

BIENNIAL BUDGETING ISSUES

ISSUE: What are the Council's goals with regard to biennial budgeting?

The Council should consider, review and adopt a clear set of goals that it wishes to accomplish by moving to biennial budgets.

ISSUE: What type of multiyear budget is best?

A "true" biennial budget is one that includes a two-year appropriation. In Washington State, Clark and Kitsap Counties adopt true biennial budgets, meaning budget authority does not lapse at the end of the first year. In contrast, some jurisdictions adopt multi-year budgets that are not true biennial budgets. In states where biennial budgeting is not allowed under state law, one approach is to adopt a one-year budget with an accompanying de facto budget for the second year. This is what Hillsborough County, Florida does. Every two years, the Commissioners informally approve a budget comprised of two separate fiscal years but adopt only the first year. When it comes time to formally adopt the second year, the process of preparing the budget represents just an update of the original plan rather than a full-fledged review.

The City of Seattle adopts a one-year budget and "endorses" a second year. The endorsed second year provides the starting point for the budget process and leads to a much more focused and condensed process in that second year.

ISSUE: What funds should be budgeted on a biennial basis?

As noted above, the County has the option to budget some funds on a biennial basis and others on an annual basis. For example, the General Fund could be budgeted annually while enterprise funds, special revenue funds, and internal service funds could be budgeted on a biennial basis. Are there advantages and disadvantages? What are they?

ISSUE: Will the County's accounting and reporting financial software allow budgeting, accounting and reporting on a biennial basis?

King County has two accounting systems and two payroll systems plus a non-integrated budgeting program. Replacement of these with a single integrated data base system failed in 2000. This project has been restarted under the Accountable Business Transformation (ABT) project title. With this major replacement project in progress, is it a good time to switch to biennial budgeting?

Staff discussed this with the Director of the Business and Finance Operations Division of the Office of Executive Services. The Finance Division is primarily interested in this question from the standpoint of its effect on preparing annual financial statements. The Director believes the existing systems would be able to accommodate biennial budgeting with regard to financial reporting. Finance Office procedures would not differ much under biennial budgeting compared to the current annual budgeting system.

Clark County on the other hand noted that substantial changes to financial systems are needed to accommodate biennial budgeting at least from their experience. Their recent acquisition of an Oracle system involved customization to allow for their two-year

budget. In the late 1980's, the City of Seattle acquired a new financial management system. They found that substantive reprogramming would have to be done to accommodate biennial budgeting.

King County's Director of the Office of Management and Budget has concerns and reservations about attempting to convert to biennial budgeting with the County's current financial management system. On the other hand, OMB, on behalf of the Executive, supports the concept of planning for biennial budgeting as part of the ABT project.

ISSUE: Are all interested parties committed to the switch?

At this early stage, no effort has been made to start building consensus for a move to biennial budgeting. Other entities have found, though, that buy-in by the Council, the Executive, independently elected officials, and management staff is essential to the successful conversion to something as major as biennial budgeting.

ISSUE: Is the timing of the current annual budget process appropriate for a biennial budget process?

Under the King County Code, the Executive must transmit the budget to the Council at least 75 days before the end of the year (KCC 4.04.040). The Council allows approximately six weeks for their analysis and adoption. This is typically a very intense six-week period for both the Council and for the staff. With a two-year budget to consider, is a six-week period sufficient?

The Charter amendment approved by the voters allows the Council to change the process and timeline for major budget tasks. The Council has the opportunity to change the timeline discussed above in order to allow additional time for Council review of the Executive's proposed budget in recognition of the fact that the budget is to cover twenty-four months rather than twelve.

ISSUE: Would it make sense to do a biennial operating budget one year and a biennial capital budget the next year?

This might address the timing issue addressed above. In the year that operating budgets are being considered, all attention could be focused on operations. Six weeks may be sufficient. The next year, the entire emphasis, except for the mid-biennium review of the operating budgets, could be on the capital budget. Alternatively, biennial budgeting could be implemented incrementally over a number of years.

However, having the operating budgets and the capital budgets on different timing cycles could be confusing to the various agencies. The agencies typically prepare their operating and capital budgets at the same time with the two being coordinated and interdependent. Therefore, the Council may conclude that it would be prudent to keep operating and capital budget processes on the same review cycle.

ISSUE: What biennial period makes the most sense to begin biennial budgeting?

In the summer/fall of 2005, Council members will be campaigning for re-election in response to the reduction of the Council from 13 members to 9. Subsequent Council elections would take place in the fall of odd-numbered years with either four or five seats up for election each time. Therefore, having 2007-08 as the first biennium would

mean that the major budget work would occur in the fall of the even-numbered years, beginning in fall 2006. On this cycle, budget work by the Council would not occur during a campaign season.