

Municipal Government Budgeting Methods

Approaches to
managing city
finances efficiently

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GOALS



- ❖ **Provide Clarity on how Venice Develops its Annual Budget**
- ❖ **Understand the full Budget Process from January - September**
- ❖ **Review 5 Budgeting Methods**
- ❖ **Identify Areas for Procedural Enhancements**
- ❖ **Council Feedback, Concerns, or Questions Regarding the Annual Budgeting process**



5 BUDGETING METHODS

- 1. Line-Item Budgeting**
- 2. Program Budgeting**
- 3. Performance Budgeting**
- 4. Zero-Based Budgeting (ZBB)**
- 5. Priority Based Budgeting**

1. Line-Item Budgeting

Detailed Financial Tracking

- Lists each expenditure separately, providing clear visibility of how public funds are allocated by department or function.

Ease of Understanding

- Simple and straightforward method that facilitates fiscal discipline and accountability in municipal spending.

Limitations in Strategic Focus

- Does not link expenditures to performance & outcomes.



1. Line-Item Budgeting

- **The most common & traditional method**
- **Current year's budget serves as the starting point for the next year**
- **With incremental adjustments for inflation or service changes made to individual line items**



1. Line-Item Budgeting Examples

- **Department Line Items:**

- Salaries & Wages
- Professional Services
- Repairs & Maintenance
- Office & Operating Supplies
- Insurance
- Travel & Training
- Trees, shrubs, landscaping mtnce
- Equipment

- **Cross-Departmental**

- Technology (new computer hardware, software licenses, IT support contracts)



1. Key Concepts in Line-Item Budgeting

- **Detailed Breakdown**

- Expenses broken down into the smallest, most specific categories

- **Transparency & Accountability**

- Show exactly where public funds are going.

- **Control Over Spending**

- Easier to prevent overspending & monitor the use of resources.

- **Static & Comparable Structure**

- Budgets typically have a fixed, predictable structure from year to year, making it easy to track & compare spending across different periods.



1. Key Concepts in Line-Item Budgeting

- **Focus on Inputs**

- Focus on inputs (like personnel costs, commodities, & contractual services) required to deliver services, rather than the outcomes of those services

- **Hierarchical Organization**

- Budgets are organized hierarchically, starting with a broad "fund", branching out to "functions" or "departments", then divisions, & finally to specific "line items" or objects of expenditure.

2. Program Budgeting



Organizing Spending by Programs

- Program budgeting organizes spending by programs, aligning resources with strategic goals and policy objectives effectively.
- Organizes funds around specific goals or services (programs) rather than by department or specific line items.
- Departments need to collaborate
- Departments need to prioritize programs

Benefits of Program Budgeting

- This method improves transparency, links expenditures to outcomes, and promotes coordination across departments.

2. Program Budgeting



Challenges of Implementation

- Implementation can be limited by a lack of consensus on objectives or difficulty of administering programs that cross departmental lines.
- Defining program outcomes and transitioning budgeting systems can be complex, costly, and time-consuming

Strategic Financial Planning

- Program budgeting enables alignment of budgets with community priorities and long-term goals.

2. Program Budgeting



Examples:

Program 1: Street Sweeping

- Budget Components: Costs for street sweeper fuel, maintenance, and operator salaries.
- Purpose: to detail the financial requirements for keeping city streets clean.

Program 2: Street Repair

- Budget Components: Costs for asphalt, pothole filling materials, and equipment.
- Purpose: to fund the maintenance & repair of the city's road infrastructure.

2. Program Budgeting



- **Personnel:** A % of salaries & benefits for staff who work on the program.
- **Contractors:** Fees for external consultants or service providers.
- **Supplies:** Costs for consumables like office supplies or materials used during the program.
- **Equipment:** Purchases of necessary items that are not expected to be fully consumed during the budget period, such as computers or furniture.
- **Travel:** Expenses for any required business travel, such as mileage reimbursement or flight tickets.
- **Other Expenses:** A catch-all for other costs related to the program.

3. Performance Budgeting



Definition and Purpose

- Performance budgeting allocates funds based on specific program outcomes or performance metrics to promote efficiency and effective resource use.
- Focuses on measuring the performance of government services.
- Expenditures are based on the standard cost of inputs multiplied by the number of units of an activity to be provided.

Benefits of Performance Budgeting

- It links financial inputs to measurable outputs in government programs. (measures & evaluates outcomes)

3. Performance Budgeting



Challenges in Implementation

- Requires reliable metrics and can be resource-intensive due to data collection and reporting complexities.
- Can be difficult to develop reliable standard cost information and may not fully evaluate the quality of services.
- Defining performance budgeting outcomes.

