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CITY OF BLOOMINGTON
CITY COUNCIL COMMITTEE OF THE WHOLE
MEETING AGENDA
109 E. OLIVE – COUNCIL CHAMBER
MONDAY, AUGUST 18, 2014, 5:30 P.M.
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1. **Call to Order**

2. **Roll Call of Attendance**

3. **Public Comment** *(15 minutes)*

4. **Committee of the Whole Minutes from May 19, 2014 and July 21, 2014. (Recommend that the reading of the minutes of the Committee of the Whole Proceedings of May 19, 2014 and July 21, 2014 be dispensed with and the minutes approved as printed.)** *(5 minutes)*

5. **Items to be Presented:**

    A. **Priority-Driven (Based) Budgeting** *(90 minutes)*

6. **Adjourn**

Item 4.

Committee of the Whole Minutes
from May 19, 2014 and July 21, 2014
(5 minutes)

COMMITTEE OF THE WHOLE
City Hall Council Chambers
May 19, 2014

Council present: Aldermen Judy Stearns, Mboka Mwilambwe, Karen Schmidt, Joni Painter, Ron Fazzini, Kevin Lower, Scott Black and David Sage, and Mayor Tari Renner.

Alderman absent: Alderman Jim Fruin.

Staff present: David Hales, City Manager, Jeff Jurgens, Interim Corporation Counsel, Jim Karch, Director of Public Works, Derrick Hengstebeck, Interim Facility Manager and Renee Gooderham, Chief Deputy City Clerk.

Staff absent: Tracey Covert, City Clerk.

Mayor Renner called the Committee of the Whole meeting to order at 5:30 p.m.

PUBLIC COMMENT

Mayor Renner opened the Public Comment section of the meeting. He added that there would not be a response from the Committee under the Public Comment portion of the meeting.

Rick Heiser, 810 W. Jefferson St., addressed the Council. He had attended the West Jefferson St. (dead end) meetings. A variety of City staff had attended same. The City was well represented. He believed the meetings were productive. General consensus was to open the street. He believed this was an at risk neighborhood. He hoped the City would continue the level of oversight and participation as it had in the past.

Bruce Meeks, 1402 Wright St., addressed the Council. He would use direct quotes from the Council: accountability, oversight, getting it right and being held responsible for actions. He did not agree with the recommended public comment changes. He believed set rules were not being followed or enforced. Council was not following its rules. No one holds the Council responsible. Sanctions had not been imposed. He referred to the Bloomington Township comment card. The Council did not have a plan for openness and transparency. He questioned citizen input for same. He acknowledged the Mayor's Open House. He believed Council and residents should be involved. Boards and Commissions had been forgotten. He cited public comment only once a month. Those agendas violated City Code. Public comment was listed at the top of the agendas instead at the end.

Motion by Alderman Schmidt, seconded by Alderman Black to approve the Committee of the Whole Minutes from January 21 and March 17, 2014.

Motion carried, (viva voce).

DISCUSSION PUBLIC COMMENT ORDINANCE

Mayor Renner introduced this topic.

Jeff Jurgens, Interim Corporation Counsel, addressed the Council. He cited current City Code. The proposal stated public comment would appear on every Council meeting and on Special meeting agendas where there was an action item. This did not include the special meeting prior to Council going into Executive Session. Currently the maximum number of speakers was five (5). This would be removed. The time limit would remain at fifteen (15) minutes, with a maximum of three (3) minutes per speaker. He noted there were no changes for Boards and Commissions. The number of speakers and eligibility would remain the same. Those procedures could be revised. He reminded Council that they establish rules for public comment.

Alderman Black suggested using a lottery shuffle. He preferred allowing individuals who do not normally address Council an opportunity to speak first. Any emails received should be entered into the record. Staff would determine same. Council could also add or amend same. He acknowledged that SPAM could be part of the emails received.

Alderman Fazzini recommended in the event more than five (5) people desire to speak those who had not previously spoken in the last two (2) months would be given priority. The alternative would be to use the eligibility wording from the Boards and Commissions section. He preferred the latter. He recommended adding to 5c ….or seek his or her time in its entirety.

Alderman Stearns questioned legalities. She believed Municipal Code and the State Constitution were liberal. Mr. Jurgens noted that the public comment requirement was from the Open Meetings Act (OMA) 2011 amendment. He read from same. An informal opinion had been issued stating public comment must be taken at all committee meetings. He contacted the Public Access Counselor (PAC). The answer received was there had to be rules in place. He had spoken with the State's Attorney Office; they believed requirements had been met. He noted cities have interpreted, as a best practice, to accept public comment at all meetings. He believed the City's rules were liberal. Citizens were not required to provide advance notice to speak. Legal requirements have been met.

Alderman Stearns requested comparisons. She believed potential speakers should be treated equally. Value should not be given to one person over another. She questioned who determines threating or disorderly behavior. She recommended a twenty (20) minute time limit increase.

Mr. Jurgens believed Council had not restricted speaker content. Speaker order should be random. The Chair typically calls an individual out of order. Should disorderly or threating behavior continue then the Chair would inform the speaker that the limit time had been reached.

Alderman Mwilambwe did not support Alderman Fazzini's recommendation regarding a waiting period. Speaker preference should be a first come, first go basis. He questioned speaking about items on the agenda. Mr. Jurgens believed that most speakers reference agenda items. He reminded them that they could set a rule.

Mayor Renner noted that McLean County Board's rules state an individual must file their request the previous Thursday for a Tuesday meeting. Items addressed must be on the agenda. He noted that the Mayoral Open House was another venue to engage citizen comment. He would relay comments made to the Council.

Alderman Sage stated his support. He questioned prohibiting people from speaking. Mr. Jurgens noted that it was rare to have more than five (5) people. He acknowledged that one (1) person was not able to speak at the Council is April 28, 2014 meeting due to the time limit. The minimum limit, by case law, was three (3) minutes. Council could always suspend the rules.

Alderman Black believed there were many ways for citizens to address Council. He believed Council accommodated additional speakers. He questioned if future Council would do the same. He requested adding suspending the rules to allow additional speakers to the text amendment.

Alderman Lower echoed Alderman Black's comment. The text admendment was for current and future Councils.

Mayor Renner summarized that Council would err on the side of openness. The consensus was to continue use of comment cards and not prohibit previous speakers. Speaker order would be random with the possibility of suspending the rules to allow more speakers.

David Hales, City Manager, addressed the Council. Sue McLaughlin, Interim Assist. City Manager, was familiar with other city/jurisdictions public comment. She mentioned their difficulty in avoiding comment redundancies. He believed that many cities continue to evolve the process. He noted staff's intention to bring the revised text amendment to a future Council meeting.

WEST JEFFERSON ST. DEAD END

David Hales, City Manager, introduced this item. He acknowledged Alderman Black and Schmidt's subject familiarity. Police and Fire had raised concerns. Two (2) public meetings had been held. He questioned if enough community outreach had been achieved. He requested Council direction.

Alderman Schmidt stated her appreciation for the meetings. She had observed the dichotomy between the two ends of the street. She noted that feelings were strong. There were residents who believed that the City had made a decision. The neighborhood did not see a problem. She stated that some residents had left the meeting believing they had not been heard. She was not sure of the solution. There was mixed support.

Alderman Black acknowledged this was not a typical street dead end. He was aware that large City equipment had problems turning around. At the first meeting there was not overwhelming support to open the street. There was a consensus to look at the possibility of same. The second meeting had less attendance. He had been receiving telephone calls, feedback was positive. A survey could assist to reach more residents. Residents would be informed of a third (3rd) and

final public meeting to be held should they be unable to complete the survey. He noted that residents who received electronic water bills did not receive inserts from the paper water bill.

Alderman Schmidt believed conducting a survey was good. She suggested mapping survey responses.

Alderman Black was informed by residents that when there were crime issues on either side suspects run to the other side. This made it difficult for patrol officers to reach same in a timely manner. Other residents had stated that two (2) patrol vehicles usually responded.

Mayor Renner questioned if the residents who were against removal of the barricades were on the east side of same. Alderman Schmidt responded affirmatively.

Alderman Sage noted the subject was ward specific. He questioned the decision to close the street and enforcement after same. Brendan Heffner, Police Chief, addressed the Council. In the mid 1990's there were drive by shootings. The shootings were directed at a specific home. He noted that the closure tactically affected the police department. It was eight (8) blocks for patrol vehicles to reach the other side. The Fire Department had challenges turning equipment around.

Alderman Stearns questioned the difference between cul de sacs and dead end streets. Jim Karch, Director of Public Works, addressed the Council. Cul de sacs were designed to accommodate large equipment.

Mr. Hales stated that staff would conduct a survey.

FY 2015 BUDGET AND $1 MILLION APPROPRIATION FOR STREET RESURFACING

Mayor Renner introduced this item. $4 million was budgeted for resurfacing in Fiscal Year (FY) 2014. Council authorized bonding $10 million for street resurfacing. A local Motor Fuel Tax (MFT) had been approved. The tax would begin August 1, 2014. It was anticipated to generate $1 million for resurfacing.

David Hales, City Manager, addressed the Council. Staff had discussed two (2) options for the local MFT: A) add streets to the existing street resurfacing contract or B) select multiple, small street sections throughout the City. Staff preferred the latter.

Jim Karch, Director of Public Works, addressed the Council. He noted that option A would require a change order. Ten to fifteen (10 – 15), street had been identified. These were smaller residential streets which could be resurfaced. Option B would revive the street and alley maintenance contract. In the past Staff utilized same for issues that surfaced. The contract enabled staff to react to complaints and concerns. Thirty to fifty foot (30' – 50') smaller street sections were identified. He noted that the inspection staff was stretched to capacity. Consultants would be required to assist with same.

Mayor Renner questioned visible improvements with Option B. Mr. Karch responded affirmatively.

Alderman Lower questioned how many projects could be completed without consultants compared with those completed in house using the new equipment. Mr. Karch stated assignments had been given to staff. There was a substantial amount of work to complete. These additional areas were beyond staff resources.

Alderman Sage believed the Public Works' Permanent Patching Program was a significant accomplishment. He cited concern for underlying infrastructure problems. He believed there was an employee who suggested modifications to the permanent patching equipment. The modifications resulted in higher output levels. Mr. Karch responded affirmatively. Scott Brown, Streets and Sewers Division, Truck Driver, took ownership of the grinding operation. Mr. Brown reviewed different types of grinding equipment. He found different tools to take off the grinding teeth. The tool made grinding streets efficient. Mr. Karch noted that there was concern with underlying infrastructure issues, especially when sewers were not rated. Not all the sewers had been rated or televised. Staff would make efforts to scope sewers prior to resurfacing. Alderman Sage stated his support for Option B.

Alderman Schmidt believed past practice was to use emergency funds to repair failing infrastructure. She questioned Option B and how much local MFT dollars would be used to towards emergency repairs. Mr. Karch stated staff had identified ten to fifteen (10 – 15) streets that had some sewer work completed. There were a few dig locations required which were part of the utility maintenance contract. The goal was to have complete street rehabilitation.

Alderman Schmidt left the dias at 6:26 p.m.

Alderman Fazzini stated that the Administrative and Finance Committee was aware staff would require additional assistance. There was more work than staff. He believed Council's role was not to decide what staff does, but how finances were arranged.

Alderman Schmidt returned at 6:30 p.m.

Alderman Painter questioned Option B tying up major arteries for a longer time. Mr. Karch responded affirmatively. Staff had identified smaller volume streets for repair.

Alderman Mwilambwe questioned future local MFT funds. Mr. Hales stated the $1 million was based on predications and experience from other cities. This was a conservative predication. Alderman Mwilambwe questioned work timeline. Mr. Karch stated Option B required bid letting. Construction should begin in two to three (2- 3) months.

Alderman Stearns questioned CRF Restorative Seal. Mr. Karch responded there were a couple pavement preservation types. Option B would not use the CRF Restorative Seal. Pavements were in poor condition. The goal was to stretch the life of same. Reclamite Preservation Seal was a pavement preservation used on new streets. CRF was a treatment used in the last few years on older pavements. Alderman Stearns stated her appreciation for the neighborhood door hangers. She questioned if potholes were repaired prior to the CRF Restorative Seal application. Mr. Karch responded affirmatively. CRF Restorative Seal was not as successful as past. Staff would continue to research new ways to extend pavement life.

Mayor Renner believed there was consensus for staff to proceed with Option B, Street and Alley Maintenance bid letting.

DISCUSSION CITY FACILITY NEEDS

David Hales, City Manager, introduced this item. He provided an update on two (2) projects at the US Cellular Coliseum. Smoke exhaust system repairs, for materials and labor, could cost $120,000. General exhaust system repairs could cost $111,000. Council had given approval for these emergency repairs. He anticipated a budget amendment reflecting costs of same.

He noted there were two (2) new emergency facility projects. The Police Department's chiller was at the end of its lifecycle. Faithful & Gould Inc., had identified same reaching near the lifecycle end. The chiller was above the Telecommunications Center. He directed staff to begin replacement planning. The second project was the Police Department's parking garage fire sprinkler system. Faithful & Gould's facility report did not identify same. They did not scope inside the pipes.

Derrick Hengstebeck, Interim Facility Manager, addressed the Council. The chiller estimated cost was $100,000 - $125,000. The fire sprinkler estimate was $100,000. He explained that the parking garage sprinkler was a dry system, it did not use water. A compressor kept air at a certain pressure range preventing water from seeping through. The compressor stopped working. The system filled with water. The pipes were cut open. Large amounts of rust were discovered. The belief was rust was holding the pipe together. The compressor was replaced. There was a possibility that during a fire rust could clog the sprinkler heads. The pipes required replacement.

Mr. Hales had given staff authorization to develop plans and specification, and research reasonable prices. The chiller replacement could be eligible for state grant funds. Staff was researching same. He reminded Council that both projects were not budgeted. Repairs needed to proceed quickly.

Alderman Lower questioned chiller operation efficiencies and type of equipment. Mr. Hengstebeck stated that a Trane unit was being reviewed. It was a high efficiency model. There was a cooperative joint purchasing agreement.

Alderman Lower questioned fire sprinkler testing. Mr. Hengstebeck responded yearly. Alderman Lower questioned age. Mr. Hengstebeck responded twenty (20) years.

Alderman Black noted that emergency repairs required fast action. He preferred longer term solutions not a patch. He acknowledged this type of repairs cost more.

Mr. Hales noted that the City had been like others, minimally funding facility maintenance. Regular maintenance and inspections had not been conducted due to funding. The Faithful and Gould report estimated the total deferred maintenance at $33 million. Life safety and currently critical (priority 1 & 2) had an estimated cost of $8.4 million. He anticipated future emergency repairs. A facilities maintenance program would be recommended in the future.

Mr. Hales provided an update on the Pepsi Ice Center parking garage repairs. The estimate was $1.2 – $1.6 million according to Walker Restoration Consulting. He believed there was enough information to allow Walker Restoration Consulting to proceed with preparation of plans and specifications. Mr. Greg Meeder, Holland & Knight, outside legal counsel, believed there was value with detailed plans and specifications. It allowed Mr. Meeder to discuss repairs with the defendants. Repairs should begin during the warm months, avoiding winter. The City would pay up front. Mediation was many months away. Mr. Meeder believed the City could receive a settlement.

Alderman Lower questioned the life expectancy and repairs limiting same. Mr. Hales responded Walker Restoration Consulting could provide a presentation on same.

Alderman Sage favored moving forward. He noted litigation and repairs would run parallel. He believed waiting could cost more.

Mayor Renner questioned Council if there were concerns with staff moving forward on the Pepsi Ice Center parking garage repairs. No one indicated same.

FY 2015 CITY MANAGER ACTION PLAN

David Hales, City Manager, addressed the Council. He removed revitalizing our City organization from the Action Plan. The Storm Water Master Plan was moved to Sanitary Sewer Master Plan. The Water and Streets Master Plan would be multi years. The goal was to complete fifty percent (50%) in FY15. He believed funding the five (5) year Master Plans be based on current fees. Plans would identify unfunded projects. It would provide the community with information. He believed this was realistic and establishes priorities. This was a starting point.

