and personal view of what peer governments are doing.

A collaborative effort

Siemer believes collaboration is necessary when local governments are “making organizational decisions, not just individual departmental decisions,” as they are doing in the fiscal roadmap initiative. “It’s truly a collaborative effort, and it isn’t limited by organizational hierarchy. We’re having meaningful, robust discussions about what got us where we are today, building on the strong foundation Plano is known for, and also analyzing how we can sustain that success in the future, especially as both our community and financial landscape continue to evolve.”

The City of Plano’s foundation was built on a goal that a former city manager put in place years ago, Siemer explained. The goal is simple—every department

and profession that makes up the organization needs to be the best in their respective fields. “We want to be the best,” she said. “We expect departments to be leaders at the national and state level, be at the forefront of their field, and remain deeply knowledgeable about their profession.”

Siemer said an unintended consequence of this focus on professional excellence is that over time the city has developed a culture that prizes individual departments and their achievements over the larger organization. To recalibrate the culture, the city is now having cross-department discussions about its core businesses to figure out how it can continue to provide all services and determine which services might not be needed any longer, knowing that financial constraints won’t allow it to keep adding services.

“Our departments are top-notch,” Johnson said. “They know their stuff—and that’s caused some siloing across the departments as they’ve focused on the department level.” She explained that another goal of the fiscal roadmap is to counteract this siloing and bring people from across the organization together so they can see “how their roles, work, and operations tie into the larger organizational picture.” When departments see how their work is connected, Johnson expects them to be better equipped to collaborate and “drive effective change going forward.”

“It’s important that while each department advocates and manages their operational responsibilities, they maintain an awareness of how they fit into the broader organization and serve the best interest of the community. It takes constant work by the departments to be intentional and to ensure this strategic alignment, but this is what drives cohesive progress and long-term success,” she said.

Establishing focus groups

After the Roadmappers returned from the site visits, they were eager to start making changes as soon as possible—but they knew that putting a governance structure in place was an important

precursor to rolling out change. They therefore established ten focus groups:

1. Fund Balance
2. Capital Maintenance & Replacement Funds
3. Cost Recovery
4. Long-Range Financial Projections
5. Salary and Benefits Projections
6. Position Vacancy
7. Funding Staff in Other Funds
8. Budget Process Changes
9. Analytics and Accountability
10. New Revenue Opportunities

The city also established a governance group, or steering committee, above the Roadmappers. The governance group includes the city manager, deputy city managers, human resources director, budget director, and finance director. As the focus groups develop recommendations, the Roadmappers bring them to the governance group for approval and to determine next steps, including whether particular proposals need city council approval.

Each focus group has two roadmappers as co-leads. Members of the focus groups include more than 30 city employees from across the city. In addition to the focus group members, 20 or so other subject matter experts have provided feedback to the focus groups. The Roadmappers estimate that more than 50 city employees have been involved in the fiscal roadmap initiative up to this point.

"Developing the focus groups was very intentional," Siemer said. The Roadmappers did not simply ask for volunteers. Rather, they selected individuals whose knowledge, expertise, and experience was needed for the focus group to meet its goals. The focus group members are charged with keeping the entire organization in mind, not just their own departments, when exploring options and making recommendations. Focus group participation this far has been "fantastic," Siemer said, and she looks forward to including more employees in developing the fiscal roadmap. "Each phase we go through, we're hoping to expand across the



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SHELLI SIEMER
DEPUTY CITY MANAGER

organization," she said. "Because to me, the true measure of success is when each employee in the organization knows and understands the budget, the priorities, and our strategic goals."

Siemer recognizes that getting all 2,700 full time employees and approximately 1,000 part-time employees to understand and support the fiscal roadmap is an ambitious goal, but she believes it will ultimately improve employee morale. "Most people may not pay attention to the budget, but I think they should," she said. "It's our responsibility to make budget more understandable, because employees can better see how their roles contribute to the bigger picture."

Establishing cost recovery policies

One of the initial focus groups worked on developing a cost recovery policy. While the city had always considered cost recovery when setting fees, it did not have a comprehensive policy, and in the absence of clear guidance, departments approached cost recovery in very different ways. Information about the city's fees was scattered across ordinances, resolutions, and state laws. There was no standard approach to

how fees were set and no guidance on how often fees should be reviewed.

Patterson and Johnson led the group charged with developing the cost recovery policy. "We had a lot of inconsistency across the departments," Patterson said. "One of the goals of this policy was bringing consistency citywide to how fees are set and how we set our cost recovery targets."

The focus group researched other cities' cost recovery and fee policies but didn't come across anything that met the city's need for a comprehensive citywide policy. "We found a lot of policies for Parks and Recreation, or maybe something that would mention some development fees, but nothing that just looked at all revenue-generating departments and provided one comprehensive cost recovery model," Patterson explained.