Strategic Impact

- Supports data-driven decisions and fosters outcome-focused planning

3. Performance Budgeting



Example 1: Street Sweeping

- City budgets a specific amount for street sweeping based on a target of sweeping certain number of miles per year.
- If city decides to increase the service, recalculate the budget by multiplying the cost per mile by the additional miles.

Example 2 - Police

- Use specific performance metrics to track progress towards goals.
- Examples:
 - Crime statistics: crime reduction rates.
 - Public safety perception: percentage of residents who feel safe.
 - Operational efficiency: Number of calls for service per resident, or average time to respond to calls.
 - Community engagement: Number of community policing activities

3. Performance Budgeting



Example 2 - Police Continued

- Financial Request Justification: Connect the financial request to the performance data.
 - Explain how funding will be used to achieve the stated goals and improve performance measures.
 - Justify the "true cost" of delivering services to achieve specific outcomes, rather than relying on historical spending patterns.
 - Include a workload analysis that quantifies how time is spent on different activities, such as service demands, proactive work, and administrative tasks.

3. Performance Budgeting



Key Principles in Performance Budgeting

- **Goal-Oriented:** Align financial resources with clearly defined goals & strategic priorities.
- **Data-Driven:** Make budget decisions based on performance data & evaluations, not just historical spending.
- **Accountable:** Foster accountability by linking funding to the achievement of measurable results.
- **Efficient:** Encourage resource reallocation from underperforming programs to those that deliver better results.

4. Zero-Based Budgeting



Definition of Zero-Based Budgeting (ZBB)

- ZBB requires each expense to be justified from "zero base" at the beginning of each budget year.
- Requires every line item to be justified & approved from the ground up.
- Promotes a thorough evaluation of all expenditures for each budget period.

Benefits of ZBB

- ZBB promotes fiscal discipline
- Helps eliminate unnecessary expenditures
- Helps prioritize essential services and cost savings opportunities.

4. Zero-Based Budgeting



Challenges of ZBB

- ZBB is time-consuming (significant staff time) and paperwork
- Makes a full annual review resource-intensive, potentially burdening staff and diverting attention from long-term planning.

Impact on Financial Management

- Despite challenges, ZBB fosters accountability and strategic decision-making in municipal financial management.

4. Zero-Based Budgeting



Example 1: Parks & Recreation Services

- Conduct a site-by-site analysis of costs & services to identify efficiencies specific to individual park locations.

Example 2: Fire Department

- Break down into specific decision units: fire suppression, EMS, fire prevention/life safety education, fire inspections, training, & fleet maintenance.
- Then for each unit (decision package):
 - **Description** - Outline specific activities
 - **Required Resources** (personnel, equip, technology)
 - **Justification** - meets legal requirements, life safety, etc.
 - **Consequences of Not Funding**

4. Zero-Based Budgeting



Key Concepts in ZBB

- **Decision Units:** Department is broken down into specific units.
- **Decision Packages:** for each unit describe activities, purpose, required resources (personnel, equip, etc.)
- **Ranking & Prioritize:** all decision packages ranked across the entire department, then prioritize funding
- **Justification of All Expenses:** evaluates the necessity of every cost, from personnel services & operating expenses to capital outlay, ensuring all money is accounted for & justified

5. Priority-Based Budgeting



Community-Driven Fund Allocation

- PBB allocates funds according to community priorities, ensuring budgets reflect residents' needs and values.

Stakeholder Engagement Benefits

- Engaging stakeholders fosters transparency, collaboration, and public trust in municipal budgeting.

5. Priority-Based Budgeting



Challenges of PBB Implementation

- PBB requires extensive public input, consensus-building, and data analysis, making it complex and time-consuming.

Strategic Resource Allocation

- Priority-based budgeting strategically directs resources to key areas, improving service delivery and addressing urgent issues.

5. Priority-Based Budgeting



Align Budget Spending with Strategic Goals

- Community priorities & objectives determined by council
 - Community safety
 - Infrastructure
 - Sustainability & Resilience
- Resource Reallocation & Efficiency**
 - Resources are allocated to critical programs
- Specific Program Prioritization**
 - Add'l examples: water conservation, building efficiency, maintain clean streets, etc.
- Citizen Engagement**
 - Ask citizens to participate in online surveys or at kiosks to help validate council-established priorities

