CITY OF NEWTON

IN BOARD OF ALDERMEN

LONG RANGE PLANNING COMMITTEE REPORT

WEDNESDAY, OCTOBER 29, 2008

Present: Ald. Hess-Mahan (Chair), Vance (Vice Chair), President Baker
Absent: Ald. Albright, Danberg, Freedman, Johnson, Linsky, and Parker
Also Present: Ald. Lennon, David Olson (Clerk), David Wilkinson (City Comptroller)

        The meeting was called to order at 7:00 p.m.

        1.   Aldermanic communications

        Gold Star Award from Common Cause. Mr. Olson noted that Common Cause gave
the Clerk's Office a Gold Star for providing public access to city documents.

        **Proposal by NewTV/Clerk's Office to provide webcasting of board meetings, create
linked reports dockets, and maintain archived material**. Mr. Olson stated that NewTV came
to him to ask about the possibility of webcasting meetings. He consulted with the Information
Technology Department, which informed him that the City lacked sufficient bandwidth to
support online video streaming of meetings on the City's server. Mr. Olson did some research
into application service providers that provide webcasting and document indexing services.
Granicus, Inc. (www.granicus.com) is the largest provider of webcasting, document indexing and
archiving services to state, county and local governments.

        Mr. Olson then gave a presentation and demonstration on Granicus. He noted that all
videos are stored on a remote server with sufficient bandwidth. Granicus allows users to go
directly to a particular docket item which links to the relevant discussions without requiring the
user to watch the entire video. Granicus can upload the indexed video on demand within 24
hours. Mr. Olson also demonstrated that agendas could be linked to report dockets and other
documents.

        Ald. Lennon asked about the video quality. Mr. Olson noted that higher resolution
cameras would improve picture quality compared to what is currently available on NewTV
videos. He noted that part of the problem with the picture quality was that the lighting in the
Aldermanic Chamber is poor. He also noted, new mixers, speakers and additional microphones
would be required to provide adequate sound quality on Granicus. He said that in discussing the
budget, the Mayor's office was receptive to upgrading the existing sound system, which was
handed down from the School Committee.

        Mr. Olson said that the hardware required for Granicus would cost approximately
$15,000 and that the service charge for providing the service would be $804 per month. He said

that Maurya Sullivan, the City's Telecommunications Planner, could use some of the money from RCN, Comcast and Verizon local access fees.

Mr. Olson will continue to explore these options with Granicus, the Mayor's Office, Ms. Sullivan, and NewTV and report back on progress at a future meeting of the committee.

2.   **Financial/Strategic Planning initiatives**

Proposal for Performance Management and Budgeting. Ald. Hess-Mahan talked about a two-day seminar he was attending on Performance Management, Budgeting and Reporting with elected and appointed local officials from other Massachusetts cities and towns. The Government Finance Officers Association (GFOA) recommends that recommends that all governmental entities use some form of strategic planning to provide a long-term perspective for service delivery and budgeting, thus establishing logical links between authorized spending and broad organizational goals. Ald. Hess-Mahan and Ald. Johnson have co-docketed an item that is pending in the Programs & Services committee, which proposes to amend the charter to require the Mayor's office to perform financial forecasting and strategic planning along the lines of the GFOA's recommendations. Ald. Hess-Mahan proposed trying out these recommendations on a small scale with the Clerk's Office and the Comptrollers' Office, which are both under the oversight of the Board of Aldermen, in order to demonstrate how performance management, budgeting and reporting could work. Mr. Wilkinson is familiar with the GFOA's recommendations and Mr. Olson has visited the Somerstat program to see this process in action. Ald. Hess-Mahan said he would continue to meet with Mr. Olson and Mr. Wilkinson to see if their departments could implement this approach.

The meeting was adjourned at 7:45 p.m.

