

# BUDGETING, OFFICE ADMINISTRATION, AND GROWTH MANAGEMENT

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## THE BUDGETARY PROCESS

1. According to *The Practice of Local Government Planning*, there are eight “essential” steps in the **traditional budgeting process**.<sup>1</sup>
  - **Fiscal analysis and policy choices:** Local demographic and economic conditions are analyzed to roughly forecast governmental revenues and expenditures. Local government finances and programs are also analyzed to identify general trends. Budgetary policy choices are made.
  - **Expenditure estimates:** At this stage, the government’s various departments help to make the above expenditure estimates more detailed and accurate. Each department analyzes its own programs and services in detail, focusing on salary, equipment, capital, and operating costs.
  - **Review of expenditure estimates:** The point of this stage is “to hammer out the allocation of resources among competing demands.” Department heads advocate their programs and services. Because the relevance of expenditures to policy objectives is tested here, this may be the most important step in the traditional budgeting process.
  - **Revenue estimates:** At the same time as the previous step, the budget officer and the revenue-collecting departments make the final revenue estimates. Each revenue source is treated separately, and specific trends are identified.
  - **Budgetary forecasting:** Based on the above estimates, budgets are estimated for up to four or five years into the future. This is used to identify long term trends, and is vital to capital improvements programming.
  - **The budget document:** Here, the budget document itself is prepared and presented to the governing body. It represents (and may contain) all of the estimates, projections, administrative decisions, budgetary policies, and proposals (by department, program, and function) that have been prepared to this point.
  - **Budget review and adoption:** Here, the governing body reviews, amends (if necessary), and adopts the budget.
  - **Budget execution:** The budget is adopted and executed.
2. Traditional municipal budgets are **line item budgets**, in which expenditures are divided into simple classes such as personnel, equipment, and insurance. However, line item budgets are not easily used as management tools. **Performance budgets** – in which (1) expenditures are organized by the services that they provide (e.g., police protection, parks, etc...), and (2) evaluation standards are set for each service or program – are better suited for managing. The “Green Bible” lists three performance budget models.<sup>2</sup>
  - **The Planning Programming Budgetary System (PPBS):** This system was developed by Robert McNamara’s “whiz kids” in the U.S. Department of Defense

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<sup>1</sup> So, Frank S., and Judith Getzels, eds. *The Practice of Local Government Planning* (i.e., the “Green Bible”). Washington DC: the International City/County Management Association, 1988. Pages 442-445.

<sup>2</sup> So et al. Eds. (1988) Pages 445-447.

during the Kennedy administration. PPBS has four distinct characteristics: (1) it focuses on the fundamental objectives or purposes of a program (thus, it is a performance budgeting system), (2) it explicitly identifies the future implications of current budgeting decisions, (3) it considers all costs, and (4) it systematically analyzes alternative programs. Although PPBS was expected to revolutionize municipal decision making, it did not because it was too complex.

- **Zero-Base Budgeting (ZBB):** This system was developed by Texas Instruments in the 1970s. ZBB works against the tradition of taking last year's budget as a given, and adding a little for inflation and expanding programs. In a ZBB system, last year is a closed book, and every program must be justified as if it were brand new. The "Green Bible" lists four steps to ZBB: (1) "decision units" are isolated, (2) the decision units are analyzed into "decision packages," (3) the decision packages are prioritized by management, and (4) the budget is compiled – based on the available resources and the above prioritization.
  - **The Dayton System ("Program Strategies"):** This is a simplified combination of PPBS and ZBB. It has been far more influential among larger municipalities than either one of its parents. In a Dayton System budget, programs are typically listed as rows. Categories such as the responsible department(s), the necessary amounts of staff time, the allocations from last year's budget, and the allocations in this year's budget are listed as columns.
3. A **program budget** is a performance budget that is exclusively organized by programs.
  4. Aaron Wildavsky is credited with coining the phrase that a budget is "goals with price tags attached."

### CAPITAL IMPROVEMENTS PROGRAMMING<sup>3</sup>

1. "**Capital improvements programming** is the multiyear scheduling of public physical improvements. The scheduling is based on studies of the fiscal resources available and the choice of specific improvements to be constructed for a period of *five to six years* into the future. The **capital improvements budget** refers to those facilities that are programmed for the *next fiscal year*. A **capital improvements program** refers to the improvements that are scheduled in the succeeding *four or five year period*. An important distinction between the capital budget and the capital improvements program is that the one-year budget may become a part of the legally adopted annual operating budget, whereas the longer-term program does not necessarily have legal significance..." (Page 449 of the "Green Bible").
2. Capital improvements programming dates back to the 1909 *Plan of Chicago*.
3. Capital improvements programming should include only expenditures for physical facilities with relatively long lifespans.
4. Capital improvements programming provides a framework for long-range municipal financial planning and debt management. Furthermore, it can be used to coordinate the construction of public facilities with each other and with the area's growth management plans or impact fee systems.

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<sup>3</sup> So et al. Eds. (1988) Pages 447-450 and 453-454.