5. Priority-Based Budgeting



Key Concepts in Priority-Based Budgeting

- **Community-focused priorities**
 - Budget driven by community's identified needs & strategic goals.
- **Program-based evaluation**
 - Focus on individual programs & services to determine value to community.
- **Fresh start, not incremental adjustments**
 - Assess what is needed to achieve current goals
- **Cost & value analysis**
 - Analyze cost of each program with outcomes
- **Strategic resource allocation**
 - Funding allocated to the programs that provide the most value to the community
- **Innovative**
 - Fund new services that meet current needs

City's Current Budgeting Method



January - Departmental Kickoff

- ❖ **Launch Departmental Budget Work**
- ❖ **Start 5-Year Capital Improvement Plan (CIP)**
- ❖ **Initial Service Reviews & Needs Assessments**

City's Current Budgeting Method



February - Council Strategic Planning

- ❖ Establishes Priorities, Long-Term Vision, & Policy Direction
- ❖ Forms the Foundation for Budget Development

City's Current Budgeting Method



March - CIP Workshop

- ❖ **Council Reviews all Capital Requests**
- ❖ **Adds Projects & Changes Priorities as Necessary**
- ❖ **Sets the Project Funding Priorities for 5-Year CIP**
- ❖ **Staff Refines Capital & Operational Needs Based on Council Direction**
- ❖ **CIP is Incorporated Into the Overall Proposed & Adopted Budget**

City's Current Budgeting Method



April - May Budget Development & Review Meetings

- ❖ **Department Working Session with City Manager & Finance Department**
- ❖ **Review Staffing, Operations, Capital, & Service Levels**
- ❖ **Reductions Made as Necessary**

City's Current Budgeting Method



- ❖ **Use a variety of budgeting methods to plan & allocate resources.**
- ❖ **Use a hybrid approach that combines elements of the different budgeting methods**
- ❖ **2 Main types of budgets**
 - **Operating Budget:** covers day-to-day, short-term expenses like salaries, professional services, & supplies
 - **Capital Budget:** covers long-term investments in infrastructure, facilities, & equipment, which often involve large, non-recurring expenditures

Line-Item Budgeting - Operating

Department line items: Public Works General Maintenance Division

Department 0921	Actual FY 2023	Actual FY 2024	Adopted Budget FY 2025	Amends/Proj/Enc Rolls to FY 2025	Amended Budget FY 2025	YTD Thru 06/30/25	% YTD FY25	Proposed Budget FY 2026	Incr (Decr) over FY25 Orig Budget	vs. 25 Orig Bud	FY2026 Budget Comments
Exp - Maintenance	296,447	425,227	174,484	(7,466)	167,018	218,975	131%	182,825	8,341	4.8%	
519.46-00 - REPAIR & MAINTENANCE SVCS	226,582	317,562	86,000	0	86,000	125,442	146%	90,050	4,050	4.7%	mostly street light components, parking lot seal, jetty repairs
519.46-02 - REPAIR & MAINT / COMPUTER DEVICES	1,259	9,600	11,959	(7,466)	4,493	0	0%	2,500	(9,459)	-79.1%	Ipads & city works
519.46-37 - REPAIR & MAINT / FLEET-LABOR	21,830	26,286	27,500	0	27,500	21,989	80%	34,375	6,875	25.0%	
519.46-38 - REPAIR & MAINT / FLEET-PARTS	32,317	48,518	27,500	0	27,500	40,169	146%	34,375	6,875	25.0%	
519.46-39 - REPAIR & MAINT/ FLEET- OTHER	14,459	23,261	21,525	0	21,525	31,375	146%	21,525	0	0.0%	FY24: Added GPS cameras
Exp - Miscellaneous, services and supplies	145,978	164,164	188,593	0	188,593	144,178	76%	192,453	3,860	2.0%	
519.40-00 - TRAVEL AND TRAINING	8,370	3,248	8,000	0	8,000	7,418	93%	8,000	0	0.0%	includes HVAC & CDL Licenses
519.44-00 - RENTALS AND LEASES	3,786	3,178	200	0	200	1,212	606%	5,000	4,800	2400.0%	
519.44-50 - RENTALS AND LEASES-FLEET REPL	133,072	155,501	179,593	0	179,593	134,694	75%	178,653	(940)	-0.5%	This is: fully-funded fleet rent
519.51-00 - OFFICE SUPPLIES	750	1,413	500	0	500	353	71%	500	0	0.0%	
519.54-00 - BOOKS, PUBS, SUBS, MEMBER	0	824	300	0	300	501	167%	300	0	0.0%	
Exp - Professional Services	184,904	115,577	220,000	9,995	229,995	91,821	40%	220,000	0	0.0%	
519.31-00 - PROFESSIONAL SERVICES	0	1,733	0	0	0	0	-	0	0	-	
519.34-00 - OTHER CONTRACTUAL SERVICE	184,904	113,844	220,000	9,995	229,995	91,821	40%	220,000	0	0.0%	This is: various