Respectfully submitted,

Alderman Ted Hess-Mahan, Chair

RECOMMENDED PRACTICE

Recommended Budget Practice on the Establishment of Strategic Plans (2005) (BUDGET)[1]

Background. Strategic planning is a comprehensive and systematic management tool designed to help organizations assess the current environment, anticipate and respond appropriately to changes in the environment, envision the future, increase effectiveness, develop commitment to the organization's mission and achieve consensus on strategies and objectives for achieving that mission. Strategic planning is about influencing the future rather than simply preparing or adapting to it. The focus is on aligning organizational resources to bridge the gap between present conditions and the envisioned future. While it is important to balance the vision of community with available resources, the resources available should not inhibit the vision. The organization's objectives for a strategic plan will help determine how the resources available can be tied to the future goals. An important complement to the strategic planning process is the preparation of a long-term financial plan, prepared concurrently with the strategic plan. A government should have a financial planning process that assesses the long-term financial implications of current and proposed policies, programs, and assumptions. A financial plan illustrates the likely financial outcomes of particular courses of actions.

Strategic planning for public organizations is based on the premise that leaders must be effective strategists if their organizations are to fulfill their missions, meet their mandates, and satisfy their constituents in the years ahead. Effective strategies are needed to cope with changed and changing circumstances, and leaders need to develop a coherent and defensible context for their decisions. National Advisory Committee on State and Local Budgeting (NACSLB) Recommended Practices provide a framework for financial management, which includes strategic planning.

Recommendation. The Government Finance Officers Association (GFOA) recommends that all governmental entities use some form of strategic planning to provide a long-term perspective for service delivery and budgeting, thus establishing logical links between authorized spending and broad organizational goals. While there is not a single best approach to strategic planning, a sound strategic planning process will include the following key steps:

(1) Initiate the Strategic Planning Process. It is essential that the strategic plan be initiated and conducted under the authorization of the organization's chief executive (CEO), either appointed or elected. Inclusion of other stakeholders is critical, but a strategic plan that is not supported by the CEO has little chance of influencing an organization's future.

(2) Prepare a Mission Statement. The mission statement should be a broad but clear statement of purpose for the entire organization. One of the critical uses of a mission statement is to help an organization decide what it should do and, importantly, what it should not be doing. The organization's goals, strategies, programs and activities should logically cascade from the mission statement.

(3) Assess Environmental Factors. A thorough analysis of the government's internal and external environment sets the stage for an effective strategic plan. A frequently used methodology for conducting an environmental assessment is a "SWOT" (Strengths, Weaknesses, Opportunities, Threats) analysis. Strengths and weaknesses relate to the internal environment, while analysis of opportunities and threats focuses on the environment external to the organization.

Local, regional, national, and global factors affecting the community should be analyzed, including (a) economic and financial factors, (b) demographic trends, (c) legal or regulatory issues, (d) social and cultural trends, (e) physical (e.g., community development), (f) intergovernmental issues, and (g) technological change.

Also, a government should develop mechanisms to identify stakeholder concerns, needs, and priorities. Among the mechanisms that might be employed to gather such information are (a) public hearings, (b) surveys, (c) meetings of community leaders and citizens interest groups, (d) meetings with government employees, and (e) workshops for government administrative staffs and the legislative body.

(4) Identify Critical Issues. Once the environmental analysis has been completed, the next step is to use the resulting information to identify the most critical issues. Issue recognition should reflect stakeholder concerns, needs, and priorities as well as environmental factors affecting the community.

(5) Agree on a Small Number of Broad Goals. These written goals should address the most critical issues facing the community. It may be necessary to define priorities among goals to improve their usefulness in allocating resources.

(6) Develop Strategies to Achieve Broad Goals. Strategies relate to ways that the environment can be influenced (internal or external) to meet broad goals. A single strategy may relate to the achievement of more than one goal. There should be a relatively small number of specific strategies developed to help choose among services and activities to be emphasized. Use of flowcharts or strategy mapping is encouraged in the design of startegies. To optimize the success of these strategies, opportunities should be provided for input from those who will be affected.

(7) Create an Action Plan. The action plan describes how strategies will be implemented and includes activities and services to be performed, associated costs, designation of responsibilities, priority order, and time frame involved for the organization to reach its strategic goals. There are various long-range planning mechanisms available to enable organizations to clarify their vision and strategy and translate them into action.

(8) Develop Measurable Objectives. Objectives are specific, measurable results to be achieved. Objectives and their timelines are guidelines, not rules set in stone. Objectives should be expressed as quantities, or at least as verifiable statements, and ideally would include timeframes.

(9) Incorporate Performance Measures. Performance measures provide an important link between the goals, strategies, actions and objectives stated in the strategic plan and the programs and activities funded in the budget. Performance measures provide information on whether goals and objectives are being met.