Alderman Black requested translating the in process column to a percentage.

Motion by Alderman Fazzini, seconded by Alderman Lower to adjourn. Time: 6:56 p.m.

Motion carried, (viva voce).

Respectfully submitted,

Renee Gooderham
Chief Deputy Clerk

COMMITTEE OF THE WHOLE
City Hall Council Chambers
July 21, 2014

Council present: Aldermen Judy Stearns, Mboka Mwilambwe, Joni Painter, Jim Fruin, Ron Fazzini, Kevin Lower, Scott Black and David Sage, and Mayor Tari Renner.

Council absent: Alderman Karen Schmidt.

Staff present: David Hales, City Manager and Tracey Covert, City Clerk.

Mayor Renner called the Committee of the Whole meeting to order at 5:30 p.m.

PUBLIC COMMENT

Mayor Renner opened the Public Comment section of the meeting. He added that there would not be a response from the Committee under the Public Comment portion of the meeting.

Gene Cunningham, 1409 Butcher Ln., addressed the Council. He was a long time resident of the City. He presented a photograph of the Skate N Place located at 1704 S. Morris Ave. He requested that the City give consideration to purchasing the property. In turn, he would rehab the facility. He pledged $30,000 in improvements. Skate N Place had been in business for forty-one (41) years. He planned to purchase new equipment. Skate N Place was a place for children. Birthday parties could be hosted there at reasonable prices. Two (2) buildings had been involuntarily foreclosed. He had sold another business and the buyer failed to pay. He had filed Chapter 11 Bankruptcy. This was changed to Chapter 7 and his assets had been sold. He restated his request that the City consider purchasing this property.

Gary Lambert, 3018 E. Oakland Ave., addressed the Council. He addressed the flamingo exhibit. He had attended the budget meetings. The Mayor cited a contract. An alderman had stated that there was a memorandum of understanding. He had reviewed the packet for this evening's meeting. He addressed the private sewers item. He questioned the fee increase and stated that the documents contained fuzzy math. The homeowners' obligation should end at the lot line. The City needed to own up to its obligations.

Bruce Meeks, 1402 Wright St., addressed the Council. He had filed a transparency ordinance with the City on August 13, 2012. He had received no feedback to date from either the City's elected officials and/or staff. He questioned who controlled the meeting agendas. He wanted what was best for the many. There had been Council discussions regarding this issue dating back to 2008. He had provided the City with input by reaching out to other organizations. The draft Website Transparency Policy should be reviewed line by line. It should be based upon other cities practices. The policy should give the citizens and City staff direction. The City's information/data was owned by the citizens. It was not enough for the City to write a little policy.

DOWNTOWN HOTEL MARKET DEMAND AND FEASIBILITY STUDY

Mayor Renner introduced this topic.

Frank Koehler, Interim PACE Director, addressed the Council. The City had engaged HVS Consulting & Valuation Services regarding this project. Hans Detlefsen, HVS Managing Director, was present to address the Council.

Mayor Renner noted past Council discussion. He added that the hotel would be private. It would be an economic development tool to revitalize the Downtown.

Hans Detlefsen, HVS Managing Director, addressed the Council. He welcomed their questions. He would highlight the study's conclusions. An established subject property would have sixty-nine percent (69%) occupancy at year three (3) with a nightly rate of $145. The revenue/expense forecast showed net income of $2.6 million per year. The market value of the property was $29.4 million. The property value compared to the construction cost of $47.3 million. The value included the land, 300 parking spaces, hotel and a 20,000 sq. ft. conference center. The feasibility gap was $18 million.

Potential next steps included a Development Work Flow. This would involve a series of steps: Concept Definition; Land Strategy; Finance Strategy; Scenario Analysis; Communication Strategy; Developer Selection; and Asset Management. Concept definition would include communication, level of hotel and parameters. Land strategy was acquisition which needed to be defined early on. Finance strategy needed to be defined. The City needed to know the product, cost, and how to realistically finance same. This would allow apples to apples comparison. Key question: what did the City want built, i.e. subsidy request lowest possible. Developer selection would be accomplished through a Request for Proposal. This would be a public process. The right match for the City was key. The cost of capital would be a key scoring item.

Mayor Renner questioned the impact of the Rt. 66 Visitors Center upon the calculations contained in the Feasibility Study: Proposed Downtown Hotel Conference Center. Mr. Detlefsen would need to learn more about the Center. If the Center would be a demand generator then the projections would be revised.

Alderman Sage questioned how to determine the potential impact of the Center. He noted the $17 – $18 million shortfall. The City was not in the hotel management business. Mr. Detlefsen noted that the City would have no financial interest in the project.

Alderman Sage cited page 12 of the report, Figure 1 – 7. Ten Year Forecast of Income and Expense. He cited the last phase of the Development Work Flow - Asset Management.

Mr. Detlefsen cited the next steps if the City invested in the project would address a privately held hotel with a publicly financed conference center. Another entity should be retained to review the budget.

Alderman Sage noted that HVS had been involved in the front end and could be engaged in the back end of this project. Mr. Detlefsen informed the Council that some work had been performed pro bono. He had advised the City. He had offered his best advice regarding next steps. HVS would offer its services to the City.

Alderman Painter cited her understanding that the City would help to fund the conference center. She questioned profits. Mr. Detlefsen noted that access to profits would be linked to ownership. The City could decide to fund portions of the feasibility gap. He cited the Town of Normal's role in the Marriott.

Alderman Painter questioned any gain. Mr. Detlefsen stated the project would not be built.

Mayor Renner cited other options such as a TIF (Tax Increment Financing) District. Tax rebates were another option, i.e. hotel/motel.

Alderman Black cited his expectations that there would be options, i.e. pros/cons. He also cited the impact of the Rt. 66 Visitors Center. He expressed his appreciation to Mr. Detlefsen for the pro bono work. He had no appetite for the $18 million funding gap.

Mayor Renner restated that this figure did not have to come from the City's treasury.

Alderman Black questioned next steps.

Mayor Renner stated that this needed to be done if the City planned to enter the private market. He cited interest for information regarding the Downtown and the impact of the Rt. 66 Visitor's Center. An RFP could be the next step.

Alderman Black requested a time line. Mayor Renner noted that this would be difficult. He had been contacted by speculators. He questioned at what point the City would sent something out.

Alderman Black noted the possibility that the Council would reject any/all RFP. He was unclear as to the process. The Council needed to shape the RFP. There needed to be good feedback from the citizens. The Council needed to provide staff with direction.

Alderman Stearns had a number of questions. She expressed her appreciation to Mr. Detlefsen for the pro bono work. She believed that the consulting fee for the next step would be $45,000. She questioned the need for an RFP. The motive was simple: profit. There was nothing happening regarding a Downtown hotel. She questioned what would be built with the City's involvement. The City's involvement lowered risk.

Mr. Detlefsen stated that an RFP would be developed and issued. It was to the City's advantage to define the concept, land strategy and finance strategy.

Alderman Stearns noted in the RFP the developer would state what was wanted. There were a number of variables that would impact same. This was a defining moment for the Council.

There had been no public involvement. The Council would place another tax burden on the citizens.

Mayor Renner noted that there had been private sector interest.

Alderman Mwilambwe questioned the occupancy projections, (see page 84, Figure 7-6 Forecast of Subject Property's Occupancy). He cited State Farm. There were other hotels. He questioned if the numbers had been revised and if the project was the right size.

Mr. Detlefsen noted that this would be part of the Concept Definition. It would be the Council's decision regarding how to address the feasibility gap. The Council could limit the burden on the taxpayers. The Council needed to define the project it wanted.

Alderman Fazzini had no interest in a $17 million funding gap. He was interested in economic development. He supported the RFP process. The developer needed to control the land and present the plan. He would not support a cash gap. He also would not support providing any upfront cash. Any funding gap would have to be addressed going forward, i.e. sales tax incentive. He cited the Shoppes at College Hills as an example. He believed that the projections of $168 per night were too optimistic. Occupancy rates went up and down.

Alderman Lower expressed his appreciation to Alderman Fazzini for his comments. Hotels were a cyclical competitive market. He expressed his interest in minimizing the risk to the citizens' money. He failed to see the need for this project. There was no clear goal and/or benefit. He needed evidence to create a new business. There was no evidence of demand and/or a need for a Downtown hotel. There was no interest from the private sector. He did not see the demand. He questioned the parameters of the City's participation. The right fit was not clear. He cited State Farm's influence. State Farm was downsizing. There was a geographic transition. He cited long term costs, i.e. remodeling. The facts were lacking. This concept had been around since 1965. The City did not have to have a Downtown hotel. He encouraged the Council to think big picture. He knew of a developer with a plan for Ward 1. The economy was not right. The City would be competition with the private sector.

Mayor Renner believed that the City had changed since the 1960's. The City's core was recovering. He noted that the Town of Normal had heavily subsidized Uptown's Phase 1.

Alderman Fazzini left the meeting at 6:26 p.m.

ILLINOIS MUNICIPAL RETIREMENT FUND (IMRF) BENEFITS FOR ELECTED OFFICIALS

Mayor Renner introduced this item.

Emily Bell, Human Resources Director, addressed the Council. The Council passed a Resolution on May 11, 1998 which allowed the Council to participate in IMRF at 1,000 hours of work. An IMRF audit raised a concern regarding elected officials meeting this threshold. IMRF provided information regarding what could be included in this calculation. This included documentation

regarding office hours, number of meetings held annually, preparation for meetings, conferences and other corroboration of time required to perform the duties of the office. The City should be prepared to produce documentation verifying hours required to meet/exceed the 1,000 standard. The Council can choose to eliminate IMRF eligibility.

Alderman Fruin questioned how varied and the number of responses. Ms. Bell stated that six (6) elected officials responded. Alderman Fazzini's documentation included hours and every activity.

Mayor Renner noted the hours could be reported monthly and totaled per year. Ms. Bell cited the IMRF's guidelines. Generally, elected officials did not qualify. The cities of Champaign, Peoria and Springfield allowed elected officials to participate. The Town of Normal and McLean County did not.

Alderman Fruin expressed support for a Resolution to remove eligibility.

Mayor Renner expressed his opinion that one could be developed this week.

Alderman Painter expressed her belief that the Council was qualified. She had signed up to serve the City and was not interested in IMRF.

Mayor Renner cited his experience on the McLean County Board.

Aldermen Black and Mwilambwe expressed their support for Alderman Fruin's comments.

Alderman Mwilambwe noted that there were cities that paid their elected official more.

Alderman Sage expressed his agreement with the comments made by Aldermen Fruin, Black, Mwilambwe and Painter regarding IMRF participation. He did not sign up as an alderman for an IMRF pension.

Alderman Lower expressed his agreement with the comments made by Aldermen Sage and Painter. He questioned if the City would benefit from elected officials' participation in the IMRF. He cited the additional investment in same.

Ms. Bell noted that employees paid 4.5% of earnings while the City's contribution was 14.88%.

Alderman Lower readdressed benefit to IMRF funding. Ms. Bell responded negatively. She added that based upon the discussion a Resolution to eliminate elected officials participation in IMRF would be prepared.

PRIVATE SEWERS

Mayor Renner introduced this item.

Jim Karch, Public Works Director, addressed the Council. He cited Private Sewers and Carriage Walks. His comments would be at a high level. These were real issues. He cited two (2) Master Plans: Sewers and Sidewalks. The key issue regarding sewers was the line.

Mayor Renner left the meeting at 6:40 p.m.

Mr. Karch addressed two (2) schools of thought: at the public right of way and to the main. The second was common in Central Illinois. This meant that the T and lateral were the homeowner's responsibility. He noted ramifications as sewer laterals were often constructed with clay pipes. Cave ins were seen regularly. The City was responsible for public mains. The question was sewer laterals. He encouraged Council feedback on this issue. He added that citizen feedback could be obtained via the City's web site.

Mayor Renner returned to the meeting at 6:45 p.m.

The current City practice was to address sewer issues that impact a street, alley and/or sidewalk. He cited the question of balance. Homeowners insurance does not cover sewers. There were utility companies that offered insurance coverage for same. There were options. The cost was unknown. The City Code needed to be clarified. There was no consistent best practice.

Alderman Lower cited his personal experience with same. This issue impacted water and sewer mains. He noted the cost to taxpayers for water and sewer laterals. The City might have some liability. He addressed the issue of balance as someone could end up in foreclosure.

Mr. Karch cited past situations where CDBG, (Community Development Block Grant), funds were used.

Alderman Black thanked Mr. Karch for the presentation. His preliminary thoughts were if it is in the public right of way then the City should fix it. He expressed his concerns regarding the quality of work. The City could create a fund on a voluntary basis. City staff could research fees or budget cuts. This issue should be placed on the City's web site and Facebook.

Alderman Stearns agreed that CDBG funds have been used in the past. She expressed her disappointment that the City would charge citizens for the part of the sewer lateral that was located in the right of way. She cited the burden on the property owner and the impact upon property values in the City's older neighborhoods. Sewer laterals needed to be maintained but she questioned the property owner's financial ability to do so.

CARRIAGE WALKS LOCATED ON THE CITY RIGHT OF WAY

Mayor Renner introduced this topic. Alderman Black and Jim Karch, Public Works Director, had toured Ward 7. He noted the range of City sidewalks and private carriage walks.

Jim Karch, Public Works Director, addressed the Council. He cited the draft Sidewalk Master Plan. Carriage walks were private sidewalks which have been viewed as historic and/or cultural.

Municipalities had different approaches to same. The draft Sidewalk Master Plan had been placed on the City's web site. Feedback had been received.

Each carriage walk was unique, (i.e. design, condition, etc.). They served a variety of uses. City staff recommended a modified encroachment license. Property owners would be notified. There would be an option to obtain or decline same. The City would remove the carriage walk from those properties where the owners declined the license. The City would repair and/or replace the carriage walk from those properties where the owner obtained the license. At that point, the property owner would assume all upkeep, liability, and future repair/replacement. The license would be tied to the title. Upon the sale of the property, the new owner would inherit the responsibilities. Homes with an S – 4, Historic Preservation District would be exempt. A carriage walk was a private walkway on public land. This proposal reduced the City's liability.

City staff was addressing the question of balance versus costs. He addressed notification of the property owner. City staff preferred that carriage walks be removed. He addressed the condition of same and who should bear the burden to repair/replace same. Carriage walks would be treated like driveway approaches. City staff proposed that properties with an S – 4 overlay be exempt but did not address repairs/replacement and payment for same.

City staff's goal this evening was to introduce this issue. He restated that this information was on the City's web site. He hoped that there would be additional discussion.

Alderman Fruin compared repair/replacement of carriage walks to mailboxes. Carriage walks could become a costly item. He recommended that there be a cost limit.

Mayor Renner recommended 50/50 which would be similar to City sidewalks. This would be a policy decision which would be made by the Council.

Alderman Black thanked Mr. Karch for walking the neighborhood. He had not received any responses.

Mr. Karch noted two (2) notifications and two (2) letters. City staff had visited the home. He expressed his concern regarding the condition.

Alderman Black stated that criteria was needed. Mr. Karch informed the Council that no rational was needed. Carriage walks were used for a variety of reasons.

Alderman Black noted that some of them had been removed. Mr. Karch acknowledged that they would be replaced at a future date. The City did not have the funds this year's budget. Carriage walks would be readdressed but City staff needed Council's direction.

Alderman Black addressed the encroachment license. He questioned if there would be conditions for same. Mr. Karch noted that the Council needed to decide the City's exposure tolerance.

Alderman Stearns expressed her opinion that carriage walks were a historical element. It was a critical element tied to the home's architecture. The exemption should be expanded beyond the S – 4 overlay. A number of them were in bad condition as were the City's sidewalks. It appeared that the City would either force citizens to repair same or face City removal. The City was unable to repair all of the City streets and sidewalks due to financial issues. The City recognized the risk and tolerated same. Citizens should be allowed to keep their carriage walks. The City needed a program to assist property owners with their carriage walks. She cited the City's interest in tourism. The City failed to value, appreciate and preserve its carriage walks. The City needed to leave carriage walks alone. Affordability was an issue impacting same.