Line-Item Budgeting - Operating

Department line items: Public Works General Maintenance Division

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Exp - Salaries and Wages	1,355,750	1,401,880	1,543,894	0	1,543,894	1,079,410	70%	1,632,001	88,107	5.7%	
519.12-00 - REGULAR SALARIES & WAGES	845,856	883,393	983,242	0	983,242	659,948	67%	1,042,841	59,599	-	Est raises
519.12-03 - SHORT TERM DISABILITY	93	0	0	0	0	0	-	0	0	-	
519.14-00 - OVERTIME	36,080	27,793	15,000	0	15,000	24,697	165%	20,000	5,000	33.3%	
519.15-00 - SPECIAL PAY	839	8,163	1,800	0	1,800	2,067	115%	2,000	200	11.1%	
519.21-00 - FICA	64,486	66,302	76,503	0	76,503	49,548	65%	81,460	4,957	6.5%	Statutory 7.65%
519.22-00 - RETIREMENT CONTRIBUTIONS	108,821	128,570	141,829	0	141,829	99,016	70%	161,150	19,321	13.6%	FRS fm 13.68% to 14.13%
519.23-00 - LIFE AND HEALTH INSURANCE	260,750	250,995	298,885	0	298,885	224,163	75%	302,604	3,719	1.2%	Citywide allocation
519.24-00 - WORKERS' COMPENSATION	38,825	36,664	26,635	0	26,635	19,971	75%	21,946	(4,689)	-17.6%	Citywide allocation
Exp - Services and Supplies	219,296	245,120	207,550	0	207,550	145,205	70%	210,550	3,000	1.4%	
519.52-00 - OPERATING SUPPLIES	177,148	194,043	152,600	0	152,600	115,131	75%	160,600	8,000	5.2%	This is: various
519.52-25 - OPERATING SUPPLIES SAFETY SHOES	3,318	2,653	4,950	0	4,950	3,299	67%	4,950	0	0.0%	
519.52-35 - OPERATING SUPPLIES / GASOLINE	32,554	27,060	30,000	0	30,000	20,460	68%	30,000	0	0.0%	
519.52-46 - OPERATING SUPPLIES / UNIFORMS	6,276	21,364	20,000	0	20,000	6,315	32%	15,000	(5,000)	-25.0%	
Exp - Utilities	194,041	231,186	257,046	0	257,046	178,723	70%	257,216	170	0.1%	
519.43-00 - UTILITY SERVICES	194,041	231,186	257,046	0	257,046	178,723	70%	257,216	170	0.1%	This is: mostly streetlights

Line-Item Budgeting - Operating

Department line items: Public Works General Maintenance

- Each line has the detail (not printed in the budget book)
- Example: **Operating Supplies \$160,600**

Freeform Information	Amount
SIGNS, PAINT & BARRICADES	25,650.00
ROAD REPAIR MATERIALS	15,000.00
SAFETY,TOOLS,SANITARY	38,150.00
POWER EQUIP REPLACEMENT	1,800.00
SIDEWALK MAINT/MATERIALS	15,000.00
OTHER FACILITY MAINT SUPPLIES & MATERIALS	10,000.00
JANITORIAL SUPPLIES AND EQUIPMENT	25,000.00
NEW CITY FACILITIES	30,000.00



- **ZBB** - reduce amount or remove any item that is not needed the next year (new facilities)
- **Another example:** uniforms under Fire Dept - bunker gear is not purchased every year
- Add items that aren't in current year: **example** - Seaboard Master Plan, Redo Website

Program Budgeting - Operating

Program Budgeting - By Division

- PW - Administration (0901)
- PW - City Hall Maintenance (0920)
- PW - General Maintenance (0921)
- PW - Fleet (0922)
- PW - Parks (0930)

- PW - Solid Waste - Garbage (0940)
- PW - Solid Waste - Recycling (0948)

- Utilities - Administration (1201)
- Utilities - Distribution (1202)
- Utilities - Water Production (1203)
- Utilities - Water Reclamation (1204)



Program Budgeting - Operating

Program Budgeting - By Division

- Budget links expenditures to programs (divisions)
- Each program (division) has their expense elements (personnel, contractors, supplies, equipment)
- Departments work together (roads/engineering, utilities, public works)
- However, each department's expenses are charged to their department/program (division).
 - Example: Tarpon Center Drive project - Engineering expenses were charged to Engineering Dept & Utilities expenses charged to Utilities Dept/Divisions.
 - Not charged to a Tarpon Center Drive Program
- Other examples:
 - Working on roads (costs charged to engineering, PW-general mtnce) - not charged to a Streets Program
 - PW-parks & PW-general mtnce - work together, but costs still charged to the specific division



