City of Bowie

City Council Worksession

Monday, July 27, 2026
City Hall, Room 243 - 7 p.m.
Amended July 24, 2026 at 4:46 p.m.

AGENDA

I. **FY2028 Budget Preparation Discussion**

A. Program Budgeting

II. **Adjourn**

Note: The Ethics Commission has advised that under certain circumstances, members of the public may qualify as lobbyists when they testify before the City Council. If so, the Bowie Ethics Ordinance requires that certain information be filed with the Ethics Commission. Please review the information about lobbying that is provided with the City Clerk. If you have any questions about lobbying, please contact the Ethics Commission or the Assistant City Manager.

NEXT REGULAR MEETING OF THE BOWIE CITY COUNCIL - MONDAY, AUGUST 3, 2026 - COUNCIL CHAMBERS - 7:00 P.M.

Memorandum

TO: City Council

FROM: Bruce Miller, Director of Finance

SUBJECT: Program Budgeting

DATE: 07/23/2026

See attached Program Budgeting memorandum and presentation for detailed information.

ATTACHMENTS:
1. 20260727 - Program Budgeting Memorandum
2. 20260727 - Program Budgeting Presentation

Program Budgeting
City of Bowie Primer

Ppd by; Bruce T. Miller, Finance Director
July 2026

Government Finance Officers Association Best Practices:

RECOMMENDED BUDGET PRACTICES

6.3: ***Identify functions, programs, and/or activities of organizational units that are consistent with policies and plans.***
Clear identification of the functions, programs, and/or activities of organizational units assists those reviewing or evaluating the government develop a better understanding of the role of each organizational unit, and it aids in evaluating the services it provides. Explicit descriptions of these items also help employees of the government better understand the tasks for which they are responsible. Descriptions of the purpose and roles of organizational units should be published using appropriate technology and made available to policy makers, management, employees, citizens, and other stakeholders. This documentation should be prepared with stakeholder involvement and review in order to ensure that employees as well as other stakeholders understand the responsibilities of each organizational unit and its relationship with other units. Any organizational unit for which resources are allocated through the budget process should also have its basic purpose and roles described in the budget document. Descriptions of organizational units should include the major functional relationships with other organizational units. Identification of what organizational units do is an important task of a government. Preparation of these descriptions can be undertaken at any time and updated when necessary and appropriate

6.4: ***Develop performance measurements.***
Governments should develop and utilize performance measures for functions, programs, and/or activities. Performance measures are used for assessing how efficiently and effectively functions, programs, and activities are provided and for determining whether program goals are being met. Performance measures should be linked to specific program goals and objectives. The measures should be valid, reliable, and verifiable. Whenever feasible, they should be expressed in quantifiable terms. Measures should be reported in periodic reviews of functions and programs and should be integral to resource allocation decisions. They also should be reported in the budget document and may be reported in separate management reports or reports to citizens. Different aggregations of performance measures may be appropriate for different audiences. There are several types of performance measures: inputs (resources), outputs, efficiency, and effectiveness (outcomes). Each of these types of measures serves a

purpose, although only the measures of efficiency and effectiveness truly report on performance. It is important that measures be chosen to ''measure the right things'' ---- that is, they must be relevant to the goals of a program. Sources of data for performance measures include existing records, trained observer readings, and surveys. Performance measures can help managers direct and manage an organization. They also provide tools for managers to determine the most appropriate tasks to perform. It is often easier to focus on achieving goals and objectives if they can be expressed as the achievement of quantifiable measures. Care should be taken to minimize potential problems such as misinterpretation, misdirection of a program and its staff as a result of poor or incomplete measures, costly data collection, and measures that are affected by uncontrollable environmental factors. A good performance measurement system will avoid the inclusion of so many measures that become overwhelming and difficult to interpret. A government should periodically review its performance measurement system and make improvements in terms of the relevance of the measures used, data collection, analysis, and reporting.

6.4a: **Develop performance benchmarks and develop approaches to achieve goals and develop programs and services that are consistent with policies and plans**.