5. Capital improvements programs are often reviewed by the jurisdiction's planning commission.
6. Capital improvements programming should involve long-term forecasts of economic conditions, demographics, governmental revenues, and governmental expenditures. Fiscal policies should be set beforehand regarding the acceptable levels of debt, the preferred funding devices, the extent to which certain capital facilities will be financially self-sufficient, and the degree to which outside grants will be used. Thus, capital improvements programming is a three phase process.
  - Planning (the needs for various capital facilities are estimated and compared)
  - Financing (the financing alternatives for the selected capital facilities are analyzed and compared)
  - Programming (a detailed schedule of capital facility projects and financing methods is prepared and executed)

#### TYPES OF PLANNING AGENCIES<sup>4</sup>

1. **The Planning Department:** Here, the planning agency is a department within the municipality's executive branch. The planning director reports to the municipality's chief executive. The planning commission merely has an advisory role.
2. **The Independent Planning Commission:** This is the traditional planning agency form. The planning commission members are appointed by the governing body or the chief executive. The agency's staff is solely responsible to the planning commission.
  - Independent planning commissions were intended to isolate planning from politics. However, Robert Walker's 1941 book *The Planning Function in Urban Government* argued that planning should be closer to the municipality's executive branch. Walker felt that independent planning commissions were too removed from the executive to be effective.<sup>5</sup>
3. **The Community Development Commission:** In this form, planning, code enforcement, economic development, and housing activities are grouped together in an agency that is similar to the "planning department" discussed above. Although planning is more closely linked to implementation in this form, economic development concerns often co-opt planning.
4. **Separate Line and Staff Departments:** The three forms above contain both line and staff functions. This form separates these functions. The staff planning department performs policy analysis for the governing body, the chief executive, and the other municipal departments. The line planning department performs subdivision reviews, zoning ordinance amendments, and code enforcement.
5. **Combinations or variations of the above:** Although these were the only four forms described by Louise Mercurio, one can easily think of planning agencies that are combinations or variations of these forms.

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<sup>4</sup> Mercurio, Louise. "Management and Organization of Planning." *Study Manual for the Comprehensive AICP Exam of the American Institute of Certified Planners*. Chapter Presidents Council, the American Planning Association, November 1999. Pages 104-107.

<sup>5</sup> So et al. Eds. (1988) Page 402.

## PLANNING AGENCY SUB-UNITS<sup>6</sup>

1. There are advantages to breaking a planning agency into departments or “sub-units.”
  - It promotes efficiency by clarifying individual responsibilities and developing individual expertises.
  - Clients can more easily identify the staff members that are relevant to their concerns.
  - Interruptions to long-range planning activities can be minimized.
2. However, there are disadvantages to breaking a planning agency into departments or “sub-units.”
  - It can reduce flexibility.
  - Isolated staff members may lose a comprehensive view of the agency’s role.
  - The agency’s organization may begin to dictate its work program.
3. Planning agencies are most often divided into departments or “sub-units” by...
  - Function (e.g., transportation planning, land use planning, CDBG, subdivision reviews)
  - Process (i.e., the steps necessary to the agency’s work, such as research and development or demographic analysis)
  - Time (e.g., current planning, long-range planning)
  - Area (i.e., staff members are assigned to geographic areas within the involved municipality)
  - Combinations of the above

## STRATEGIC PLANNING<sup>7</sup>

1. According to page 405 of *The Practice of Local Government Planning*, “strategic planning, as it is used in the private sector and should be used in the public sector, is a plan *for the organization...*” and not for the municipality as a whole. However, many municipalities use strategic planning in place of the traditional comprehensive planning process. Others simply import elements of strategic planning into traditional planning.
2. *The Practice of Local Government Planning* says that strategic planning can be seen as one of the three levels of planning that are present in all management systems. In this view of management...<sup>8</sup>
  - *Strategic planning* sets goals, objectives, and policies for reaching those objectives
  - *Management planning* evaluates specific programs on the basis of how they conform with the above policies (budgeting falls here)
  - *Operational planning* (or operational control) is concerned with managing the above programs
3. Although there are many different models of strategic planning, *The Practice of Local Government Planning* displays the following one on page 406.
  - Scan the environment. Identify key factors and trends that are important to the future. Determine how external forces will influence events. Identify what the organization’s mandates are.

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<sup>6</sup> So et al. Eds. (1988) Pages 417-418.

<sup>7</sup> So et al. Eds. (1988) Pages 405-406.

<sup>8</sup> So et al. Eds. (1988) Pages 441-442.

- Select key issues based on the above scan.
- Set “mission statements” or broad goals that will establish the direction of the strategy development process.
- Conduct external and internal analyses. Look in depth at outside forces that will affect the achievement of the above goals. Identify the organization’s strengths (i.e., resources), weaknesses, opportunities, and threats.
- Develop specific goals, objectives, and strategies for each key issue based on the above broad goals and analyses.
- Develop an implementation plan that specifies timetables, resources, and responsibilities.
- Monitor, update, and scan the implementation process and the changing environment. Strategic planning is an ongoing activity.

