

Citizen-Based Budgeting:

The Redding, California, Experiment

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In the early 1990s, California state government pulled back funds from cities to solve state financial problems. A voter referendum had frozen property taxes statewide several years earlier, and a soft economy had crimped city revenues in such areas as sales taxes and building permit fees. Redding, which operated under the council-manager form of government, had eaten into its reserves, and a newly elected majority of the five-person city council saw difficult times coming. As in most government operations, only a fraction of the citizenry knew why the city spent what it did, and many were generally critical (perhaps even distrustful) of any government budget.

When the council hired Mike Warren for the city manager position, it gave him a clear mandate to get the \$160 million budget in order, including an electric utility budget—and to do so without damaging public confidence in city services. The council targeted a reserve of no less than 5 percent in the \$35 million general fund, and councilmembers sought a 10-year, rolling operating and

**A City Finds
Unexpected
Benefits When
Citizens Are
Involved in
The Budget
Process**

capital financial plan for all funds, an easier-to-understand budget, and a higher level of citizen satisfaction—on small tasks.

Opening Up the Budget Process

Before coming to Redding, Mike Warren had tested citizen-based budgeting, as he termed it, in the San Francisco Bay community of Benicia. He immediately took the step of involving citizens in Redding's budget preparation process *before* the proposed budget had reached the council. Experience had shown him that the basic budget process should not be abandoned, and he believed that the process and decisions at the staff level were so sound that there was no reason to separate it from the public.

Warren scheduled citizen involvement following the normal department- and finance-department meetings for budget planning. Citizens got involved during the city manager review. They reviewed virtually every number and every city manager decision; they attended every meeting between the department head and the city manager (see accompanying diagram).

How Citizens Were Selected

The manager asked the chamber of commerce for recommendations and also selected a citizen at large. Citizens chosen met the following criteria:

- Willingness to commit to the time required, which was unknown at the time of selection.
- No hidden personal agenda.
- The opinion that the phrase "government efficiencies" might be an oxymoron.
- Fairness and honesty in their communications with others.
- Successful management of their own budgets.
- General respect from people who knew them.

Citizens knew that their opinions had an impact because the manager most often implemented their recommendations for what to do on particular issues.

After reviewing candidates, the manager selected the citizen participants. For the 1995–1996 budget review, the owner of a cola bottling franchise (citizen at large) and the owner of a well-known restaurant (chamber of commerce representative) were selected as citizen participants. During the 1996–1997 budget preparation, the citizen at large was replaced by a CPA, while the chamber of commerce representative was retained for continuity purposes.

Time and Training Required

Records for the first two years show that a four-week review and deliberation process was required for the \$161 million operating and capital budgets. Citizen participants spent about 10 to 30 hours preparing for the review and about 35 hours in the review itself, as each department presented its budget to the city manager and the citizen committee. Questions and comments from the citizens often were the same questions that the manager would have asked.

Training of the citizen participants beforehand was minimal. Two two-inch, loose-leaf budget binders were provided about a week in advance of the four-

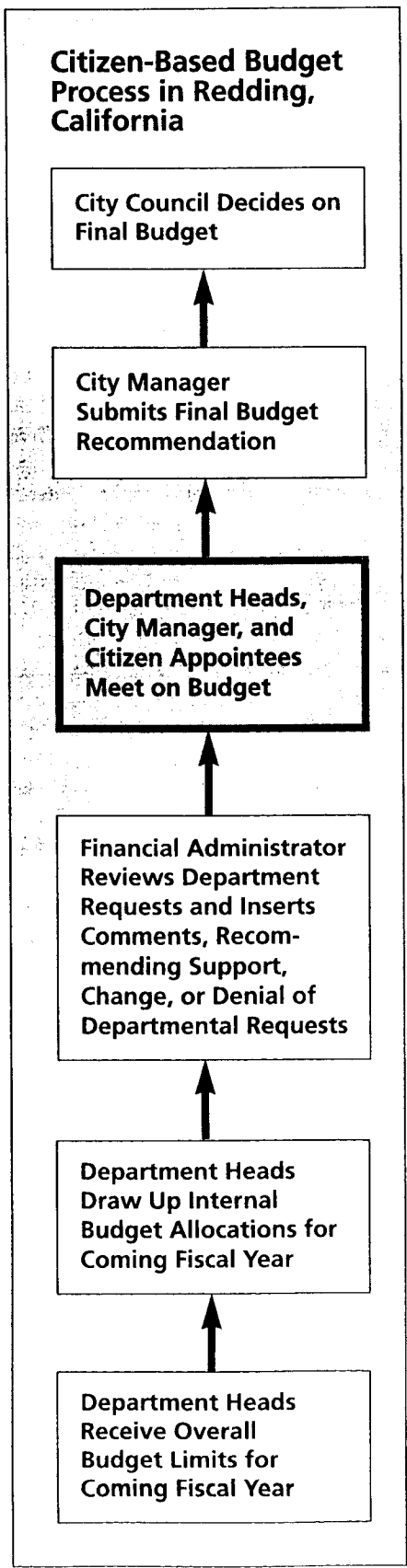
week review meetings. The binders included comments from finance and from the operating departments where there was a difference of opinion. No special training was given to the citizen participants in either public finance or accounting. The notion of segregated funds needed explaining, however, and proved to be an important point, for the private sector citizens were used to a more interchangeable funding process.