Performance benchmarks should be developed to aid in assessing how well a function, program, and/or activity is provided and how well it meets needs. Performance benchmarks are comparative standards of performance and provide a frame of reference for evaluating program and service quality and cost-effectiveness. They are used as a basis against which to compare performance measures of functions, programs, and activities. Benchmarks can be developed to allow performance comparisons with other service providers, whether within the government, with other governments, or with private providers. External benchmarks (those providing comparison with outside service providers) can be beneficial to overall evaluation, especially if valid comparisons can be made with the best service providers. Internal benchmarks (comparisons to alternatives within the government) will provide somewhat less information, but there may be fewer problems with consistency of data. When selecting any type of benchmark, it is important to consider how closely it relates to stated program and service goals. Benchmarks should be consistently defined and measurable. Performance benchmarks and the measures being compared should be included in management reports and reports to stakeholders. Performance benchmarks, along with an accompanying review of each chosen provider's service approach, can be helpful in making improvements. These comparisons may provide valuable information and insight to policy makers, managers, and other stakeholders that can be used to guide the direction of a function, program, or activity. Performance benchmarks also help stakeholders better assess whether government performance in a particular area is acceptable or could be improved. Benchmark comparisons should be undertaken carefully to avoid misinterpretation resulting from differences in the scope of the function, program, or activity used for comparison; the environment in which the service operates; and measurement techniques. The use of accompanying explanatory information helps avoid invalid comparisons. As with any performance measurement analysis, care must be taken to ensure that the cost of undertaking a benchmark analysis does not exceed the benefits

Introduction:

According to the Government Finance Officers Association, GFOA, there are many reasons to consider adopting program budgeting, but perhaps the most important is its ability to create a more transparent budget. A program budget shows exactly what the government does and how much it costs.

Rather than classifying expenditures in the traditional format, e.g., by fund, department and division, program budgeting presents budgets by programs, activities, or projects, thus adding value to the budget. Benefits include; improved resource allocation and alignment with priorities, improved budget transparency, performance-based outcomes, and increased budget efficiencies and effectiveness.

Program budgeting focuses on priorities and outcomes rather than on expenditures groupings. By organizing expenditures around programs, cities can better track performance, improve resource allocation, and ensure budgets are meeting taxpayers and resident expectations. Additionally, program budgeting links spending to measurable outcomes, enabling municipalities to understand the true cost and impact of each objective

Key Features of Program Budgeting

1. **Goal-Oriented Planning**
   Program budgets revolve around objectives and the outcomes each program is expected to achieve. Allocations are determined by a program's alignment to city council objectives and priorities.
2. **Resource Allocation by Program**
   Instead of listing expenses by department, program budgets group spending based on individual programs or initiatives. This allows for a clear understanding of where funds are being spent and why.
3. **Cost grouping**
   Depending upon desired granularity, program budgets can include both direct expenses (staff, materials tied strictly to the program) and indirect/overhead costs (rent, utilities).
4. **Strategic Alignment**
   Program budgets ensure that operations and financial investments directly align with the city's core mission.
5. **Measurable Outcomes**
   Program budgeting prioritizes measurable outcomes and performance metrics.
6. **Transparency and Accountability**
   By linking budgets to specific goals and outcomes, program budgets offer stakeholders clear insights into how resources are being utilized.

7. **Flexibility in Allocation**
   Program budgeting allows for flexibility in reallocating resources to programs that demonstrate the highest impact, ensuring optimal use of funds. Additionally, they clarify trade-offs between different spending options.

Advantages of a Program Budget

1. Improved Resource Allocation

One of the most significant advantages of program budgeting is its ability to allocate resources where they can generate the most value. Traditional budgets often focus on individual expenses without considering how they contribute to overall goals. In contrast, a program budget ensures that every dollar is tied to a specific initiative or project, maximizing its impact.

2. Focus on Results and Outcomes

Program budgeting shifts the focus from expenses to results. The budget focus shifts from expenditure tracking to evaluating if spending is achieving intended objectives. This results-driven approach helps identify underperforming programs and reallocate resources to more successful ones.

3. Enhanced Transparency and Accountability

Program budgeting provides a clear link between funding and outcomes, making it easier for stakeholders to understand how resources are being spent and being used. This level of transparency builds trust and accountability.