(10) Obtain Approval of the Plan. Policymakers should formally approve the strategic plan so it can provide the context for policy decisions and budget decisions.

(11) Implement the Plan. Organization stakeholders should work together to implement the plan. Moreover, the strategic plan should drive the operating budget, the capital plan, and the government's other financial planning efforts

(12) Monitor Progress. Progress toward planned goals should be monitored at regular intervals. Organizations should develop a systematic review process to evaluate the extent to which strategic goals have been met.

(13) Reassess the Strategic Plan. Many external factors, such as the national or regional economy, demographic changes, statutory changes, legislation, mandates, and climate/environmental changes, may affect the environment and thus achievement of stated goals. To the extent that external events have long-range impacts, goals, strategies and actions may need to be adjusted to reflect these changes. New information about stakeholder needs or results may also require changes to the plan. It is desirable to minimize the number of adjustments to longer-term goals in order to maintain credibility. However, governments should conduct interim reviews every one to three years, and more comprehensive strategic planning processes every five to ten years, depending on how quickly conditions change.   Performance measure results need to be reviewed more frequently than the strategic plan.

[1]   Key elements of this recommended practice are drawn from *Recommended Budget Practices: A Framework for Improved State and Local Governmental Budgeting* of the National Advisory Council on State and Local Budgeting and from GFOA's recommended practice on "Performance Measurement: Using Performance Measurement for Decision Making – Updated Performance Measures"

Approved by the GFOA Executive Board, March 2005

Putting the NACSLB Recommended Budget Practices into Action: Best Practices in Budgeting

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This article highlights how four local governments have improved their budgeting and financial management processes by implementing innovative best practices. Special emphasis is placed on stakeholder input, financial planning, and performance measurement.

By Roland Calia, Salomon Guajardo, and Judd Metzgar

Since publishing the National Advisory Council on State and Local Budgeting (NACSLB) recommended practices in 1998, the GFOA has undertaken an aggressive effort to publicize the recommended practices and encourage governments to incorporate them within their budget process.[1] The purpose of this article is not to revisit the objectives of the NACSLB or its recommended practices per se, but to illustrate the efforts of governments to adopt best practices within their budget framework. The examples included in this article are not intended to be representative of all governments, but rather illustrative of how governments are improving their operations by adopting best budget practices.

Ideally, governments would like to adopt management innovations that have been used repeatedly and are therefore "true and tested." As commonly used today, a best practice may be an unproven innovation that requires thinking outside of the box and that may require a shift in a paradigm to solve a management or policy problem. Best practices are unproven in the sense that they may not have been systematically evaluated. Put differently, process improvements cannot be readily attributed to the implementation of a best practice. When systematic and rigorous empirical work provides evidence in support of the use of a best practice, it becomes recognized as a recommended practice by a profession. In adopting an unproven best practice, governments run the risk of implementing a "bleeding-edge" innovation. The decision for a government to adopt a best practice

from the private sector or another jurisdiction needs to be considered carefully to minimize policy failure.

This article discusses components of the budget process in four governments with award winning budgets: Tucson, Arizona; Dakota County, Minnesota; San Clemente, California; and San Diego, California. The purpose of presenting these case studies is to help other governments learn about best practices used to link planning and operation functions to achieve greater service provision effectiveness and efficiency.

NACSLB Recommended Practices

Recently, several governments have compared their budget process to the NACSLB framework and have integrated the framework within their overall budget process. For example, the City of Scottsdale, Arizona's strategic budget process is consistent with the NACSLB framework.[2] The County of Hillsborough, Florida, also has publicized its efforts to incorporate stakeholder input into its budget process in a manner consistent with the NACSLB framework.[3] Additionally, some special districts also have adopted the NACSLB recommended practices. The Santa Clara Valley Water District in California uses the NACSLB framework to develop its results-oriented biennial budget.[4]

Although governments are evaluating their budget process against the NACSLB recommended practices, it should not imply that all of them have implemented best practices to be consistent with the NACSLB

framework. Put differently, because the NACSLB is descriptive and does not specify which methods should be used to implement the recommended practices, governments have the discretion to use methods that they think are suitable for achieving the task at hand. As such, governments can use simple or sophisticated methods for conducting revenue forecasts, setting priorities, and performing other management and budget functions.