Mayor Renner believed that City staff had direction.

Mr. Karch recognized City staff's efforts on the draft Sidewalk Master Plan. The Council needed to review the various Master Plans and consider funding same.

ILLINOIS HIGH SPEED RAIL: CHICAGO TO ST. LOUIS. IMPACTS TO BLOOMINGTON: PLANNED CHANGES TO MILLER ST & SIX POINTS RD.

Mayor Renner introduced this topic.

Jim Karch, Public Works Director, addressed the Council. He had received an updated email from IDOT, (Illinois Department of Transportation). There were proposed changes to Miller St. and Six Points Rd. Construction at these rail crossings would occur in a later construction phase. He had no additional information at this time.

Alderman Sage questioned this change. He believed that these were high traffic crossings.

Mr. Karch described the email as brief. Funding was cited. He was attempting to find out which other communities had been impacted, if there were other options and when future funding might be available. He wanted the Council to be aware of this preliminary notice.

Alderman Sage believed that these were high traffic crossings.

Alderman Lower questioned if there would be any savings, (i.e. City participation).

Mr. Karch stated that the City did not have funds budgeted for this project. He cited Washington St. and cost to repair the street pavement. He would convey the Council's feedback to IDOT.

Alderman Fruin suggested that City staff meet with the City's state legislators. City staff needed to follow up with this current issue. The City needed to send a letter now.

RAILROAD MURALS ON THE MARKET ST. BRIDGE

Mayor Renner introduced this item.

Alderman Black stated that this item was part of the high speed rail project. This mural had value to the neighborhood and should be retained. There needed to be Council buy in and quick movement. Photographs should be taken and the mural should be recreated after the new bridge is completed. In addition, a new mural should be painted on the other side. No taxpayer dollars would be used. Private funding would be raised.

Alderman Stearns thanked Alderman Black for his efforts. She supported same and volunteered to assist.

Alderman Painter thanked Alderman Black for his efforts. She believed that this was a good idea.

Alderman Fruin echoed Alderman Painter's comments. He believed that Aldermen Black and Schmidt spearheaded this effort. He believed that Sue McLaughlin, Interim Deputy City Manager, had experience with railroad murals.

Sue McLaughlin, Interim Deputy City Manager, addressed the Council. The City of Lincoln had a similar issue. Half of the mural needed to be repaired. Lincoln approached Union Pacific and the contractor. Funds were given to Lincoln toward the mural's repair. The City was willing to work with the community.

Alderman Mwilambwe questioned fund solicitation.

Alderman Black informed the Council that he had already received offers. He did not believe that it would be expensive to do the mural correctly.

DRAFT WEBSITE TRANSPARENCY POLICY

Mayor Renner introduced this topic. He noted efforts regarding same.   He cited the City's web site rating (88.7) by the IL Policy Institute, (IPI). This policy set a minimum standard. City staff had used the IPI's guidelines to draft same. September 1, 2014 was cited as the effective date. City staff had reviewed the IPI's checklist/policy in order to address critical elements.

He cited the Mayoral Open Houses. The City had a culture of service. He cited his willingness to meet with and respond to the citizens.

Jeff Jurgens, Corporation Counsel, addressed the Council. The policy was modeled after the IPI's ten (10) point checklist. Other communities have adopted transparency statements as a policy. He restated that this policy represented a minimum. The City's web site had a transparency portal. This portal made locating information easy. The portal would be improved to clarify where the information was located on the City's web site. Contracts were an item which still required City staff attention. There were various tasks to be addressed. With time these tasks would become routine. He expressed his hope that this policy would reduce the number of FOIA requests received by the City.

Alderman Lower requested that the policy be changed to an ordinance.

Mr. Jurgens informed the Council that generally policies were adopted as resolutions. Other communities in the state had adopted transparency policies as resolutions.

Mayor Renner questioned if there was an ability to sue. Mr. Jurgens responded negatively.

Alderman Fruin questioned if the City could deny a FOIA if the information was on the City's web site.

Mr. Jurgens stated that City staff can inform the requestor that the information is on the City's web site. The information must be provided if requested. He cited a bill recently passed by the state legislature which was vetoed by Governor Quinn.

Alderman Fruin expressed his opinion that the Governor's actions defeated the City's efforts. He questioned what information on the City's web site was based upon FOIA requests.

Alderman Stearns questioned ordinance versus a resolution. Mr. Jurgens noted that future Council's had the ability to amend both.

Alderman Stearns stated her preference for an ordinance. City staff had cited the IPI whom she viewed as the expert and good model. Transparency extended to public discussion. She cited the City's past practice of providing emails via FOIA requests. FOIA requests for emails were being labeled burdensome. Other FOIA requests have been denied.

Mayor Renner addressed communication style. There needed to be confidentiality regarding certain subject matters.

Alderman Stearns cited the public's right to know. She did not understand the change to the City's past practice.

Mr. Jurgens agreed that there were emails that addressed public business. Information contained within an email may be exempt from disclosure. The content of an email may be exempt from FOIA.

Alderman Stearns cited predecisional emails where individuals may be formulating ideas about a future action. She had an opinion from the IPI that emails were FOIAable. The public had the right to know.

Alderman Mwilambwe questioned the responsible party.

Mr. Jurgens cited City staff, (i.e. Corporation Counsel Office, Information Services Department, City Clerk's Office and Finance Department). City staff needed to develop a process for contracts. The draft policy listed September 1, 2014 as a start date. City staff would adopt a date forward approach as a priority. City staff would do their best. The key was to be flexible.

Alderman Black questioned if there would be a fine associated with this policy. Transparency was not a neighborhood issue. Transparency was important but not urgent. He expressed his

interest in consequences. In his opinion, all emails sent to the Council should be made public. There were other more important issues.

Mr. Jurgens noted that Council provided policy direction. City staff enforced same.

Mayor Renner requested Mr. Jurgens to change the Transparency Policy from a resolution to an ordinance format.

UPDATE FREEDOM OF INFORMATION ACT (FOIA) PROCEDURES

Mayor Renner introduced this topic.

Jeff Jurgens, Corporation Counsel, addressed the Council. The City's process had been updated. City departments would be more involved. Department staff would be involved in redaction. There would less involvement by the Corporation Counsel Office. City staff had been well trained. There would be internal audit controls.

The Corporation Counsel Office would develop an informal appeal for denials. This process could be utilized prior to an individual filing an appeal with the PAC (Public Access Counselor). This was a future item. This would provide the Corporation Counsel Office the opportunity to review. It would be another review process. An individual would request reconsideration. He restated that the Corporation Counsel Office would be less involved in FOIA.

Alderman Stearns questioned other recourse. Mr. Jurgens cited Circuit Court.

Alderman Stearns cited risk of a lawsuit. Mr. Jurgens cited the legal review might result in the release of the documents. If a suit is filed in the courts then the City might have to pay the attorney's fees (if the court ruled against).

CITY MANAGER'S COMMENTS: Mike Kimmerling, Interim City Manager, addressed the Council. He informed them that Marvin Arnold, Police Officer, was retiring after thirty (30) years. A retirement reception would be held on Wednesday, July 23, 2014 from 2:00 – 4:00 p.m. in the Police Department's Osborn Room.

Sue McLaughlin, Interim Deputy City Manager, introduced Tom Dabareiner, Community Development Director. It was Mr. Dabareiner's first day with the City. He would take the oath at the Council's July 28, 2014 Council meeting.

Tom Dabareiner, Community Development Director, addressed the Council. He had been trained as a planner. The City provided challenges and opportunities.

Mayor Renner welcomed Mr. Dabareiner to the community.

The meeting adjourned. Time: 7:52 p.m.

Respectfully submitted,

Tracey Covert
City Clerk

CITY OF Bloomington ILLINOIS

FOR COUNCIL: August 18, 2014

SUBJECT: Priority-Driven Budgeting

<u>**RECOMMENDATION:**</u> Discussion only.

<u>**DISCUSSION OBJECTIVES:**</u> Discussion objectives are:

1) For Council to gain a high-level understanding of priority-driven budgeting, and

2) For Council to provide direction to staff on possible next steps, including seeking a detailed scope of work from Mr. Sieracki.

<u>**BACKGROUND:**</u> Priority-driven budgeting is a strategic alternative to incremental budgeting that states resources should be allocated by how effectively a program or service achieves the goals and objectives that are of most importance to a community. Earlier this year, Bernie Sieracki of the Stuart School of Business at the Illinois Institute of Technology (IIT) approached the City about potentially assisting with the process of priority-driven budgeting.

Mr. Sieracki is joined in his presentation to Council by Rick Hoppe, Lincoln, Nebraska's Chief of Staff for the Mayor. Lincoln successfully implemented priority-driven budgeting when faced with a structural imbalance in the budget in 2007.

While Mr. Sieracki and IIT's guidance through the priority-driven budgeting process would come at low or no cost, it should be noted that this budget process may be time consuming for Council and staff.

<u>**COMMUNITY GROUPS/INTERESTED PERSONS CONTACTED:**</u> Not applicable.

<u>**FINANCIAL IMPACT:**</u> Not applicable.

Respectfully submitted for Council consideration.

Prepared by: Nora Dukowitz, Communication Manager

Recommended by:

David A. Hales
City Manager

Attachments: Attachment 1. Anatomy of a Priority-Driven Budget Process
                  Attachment 2. Building Public Confidence in Lincoln, Nebraska

Anatomy of a

Priority-
Driven
Budget Process

Credits

GFOA's Research and Consulting Center

The Research and Consulting Center (RCC) is the management analysis and consulting arm of the Government Finance Officers Association. Since beginning operations in 1977, the RCC has provided management and technology advisory services to hundreds of local, county, and state governments; public utilities; elementary and secondary education systems; and transit authorities.The RCC is nationally recognized for its comprehensive analytical and advisory services, as well as for specialized research on state and local government finance.

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Anatomy of a
Priority-Driven
Budget Process

Contents

Anatomy of a Priority-Driven Budget Process

Introduction

The traditional approach to governmental budgeting is incremental: The current year's budget becomes the basis for the next year's spending plan, and the majority of the organization's analytical and political attention focuses on how to modify this year's spending plan based on revenues anticipated in the next year.[1] An incremental approach is workable, if suboptimal, in periods of reasonably stable expenditure and revenue growth because the current level of expenditures can be funded with relatively little controversy. However, the incremental approach to budgeting is not up to the financial challenges posed by the new normal of relatively flat or declining revenues, upward cost pressures from health care, pensions, and service demands, and persistent structural imbalances.[2]

Priority-driven budgeting[3] is a common sense, strategic alternative to incremental budgeting. Priority budgeting is both a philosophy of how to budget scarce resources and a structured, although flexible, step-by-step process for doing so. The philosophy of priority-driven budgeting is that resources should be allocated according to how effectively a program or service achieves the goals and objectives that are of greatest value to the community. In a priority-driven approach, a government identifies its most important strategic priorities, and then, through a collaborative, evidence-based process, ranks programs or services according to how well they align with the priorities. The government then allocates funding in accordance with the ranking.

The purpose of this paper is to describe factors that have led governments to adopt priority budgeting and to identify the essential concepts and steps in such a process, including the adaptations individual governments have made to customize priority-driven budgeting to local conditions. The paper is based on the experiences of the governments below, which were selected for variety in organization size, type of government, and approach to budgeting.[4] This paper builds on prior publications about priority-driven budgeting by taking a step back from specific approaches to budgeting and describing the major steps in the process and then outlining options for putting those steps into operation. It is GFOA's hope that this paper will give those who are new to priority-driven budgeting a solid base from which to get started, and to provide veterans of priority-driven budgeting with ideas for further adapting and sustaining priority-driven budgeting in their organizations.

Our Research Participants

City of Savannah, Georgia	(pop. 131,000)
City of Walnut Creek, California	(pop. 64,000)
Mesa County, Colorado	(pop. 146,093)
City of San Jose, California	(pop. 1,023,000)
Polk County, Florida	(pop. 580,000)
City of Lakeland, Florida	(pop. 94,000)
Snohomish County, Washington	(pop. 683,655)

Leading the Way to Priority-Driven Budgeting

Priority budgeting represents a fundamental change in the way resources are allocated. The governing body and the chief executive must understand and support the process and communicate that support throughout the organization. In addition, these officials must be willing to carry out their decision-making responsibilities in a way that is consistent with a priority-driven process. The change an organization desires to bring about by virtue of implementing priority-driven budgeting won't happen overnight, so those leading the move to priority budgeting must make it clear that this type of budgeting is not a one-time event – it is the "new normal." To see the change through for the long-term, leaders must have a passion for the philosophy underlying priority-driven budgeting, but at the same

time, they must not be overly committed to any particular budgeting technique or process. They must remain adaptable and able to respond to the circumstances while remaining true to the philosophy. If the organization doesn't have this type of leadership, it might be better to delay priority-driven budgeting or look to another budgeting reform that has greater support. The "Philosophy of Priority-Driven Budgeting" sidebar describes the philosophy of priority-driven budgeting and its central principles. Use these principles to test the support among critical stakeholders and to build a common understanding of the tenets the budget process will be designed around.

Of course, not everyone in the organization can be expected to immediately accept priority-driven budgeting with the same enthusiasm. The leadership must articulate why a priority-driven budget

The Philosophy of Priority-Driven Budgeting

The underlying philosophy of priority-driven budgeting is about how a government entity should invest resources to meet its stated objectives. It helps us to better articulate why the services we offer exist, what price we pay for them, and, consequently, what value they offer citizens. The principles associated with this philosophy of budgeting are:

- **Prioritize Services**. Priority-driven budgeting evaluates the relative importance of individual programs and services rather than entire departments. It is distinguished by prioritizing the services a government provides, one versus another.
- **Do the Important Things Well**. Cut Back on the Rest. In a time of revenue decline, a traditional budget process often attempts to continue funding all the same programs it funded last year, albeit at a reduced level (e.g. across-the-board budget cuts). Priority-driven budgeting identifies the services that offer the highest value and continues to provide funding for them, while reducing service levels, divesting, or potentially eliminating lower value services.
- **Question Past Patterns of Spending**. An incremental budget process doesn't seriously question the spending decisions made in years past. Priority-driven budgeting puts all the money on the table to encourage more creative conversations about services.
- **Spend Within the Organization's Means**. Priority-driven budgeting starts with the revenue available to the government, rather than last year's expenditures, as the basis for decision making.
- **Know the True Cost of Doing Business**. Focusing on the full costs of programs ensures that funding decisions are based on the true cost of providing a service.
- **Provide Transparency of Community Priorities**. When budget decisions are based on a well-defined set of community priorities, the government's aims are not left open to interpretation.
- **Provide Transparency of Service Impact**. In traditional budgets, it is often not entirely clear how funded services make a real difference in the lives of citizens. Under priority-driven budgeting, the focus is on the results the service produces for achieving community priorities.
- **Demand Accountability for Results**. Traditional budgets focus on accountability for staying within spending limits. Beyond this, priority-driven budgeting demands accountability for results that were the basis for a service's budget allocation.

is something worth actively supporting and voting for, rather than just a "least-worst" outcome in a time of revenue scarcity.[5] The leadership must also create a sense of urgency behind priority-driven budgeting by showing the financial forecasts, analysis, and other information that supports the need for a new approach to budgeting. Ensuring that a priority-driven budgeting process is successfully adopted requires organization-wide acceptance and a shared understanding of the entity's financial condition. For example, the City of Savannah, Georgia, shared trends in major revenue sources, reserves, and long-term forecasts to show that the city's revenues were entering a period of protracted decline. Of course, the case need not hinge on financial decline. A case can also be made based improving the value the public receives from the tax dollars government spends.