Training of the staff was done by the city manager, who explained what the role of the citizen participant would be in the review process. Staff members were universally apprehensive that citizens would not be able to understand their rationale in specialized departments where professional expertise was required (utilities, bridges, maintenance, public works, and the like). After all, the concept of involving citizens—especially those who were critical or skeptical of city government—was virtually unprecedented in California.

City employees feared that the outcome of citizen participation might be disruptive, as these citizens would become "armed" with information on what city employees earned, how many employees worked in each department, and how much money was spent by each. Uncertainty also existed as to the relative weight that their professional judgment would carry, versus that of the citizen participants, when the budget finally reached the council. As Police Chief Bob Blankenship said, "At first, we wondered who we reported to—the city manager, the citizens, or the city council?"

Results of Citizen Participation

The first year, citizen participants were enthusiastic about their access to the budget process and about its openness. They developed excellent insight into the operation of the city and how it was financed. Thanks to this insight, they agreed that money was being well spent, services were being maximized, and city employees were professionals.



In the second year, the citizen participants felt even stronger. As the restaurant owner said, the experience “was a tremendous personal education in how the city operates.”

Citizens were not merely observing during the budget meetings. Quite often, the city manager would turn to the citizens and ask them for their opinions on a department request, or what they thought about a request for additional staff or money. Citizens knew that their opinions had an impact because the manager most often implemented *their* recommendations for what to do on particular issues. The dilemma for the citizens was that they now knew the overall financial constraints within which the city had to operate; often, the citizen participants wanted to give a department what it was requesting but knew that the money just wasn’t there.

Councilmembers were delighted with the added thoroughness of the process and with the degree of citizen involvement in the proposed budget. It made their task smoother and faster, and it increased their confidence that a request being presented to them had passed an additional common-sense review.

Following are some major outcomes of the citizen-based budgeting experiment in Redding.

Increased confidence in the city budget. As the council finally reviewed the budget, citizen participants not only sat in the council chambers but often spoke out on why a budget element should be approved. This was an unforeseen, unsolicited development. As one councilman said, “I can’t turn to page 78 of the budget and find a list of the fat. When businessmen and women say this budget makes sense, and one year ago they were vocal critics, that means something.”

Reduced public criticism. As active and respected members of the business community, the citizen participants explained and defended the process within the community throughout the year. As

the citizen from the cola bottling company said, “. . . [the process] created year-round, de facto ambassadors for the integrity of city government.” Although the chamber of commerce and the business community had traditionally been supportive of government, now they no longer felt “on the outside,” and they had a better understanding of how and why their council made decisions.

Raised confidence in the city manager and the finance department. Somewhat surprising, perhaps, was a complete lack of any criticism of the manager or the finance and budget directors in this process. No one felt that they were shirking their responsibilities by sharing the process with citizens.

On the contrary, everyone felt more comfortable with the addition of citizen accountability and with more openness in the process. As Warren stated, “Reasonable people, with the same information, will come to very similar decisions. . . . So what’s there to be afraid of?”

Opening of other city processes to citizen input. As one councilmember noted, “This [budget] process worked so well that we have involved citizens in several look-ahead processes, such as electrical capacity planning, site location planning, overall city planning, etc.”

No lobbying for pet projects by any citizen in the process. It may be a by-product of the size of the city, or the feeling of being in the public spotlight, or just the plain good sense used in choosing the participants, but no one could detect anything other than objectivity in the citizen participants. As one councilman said, “In reality, there was no quid pro quo. Maybe the criterion of selecting citizens who have a healthy skepticism about government was smarter than we knew!”

Superiority of small review groups. Predictions for the future of

the citizen involvement process hold that the citizen participants will stay few in number (a maximum of two or three), that they will continue to examine the entire budget, and that at least one citizen member will remain for an additional year so the citizen contingent will retain the benefit of experience. More training of citizen participants is likely; suggestions include a four-hour class on government budgeting, to be taught by the finance manager.


Accelerated search for increasing accountability. This process raised confidence levels, inspired de facto ambassadors for government throughout the city, and brought real ideas and improvements to the management process. The collegial discussion of how government can operate more effectively and efficiently has carried with it the promise of increased accountability through the widening of viewpoints budget time.

Optional and Beneficial

The idea of citizen-based budgeting is neither difficult to employ nor risky in its deployment. It is an optional step that requires the local government manager and the governing body to agree on the reasons for taking this step to involve citizens. It brings benefits in the discipline of broader accountability and in the development of credible year-round

advocates for the budget and management processes.

The key to the success of citizen-based budgeting in Redding has been the willingness of appointed and elected officials to honestly embrace the views of each concerned citizen participant. Rather than detracting from the motivation and skills of professional staff, the experiment appears to have raised their credibility with taxpayers through the openness of the process. The effects linger year-round through the outspoken support of citizens who have participated in the budget process.

Perhaps, City Manager Michael Warren has said it best: "If you are following a good process, have a professional staff, are careful in your deliberation, and make sound decisions, there is no reason *not* to involve citizens. Good managers and their staff should be proud of their work, not embarrassed or trying to hide from the citizens." 

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For follow-up information or further details on the process as practiced in Redding, California, contact Ana Diaz, secretary to City Manager Mike Warren, at 916/225-4060.



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