### THE PLANNING DIRECTOR<sup>9</sup>

1. According to page 428 of *The Practice of Local Government Planning*, the planning director’s leadership role within a planning agency is composed of “at least” the following four elements.
  - The communication of the agency’s goals to subordinates
  - The motivation of subordinates
  - The coordination of subordinates
  - The reporting of the agency’s work and accomplishments
2. *The Practice of Local Government Planning* lists the following strategies that planning directors may use in dealing with elected officials or decisionmakers.
  - **The technical expert strategy:** Here, the director promotes planning as an objective, politically-neutral, technical tool that decisionmakers can use to help them understand issues and make decisions. It presumes that the agency’s staff is highly skilled, and that the decisionmakers value technical information.
  - **The confidential adviser strategy:** Here, the director establishes relationships with decisionmakers that are largely based on personal trust and a successful track record.
  - **The innovator strategy:** Here, the director develops a reputation as a highly visible innovator who often advocates solutions that are bold or that haven’t been previously considered. The decisionmakers then develop strategies by observing how the community reacts to the director’s ideas.

### MISCELLANEOUS OFFICE ADMINISTRATION ITEMS

1. The term “**development management**” refers to an organized attempt to build stronger relationships between a planning agency and the outside officials, administrators, departments, authorities, and other governmental units that are relevant to the planning agency’s functions.<sup>10</sup>
2. There are two kinds of governmental functions. **Line functions** provide services directly to the public (e.g., fire and police departments). **Staff functions** provide

<sup>9</sup> So et al. Eds. (1988) Pages 428-430.

<sup>10</sup> So et al. Eds. (1988) Page 425.

services to other governmental entities. Planning agencies tend to have both staff and line functions.<sup>11</sup>

3. **Management By Objective (MBO)** is a management model. The planning director and his subordinates set organizational goals and objectives, which are then transformed into performance measures for individual employees. Thus, it is a collaborative goals setting process (i.e., it is not purely hierarchical).<sup>12</sup>

## THE PRIMARY AND SECONDARY CHARACTERISTICS OF URBAN GROWTH<sup>13</sup>

1. There are five primary characteristics of urban growth that growth management systems can address: the rate, amount, type, location, and quality of growth.
2. There are innumerable secondary characteristics of urban growth. These characteristics can be defined as “impacts,” and can be used to judge the success of a growth management system. Some examples of secondary growth characteristics would be environmental, fiscal, or regional parity impacts.

## CONCURRENCY<sup>14</sup>

1. Concurrency-based approaches to growth management simply limit development to areas with adequate public infrastructure. The Town of Ramapo, New York produced an influential concurrency-based growth management system.
2. **Ramapo:** In the early 1970s, the Town of Ramapo (in New York State, “towns” are the equivalent of Pennsylvanian “townships”) adopted a zoning ordinance that made the “issuance of a development permit contingent on the presence of public utilities, drainage facilities, parks, road access, and firehouses. Although the community did intend to provide the required facilities in the future, new development could proceed promptly only if its location would not demand new facilities in advance of Ramapo’s schedule. The community developed an elaborate point system to determine under what circumstances a developer could be granted a permit. Ramapo reported in 1974 that this program had reduced housing starts by one half.” (Page 53, *The Practice of Local Government Planning*) Although Ramapo abandoned this system in the 1980s, it was upheld by the New York Court of Appeals (equivalent to the Pennsylvania Supreme Court) in *Golden v. Planning Board of the Town of Ramapo* (1972). Thus, it initiated a wave of no-growth or slow-growth management programs nationwide.
3. **Petaluma:** Following the lead of Ramapo, the City of Petaluma, California (just north of San Francisco) set a simple annual quota on building permits at 500 per year beginning in 1971 (in 1970, Petaluma had issued over 2,000 building permits). In 1975, the Ninth U.S. Circuit Court of Appeals upheld Petaluma’s quota system in *Construction Industry Association of Sonoma County v. City of Petaluma*.
4. **Livermore:** In 1976, the California Supreme Court upheld a temporary moratorium on building permits in *Associated Home Builders of the Greater East Bay v. City of*

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<sup>11</sup> Mercurio. Page 104.

<sup>12</sup> Bertsch, Dale F. “Budgeting.” *Study Manual for the Comprehensive AICP Exam of the American Institute of Certified Planners*. Chapter Presidents Council, the American Planning Association, November 1999. Page 204.

<sup>13</sup> So et al. Eds. (1988) Page 69.

<sup>14</sup> So et al. Eds. (1988) Pages 53-54.

*Livermore.* Livermore had imposed the moratorium until certain performance criteria were met for the city as a whole.

5. **Florida:** The State of Florida's concurrency law prohibits new development unless adequate infrastructure is – or soon will be – in place.

## GROWTH MANAGEMENT TECHNIQUES

In order to be legal, growth management techniques must be authorized by statutory or case law, meet the constitutional requirements for substantive due process, and not exclude protected groups (e.g., low income households).