The NACSLB recommended practices consist of four principles, 12 elements, and 59 recommendations. The principles are:
- establish broad goals to guide government decision making;
- develop approaches to achieve goals;
- develop a budget consistent with approach to achieve goals; and,
- evaluate performance and make adjustments.

These principles underscore the need for governments to have a sound budget process that incorporates long-term planning, establishes linkages to broad organizational goals, focuses budget decisions on results and outcomes, integrates stakeholder input, and provides incentives for providing effective and efficient financial stewardship. In so doing, the NACSLB principles ask four basic budgeting and management questions.
- How will the accomplishment of the goals and objectives by measured?
- How will the goals and objectives be accomplished?
- What goals and objectives are to be accomplished?
- What resources will be used to achieve the

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Exhibit 1
NACSLB RECOMMENDED PRACTICES

Principle
Element   **Recommended Practice**

Establish Broad Goals to Guide Government Decision Making
  Assess community needs, priorities,
    challenges, and opportunities   Identify stakeholder concerns, needs, and priorities
                                          Evaluate community condition, external factors, opportunities, and challenges
  Identify opportunities and challenges for government
    services, capital assets, and management   Assess services and programs, and identify issues, opportunities, and challenges
                                          Assess capital assets, and identify issues, opportunities, and challenges
                                          Assess government management systems, and identify issues, opportunities,
                                             and challenges
  Develop and disseminate broad goals   Identify broad goals
                                          Disseminate goals and review with stakeholders

Develop Approaches to Achieve Goals
  Adopt financial policies   Develop policy on stabilization funds
                                          Develop policy on fees and charges
                                          Develop policy on debt issuance and management
                                          Develop policy on the use of one-time revenues
                                          Develop policy on balancing the operating budget
                                          Develop policy on revenue diversification
                                          Develop policy on contingency planning
  Develop programmatic, operating and
    capital policies and plans   Prepare policies and plans to guide the design of programs and services
                                          Prepare policies and plans for capital asset acquisition, maintenance,
                                             replacement, and retirement
  Develop programs and services that are
    consistent with policies and plans   Develop programs and evaluate delivery mechanisms
                                          Develop options for meeting capital needs and evaluate acquisition alternatives
                                          Identify functions, programs, and/or activities of organizational units
                                          Develop performance measures
  Develop management strategies   Develop strategies to facilitate attainment of programs and financial goals
                                          Develop mechanisms for budgetary compliance
                                          Develop the type, presentation, and time period of the budget

Develop a Budget Consistent with Approaches to Achieve Goals
  Develop a process for preparing and
    adopting a budget   Develop a budget calendar
                                          Develop budget guidelines and instructions
                                          Develop mechanisms for coordinating budget preparation and review
                                          Develop procedures to facilitate budget review, discussion,
                                             modification, and adoption
                                          Identify opportunities for stakeholders input
  Develop and evaluate financial options   Conduct long-range financial planning
                                          Prepare revenue projections
                                          Document revenue sources in a revenue manual
                                          Prepare expenditure projections
                                          Evaluate revenue and expenditure options
                                          Develop a capital improvement plan
  Make choices necessary to adopt a budget   Prepare and represent a recommended budget
                                          Adopt the budget

Evaluate Performance and Make Adjustments
  Monitor, measure, and evaluate performance   Monitor, measure, and evaluate budgetary performance
                                          Monitor, measure, and evaluate financial condition
                                          Monitor, measure, and evaluate external factors
                                          Monitor, measure, and evaluate capital program implementation
  Make adjustments as needed   Adjust the budget
                                          Adjust policies, plans, programs, and management strategies
                                          Adjust broad goals, if appropriate

Source: National Advisory Council on State and Local Budgeting. 1998. Chicago, IL: Government Finance Officers Association.

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goals and objectives?

These principles also encompass the array of planning and budget functions that cut across a governmental organization. Finally, these principles take into account that the budget process consists of financial, managerial, political, and technical dimensions.

Although the principles appear to have an hierarchical structure, they actually represent the iterative planning and decision-making process of budgeting.