Two groups in particular that must be recruited to support priority-driven budgeting – elected officials and senior staff. Elected officials need to show consensus and support for priority-driven budgeting to make it through the challenges in the budget process that will inevitably occur. Ideally, at least one or two elected officials will be attracted to the philosophy so they can champion the idea with other officials. Elected officials may be particularly drawn to the fact that priority-driven budgeting allows them to set the organization's key priorities and see how services align or don't align with their priorities. This puts elected officials in an influential policy-making role – perhaps more powerful than under a traditional budgeting system. Elected officials who have experienced priority-driven budgeting consistent-

Do You Have a Strategic Plan?

If you already have a strategic plan that identifies community priorities, you may be able to use it as launching pad for priority-driven budgeting. Elected officials will likely be interested in a budget system that promises to decisively connect resource use to their priorities. In fact, some officials might be frustrated with an incremental budget system that doesn't effectively align resources with evolving strategic priorities. This dissatisfaction with the status quo provides a natural segue to priority-driven budgeting.

ly say one of the main reasons they endorse it is because it allows them to achieve what inspired them to run for office in the first place – identifying the results and implementing the policies that are most important to their community.

Senior staff must support the process as well because priority-driven budgeting requires a significant time commitment from staff. If the board and CEO are behind priority-driven budgeting, it will go a long way toward getting senior staff engaged. Staff members who have experienced priority-driven budgeting say they support it because it gives them a greater degree of influence over their own destinies. Staff no longer passively awaits judgment from the budget office; instead, they create their own solutions because priority-driven budgeting invites them to articulate their relevance to the community.

To raise awareness about the move to priority-driven budgeting and to build support for it among all stakeholders, the governments that shared their experiences for this paper emphasize the importance of a communications and risk mitigation strategy. The strategy identifies major stakeholders, their potential concerns, and messages and actions that can assuage those concerns. For example, employees might want to know if their job tenure will be affected, and citizens might want to know the implications for service offerings. The need for transparency in the process cannot be emphasized enough – many organizations create a specific Web page to provide employees and citizens with regular and timely updates on the process as it unfolds. Involving key stakeholders – such as the Chamber of Commerce, labor union leaders, editorial staff from the media, and leaders of community groups and neighborhood groups – at appropriate stages in the process often provides the best form of "informal" communication to the rest of the public. In communities such as Boulder, Colorado, and Fairfield, California, a town hall format was used as a communication device. The first group was asked to invite others to subsequent meetings, and not only did they invite friends and family, but they brought them to the event.

Perhaps the primary risk to successful priority-driven budgeting that officials and other stakeholders might reject of the process because they see it as insufficiently legitimate – the process is thought to be flawed in some way that makes it a poor basis for allocating resources. Mitigate this risk by conferring "democratic" and substantive legitimacy onto priority-driven budgeting.[6] Democratic legitimacy means that the process is consistent with the will of the public. Engage the elected officials, the public, and employees in the process to achieve democratic legitimacy. When a budget process is seen to have democratic legitimacy, it gives elected officials permission to resist narrow bands of self-interest that seek to overturn resource allocation decisions that are based on the greater good.

Substantive legitimacy means that priority-driven budgeting is perceived to be based on sound technical principles. Use Government Finance Officers Association (GFOA) training and publications to demonstrate that this kind of budgeting is consistent with best practices, but, most of all, devote time to intensely study priority-driven budgeting. Some of the research participants for this article studied it for two years before moving forward. While two years of study will not be necessary for every government, becoming fluent in priority-driven budgeting allows the leadership to speak convincingly on the topic and lead an honest discussion about the feasibility of priority-driven budgeting for the organization. If the organization decides to move forward, the leadership's expertise will allow it to design a credible process, define the roles of staff in priority-driven budgeting, lead others through it, and adapt to the pitfalls and curveballs that will be encountered.

The next section describes the major steps in a priority-driven budgeting process and provides options for answering the six questions – listed below – for customizing priority-driven budgeting to your organization.

Be Adaptable

Snohomish County, Washington, met with some resistance from the County Court. To move the process forward, the county designed a separate but parallel version of priority-driven budgeting for the courts. With time and the delivery of a consistent, transparent message, it effectively became the "new normal" in making resource allocation decisions.

Designing a process that is fair, accessible, transparent, and adaptable is a challenge. However, it is also an opportunity to customize a priority-driven budgeting process that fits your organization best. This research has identified six key customization questions you should answer as you design a process:

1. **What is the scope of priority-driven budgeting?** What are the fundamental objectives of your process? What funds and revenues are included? What is the desired role of non-profit and private-sector organizations in providing public services?
2. **How and where will elected officials, the public, and staff be engaged in the process?** Engagement is essential for democratic legitimacy. Giving stakeholders a clear understanding of their role in the process gives them greater confidence in the process and eases the transition.
3. **What is the decision-unit to be evaluated for alignment with the organization's strategic priorities?** Functional units, work groups, programs? Something else?
4. **How will support services be handled?** The research participants agreed that budgeting for support services like payroll and accounting was one of the foremost challenges of designing a process. Support services need to be perceived as full participants in priority-driven budgeting, but at the same time, accommodations must be made for the fact that they potentially exist to achieve different results than those services that have a direct impact on the public.
5. **How will decision-units be scored, and who will score them?** The scoring mechanism and process is key implementing priority-driven budgeting successfully.
6. **What is the role of priority-driven budgeting in the final budget decision?** What method will be used to allocate resources to services? Will the methodology lead to "formula-driven" allocations or allow for flexibility and discretion in formulated recommendations?

Steps in Priority-Driven Budgeting

There are eight major steps in a priority-driven budget process. Exhibit 1 provides a map for how the eight steps fit together, and the steps are more fully described in the following pages.[7] As the exhibit shows, the eight steps are not completely linear. Steps 1 and 2 can begin at the same time, and Step 8 comes into play at many different points of the process.

1. Identify Available Resources

Before embarking on priority-driven resource allocation, the organization must undergo a fundamental shift in its approach to budgeting. This shift, while subtle, requires that instead of first having the organization identify the amount of resources "needed" for the next fiscal year, it should first clearly identify the amount of resources that are "available" to fund operations as well as one-time initiatives and capital expenditures.

As their first step in budget development, many organizations expend a great deal of effort in completing the analysis of estimated expenditures to identify how much each organizational unit will need to spend for operations and capital

Exhibit 1: Process Map for Priority-Driven Budgeting

1. Identify Available Resources

2. Identify Your Priorities

3. Define Your Priority Results More Precisely

4. Prepare Decision Units for Evaluation

5. Score Decision Units Against Priority Results

6. Compare Scores Between Offers and Programs

7. Allocate Resources

8. Create Service Efficiencies and Innovation

8. Create Accountability for Results
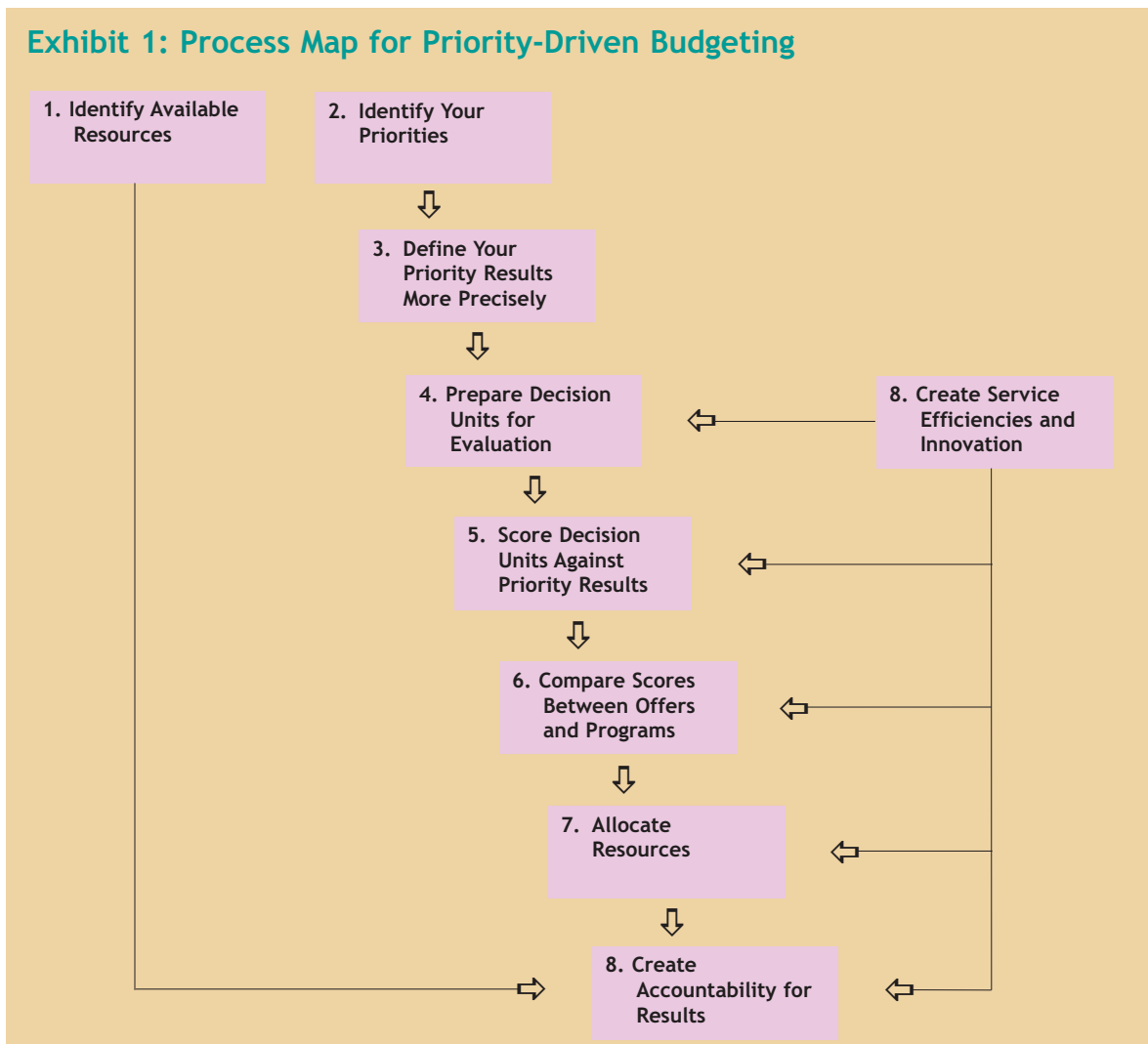
in the upcoming fiscal year. Once that "need" is determined, then the organization looks to the finance department or budget office to figure out how these needs are to be funded. An integral part of the priority-driven budgeting philosophy is to spend within your means, so the first step in developing a budget should be focusing on gaining a clear understanding of the factors that drive revenues and doing the requisite analysis to develop a reasonably accurate and reliable revenue forecast in order to understand how much is available to spend for the upcoming fiscal year.

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The Price of Government

The "price of government" is a concept originated by David Osborne and Peter Hutchinson.[8] Government takes economic resources from the community to provide services and, hence, the total revenue that government receives is really the "price of government," from the perspective of the citizen. This can be a useful concept in the first step of priority-driven budgeting because it asks decision-makers to think about the total tax and fee burden they are willing to place on the community to fund services – thus, putting revenues before expenditures.

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Resources must also be clearly differentiated in terms of ongoing revenues versus one-time sources. The organization must be able to identify any mismatch between ongoing revenues and ongoing expenditures (operations) as well as between one-time sources and one-time uses (one-time initiatives, capital needs, fund balance reserves). This analysis will ensure that the entity can pinpoint the source of its structural imbalance and address it in developing its budget. This will also ensure that a government does not unknowingly use fund balance (a one-time source) to support ongoing expenditures.

Once the amount of available resources is identified, the forecasts should be used to educate and inform all stakeholders about what is truly available to spend for the next fiscal year. The organization must understand and believe that this is truly all there is as it begins developing the budget. Sharing the assumptions behind the revenue projections creates a level of transparency that

dispels the belief that there are "secret funds" that will fix the problem and establishes the level of trust necessary to be successful.

In the first year, an organization might choose to focus attention on only those areas that do not have true structural balance. For most organizations, this will often include the general fund, but the jurisdiction might decide to include other funds in the process. Both Polk County, Florida, and the City of Savannah took steps to limit the scope of implementation. For example, Polk County concentrated on the general fund, and Savannah excluded capital projects from the process.

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Step 1 Intended Result: Adopt a "spend within your means" approach – meaning there is a common understanding of the amount of resources available and that there is a clearly established limit on how much can be budgeted for the upcoming fiscal year.

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2. Identify Your Priorities

Priority-driven budgeting is built around a set of organizational strategic priorities. These priorities are similar to a well-designed mission statement in that they capture the fundamental purposes for which the organization exists and are broad enough to have staying power from year to year. A critical departure from a mission statement is that the priorities should be expressed in terms of the results or outcomes that are of value to the public. These results should be specific enough to be meaningful and measurable, but not so specific as to say how the result or outcome will be achieved or become outmoded after a short time. Below are the five priority results determined by Mesa County, Colorado. Notice how these results are expressed in the "voice of the citizen."

A strategic plan, vision, and/or mission statement can serve as the ideal starting point for identifying the priority results. If you have an existing strategic plan, it might be helpful to ground the priority results in these previous efforts to respect the investment stakeholders may have in them and to

I want Mesa County to have a variety of industries that will promote a healthy and sustainable economy.

Economic Vitality

I want plans and Infrastructure that maintain quality of life.

Create well planned and developed communities.

I want a community where citizens have opportunities to be self-sufficient.

Self Sufficient Individuals & Families

I want to feel safe anytime, anywhere in Mesa County.

Promote Public Safety.

I want a healthy Mesa County

Promote Public Health

I want Mesa County to have well managed resources.

Protect and Manage all Public Resources

give the priorities greater legitimacy. If you don't have an existing plan, developing one as a prelude to priority-driven budgeting can provide a stronger grounding for the priorities. It might also help increase the enthusiasm of elected officials and senior staff for priority-driven budgeting, as they seek a way to connect the new plan to decisions about annual resource allocations.

The governing board also needs to be closely involved in setting the priorities. The priorities are the foundation of priority-driven budgeting,

so that the governing board must fully support them. The role of an elected official is to set the results the organization is expected to achieve. Developing the priorities might also be a good place to involve citizens. Some communities have used traditional means of doing this, such as citizen surveys, focus groups, and town hall meetings to engage citizens in helping establish the expected results for their community. Others are being innovative. The City of Chesapeake, Virginia, recently asked citizens viewing a result-setting exercise on their public access channel to

Are Support Services a Priority?

Our research subjects offered two alternatives for prioritizing support services. Most commonly, entities created a "good governance" priority that addressees high-quality support services. This gives support services a clear place in priority-driven budgeting and allows the relevance of these services to be tested against the organization's priorities. Here is how the City of Walnut Creek, California, defined its governance goals.

- Enhance and facilitate accountability and innovation in all city business.
- Provide superior customer service that is responsive and demystifies city processes.
- Provide analysis and long-range thinking that supports responsible decision making.
- Proactively protect and maintain city resources.
- Ensure regulatory and policy compliance.

Alternatively, other participants envisioned moving to a system that would fully distribute the cost of support services to operating programs so support services would be affected according to how the operating services they support are prioritized.

participate online and share their thoughts on "what does the city exist to provide." Cities such as Walnut Creek, California, and Blue Ash, Ohio, set up kiosks in city facilities and asked citizens to participate in a brief survey that helped validate the city council's established results and to "weight" the relative importance of those results to the community.

> **Step 2 Intended Result:** A set of priorities expressed in terms of measurable results that are of value to citizens and widely agreed to be legitimate by elected officials, staff, and the public.

3. Define Your Priority Results More Precisely

The foundation of any prioritization effort is the results that define why an organization exists. Organizations must ask, "What is it that makes us relevant to the citizens?" Being relevant – providing those programs that achieve relevant results – is the key purpose and most profound outcome of a priority-driven budgeting process.

The challenge with results is that the terms can be broad, and precisely what they mean for each individual community can be unclear. For instance, take a result like "Providing a Safe Community," which is shared by most local governments. Organizations talk about public safety or providing a safe community as if it is an obvious and specific concept. But is it?

