



Rethinking Budgeting: CIP Evolution in Concord, North Carolina

BY CRAIG LESNER AND ADAM POWELL

The City of Concord, North Carolina, has a very sophisticated budgeting development process—so much so that it complicated the city's recent enterprise resource planning (ERP) project.

City leaders recognized early on that selecting a new enterprise resource planning system would affect the finance, human resources, payroll, purchasing, inventory, budgeting, and capital planning departments, making it one of the most consequential administrative decisions the organization would face. Leaders also recognized they needed a disciplined approach to planning and procurement with an emphasis on process understanding, cross-functional input, and evaluation methods designed to test how well each solution would align with the city's operational needs.

The City of Concord designed a procurement process that was intentionally detailed and multi-layered. The

city used a partially anonymous review process for written responses to their request for proposals (RFP) so evaluators could focus on the substance of each proposal rather than vendor reputation or familiarity. From there, the evaluation moved into multiple weeks of software demonstrations, organized around detailed functional scenarios and real city business processes. This gave staff from across departments repeated opportunities to see how vendors' systems performed in practice, ask more probing questions, and compare strengths and weaknesses in a more meaningful way than a traditional one-time demo would allow. The process then continued into implementation discovery, which gave the city an additional round of evaluation focused on project approach, readiness, and what it would actually take to move from selection to a successful deployment.

What made the City of Concord's experience especially valuable is that the procurement process helped reveal

the larger structural decisions that would shape the implementation. As the city moved further into the ERP effort, discussions began to expand beyond procurement and into broader questions about the financial data model, chart of accounts design, and how capital improvement plan (CIP) projects would be budgeted and managed in the future. The procurement process thereby served as the front end of a much larger transformation. It was a rigorous selection process in its own right, but it also created the foundation for deeper organizational changes.

One of the areas identified for strategic change was the budgeting tools used to budget for capital projects.

While going through implementation of these new initiatives for the city, Budget and Strategy Manager Lesley Reder connected with GFOA's Craig Lesner to discuss the changes and highlight lessons learned for other governments. Below is a summary of their conversation.

Craig: What is your current CIP process, and what's driving you to want to change it?

Lesley: Right now, the CIP process starts off our budget process; it kicks off in the fall. Departments request projects ahead of time, and we go through that list with the city manager and some members of our CIP project team (the engineering director and the planning director).

We work through that list, but we do it so early that by the time we get into budget, the costs we've estimated for CIP are often no longer accurate. That has caused some confusion with the city manager because he wants specific numbers. Also, if the council has seen the CIP before we go to the budget process, they have an expectation of what they'll see, and when we don't meet expectations, that can be an issue. They have an initial understanding of how much a project is going to cost, so if we come back with a different cost—higher or lower—they're going to want to know why.

Also, right now, we budget for capital projects in the budgeting system, but there isn't a way in our current finance system to translate what we do on the budget side into the financial side. We use a lot of spreadsheets to track projects down to the object code level, but with the limitations in our general ledger software, that detailed data doesn't make its way into our system without significant data manipulation. Even then, a lot of our tracking is conducted manually. So right now,

we just track revenues at the capital project fund level. We've had to make all sorts of spreadsheets to tie together the revenues for each project to the expenses for the project because our financial system doesn't do that.

What's driving those changes to capital projects you reference?

Construction estimates. Specifically, we did a big parks general obligation bond issuance a couple of years ago, and with COVID, construction prices changed significantly from when they were originally discussed to when they were officially brought before the board.

Does this prompt you to think about moving away from your current budget system? That you need to change your process, or do both at the same time? How does this piece fit into the larger project of your ERP implementation?

Well—it's tools, mostly. The process itself, I don't think our leadership has much appetite for changing the timeline much, so I don't think the timeline or the steps of the process will change. It's really more about how we do it in the financial system, and whether or not we can accurately track revenue and expenses to a project. So it's really about the accounting/tracking side of it, and what the capability of our financial system was versus the modern system we're moving to.

Would modifying the process contribute to fixing the issues?

So, one of the things we're doing that's helping—not related to fuel—is that we've really, in the last couple of years (and with this year in particular), pushed departments to give us the operational impacts of projects. And there's room for improvement there.