A *budget practice* is defined as a procedure that assists in accomplishing a principle and element of the budget process. To operationalize a budget practice it must be 1) clearly linked to activities in the budget process and 2) specifically contribute to the development, description, understanding, implementation, and evaluation plan for provision of services and capital assets. In short, budget practices represent methods for achieving particular budgetary subprocesses and activities. Exhibit 1 summarizes the NACSLB principles, elements, and recommended practices.

Best Practice Governments

State and local governments have the discretion to adopt and implement practices that best suit their particular financial and budgeting processes. The following section presents case studies of governments that have implemented best practices to improve their financial management and budgeting processes. They are:

• Incorporating Stakeholder Input—Tucson, Arizona's Livable Community Vision Program;

• Identifying Program Challenges—Dakota County, Minnesota's Monitoring of Service Delivery Inputs and Outcomes;

• The Budget Development Process—San Clemente, California's Long-Term Financial Plan; and,

• Performance Measurement and Evaluation—San Diego, California's Municipal Operations Benchmarking Process.

Incorporating Stakeholder Input

Incorporating citizen preferences into its budget can be an arduous task for any government. The NACSLB recommends that governments establish broad goals to provide overall direction to the resource allocation and budgetary decision-making

process. Goals should be developed through a proactive process that assesses the needs, concerns and priorities of the community. Stakeholder participation at the developmental phase that links the budget can be useful in shaping the implementation of governmental programs and services.
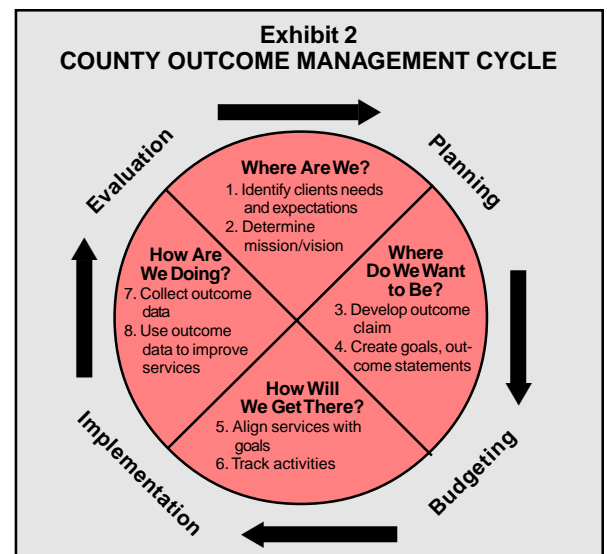
The City of Tucson's willingness to develop long-term goals through a collaborative process with its citizenry and then link these goals to the budgeting process is a "best practice" example of how to assess community needs, priorities, challenges and opportunities. The city's "Livable Tucson Vision Program" establishes long-term, community-driven goals that are intended to shape the budget and hold policymakers directly accountable for developing programs and services that address the needs and concerns of the community. In developing its 1999-2000 annual budget, more than 1,200 citizens, members of the business community, and city employees participated in a collaborative goal-setting process. Together they helped lay the groundwork for developing specific strategies designed to guide the budget process and establish new programs and services that meet the needs of the community.
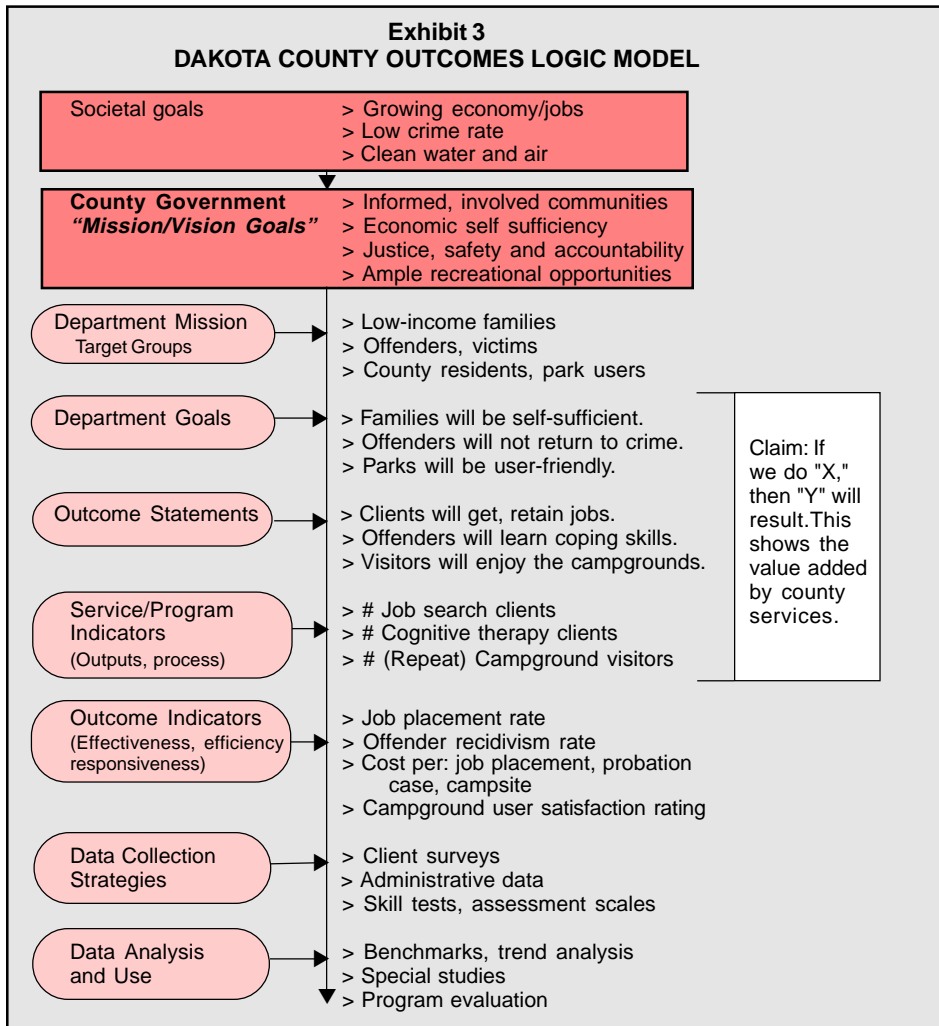
Tucson began its Livable Vision Program by conducting a series of public forums held in each of the city's six wards. The initial stages engaged citizens in discussing their values, needs, and concerns. An Internet site was developed to give citizens who could not attend community meetings an opportunity to participate, and special efforts were made to reach Spanish-speaking segments of the population with bilingual programs. Through this process, a consensus of community concerns quickly emerged around issues of neighborhood safety, public education, environmental protection, the local economy, and employment opportunities. Subsequent workshops incorporated the values, concerns, and priorities identified by stakeholders and worked to identify a common vision for the city as a whole. What emerged were 17 broad-based community goals designed to be part of a strategic approach to budget development and planning; these goals were intended to serve as the policy direction for the 1999-2000 annual budget.