In the City of Walnut Creek, citizens and city leadership identified building standards for surviving earthquakes as an important influence on providing a safe community. In the City of Lakeland, Florida, however, not a single citizen or public official discussed earthquakes to define the very same result. In the City of Grand Island, Nebraska, the city highlighted community acceptance and cohesiveness as intrinsic to achieving a safe community (acknowledging their initiatives to help integrate a growing and important population of their community – immigrant farm workers). However community integration was not a relevant factor that would

contribute to the safety of the community in Walnut Creek. Hence, the specific definitions of the community's results is where the identity of your community and the objective meaning of what is relevant is revealed.

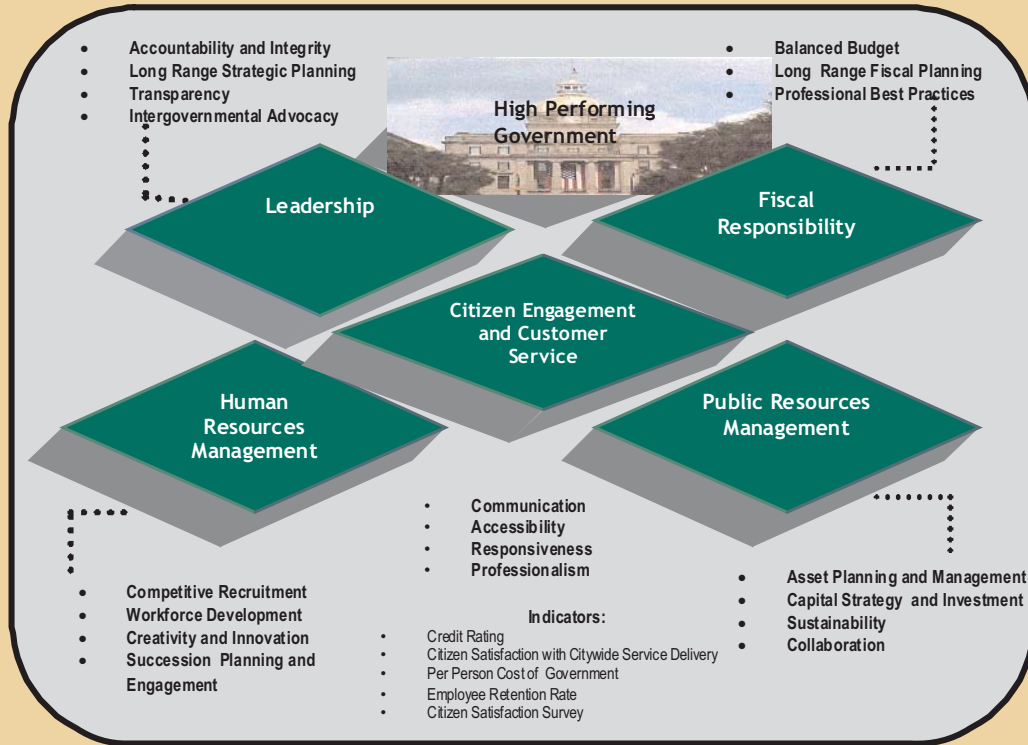> ### Staff Teams in Priority-Driven Budgeting
>
> Creating strategy maps is the first significant role for cross-functional staff teams in the process. Such teams have repeated and important uses, so their members need to be highly skilled and sufficiently supported. A number of our research subjects engaged consultants to train and/or directly assist the teams. Many organizations use that as an opportunity to involve the "up and coming" leaders in the process to ensure its long-term sustainability.

A powerful method for defining results was established in *Strategy Maps* by Kaplan and Norton.[11] Strategy mapping is a simple way to take a complex and potentially ambiguous objective – like achieving a safe community – and creating a picture, or map, of how that objective can be achieved. Sometimes referred to as cause-and-effect diagrams or result maps, strategy maps provide an effective way for an organization to achieve clarity about what it aims to accomplish with its results. Strategy maps should be developed using cross-functional teams. Teams consist primarily of staff (both with subject matter expertise relating to the priority result and without), but they can also include elected officials and citizens.

Exhibit 2 (on the following page) provides an example of a strategy map from the City of Savannah for "high-performing government" (Savannah's equivalent of the "good governance" result described in the earlier sidebar). Savannah's map includes performance indicators to help gauge if the priority result is being achieved.

Exhibit 3 (on the following page) is a picture of a slightly different style of strategy map from the City of San Jose, California, for its "Green, Sustainable City" priority result. The center of the map is the result, and the concepts around

- Accountability and Integrity
- Long Range Strategic Planning
- Transparency
- Intergovernmental Advocacy

- Balanced Budget
- Long Range Fiscal Planning
- Professional Best Practices

High Performing Government

Leadership

Fiscal Responsibility

Citizen Engagement and Customer Service

Human Resources Management

Public Resources Management

- Communication
- Accessibility
- Responsiveness
- Professionalism

- Competitive Recruitment
- Workforce Development
- Creativity and Innovation
- Succession Planning and Engagement

Indicators:
- Credit Rating
- Citizen Satisfaction with Citywide Service Delivery
- Per Person Cost of Government
- Employee Retention Rate
- Citizen Satisfaction Survey

- Asset Planning and Management
- Capital Strategy and Investment
- Sustainability
- Collaboration

the result are the definitions – they help the city clearly articulate its priorities: "When the City of San Jose _____ (fill in the blank with any of the result definitions), then we achieve a Green, Sustainable City."

Consider San Jose's result map relative to your own community. Would your community define the relevance of your organization by its ability to achieve a green, sustainable community? Would your community define a result like a green, sustainable community in a similar or different way?

One of the challenges local governments face is trying to address what can seem like a growing (and seemingly limitless) expectation for programs and services. One of the benefits of developing strategy maps is that local governments can give citizens a more precise description of

Exhibit 3: Green City Strategy Map from the City of San Jose
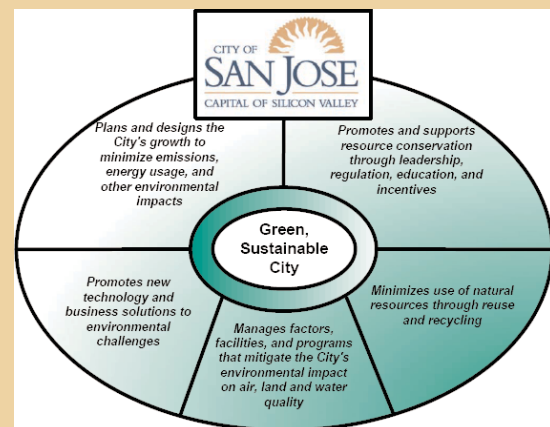
the results that make local government relevant. This will establish a shared foundation, a common context for evaluating and prioritizing the programs and services the jurisdiction offers. A service's relative priority can be evaluated only through a common belief about the results local government is striving to achieve.

The City of Walnut Creek knew that citizens and community stakeholders needed to be involved in defining the priority results. The rationale was that the city's priority results would be legitimate only if community members were responsible for establishing the results and their definitions. The city reached out to the community on the radio, in the newspaper, and through the city's newsletters and Web site to invite any citizen to participate in one of several town hall meetings. At the meeting, citizens were asked to submit answers to the question: "When the City of Walnut Creek _____, then they achieve [the result the citizen was focused on]." The response from citizens was tremendous and generated a host of answers. City government staff members (who participated in the meetings) were then responsible for summarizing the citizen's responses by developing strategy maps.

Lastly, when defining the priority results, consider whether some results might be more important than others. This could have an impact on how programs are valued and prioritized. Elected officials, staff, and/or citizens can participate in ranking exercises, where each participant is given a quantity of "votes" (or dollars, or points, etc.) and can allocate their votes among all the priority results to indicate the relative value of one result versus another. It is important to make clear to participants that this ranking process is not a budget allocation exercise (whereby the budget of a certain result is determined by the votes given to a result). Through such a ranking, participants can express that certain results (and therefore the programs that eventually influence these results) may have greater relevance to the community than others.

> **Step 3 Intended Result:** Reveal the identity of your community and the objective meaning of what is relevant to it through the process of defining priority results.

4. Prepare Decision Units for Evaluation

The crux of priority-driven budgeting is evaluating the services against the government's priority results. Thus, the decision unit to be evaluated must be broad enough to capture the tasks that go into producing a valued result for citizens, but not so large as to encompass too much or be too vague. Conversely, if the decision unit is too small, it may only capture certain tasks in the chain that lead to a result and might overwhelm the budget process with details. Our research subjects took one of two approaches to this issue: "offers" or "programs."

Offers. Offers are customized service packages prepared by departments (or perhaps designed by cross-functional staff teams or even private firms or non-profits) to achieve one or more priority results. Offers are submitted to evaluation teams (typically comprising a cross functional group of staff, but possibly citizens as well) for consideration against the organization's priority results. Often, the evaluation team will first issue a formal "request for results" that is based on the strategy map and defines for departments, or others who are preparing offers, precisely what the evaluation team is looking for in an offer.

Offers are purposely intended to be different from existing organizational subunits (like departments, divisions, programs) to make a direct connection between the decision-unit being evaluated and the priority results, to encourage outside-the-box thinking about what goes into an offer, and to make it easier for outside organizations to participate in the process. For example, multiple departments can cooperate to propose a new and innovative offer to achieve a result instead of relying on past ways of doing things. A private firm could submit an offer to compete with an offer made by government staff.

The drawback of offers is that they are a more radical departure from past practice and may be too great a conceptual leap for some. This could increase the risk to the process, but if the leadership's vision is for a big break from past practice, then the risk might be worth taking. For example, Mesa County's board is very interested in having private and non-profit organizations participate fully in its budget process at some point in the future, so the offer approach makes sense for Mesa County.

Programs. A program is a set of related activities intended to produce a desired result. Organizations that use the "program" method inventory the programs they offer and then compare those to the priority results. Programs are an established part of the public budgeting lexicon and some governments already use programs in their approach to financial management, so thinking in terms of programs is not much of a

conceptual leap, or perhaps not a leap at all. This means less work and process risk. However, even when the concept of programs is familiar, be sure the "programs" (or offers) are sized in a way that allows for meaningful decision making. Programs that are too big are often too vague in their purpose to be accountable for results, and it can be difficult to fairly judge the impact of a program that is too small. Generally speaking, if a program equates to 10 percent or more of total expenditures of the funds in which it is accounted for, then the program should probably be broken down into smaller pieces. If a program equates to either 1 percent or less of total expenditures or $100,000 or less, it is probably too small and should be combined with others.

Also, be aware that using programs might provide less opportunity for outside organizations to participate in the budgeting process because the starting point is, by definition, the existing portfolio of services. For that same reason, radical innovation in service design or delivery method is less likely.

> **Step 4 Intended Result:** Prepare discrete decision-units that produce a clear result. Think about evaluating these decision units against each other and not necessarily about evaluating departments gainst each other.

5. Score Decision Units Against Priority Results

Once the organization has identified its priority results and more precisely defined what those results mean, it must develop a process to objectively evaluate how the program or offer achieves or influences the priority results. Scoring can be approached in several ways.

The first variation to consider is if a program or offer will be scored against all the organization's priority results or just the one it is most closely associated with. The cities of Lakeland, Walnut Creek, and San Jose scored against all of the priority results. The belief was that a program that influenced multiple results must be a higher prior-

Program Inventory: A Quick Win

If the organization does not have a sense of the programs it provides, then simply developing a fully costed (direct plus indirect costs) program inventory should provide immediate benefits. A program inventory can be used to help decision-makers understand the full breadth of services provided and their costs, and might help the organization recognize immediate opportunities for efficiency. Appendix 1 provides additional information on how to build a program inventory.

ity – every tax dollar spent on a program that achieved multiple results was giving the taxpayer the "best bang for the buck." Alternatively, organizations like Mesa County, the City of Savannah, Polk County, and Snohomish County matched each program or offer with only one of the priority results and evaluated it against its degree of influence on that result. Under this scenario, guidelines should be established to help determine how to assign a program or offer to a priority area as well as provide some sort of accommodation for those programs or offers that demonstrate important effects across priority result areas. Both of these approaches have been used successfully, so the right choice depends on which approach resonates more with stakeholders.

In addition to scoring the offers or programs against the priority results, some organizations have included additional factors in the scoring process. Examples include mandates to provide the service, change in demand for the service, level of cost recovery for the service, and reliance on the local government to provide the service (as opposed to community groups or the private sector). The governments believed that a program should be evaluated more highly if there was a mandate from another level of government,

if there was an anticipated increase in demand for the program or that program received fees or grant dollars to significantly cover the costs to provide it. Finally, if the citizen had to rely solely on the government to provide the program or service and there was no other outside option available, then a program was believed to be of a slightly higher priority.

The next variation is how to actually assign scores to programs or offers. One approach is to have owners of the programs or offers (e.g., department staff) assign scores based on a self-assessment process. This approach engages the owners in the process and taps into their unique understanding of how the programs influence the priority results. Critical to this approach is a quality control process that allows the owner's peers in the organization (other departments) and/or external stakeholders (citizens, elected officials, labor unions, business leaders, etc.) to review the scoring. The peer review group challenges the owner to provide evidence to support the scores assigned. A second approach to scoring establishes evaluation teams that are responsible for scoring the programs or offers against their ability to influence the priority results. Owners submit their programs or offers for the

What about Capital Projects?

For most organizations, outlays for capital projects and one-time initiatives are a significant part of their budgeting process. A priority-driven budgeting process can be used to prioritize these major one-time expenditures in the same way it is used to evaluate ongoing programs and services. The starting point is a capital improvement plan (CIP) that includes all the potential capital projects from across the organization. Ideally, it should include not only major capital construction, capital improvement, or capital equipment purchases, but also significant one-time expenditures items such as major studies, comprehensive plan updates, and software upgrades that are planned for the next five years. In addition to the strategic results, other evaluation factors for capital projects might include:

- Is the project mandated by some other governmental agency?
- Is it a continuation of an existing project that has already been approved?
- Is it an integral component of the organizations Comprehensive Plan for future community growth?
- Is it being fully or partially funded by another agency or private interest?
- Is the project responding to an emergency situation or critical need of the organization?

When evaluated in this way, projects that are of a higher priority have assurance of funding in the next five-to-ten year period over those that are of a lower priority, especially when there are limited one-time resources available to fund them. This method also avoids funding a current-year project that is of a low priority instead of setting aside funds to ensure the successful completion of the higher-priority capital need in a future year.

teams to review, and the teams score the programs against the results. The priority-driven budgeting process becomes more like a formal purchasing process, where the departments are analogous to vendors and the evaluation teams are like buyers. Evaluation teams could be made up entirely of staff, with representation both from staff members who have specific expertise related to the result being evaluated and others who are outside of that particular discipline. An alternative team composition would include both staff and citizens, to gain the unique perspectives of both external and internal stakeholders. This second approach brings more perspectives into the initial scoring and encourages cross-functional teamwork via the evaluation teams.

Another consideration is the particular scoring method to be used. For example, will evaluators have to use a forced-ranking system where programs/offers are fit into a top-to-bottom ranking or will each program be scored on its own merits, with prioritization as a natural byproduct? Each system has its advantages, but the important thing is to make sure the scoring rules are clear to everyone and applied consistently.

The role of the elected governing board in this step is another point of potential variation in the scoring. In some organizations, the board is heavily integrated into the process and participates in the scoring and evaluation step. They have the opportunity to question the scores that have been assigned by the owner or the evaluation team, ask for the evidence that supports that score, and ultimately request that a score be changed based on the evidence presented and

their belief in the relative influence that program or offer has on the priority results it has been evaluated against. In other organizations, the process can be implemented as a staff-only tool that is used to develop a recommendation to the governing body. Snohomish County uses this approach, as its culture and board-staff relation supports it.

Regardless of which variations are selected, there are three important points to establish. The first is that to maintain the objectivity and transparency of the process, programs or offers must be evaluated against the priority results, as they were defined collectively by stakeholders (see step 3). Secondly, scores must be based on the demonstrated and measurable influence the programs or offers have on the results. Finally, the results of the scoring process will be provided as recommendations to the elected officials, who hold the final authority to make resource allocation decisions.