Priority-Based Budgeting - Operating

- City Council
 - Strategic Planning
 - Strategic Priorities
 - Community Engagement
 - Direct Staff
- Community Priorities
 - Public Safety
 - Facilities (community center, etc.)
 - Infrastructure
 - Water & Sewer
 - Solid Waste
 - Stormwater



Priority-Based Budgeting - Operating

- Departments submit operating budgets
- Staff meets to determine priorities (reductions, additions)
- Citizen Engagement
 - Rate studies (utilities, solid waste, stormwater)
 - Seaboard Master Plan (Charrette)
 - Parks Master Plan
 - Citizens Advisory Board (Hurricane After Action Plan, new Website)
 - Budget Workshop



Capital Budgeting

- Departments submit capital budgets
- Staff meets to determine priorities (reductions, additions)

The projects are prioritized and funded based on the following:

- **Imperative (Must-Do) - Projects that cannot reasonably be postponed in order to avoid harmful or otherwise undesirable consequences.**
 - Corrects a condition dangerous to public health or safety
 - Alleviates an emergency service disruption or deficiency
 - Prevents irreparable damage to a valuable public facility
- **Essential (Should-Do) - Projects that address clearly demonstrated needs or objectives.**
 - Rehabilitates or replaces an obsolete public facility
 - Reduces future operating and maintenance costs
 - Leverages available state or federal funding
- **Important (Could-Do) - Projects that benefit the community but may be delayed without detrimental effects to basic services.**
 - Provides a new or expanded level of service
 - Promotes intergovernmental cooperation
- **Desirable (Could-Do) - Desirable projects that are not included within five-year program because of funding limitations.**



Capital Budgeting

- Line-Item Budgeting (equipment, buildings, improvements, vehicles)
- Program Budgeting (department/division)
- ZBB - each project starts at the beginning
- Priority Based Budgeting (community priorities & available funding)
- Priority Based Budgeting (public safety facility, fire stations, parks, utilities projects, redevelop seaboard area)
- CIP Workshop - changes, reductions, additions



City's Current Budgeting Method



June - Council Budget Workshop on Proposed Budget

- ❖ Full-day interactive review of all department budgets & CIP
- ❖ Council Input - Changes/Revisions

City's Current Budgeting Method



July - August - Refinement & Updates to Proposed Budget

- ❖ **Council Approves Tentative Millage**
- ❖ **Changes as a Result of the Budget Workshop**
- ❖ **Changes Occur that were Not Included in the Proposed Budget**
- ❖ **Changes Presented at August Council Meeting**

City's Current Budgeting Method



September - Final Public Hearings & Adopt Budget

- ❖ **2 Public Hearings Required under F.S. 200.065**
- ❖ **Final Millage & Budget Adopted**
- ❖ **Fiscal Year Starts October 1st.**

City's Current Budgeting Method



Summary-Current Budget Process

- ❖ **Long - 8 months**
- ❖ **Use Variety of Budget Methods to Plan & Allocate Resources**
- ❖ **Transparent & Accountable**
- ❖ **Designed to Integrate Council Priorities & Community Needs**

City's Current Budgeting Method



Summary-Current Budget Process

- ❖ **Strategic & Priority-Driven**
- ❖ **Incorporates Best Elements of all Budgeting Models**
- ❖ **Supports Organizational Stability**

City's Current Budgeting Method



Summary-Current Budget Process

- ❖ **Budget is Monitored**
- ❖ **Finance Updates Council Quarterly**
- Budget Vs. Actual Report**

City's Current Budgeting Method



Council's Role in Budget Process

- ❖ **Set Vision & Priorities**
- ❖ **Provide Fiscal Policy Direction**
- ❖ **Evaluate Service Levels**
- ❖ **Communicate Financial Stewardship to the Community**
- ❖ **Goal - Responsible, Sustainable FY27 Budget**

Summarize Goals for Today



- ❖ **Provided Clarity on how Venice Develops its Annual Budget**
- ❖ **Explained the full Budget Process from January - September**
- ❖ **Reviewed 5 Budgeting Methods**

City's Current Budgeting Method



Council Discussion

- ❖ **Identify Process Enhancements/Improvements (sharing budget information)**
- ❖ **Council Feedback, Concerns, or Questions Regarding the Annual Budgeting process**
- ❖ **Expectations for FY27 Budget**