4. Better Decision-Making

By organizing expenditures around specific programs, program budgeting enables the city council to make more informed decisions about resource allocation. Data-driven insights allow organizations to prioritize high-impact initiatives, eliminate redundant programs, and optimize spending.

5. Encourages Efficiency and Innovation

Program budgeting encourages organizations to evaluate program effectiveness regularly. This evaluation process fosters a culture of continuous improvement and innovation. Underperforming programs can be improved or replaced with new initiatives that offer better results.

6. Simplified Performance Monitoring

Monitoring the performance of programs becomes simpler with a program budget. Each program has defined goals, performance indicators, and expected outcomes, making it easy to measure success.

Steps to Implement a Program Budget

1. **Define Organizational Goals**
   Start by identifying the city's goals and objectives. These goals will form the foundation

for program budgeting. Break down the goals into specific programs or initiatives that align with the objectives.

2. **Identify Programs and Activities**
Compile the City's program inventory. Programs should describe a set of related activities or tasks intended to produce a desired result. It is important that programs provide a discrete service that leads to an identifiable result or benefit. Care should be taken not to include non-programs. By example, programs are not the same as facilities or locations. A recreation center, airport or golf course is a place, while a program is intended to communicate the activities that go on at that place. Also, programs are not line items or operational units found on your organizational chart. Line items are the costs that a program incurs. Operational units are management structures that administer a program. The following questions can help identify programs.
   - Are services advertised on the webpage, brochures, telephone directory, or other published materials?
   - Are the services mandated- is there a legislative mandate from another government, a section of code, or an official policy requiring a specific service?
   - Are services to a particular group or demographic provided that are meant to serve a specific constituency or population?

3. **Define** clear and measurable outcomes for each program

4. **Estimate Costs for Each Program**
Assess the resources—such as personnel, technology, and materials—required for each program. Estimate the total cost to implement and sustain the program.
   - Since personal is the largest cost for most programs, the next step is to link each or position with the program. An individual might support multiple programs throughout the year, so positions could be divided across more than one program when necessary.
   - Because operational expenditures are a relatively minor component of total program costs, complex allocation methods are not recommended. Comon allocation methods include percent of employees, percent of payroll and percent of budget. The allocation method should bear some relation to the actual resources consumed by the program, as well as being transparent and generally regarded as fair.
   - After determining the costs of a program, an optional step is to make the connection between the program and revenues generated directly by its activities, such as charges for services and grants. One of the greatest benefits of program budgeting is to enable conversations about the true cost of providing a service. Taking the revenues into account enables conversations about the true cost of providing service, i.e., the net of the revenues it generates. This perspective is important because costs that are not covered by a program's revenues must be covered by general purpose revenues such as taxes. Because there is a firm practical, if not legal, limit to the

general-purpose revenue a government can raise, a program's ability to support its own operations through other sources of revenue is an important consideration.

5. **Set Performance Metrics**
   Define key performance indicators (KPIs) for each program to measure success. These metrics will help monitor progress and outcomes.

6. **Allocate Resources**
   Allocate funds to each program based on its priority, expected impact, and alignment with organizational goals.

7. **Monitor and Evaluate Programs**
   Continuously monitor program performance using the defined KPIs. Conduct regular evaluations to identify areas for improvement and reallocate resources as needed.

Challenges of Program Budgeting

While program budgeting offers numerous advantages, it also comes with challenges:

- **Time-Consuming**: Developing a program budget requires detailed planning and evaluation.
- **Complexity**: Defining clear goals, estimating costs, and measuring outcomes can be complex.
- **Resource Dependency**: Success depends on accurate data and efficient tracking systems.
- **Resistance to Change**: Traditional budgeting systems may resist the transition to a program-focused approach.
- **Reporting and Accounting Structure challenges**; program costs need to be captured using the city's chart of accounts. But changing the chart of accounts can be difficult, costly, or nearly impossible given the constraints of their financial systems. Similarly, timing of making changes to the chart of accounts needs to be coordinated until the program inventory is more fully established.

Conclusion

An effective instrument for financial planning, program budgeting ensures that expenditures are in line with the objectives of the organization and that are measurable. Program budgeting gives municipality the ability to fulfill their goals in an efficient and effective manner by putting an emphasis on results, promoting transparency, and improving resource allocation. The implementation of program budgeting can result in improved decision-making, accountability, and overall performance.