Step 5 Intended Result: Each decision unit (offer or program) should have a score that indicates its relevance to the stated priorities.

6. Compare Scores Between Offers or Programs

It is a "moment of truth" in priority-driven budgeting, when the scoring for the offers or programs is compiled, revealing the top-to-bottom comparison of prioritized offers or programs. Knowing this, an organization must be sure that it has done everything possible up to this moment to ensure that the final scores aren't a surprise and that the final comparison of the offers or programs in priority order is logical and intuitive.

The City of San Jose engineered a peer review process through which the scores the departments gave to their programs were evaluated, discussed, questioned, and sometimes recommended for change. The city established a review team for each of its priority results. The team first reviewed the strategy map to ensure that each member of the team was grounded in the

city's specific definition of the result. Next, the review teams were given a report that detailed every program scored for the particular result under review. The teams met to discuss:

- whether they understood the programs they were reviewing;
- whether they agreed with the score given by the department (the departments scored their own programs);
- whether they required further testimony or evidence from the department to help them better understand the score given; and
- whether the score should stand, or if the team would recommend an increase or decrease.

All programs were evaluated in this manner until a final recommendation was made on program scores.

The city invited the local business community, citizens representing their local neighborhood commissions, and labor leaders to review the

ask them to decide which programs should be cut or which ones should be preserved. They framed the discussion very simply: Evaluate how our programs help us achieve our results, and to what degree. The outcome of prioritization was therefore expected and self-evident, based on the common understanding of the programs and how the programs influence results.

Stakeholders could be concerned that their favored programs might lose support in the course of priority-driven budgeting. Even when a program director or a citizen who benefits from a particular program understands why that program ranked low, they are not going to be pleased about it. Invite stakeholders from all sides, from within the organization and even the community, to understand the process. Include stakeholders at various points in the process so they might influence the outcome. Constantly communicate progress, throughout the process. Program directors, stakeholders of a particular program, organizational leadership, and staff might not enjoy seeing their program prioritized

> **San Jose framed the discussion very simply: Evaluate how our programs help us achieve our results, and to what degree.**

scores. Walter Rossman, from San Jose's City Manager's Office, described their effort this way: "The participants found the effort informative as to what the city does; they found it engaging with respect to hearing staff in the organization discuss how their programs influence the city's results; and, most interesting, they found it fun."

San Jose's story is important because it demonstrated how stakeholders from various perspectives and political persuasions can all productively participate in the priority-driven budgeting process. San Jose didn't ask these stakeholders to come together and rank programs. They didn't

below other programs, but if they understand it, if they've had a chance to influence the process, and, most importantly, if they are aware of actions they might take to improve the priority ranking of their program, the process will have a great chance for success.

Lastly, consider if the scoring of the programs or offers will be used only to decide where to make budget reductions. Organizations such as the cities of Lakeland and Walnut Creek have used prioritization not only to balance their budgets, but also to understand how services that might appear less relevant to the city government might

be relevant to other community groups. These groups might take responsibility for supporting or preserving a service. There could be great potential in engaging other community institutions – businesses, schools, churches, non-profits – about partnership opportunities.

Peter Block has focused much attention on this issue in his book, *Community: The Structure of Belonging*.[12] Citing the way we sometimes unduly rely on government to meet the community's needs, he highlights citizens' experiences of taking accountability for the results they hope to see achieved. This occurs when cohesion is built between local government, businesses, schools, social service organizations, and churches. A complete and successful priority-driven budgeting process doesn't conclude when the budgets for low-priority services are reduced – rather, it brings together otherwise fragmented institutions in society to find ways of providing services that may still be relevant to the community, even if they are less important to the priority results a local government seeks to achieve.

> **Step 6 Intended Result:** The prioritized ranking of programs is a logical and well-understood product of a transparent process – no surprises.

7. Allocate Resources

Once the scoring is in place, resources can be allocated to the offers or programs. This can be done in a number of ways. One method is to first allocate revenues to each priority result area based on historical patterns or by using the priority's relative weights, if weights were assigned. Allocating resources to a priority result area can be controversial because, as we will see, this allocation determines the number of offers or programs that will be funded under that priority area (e.g., how many public safety programs will be funded). There are no easy answers to this issue. As such, the designer of the process should look for ways to mitigate controversies associated with how much funding is allocated to one result versus another and to prevent these allocations from becoming new types of organizational silos. For

instance, the designer should think about ways priority result areas can share information during the evaluation of programs or offers, and/or ways to jointly fund programs or offers.

Exhibit 4: Drawing the Line
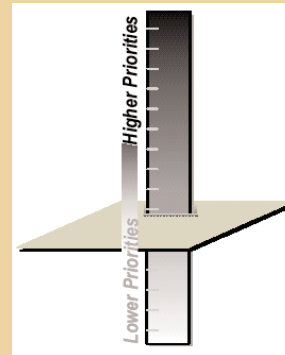
Then, the offers or programs can be ordered according to their prioritization within a given priority result area and the budget staff draw a line where the cost of the most highly prioritized offers or programs is equal to the amount of revenue available (see Exhibit 4). The offers or programs above the line are funded, and the ones that fall below the line are not. The board and staff will have discussions about the programs on either side of the line and about moving those offers or programs up or down, redesigning them to make more space above the line (e.g., lowering service levels), or even shifting resources among priority results. Variations on the approach are possible – for example, there could be multiple lines representing multiple levels of funding certainty. In the City of Redmond, Washington, programs above a top line were categorized as "definitely fund," while programs in between the top line and a bottom line were open to additional scrutiny.

Another method is to organize the offers or programs into tiers of priority (e.g., quartiles) and then allocate reductions by tier. For example, programs in the first tier might not be reduced, while programs in the lowest tier would see the largest

reductions. The programs could be forced to make assigned reductions, or each department could be given an aggregate total reduction target, based on the programs under its purview (with the implication being that the department will weight its reductions toward the lower-priority programs, although it would have more flexibility to decide the precise reduction approach than if the cuts were not done within the department). This tier approach generates discussion among board and staff about how much money is spent on higher versus lower tier services in aggregate, as well as on resource allocation strategies for individual departments and programs. Exhibit 5 presents an example of the value this analysis can provide. It shows the total amount of money one city had historically spent on its highest priority programs (e.g., the top tier) versus the others. This city was spending significantly less on the top tier than it was spending on the second tier, and less than it was spending on the third tier, as well. This raises interesting questions about spending patterns in the organization and builds a compelling case for change.

Organizations also need to consider the funding of support services. Many of our research participants elected to fund support services based on historical costs, making some reduction that was consistent with the reduction the rest of the organization was making. The magnitude of the

reduction applied to any particular support service was based on its priority relative to other support services. A couple of our participants envisioned moving to a system wherein the cost of support services would be fully distributed to operating programs so support services would be affected according to the prioritization of the operating services they support.

Another question is how to handle restricted monies (e.g., an enterprise fund). One option is to handle special purpose funds (where there are restrictions on how the money can be used) separately. For example, enterprise funds or court funds might be evaluated on a different track or budgeted in a different way altogether. Another option is to rank programs or offers without respect to funding source, but then allocate resources with respect to funding source. Knowing the relative priority of all the offers or programs might generate valuable discussion, even if there is no immediate impact on funding. For example, if a low-ranking offer or program is grant funded, is it still worth providing, especially if that grant expires in the foreseeable future? Ideally, participants will become less fixated on funding sources, realizing that the government has more flexibility than it might think. For example, if a low-priority service is funded by a special earmarked tax, is there a way to reduce or eliminate that service and its tax, and increase a

Exhibit 5: Spending by Priority Tier

Tier	Amount
1	$28,098,598
2	$54,486,269
3	$32,821,736
4	$26,560,418

$ (millions) $10 $20 $30 $40 $50 $60
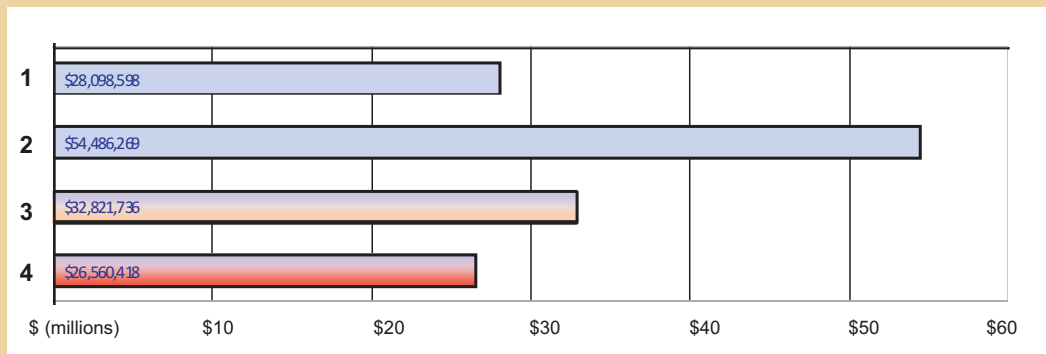
general tax by an analogous amount? As the government becomes more proficient at expressing the value it is creating for the community, it should be better able to articulate these potential trade-offs to the community.

Of course, no matter what method is selected to allocate resources, remember that priority-driven budgeting, like any budgeting process, is still a political process. As such, it will not and should not lead to "scientific" or "apolitical" allocation of resources – rather, it should change the tone of budget discussions, from a focus on how money was spent last year to a focus on how the most value can be created for the public using the money that is available this year.

> **Step 7 Intended Result:** Align resource allocation consistent with the results of priority-driven scoring.

8. Create Accountability for Results, Efficiency, and Innovation

The owners of the programs or offers being evaluated might over-promise or over-represent what they can do to accomplish the priority result. To address this potential moral hazard, create methods for making sure programs or offers deliver the results they were evaluated on. Many of our research participants anticipate using performance measures for this purpose. For example, a program or offer might have to propose a standard of evidence or a metric to be evaluated against, so the organization can see if the desired result is being provided. Exhibit 6 is Polk County's conceptual approach for connecting its priority result areas to key performance indicators. However, none of the research participants have reached what they would consider a completely satisfactory state in this area. For those just starting out, the lesson is to understand where evidence is needed in your process design, but also to be patient with respect to when this part of priority-driven budgeting will be fully realized.

Other issues to consider as part of the priority-driven budgeting design are the efficiency of programs or offers, and innovation in the design of programs or offers. Although priority-driven budgeting will identify which programs or offers are best for achieving priority results, it does not speak directly to the efficiency with which those programs or offers are delivered or to innovative approaches to program delivery (although it might indirectly encourage these things).

Exhibit 6: Polk County Concept for Key Performance Indicators

Basic Needs

Priority:
People in Polk County who are at risk because of their health or economic status will get their basic needs met, and are as self-sufficient as possible.
Indicators:

Poverty Level	*Improving*
Homeless Popluation	*Maintaining*
No Health Coverage	*Improving*
County versus State	*Improving*

As such, the designers of the process might need to consider specific techniques for ensuring program efficiency. A proven model for improving efficiency helps avoid cost-cutting techniques that also cut productivity and degrade the results a program produces. For instance, a systematic method for reviewing and improving business processes could be implemented along with priority-driven budgeting. One such method that GFOA research has shown to be effective for local governments is "Lean" process review – a system for identifying and removing or reducing the non-value added work that can be found in virtually any business process. You can learn more about Lean at **www.gfoaconsulting.org/lean**.
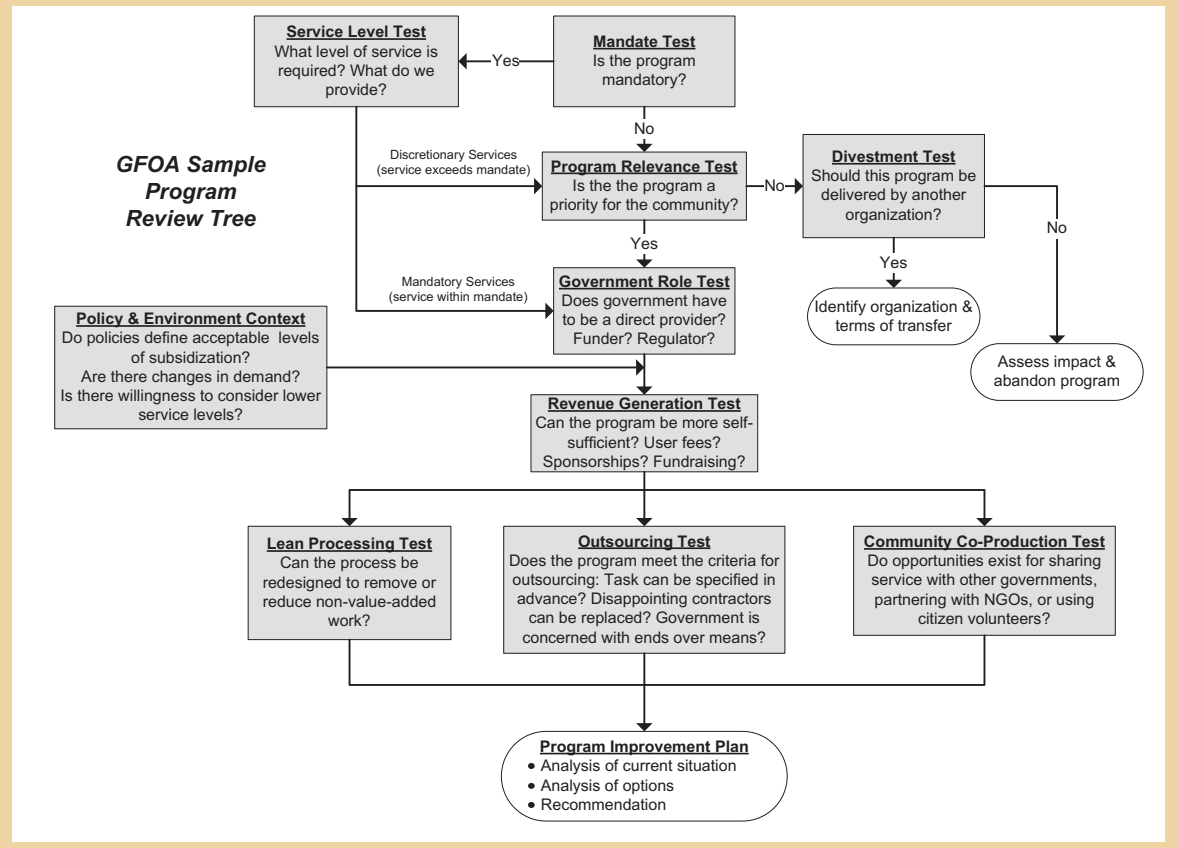
Business process improvement can also be incorporated into a more comprehensive approach to reviewing program efficiency. Exhibit 7 (on the following page) provides a sample program review decision tree that is inspired by work from the City of Toronto, Ontario. As the exhibit

shows, a program is subjected to a series of tests to see if it is being provided efficiently. For example, can the service be shared with other governments? Can greater cost recovery be achieved through fees or fund raising? Can the private sector provide the service more efficiently? Can Lean process improvement techniques be applied? Exhibit 7 also shows how the review might be linked to priority-driven budgeting – discretionary services are subject to a relevance test that asks the above questions about each priority program, while non-priority programs go through a divestment test.

Finally, innovation tends to be the exception rather than the rule in the public sector, so the designers of the priority-driven budgeting process should consider how to encourage new ways of structuring programs or offers to best achieve the government's priority results. Some research argues that innovation is a "discipline, just like strategy, planning, or budgeting."[11] Public managers who want to encourage innovation will need to develop and institutionalize dedicated processes to generate ideas, select the best ones, implement them, and spread the benefits throughout the organization. Along the way, public managers will need to make use of a variety of implementation strategies, including those that rely on the organization's own resources and those that seek to harness resources from outside. Public managers will also have to create an organizational culture that is not just conducive to innovation, but actively encourages and even

Exhibit 7: Sample Program Review Decision Tree

GFOA Sample Program Review Tree

Mandate Test — Is the program mandatory?