We've tried to focus on projects with ongoing impacts to the operational budget, which is a process change, but not a timeline change, or a change to who's involved in the process. We want to make sure we're capturing the impact all these expensive projects are having on the city's ongoing expenses. Capital projects exist in two different spaces.

Right now, we make the plan for it, we send it off into the ether, and then it goes to the financial system. All of the tracking of everything that happens occurs in the financial system, so I don't ever really see it. Plus, we don't have good ways to tie everything together. We can see what we're spending on projects, but that's about it. So with the new ERP system, we're working through changes in our chart of accounts and other financial processes to make it tie together better with the budget.

Another change is that we needed a member of the IT department to build a spreadsheet that takes the accounting information and ties it together with budget information. It's separate—a whole other series of dashboards outside of the systems. So we want that to go away or push out information in the system and through monthly reports.



“We have a strategic plan, so we've been trying to think about how to incorporate financial pieces into it. How can we talk about how we're meeting council goals in a budgetary way? Tying priorities to strategic plans all the time is new for us.”

LESLEY REDER, BUDGET AND STRATEGY MANAGER

So now that you're able to track these budgets better—then what? What does tracking that level of detail allow you to do differently? What are you hoping to do with that detail?

It'll give us better visibility into accurately budgeting people's operations. Right now, we budget very specific contract fees at a ledger level, with details underneath. And we want the detail to be able to say, "We budgeted a million dollars for ERP—did we actually spend a million?" We can't tie this together easily right now. We have to run several reports, track down a little bit of detail, then use that detail to open a document in yet another piece of software, and verify that yes, the purchase order matches what was charged to it, which matches what we budgeted.

The idea is that it'll all be in our ERP system. We won't need to rely on IT to run those reports or to get access. From a functional perspective, users—be they departmental users or budget or finance, anybody—should be able to access this information.

What else are you working on with this project?

We've always done target-based, kind of hybrid incremental target budgets. And we're doing zero-based for fiscal year '28. I'm starting everybody at nothing except personnel. We're also rethinking how our departments are organized. We have a lot more technical flexibility under the modern ERP.

It's going to be a good exercise. We're blowing apart the structure. For example, our legal department stays as one cost center, but we're taking parts that are three cost centers and blowing it into more—12, at the moment.

What's your process? Are you meeting with each department and doing a review? Do you have a committee of people reviewing these ideas? How are you going about it?

Last winter, Jessica Jones, our finance director, and I met with every department in the city. And we sort of sketched out: Okay, we don't know exactly what the software is going to look like, but if you could redo the structure of your department, what would that look like?

What happens if you disagree with a department? Let's say you had a large, complex department—what would be one of your more complex departments?

Parks and public housing.

So let's say the parks department decides it only wants to have two subdivisions, parks and not parks. Did you have situations like that?

One of the things that came out of the conversation our ERP implementation team had with the city manager is that they said: You have this non-departmental budget unit you're just shoving expenses into. Those should really be allocated to a department. That doesn't mean we should get rid of those expenses. If we have these amorphous expenses, we can't allocate them to a specific "why." So we pushed a lot of that into departments where it made sense—or at least where I thought it made sense. That ended up with some things in the city manager's budget, including utility and maintenance of City Hall. And he was not happy and pushed back hard.

We took that note and went back and revised our thinking a little bit. I added more cost centers that are more focused. So now we have a cost center that's City Hall operations, and all the City Hall building stuff—utilities, telephone lines, whatever—is going to go in that, versus the city manager's budget. I'm open to feedback, and we will make changes if needed. It's not the final structure, right? We don't want departments to compress things so far that we can't get to the specificity of reporting they said they wanted.

Let's talk about rethinking budgeting.

We have a strategic plan, so we've been trying to think about how to incorporate financial pieces into it. How can we talk about how we're meeting council goals in a budgetary way? And that's new for the City of Concord, even if it isn't new to the budgeting world in general. But tying priorities to strategic plans all the time is new for us. How do we justify expenses and tie them to it? Not well at the moment, to be honest—because again, with the systems we have, it's difficult.

So how are you doing that? Or, how are you trying to do it?

We're trying to tie the expenses back and get quantitative data, and we're building the new stuff with that in mind. I just don't know what that's going to look like until we get into the new software. 📊



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