Municipalities that use program budgeting are more flexible and nimbler, therefore they are more capable of adapting to challenges and changing demand expectations while operating with limited revenue streams. When financial information is presented clearly, it facilitates critical decision making thereby allowing for the ability to achieve change and lasting progress in dynamic and changing environments.

Program Budgeting

Staff Recommendation

It is the recommendation of staff that the City Council proceed with evaluating the opportunities Program Budgeting may provide the city. This recommendation is being made for several reasons, most of the reasons are identified above.

Without reiterating the benefits as outlined above, Program Budgeting has many positive attributes that can help guide the City Council in upcoming years as it navigates revenue constraints, growing expenditure challenges and funding its reserve balances back to appropriate levels. In this context, a fundamental first step that should be taken is to define and quantify the city's financial condition. In short, the City Council needs to consider viable options which will assist in making difficult decisions transparently and while using data-driven decision making.

Whatever direction the City Council pursues, there needs to be an understanding that Program/Performance Based Budgeting, along with other policy decisions and tools, is a long-term commitment which will take multiple years to fully implement and realize their full potential. Unfortunately, there is not a silver bullet that will cure the City from its financial challenges within one budget cycle. Rather the City Council will need to deploy a multi-dimensional strategy that may use Program/Performance Based budgeting as its fiscal/budgetary foundation.

Furthermore, as the below timeline suggests, the city may not be able to fully implement program/performance-based budgeting by July 2027, the beginning of FY 2028. This timeline links estimated timeframes for each implementation task/milestone and identifies responsibilities. There may be opportunities to shorten the timeline in certain areas, but that will necessitate an immediate start commitment by the City Council and an organization-wide buy-in. Another consideration is that this timeline assumes limited distractions due to competing demands. For example, this timeline does not take into consideration the impact that the $16M bond sale, or the budget software implementation will have on the Finance Department.

For this reason, it is recommended that if the City Council does pursue Program/Performance based budgeting, that the city implements this initiative incrementally, potentially identifying departments having pre-existing and identifiable programs which can then be developed with a minimum of difficulty. The added benefit is that this strategy will provide "take-aways" from which other departments may benefit.

City of Bowie

Program Budget Estimated Implementation Timeline

Task / Milestone	Hours	Responsibility	Sept	Oct	Nov	Dec	Jan	Feb	March	April	May	June	July	Aug
Identify Current Programs and Activities	35 Hrs	Mgt Team	xxxxx											
CC concurrence	2 Mtgs	CC		xxxxx	xxxxx									
Evaluate Reporting and Accounting Challenges	35 Hrs	Finance	xxxxx											
Define Organizational Goals (constrained by CC meeting schedule)	35 Hrs	Mgt & CC	xxxxx	xxxxx	xxxxx									
`														
Define Measurable Outcomes	70 Hrs	Mgt Team		xxxxx										
CC concurrence	2 Mtgs	CC			xxxxx									
Cost Development														
Estimate Personal Expenditures (Salaries and Benefits)	105 Hrs	By Department				xxxxx	xxxxx							
Cost Allocation across programs		By Department					xxxxx							
Finance Department review		Finance					xx	xx						
Estimate Operational Expenditures		By Department				xxxxx	xxxxx							
Cost Allocation across programs		By Department					xxxxx							
Finance Department review		Finance					xx	xx						
Cost Allocation Methodology		Finance				xx								
Estimate Capital Expenditures		By Department				xxxxx	xxxxx							
Cost Allocation across programs		Finance					xxxxx							
Finance Department review		Finance					xx	xx						

Program Budgeting

Evaluate net cost of service (Revenue - Expense)	35 Hrs	Finance						xx						
Establish Performance Metrics	70 Hrs	Mgt Team						xxxx						
CC concurrence	2 Mtgs	CC							xxxx					
Allocate Resources (This is the budget approval process)	4 Mtgs									xx	xxxxx	xx		
Update Munis Chart of Accounts/Budget Software	70 Hrs											xx	xxxxx	xx
Monitor and Evaluate Programs	ongoing												>>>>>	

City of Bowie
Program Budgeting

July 27, 2026

Bruce T. Miller, Finance Director

An Introduction

- What is Program Budgeting?
- Program budgeting;
  - presents expenditures around programs, activities, or projects vs. traditional presentation by fund, department, and division,
  - shows exactly what the city does and how much it costs,
  - focuses on priorities and outcomes vs. by expenditure groupings,
  - links expenditures to measurable outcomes,
  - enables the ability to measures the true cost of service for each program, thus providing a tool to,
    - evaluate the city’s fee structure,
    - allocate resources between competing needs.