Service Level Test — What level of service is required? What do we provide? (Yes)

Discretionary Services (service exceeds mandate)

Program Relevance Test — Is the the program a priority for the community? (No)

Divestment Test — Should this program be delivered by another organization? (No)

(Yes) Identify organization & terms of transfer

(No) Assess impact & abandon program

Mandatory Services (service within mandate)

Government Role Test — Does government have to be a direct provider? Funder? Regulator?

Policy & Environment Context — Do policies define acceptable levels of subsidization? Are there changes in demand? Is there willingness to consider lower service levels?

Revenue Generation Test — Can the program be more self-sufficient? User fees? Sponsorships? Fundraising?

Lean Processing Test — Can the process be redesigned to remove or reduce non-value-added work?

Outsourcing Test — Does the program meet the criteria for outsourcing: Task can be specified in advance? Disappointing contractors can be replaced? Government is concerned with ends over means?

Community Co-Production Test — Do opportunities exist for sharing service with other governments, partnering with NGOs, or using citizen volunteers?

Program Improvement Plan
- Analysis of current situation
- Analysis of options
- Recommendation

demands it. *The Public Innovator's Playbook* describes one approach to encouraging innovation in this kind of systematic way.[12]

> **Step 8 Intended Result:** Make sure that those who received allocations are held accountable for producing the results that were promised. Find ways to directly encourage efficiency and innovation.

Conclusion

Priority-driven budgeting represents a major shift from traditional budgeting methods. A clear understanding of the priority-driven budgeting philosophy should be in place before proceeding down this path, along with a strong level of support – especially from the CEO (whose role is normally to propose the budget) and, ideally, the governing board (whose role is to adopt the budget). Priority-driven budgeting is not a process that is brought in to fix a structural deficit; instead, it becomes the way an organization approaches the resource allocation process. It brings with it an important cultural shift – moving from a focus on spending to a focus on achieving results through the budget process. Priority-driven budgeting should be perceived by all stakeholders as a process that improves decision-making and changes the conversations around what the organization does (programs and services), how effective it is in accomplishing its priority results, and how focused it is on allocating resources to achieve its results.

The success of your process design rests on a clear understanding of the principles of priority-driven budgeting, outlined in the eight steps presented in this paper. A priority-driven budgeting process can be approached in several ways, so keep in mind the major levers and decision points to create a process that works best for your culture and environment, and that embraces the concepts of democratic and substantive legitimacy. The governments that participated in this research show that there are opportunities to introduce flexibility in the process – but keep in mind that with that flexibility comes risk, if changes are made that don't embrace the basic principles of priority-driven budgeting.

Research what other organizations have done and ask them about their long-term success in shifting to the "new normal" in local government budgeting. Understand that priority-driven budgeting is a process that will evolve and improve over time – don't expect perfection in the first year. Engage outside help where needed to design the process, develop successful communication plans, incorporate citizen involvement, and institute a process. Enjoy new conversations that were not possible before, and embrace the transparency in decision-making that accompanies the priority-driven budgeting process. As your organization adapts to the new normal, the process will guide decision-makers in making resource allocations that fund the programs that are most highly valued by the organization and, more importantly, by the citizens who depend on those programs and services for their well being, comfort, and expected quality of life.

Appendix 1:
Building a Program Inventory

Introduction

Financial constraints have forced many governments to take a hard look at the services they offer. A fundamental step is to inventory all the service programs a government offers. A program inventory clarifies the breadth of services provided and, ideally, highlights key characteristics of each program (e.g., the full cost of providing the program and the level of revenues that program directly generates to support its operations). The inventory provides the basis for discussion about the services that should be provided.

Steps to Take

1. **Define your objectives and goals for the program inventory**. Identifying a program is as much art as it is science – an inescapable amount of subjectivity is involved. Therefore, to make judgments as effectively as possible, make sure you are clear on why you are developing a program inventory. Some of the potential purposes are:
   - Understanding the complete scope of services government provides.
   - Communicating the scope of services to the public in a format that is easy to understand and can be digested by the average citizen (i.e., not too detailed).
   - Drawing distinctions between the results (that matter to citizens) provided by different programs. To achieve this, programs cannot to be too large or vague.
   - Beginning to show the true cost of doing business by describing what government does on a meaningful level, and then identifying costs for those programs.
   - Laying the groundwork for priority-driven budgeting, where programs receive budget allocations based on their contributions to the government's priority objectives.
   - Laying the groundwork for program review, where programs are subjected to efficiency tests to determine if the service delivery method employed is optimal.

2. **Decide what information the program inventory should contain, in addition to the basic description of the program**. Options to consider include:
   - **Full cost**. The full cost of the program is its direct cost plus its indirect cost (overhead charges). Full-cost accounting makes the true cost of offering a service transparent, which allows better planning and decision making. It also helps show that the organization is achieving the expected level of

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Program Costing Tips

Precise costs for each program might not be achievable without a great deal of work (or a new financial management system). For purposes of priority-driven budgeting, accessible and widely used cost allocation methodologies allow for relatively accurate costing of each program is possible. If you have a formal cost allocation plan, this would be the best place to start assigning program costs. Otherwise, start with direct costs. Remove any one-time costs (e.g., capital) to make sure you are capturing only ongoing expenditures related to a given program. However, you can assign the operating and maintenance costs of the assets employed by a program to the direct costs, if doing so is logical and consistent with the way these costs are being handled for other programs.

Cost allocation plans may be the most cost effective way to produce a reliable overhead allocation figure. In the inventory document, displaying the overhead costs separately from the direct costs can provide flexibility to those who use the information.

In making the transition from department or division budgets to program costs, use an allocation method that is intuitive and therefore would enjoy legitimacy among the users of the costing system (e.g., the number of FTEs or percentage of employee time devoted to a program). Whatever the allocation methodology, the finance or budget staff needs to be able to prepare a reconciliation.

cost recovery for a given service. Full costing is especially important if the government envisions eventually going to a priority-driven budget process.

- Alignment with strategic goals. Knowing how programs contribute to priority goals enables organizations to develop more strategic cutback strategies.
- Service level. Describe the level of services provided to the public. If service is being provided at a premium level, perhaps service levels can be lowered to reduce costs.
- Mandate review. List and clearly define any mandates a program is subject to. Then review the current service level against the mandate requirements. Perhaps the service level being provided is higher than what the mandate requires.
- Demand changes. Is demand for a service going up or down? If demand is going down, perhaps the program can be cut back and resources shifted elsewhere. If demand is going up, steps can be taken to manage demand. For example, perhaps means testing can be applied to a social services program.
- Support from program revenues. Describe the extent to which the program is supported by its own user fees, grants, or intergovernmental revenues. Is there an opportunity to achieve greater coverage of the full costs of the program?

3. **Develop forms and templates**. Create tools departments can use to describe their programs in a manner that is consistent and that captures the information needed to fulfill the purpose of the inventory. Consider testing the forms and templates with one or two departments and then distributing them to a wider group. Also consider providing training and an official point of contact for questions.

4. **Differentiate programs from functions.** Departments or divisions (i.e., public health, courts, public works, sheriff) are often described as functions or nouns. These are not programs, which are more often described with verbs – programs are action-oriented. For example, programs in a sheriff's office might include crime investigations, detentions, and court security. However, programs should not be described in terms of overly detailed tasks. For instance, "supplying a bailiff for court rooms" is a task within the court security program, not a program itself.

5. **Find the right level of detail**. A program is a set of related activities intended to produce a desired result. When constructing a program inventory, it can sometimes be challenging to find the right level of detail. If a program is too big or encompasses too much, it will not provide sufficient information – that is, it will be very difficult to describe the precise value the program creates for the public or to use program cost information in decision making. However, if program definitions are too small, decision makers can become overwhelmed with detail and be unable to see the big picture. In addition, tracking program costs for very small programs is generally not cost-effective.

Generally speaking, if a program equates to 10 percent or more of the total expenditures of the fund in which it is accounted for, then the program should probably be broken down into smaller pieces. And if a program equates to 1 percent or less of total expenditures, or to $100,000 or less, it is probably too small and should be combined with others. This is just a guideline – there could be valid reasons for going outside of these parameters. For example, a small program could be much more important than its cost suggests. Here are some other points that have proven helpful in identifying programs:

- A program is a group of people working together to deliver a discrete service to identifiable users.
- A program groups all tasks that a customer of that program would receive and does not break one program or service into multiple items based on tasks.

- As far as possible, a program is individual – a program with its own name, customers, and staff team. Each program stands alone and is distinct from like programs in a similar service area.
- Programs that are handled by less than 1 FTE are combined with other existing programs.
- A program uses an existing name that is familiar to customers and staff, and/or it uses a name that could stand on its own and would be understandable to the average reader.

Examples of Program Inventories

Sample Health and Environment Programs
Environmental Planning
Air Quality Control
Water Quality
Ambulance Licensing
EIP FoodNet
Compliance & Community Safety
Vital Statistics
Immunization Grant
Emergency Preparedness Response
Non-grant Immunization
Sexually Transmitted Disease (STD)
Food Protection
Cities Readiness Initiative
Zoonosis
Cancer Control Initiative
Communicable Disease
Early Periodic Screening, Diagnosis and Treatment
Radon
Health Care Program for Children with Special Needs
Women, Infants, and Children
Special Needs Nutrition Services
Family Planning
Recreation
Maternal & Child Health Block Grant
Prenatal Plus
Housing & Institutions
Adult Substance Abuse Counseling
Fetal Alcohol Syndrome
Youth Substance Abuse Counseling
HIV Counseling & Testing
Nurse Home Visitor
Specialized Women's Services
Tobacco Cessation
Nutrition Services
Adult Health
Home Visit/Maternity
International Travel Clinic
Heart Wise Grant
Health Education
Healthy Wheat Ridge
Public Health Communications
Home Visit/Children

Sample Sherriff Programs
Traffic
Patrol Precincts
Emergency Management
Transportation
Court Security
Work Release
Inmate Food/Medical Service
Civil/Fugitive/Warrants
Records
Dispatch (Communications Center)
Academy
Executive
Directed Operations (DOU)
Critical Incident Response
Radio Maintenance
Grants Coordinator
West Metro Drug Task Force
Crimes Against Children
Crimes Against Persons
Victim Services
Training and Recruiting
Patrol Administration
Criminalistics
Detentions Administration
Crimes Against Property
Special Investigations
Support
Laundry/Custodial
Inmate Worker Program
School Resource Officers (SROs)
Operations/Booking
Animal Control
Inmate Welfare
Evidence
Accreditation
Crime Analysis
Investigations Administration
Professional Standards
Internal Affairs
Staff Inspection
Volunteer Programs
Community Relations

Notes

1 The concept of incremental budgeting was developed by Aaron Wildavlsky. See, for example: Aaron Wildavsky, *The Politics of the Budgetary Process* (Boston: Little, Brown, 1964).

2 Robert Behn discusses the shortcomings of incremental budgeting in a cutback environment in the following article: Robert D. Behn, "Cutback Budgeting," *Journal of Policy Analysis and Management*, Vol. 4, No. 2 (Winter, 1985).

3 Priority-driven budgeting is also known as "budgeting for results" and "budgeting for outcomes," although the latter is used to describe a specific method of priority-driven budgeting.

4 Personal interviews were conducted with the managers who led priority-driven budgeting at these entities.

5 Behn.

6 Mark Moore emphasizes that these two sources of legitimacy are essential to making any big public policy change. Mark Moore, *Creating Public Value* (Boston: Harvard University Press, 1997).

7 Diagram inspired by Eva Elmer and Christopher Morrill, "Budgeting for Outcomes in Savannah," *Government Finance Review*, April 2010.

8 Budgeting for outcomes was the subject of *The Price Of Government: Getting the Results We Need in an Age of Permanent Fiscal Crisis* by David Osborne and Peter Hutchinson (New York: Basic Books, 2004).

9 Robert S. Kaplan and David P. Norton, *Strategy Maps: Converting Intangible Assets into Tangible Outcomes* (Boston: Harvard Business Press, 2004).

10 Peter Block, *Community: The Structure of Belonging* (San Francisco: Berrett-Koehler Publishers, 2008).

11 William D. Eggers and Shalabh Kumar Singh, *The Public Innovator's Playbook: Nurturing Bold Ideas in Government* (New York: Deloitte, 2009).

12 Eggers and Singh.

"I Wouldn't Trust You Guys to Run a Laundromat"

BUILDING PUBLIC CONFIDENCE
in Lincoln, Nebraska

BY RICK HOPPE

I wouldn't trust you guys to run a Laundromat." The Lincoln citizen who made this statement to the newly elected mayor and his chief of staff was actually a very pleasant person. He wasn't some kind of anti-government extremist, and his words didn't hold a trace of malice. He obviously loved the community and wanted the best for it; he just didn't trust City Hall. And he wasn't alone. This sentiment had been expressed time and again over the course of the 2007 election (albeit less directly, in most cases), and it wasn't forgotten when the time came to prepare the new administration's first budget.

STRUCTURAL IMBALANCE

Lincoln was again facing what was becoming an annual event: a large budget deficit. The approximately $130 million tax-funded budget was approximately $8 million short of maintaining the previous year's service level. During his campaign, this "structural imbalance" was an area the mayor had vowed to address.

The deficit was caused by a combination of factors that greatly limited the new administration's options. First, Nebraska's unique system for determining the wages of public-sector employees is based on state-imposed salary and benefit comparability with other cities, many of them in other states. As a result, local government in Nebraska has little control over the salaries of its workforce. Also, like municipalities across the nation, Lincoln was facing reductions in its two main revenue sources. Sales tax growth, which had been flat, declined in 2007, a trend that would repeat itself in subsequent years as the national recession took hold. As a result of the national housing collapse, property tax valuations were lower than they'd been the year before, an unheard of occurrence. Finally, there was little consensus on how to solve the imbalance. The city had not raised its property tax levy in 14 years (see Exhibit 1), and no one was willing to make the tough cuts.

Stop-gap measures had become normal practice. One-time money took the place of new revenue, and general fund capi-

Exhibit 1: Lincoln's Declining/Flat Property Tax Rate

The city property tax rate dropped 44.6 percent since 1993-1994.
All tax rate increases since the 1994-1995 fiscal year have been for voter-approved bond issues.
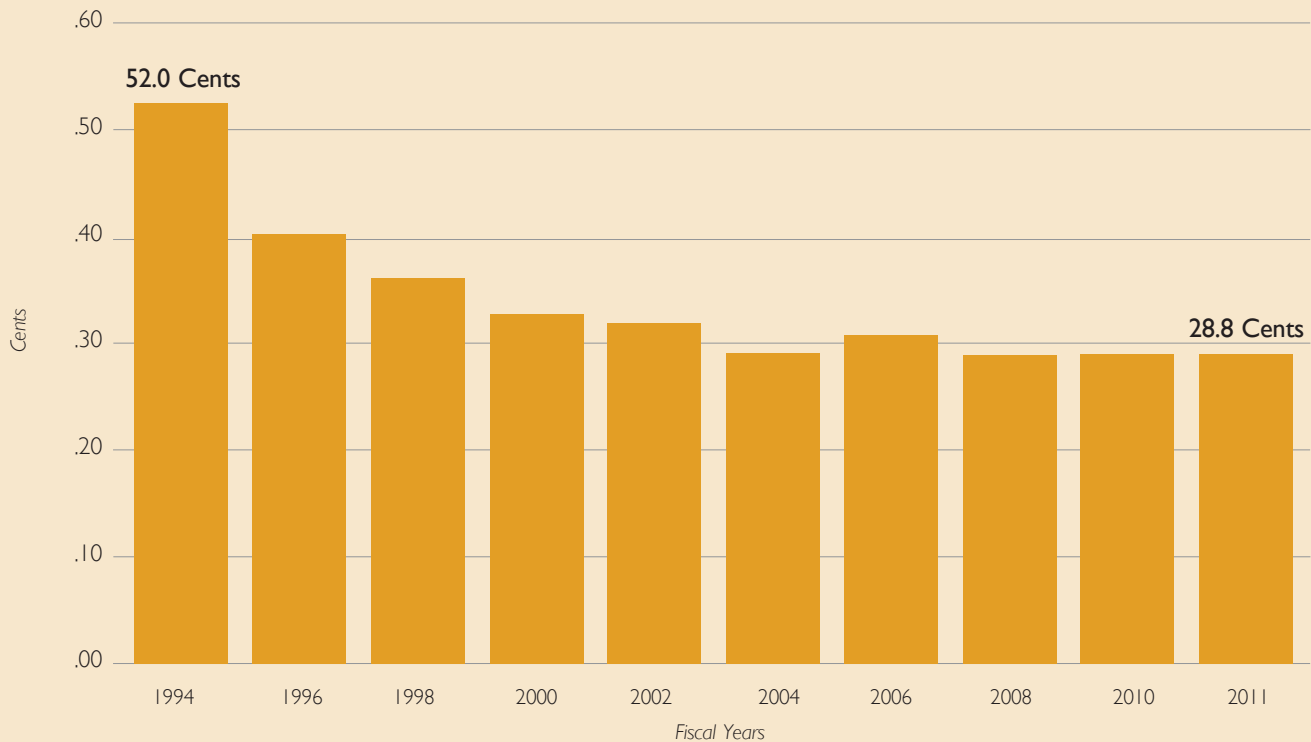
tal expenditures were cut. City spending on basic maintenance fell from $2 million in 2001 to approximately $50,000 in 2007.