The group started by developing a cost recovery model that considers whether a service provides a community benefit or an individual benefit. "As you move up the scale from community to individual benefit, there are different factors that you consider when you're setting the fee," Patterson explained. For services that provide a community benefit, the model recommends that factors such as best practices or market comparisons should be the basis for the fee. For services that provide more of an individual benefit, the model prescribes basing the fee on direct costs and indirect costs. The policy also provides guidance on specialized services or value-add services, such as rental buildings or services for which the city could recover more than 100 percent of its full costs.

The new policy also requires departments to conduct an annual review of their fees and to submit the review to the budget department. "They're going to be reviewing their targets to be sure they're meeting them for every fee they have on their fee schedules, reporting out, and then recommending some sort of increase, which, right now, we're going to be indexing to CPI," Patterson said. Per the policy, every four years, departments will participate in a formal review with a consultant that will develop a model for them to use in future years. Enterprise

funds will go through this more formal review every three years.

Developing the cost recovery policy was a good opportunity for the city to develop and articulate its philosophy on fees, Johnson said. "The reception we got from departments was really positive," she said. "They were hungry for this."

Rhodes-Whitley agreed. "They were thrilled," she said. "Many of them had been wanting to change their fees forever but were told to wait for the right timing."

"I think they found themselves in a position of having to guess what the expectation was," Patterson said. "What came out of us interviewing each one of these revenue-generating departments was that it was very, very clear that they wanted guidance. They wanted consistency."

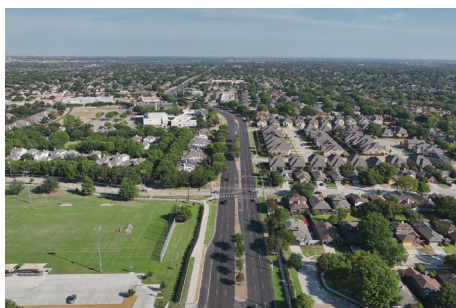
Early benefits of Plano's fiscal roadmap

Siemer believes one of the initial benefits of the fiscal roadmap initiative is that it has shown that staff are open to change within the organization. "Initially I thought, 'Oh, this is going to be tough, there is a lot of change ahead, and

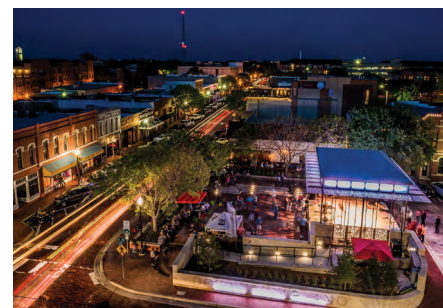


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ELIZABETH JOHNSON
ASSISTANT TO THE CITY MANAGER



The City of Plano is the 9th largest city in Texas and the fourth largest city in the Dallas-Fort Worth region, with over 298,000 residents.



we'll need solid change management.' That's why we took time and were very intentional with the focus groups. But in hindsight, I underestimated the hunger for more structure from an organizational perspective."

Siemer also finds benefit in "bringing people to the table." The focus groups have engaged employees at all levels of the organization, regardless of their titles. This broad participation helps get staff on board with any changes that may be proposed. Because they were part of the process, they have a better understanding of why a particular decision was made and have been more willing to do the hard work of implementing the change.

Initial progress

In addition to the cost recovery policy, Plano's City Council has adopted new policies on fund balance and budget contingency and capital maintenance.

The city has also assembled a data analytics team. "They're like our data miners. We didn't realize how brilliant these employees are until we started working closely with this focus group. The speed with which this team assembled the financial data into a real-time dashboard is truly impressive. Now, departments provide monthly updates on their budget status," Siemer said.

Another project in the works is developing a comprehensive, long-term financial model. "We've always done a long-term financial forecast for all the funds," Rhodes-Whitley explained. "That's what we present to the city council and to the management team

every March to kick off the budget."

The city has hired a consulting firm to develop a more robust model that will incorporate many economic variables that staff can update and adjust to explore long-term financial scenarios.

Advice to other governments

The city's roadmappers are pleased with the work the city has accomplished thus far and are excited about continuing the work they've started. For other local governments looking to rethink their budgeting and long-term financial planning approach, Johnson said it's important that city management leads the way and showcases the commitment to the effort and the willingness to invest time, organizational capacity, and money in it. She also emphasized that lasting efforts take time, saying, "It's an evolving journey, so be purposeful about actionable steps, but balance it with patience and not rushing towards outcomes." Finally, to achieve buy-in, Johnson said it's important to "bring your organization along and communicate what is happening, why, and involve them in steps along the way."



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