Key Features and Advantages

- **Improved Resource Allocation:** *Ability to allocate resources to areas that generate the most value - a program budget ensures that every dollar is tied to a specific initiative or project, maximizing its impact. Expenditures are compiled by programs or initiatives, not by department/division, thus allowing greater transparency.*
- ***Cost Grouping:*** *Program budgets can include both direct expenses (staff, materials tied strictly to the program) and indirect/overhead costs (rent, utilities).*
- **Focus on Goals, Results and Outcomes:** *Focus is on objectives and the outcomes with allocations made by a program's alignment to city council objectives and priorities. results-driven approach- shifts the focus from expenses to results, not just tracking expenditures, rather focusing on answering the question is spending achieving intended objectives thus enabling identification of underperforming programs and then to reallocate resources to more successful ones.*
- **Enhanced Transparency and Accountability:** *Provides clear links between funding and outcomes, making it easier for stakeholders to understand where resources are going and how they are being used therefore, building trust and accountability.*

<u>Key Features and Advantages – *cont.*</u>

- **Better Decision-Making:** *organizing expenses around programs, program budgeting enables the Council to make more informed decisions about resource allocation - data-driven insights allow organizations to prioritize high-impact initiatives, eliminate redundant programs, and optimize spending.*
- **Strategic Alignment:** *ensures operations and financial investments directly align with the city's core mission.*
- Measurable Outcomes: *Prioritizes measurable outcomes and performance metrics.*
- **Encourages Efficiency and Innovation:** *underperforming programs can be improved upon or replaced with new initiatives that offer better results.*
- **Simplified Performance Monitoring:** *monitoring program performance is directly linked to pre-defined goals, performance indicators, and expected outcomes.*

Implementation Steps

- **Identify current programs and activities:** *compile an inventory of current programs-*
  - Programs provide a discrete service leading to identifiable results or benefits- however they are not locations, facilities, departments, divisions, etcetera.
  - Consider:
    - Are services advertised on the webpage, brochures, telephone directory, or other published materials?
    - Are the services mandated- is there a legislative mandate from another government, a section of code, or an official policy requiring a specific service?
    - Are services to a particular group or demographic provided that are meant to serve a specific constituency or population?

- **Define organizational goals:** *identifying the city's goals and objectives*.
  - Break down the goals into specific programs or initiatives that align with the objectives.

- **Define** clear and measurable outcomes for each program

Implementation Steps, *cont*.

- **Develop Costs for Each Program**
  Assess required resources, salaries, benefits, operating and capital to implement and sustain the program.
  - Link each or position with the program. An individual might support multiple programs throughout the year, so positions should be allocated across more than one program when necessary.
  - Operating expenditures can be a relatively minor component of total program costs. Therefore, complex cost allocation methods for shared and/or indirect costs are not recommended. Comon allocation methods include percent of employees, percent of payroll and percent of budget. The allocation method should bear a relation to the actual resources consumed by the program, as well as being transparent and generally regarded as fair.
  - Capital expenditures can be material and should be directly allocated to a program. Like salaries and benefits, capital should be allocated across programs when necessary.
  - After determining program costs, an optional step is to link program revenues to program expenditures- this can be beneficial when evaluating fee structures and special revenue activity funds.

Implementation Steps, *cont.*

- **Set Performance Metrics**
  Define key performance indicators (KPIs) for each program to measure success. These metrics will help monitor progress and outcomes.

- **Allocate Resources**
  Allocate funds to each program based on its priority, expected impact, and alignment with organizational goals.

- **Monitor and Evaluate Programs**
  Continuously monitor program performance using the defined KPIs. Conduct regular evaluations to identify areas for improvement and reallocate resources as needed.