Exactly one week after the election, the city's budget officer provided the new administration with an enormous budget book, at which point there was six weeks before the budget had to be finalized. Two things became immediately apparent: Despite the mayor's willingness to address the structural imbalance, there was no road map for doing so, not with the confidence and faith of the public, which would be necessary to make cuts stick.

A decision-making framework was needed for evaluating programs. The city's finance department did its usual outstanding job of providing the available options, but more data was needed to help choose among those programs that represented potential cuts.

It was also clear that the lack of public trust and confidence had affected budget decisions. One look at the local newspaper's opinions page showed that many citizens felt general government waste and high employee salaries were the culprits behind the budget deficit. They knew little about the city budget and less about state-mandated comparability. In fact, a survey showed that only 21 percent of residents knew that less than 15 percent of their property tax bill went to city government — most thought the percentage was far higher.

If citizens believe their money is being wasted, it isn't going to be possible to convince them that revenue increases or tough cuts are necessary.

Some substantial cuts were made that year, despite the challenges, and the budget was balanced without raising property taxes — but it couldn't be done without using one-time monies. It was clear that future budgets would require considerable revenue increases, major program cuts, or both. The mayor was deeply concerned about how Lincoln could maintain its quality of life and remain competitive for jobs and economic growth.

That first year provides a compelling contrast to where the city is today. An outcome-based budgeting and public engagement process known as "Taking Charge" helped the

> The public conversation about the budget gradually started to change. People became less focused on their general stereotypes of government and more focused on the program and revenue choices confronting the jurisdiction.

city convince a skeptical public to cut nearly 10 percent of the jurisdiction's civilian workforce (from about 1,487 to 1,350) and to significantly increase revenues — all with far less public outcry than one would expect. The structural imbalance is no more.

OUTCOME-BASED BUDGETING

The Price of Government, by David Osborne and Peter Hutchinson,[1] provided the answer the city was looking for, laying out the decision-making framework that had been missing. The system described in the book seemed like the right approach to help Lincoln's residents better understand the city's budget challenges.

During the 2007 campaign, the mayor had stressed the need for greater accountability and attention to results. During a 24-year career in the state senate, he had strived to make government more rational and less political, and he was highly regarded for his meticulous attention to the facts and what they meant for policy. The idea of instituting performance indicators to help give both City Hall and the public a rational basis for decision making was very appealing to him.

Working from the *Price of Government* book, the mayor, chief of staff, and departments developed a set of outcome areas that focused on the objectives the city hoped to accomplish:

1. Safety and security.
2. Economic development.
3. Livable neighborhoods.
4. Healthy and productive people.
5. Environmental quality.
6. Effective transportation.
7. Accountable government.
8. "Identity Lincoln" (those things that make the city what it is).

After the outcomes were in place, the city started an ongoing five-year partnership with the University of Nebraska Public Policy Center. The center, which was selected to help with the public engagement portion of the city's effort, developed a random sample survey that was completed by

600 residents in spring 2008. The survey asked respondents to provide feedback on the outcomes the city had identified and to prioritize their importance. The list above is presented in the order identified by that citizen survey.

The Public Policy Center's participation provided Lincoln's public engagement efforts with a level of legitimacy that could not be replicated by other polling organizations. The university has a strong connection to the people of Lincoln, many of whom are graduates, and its level of credibility was invaluable in later stages they city's engagements.

The Public Policy Center had already developed a series of "Community Conversations" — face-to-face community discussions between the public and the court system — to help the courts determine how to better serve the public. The city decided to use that model to gather citizens and add depth and color to what it learned from the survey, and 51 citizens gave up an entire Saturday to hear the mayor and city staff members describe the city's budget situation and prioritization plan, and to provide feedback on the outcomes identified (see Exhibit 2). The proceedings were televised and repeated several times on the city's government access cable television channel. The effort was branded as "Priority Lincoln."

The city also involved the public by holding meetings with city staff and citizen/constituent groups to develop goals for each outcome area. The "Healthy & Productive People" meeting, for example, brought together human service organizations, a health foundation, senior citizen advocates, library supporters, and others. Together, they created and prioritized the goals for that outcome:

Exhibit 2: Lincoln Residents at the 2001 Taking Charge Community Conversation

1. Maintain community's health status.
2. Support active living.
3. Support vulnerable populations.
4. Assure appropriate access to health care.
5. Support community literacy issues.
6. Promote self-sufficiency.

The same groups then undertook the most daunting task of the Priority Lincoln project: identifying and prioritizing the city's programs within the framework of its outcomes and goals.

Each program was categorized by its relevance to an outcome and goal and then given a "tier" ranking. Tier 1 status was for the programs that were most important to achieving the city's outcomes and goals. Tiers 2 and 3 denoted programs that were less critical than Tier 1. Later, Tier 0 was added to categorize programs that were state or federally mandated. Now all programs had a "number" that reflected the importance of the three elements. The administration used the program prioritization numbers to create a program ranking that could be easily grasped by the public and used by city departments when making their budget proposals.

TAKING CHARGE

In 2009 and 2010, the effort was rebranded as "Taking Charge" to emphasize the city's commitment to empowering citizens to make budget decisions. The city developed a budget survey with "forced choice" questions — which require respondents to choose a response option that indicates a definite opinion, with no "neutral" option available — that was administered both as a random sample survey and an online survey that any Lincoln resident could complete. The city hoped to create a simple tool that would allow citizens to make choices using the same information given to policymakers.

One question focused on a topic that everyone understood, and it drove a great deal of community discussion: "The level of snow removal is related to the amount of wheel tax [vehicle registration fee] dollars citizens are willing to invest. It requires far less expense to clear arterial streets, intersections, and bus routes for public safety and traffic flow than to clear neighborhood streets. The city could utilize $250,000 to $500,000 per year on other needs by focusing on snow removal for arterial streets, intersections, and bus routes rather than neighborhood streets. Which would you prefer?"

Exhibit 3: City of Lincoln Program Prioritization, 2011-12

Program	Net General Fund Cost	Tier	Outcome	Goal	Department	Associated Performance Indicators
Educational Access TV: Channel 121	$3,000 Other Sources: Revolving Fund, Cable Fund	3	7	2	Mayor (CIC)	Accountable Government Goal 12: Well-Informed Public
Civil Rights Education	$7,000 Other Sources: HUD/EEOC Grants	3	7	2	Legal (Human Rights)	Accountable Government Goal 12: Well-Informed Public
Lincoln Arts Council	$47,000	3	8	1	Mayor	Identity Lincoln Goal 1: City Culture
Star City Parade Cut in 2010-11 Budget	$0	3	8	1	Mayor (CIC)	Identity Lincoln Goal 1: City Culture
Municipal Band Summer Concerts Financial Support Cut in 2010-11 Budget	$0	3	8	1	Parks and Recreation	Identity Lincoln Goal 1: City Culture

- "I prefer residential streets to be plowed after four inches of snow."
- "I prefer residential streets to be plowed after six inches of snow and shift the monies to high-priority city street needs."
- "I need more information, and/or the question is not clear to me."

As is the case for many municipalities, snow removal generates more citizen feedback than any other issue. If contact with the mayor's office after a snow storm determined the city's level of spending, Lincoln would be spending considerably more on snow removal.

At the Community Conversation that followed the survey, 111 attendees debated the snow question for two hours. City staff members were surprised by the level of discourse among residents, and even more surprised by their conclusions. The majority of attendees — 56 percent — chose the option that would reduce the level of snow removal in favor of shifting funds to higher priorities.

The public conversation about the budget was gradually starting to change. People became less focused on their general stereotypes of government and more focused on the program and revenue choices confronting the jurisdiction.

In 2010, the city unveiled its first "Program Prioritization" on the Taking Charge portion of the city website (lincoln.ne.gov/Mayor/Taking Charge). All of the city's 219 programs were listed in order, with their general fund cost and associated performance indicators (see Exhibit 3). The public was asked to provide its thoughts about the prioritization.

At this point, Lincoln had made considerable progress on achieving the consensus needed for a more permanent fix to its structural imbalance. This progress allowed the city to cut some "sacred cows" from the budget, programs that simply could not have been cut prior to Taking Charge. For

example, Lincoln had four police officers serving its eight middle schools. The police chief had said for years that the city's police force was stretched thin and that while middle school resource officers were valuable, the city's police should be moved to higher-priority duties. The department had garnered national recognition for its use of data to determine its priorities and strategies, but each time the cut was discussed, the mayor and/or council refused to deal with such a politically sensitive issue. In the 2010-11 budget, that cut was finally accepted by the public, in large part because Taking Charge had helped citizens better understand the budget situation.

TOUGH CHOICES

The real test of Taking Charge came with the 2011-12 budget. The sins of the city's past (some of them belonging to the current administration) and the remnants of the national recession came together in a perfect fiscal storm, and $9.3 million needed to be cut from a $140 million budget. This was a watershed moment in Lincoln history — the city had already made deep service cuts in its previous four budgets, and the mayor strongly believed that further reductions would threaten the city's ability to handle even its fundamental responsibilities.

Public engagement was going to be crucial to achieving the consensus needed to tackle such a large deficit. The Public Policy Center developed an online survey that gave Lincoln residents an even more realistic view of the budgeting process. Respondents had nine budget items that represented potential budget cuts, and an amount of money to spend that was significantly less than the costs of the programs. For each program, participants could access additional information about the service, its performance indicators, and the impact of cuts. After citizens chose the items they wanted to fund or cut, the survey calculated the total cost of their choices and determined how much property taxes would have to increase or decrease on a $150,000 home to pay for those budget choices, giving citizens a clear look at the real dollar impact of their choices. Interest was intense, and nearly 2,700 people participated in the survey (compared to 1,200 to 1,500 responses for previous surveys).

If citizens believe their money is being wasted, it isn't going to be possible to convince them that revenue increases or tough cuts are necessary.

Several consecutive years of focused budget discussion had significantly changed people's perceptions about the trustworthiness of City Hall. The Public Policy Center had been studying the impact of the Taking Charge initiative on trust and confidence in government, and several of their studies showed that the city's public engagement efforts seemed to be especially effective, resulting in increased citizen satisfaction with decisions and greater faith in the city's choices. This increased trust seemed to be supported by the surprising results of the 2011 survey itself: 84 percent of respondents were willing to raise property taxes in order to save the programs that were in jeopardy.

The city held a press conference in May 2011 and gave a straight-forward, no-holds-barred assessment of the budget situation, based on the program prioritization it had been building for four years. If the city followed the Taking Charge program prioritization and initiated an "all cuts budget" to cover the $9.3 million deficit, it would have to:

- Close more than 90 parks.
- Cut 12 firefighter and 6 police officer positions.
- Close seven swimming pools.
- Close three libraries and eliminate a day of service.
- End Saturday and mid-day bus service.
- Eliminate Aging Partners programs that serve the health and well being of Lincoln's senior citizens
- Delay building new roads and rehabilitating older streets.

The circumstances were tough, and so was the city's proposed solution:

- Increase the city's property tax by 10 percent (the first hike in 18 years).
- Add a $6 million surcharge on the Lincoln Electric System.
- Institute a three-year increase in the wheel tax that funds the city's streets.
- Make $2.2 million in cuts to reduce the workforce by 35 jobs.

Then, perhaps the most surprising thing of all happened: nothing, At least, not as much as one might expect. No one was recalled. The city did not spend weeks fighting with an outraged public. While no one is ever excited about tax increases or program cuts,

Lincoln residents appeared to understand and accept the situation, and the Taking Charge process seems to have played a vital role.

LESSONS LEARNED

The city has learned a number of valuable lessons from this experience.

Trust and confidence will increase if the public is engaged in a meaningful way. Five years of Public Policy Center research demonstrates that Lincoln residents have a higher level of confidence in city government after going through the public engagement process than they did before. Seeking real input from citizens can affect their faith in government decision making, allowing policymakers to make less political, more responsible, and better choices. Other public engagement strategies might produce a similar result, but only if officials are willing to give the public meaningful choices.

Engage the public only on issues the jurisdiction is prepared to act on. Public engagement for its own sake will leave the public even more frustrated than they would be if they hadn't been included at all. Nothing is worse than being asked for your opinion and then having that opinion ignored. If you aren't willing to act on the answer, don't ask the question. The success of the Taking Charge process is in how the parameters were set. Instead of asking broad questions without boundaries, the city asked very specific questions on budget actions that it was prepared to take.

Make sure the public engagement effort has legitimacy. The Public Policy Center brought a level of credibility to the table that the city could never have achieved on its own. The fact that a well-regarded, impartial outside authority was brought in legitimized an effort that some might have seen as just political smoke and mirrors. Legitimacy is also a function of exposure; people need to feel that they have the information they need to judge for themselves.

Make sure they see it. Lincoln residents were able to judge for themselves by watching the issues debated in the Community Conversations on the city's government access TV channel and by accessing the information provided by the indicators, program prioritization, and outcomes shared on

> Several consecutive years of focused budget discussion had significantly changed people's perceptions about the trustworthiness of City Hall.

the city website. Being able to see and replicate the city's decision-making process helped build trust.

Don't uproot the budget structure. Lincoln's finance director and budget officer and his staff do their jobs extremely well. Their stewardship of the budget is why Lincoln has consistently achieved AAA bond ratings. It wouldn't have made sense to uproot their accounting structure and re-categorize all the spending and revenues in the outcome-based budgeting framework the city had created. Using outcome-based budgeting as a decision-making structure, not as an accounting structure, has served the city well.

Take it slow and learn from your mistakes. Because the city didn't hire a consultant to manage its process, it moved at a slower pace than it might have otherwise. This turned out to be a blessing because it allowed the city to learn from its missteps, incrementally adjust its program, and give the public time to become comfortable with the process.

CONCLUSIONS

Neither Lincoln's mayor nor its chief of staff have had the pleasure of running into the gentleman who made the Laundromat comment in 2007, but both have often wondered what he thinks of City Hall today and whether the city's new budgeting process has changed his outlook. It has definitely changed the outlook of many of his fellow citizens and those that serve them at City Hall. ▮

Note

1. David Osborne and Peter Hutchinson, *The Price of Government* (New York: Basic Books), 2006.

RICK HOPPE is in his seventh year as the chief of staff for the mayor of Lincoln, Nebraska. He is responsible for and leads the city's outcome-based budgeting and public engagement initiative, known as "Taking Charge." Hoppe was a political consultant, and before that, an aide to the Nebraska Unicameral and a research analyst to the Legislature's Health and Human Services Committee.