Challenges

- **Time-Consuming**: Developing a program budget requires detailed planning and evaluation.
- **Complexity**: Defining clear goals, estimating costs, and measuring outcomes can be complex.
- **Resource Dependency**: Success depends on accurate data and efficient tracking systems.
- **Corporate Socialization**: Staff, and the organization can be reluctant to change.
- **Reporting and Accounting Structure challenges**; program costs need to be captured using the city's chart of accounts. But changing the chart of accounts can be difficult, costly, given ERP constraints. Similarly, timing of making changes to the chart of accounts needs to be coordinated until the program inventory is more fully established.
- Not all departments have reportable programs.
- If implement, need to establish program criteria- make sure the juice is worth the squeeze.
- Difficulty to adjust full-time personal cost between programs when one is eliminated.

Conclusion

- Program budgeting ensures that expenditures are in line with the objectives of the organization and are measurable and gives municipalities the ability to meet goals efficiently and effectively by putting an emphasis on results, promoting transparency, and improving resource allocation.
- Municipalities that use program budgeting are more flexible and nimbler, therefore more adaptive to meet changing demand expectations while managing limited revenue streams. When financial information is presented clearly, it facilitates critical decision making thereby allowing for the ability to achieve change and lasting progress in dynamic and changing environments.
- GFOA Recommended Budget Practices
  - 6.3: *Identify functions, programs, and/or activities of organizational units that are consistent with policies and plans.*
  - 6.4: *Develop performance measurements for functions, programs, and/or activities*
  - 6.4a: *Develop performance benchmarks and develop approaches to achieve goals and develop programs and services that are consistent with policies and plans.*

Recommendation

- Recommend City Council evaluate Program/Performance Budgeting applications and opportunities.
  - Many positive benefits outlined above, including; transparency, resource allocation, result focus, etcetera.
  - Need tools to navigate upcoming financial challenges, including; revenue constraints, growing expense and service demands, refunding reserve fund balances.
  - Need to build budget/fiscal foundation to ensure financial sustainability.
  - Timeline is very tight- without competing demands/initiatives
  - If favorable budget strategy, recommend an incremental/multi-year approach starting with pre-existing and identifiable programs.

Project / Implementation Timeline

City of Bowie

Program Budget Estimated Implementation Timeline

Task / Milestone	Hours	Responsibility	Sept	Oct	Nov	Dec	Jan	Feb	March	April	May	June	July	Aug
Identify Current Programs and Activities	35 Hrs	Mgt Team	xxxxx											
CC concurrence	2 Mtgs	CC		xxxxx	xxxxx									
Evaluate Reporting and Accounting Challenges	35 Hrs	Finance	xxxxx											
Define Organizational Goals (constrained by CC meeting schedule)	35 Hrs	Mgt & CC	xxxxx	xxxxx	xxxxx									
`														
Define Measurable Outcomes	70 Hrs	Mgt Team		xxxxx										
CC concurence	2 Mtgs	CC			xxxxx									
Cost Development														
Estimate Personal Expenditues (Salaries and Benefits)	105 Hrs	By Department				xxxxx	xxxxx							
Cost Allocation across programs		By Department					xxxxx							
Finance Department review		Finance					xx	xx						
Estimate Operational Expenditures		By Department				xxxxx	xxxxx							
Cost Allocation across programs		By Department					xxxxx							
Finance Department review		Finance					xx	xx						
Cost Allocation Methodology		Finance				xx								
Estimate Capital Expenditures		By Department				xxxxx	xxxxx							
Cost Allocation across programs		Finance					xxxxx							
Finance Department review		Finance					xx	xx						
Evaluate net cost of service (Revenue - Expense)	35 Hrs	Finance						xx						
Establish Performance Metrics	70 Hrs	Mgt Team						xx	xx					
CC concurence	2 Mtgs	CC							xx	xx				
Allocate Resources (This is the budget approval process)	4 Mtgs									xx	xxxxx	xx		
Update Munis Chart of Accounts/Budget Software	70 Hrs											xx	xxxxx	xx
Monitor and Evaluate Programs	ongoing												>>>>>	