The next phase of the Livable Vision Program worked to develop performance measures for assessing the city's progress towards the goals that had been established. The city undertook an extensive series of workshops in an effort to develop performance measures related to each of the goals identified in the public forum. More than 200 managers from various city departments took part in these workshops to learn how their budget should incorporate community preferences. The city also engaged itself in a series of government accountability training sessions that were designed to help city staff, elected officials, and members of the community develop performance measures that would assess the city's progress towards each of the goals that had been established. Tucson's performance measures system is still in its developmental phase. The city continues to strive to improve the technical aspects of data collection and quantifiable measures.

The Livable Tucson Vision Program was incorporated into the 1999-2000 annual budget in two important ways. The first is through a designated section of the budget entitled "Community Priorities and Policy Initiatives." Each of the 17 community-driven goals is identified and defined in this section, and an explanation as to why the goal is important to members of the community is provided. Performance measures derived from the city's accountability workshops are discussed, as well as how these indicators will be used to measure progress towards goals.

Program goals also are integrated directly into the department sections of the city's program-based budget. Departmental

Exhibit 2
COUNTY OUTCOME MANAGEMENT CYCLE

Evaluation

Planning

Implementation

Budgeting

Where Are We?
1. Identify clients needs and expectations
2. Determine mission/vision

Where Do We Want to Be?
3. Develop outcome claim
4. Create goals, outcome statements

How Are We Doing?
7. Collect outcome data
8. Use outcome data to improve services

How Will We Get There?
5. Align services with goals
6. Track activities

Exhibit 3
DAKOTA COUNTY OUTCOMES LOGIC MODEL

Societal goals
- \> Growing economy/jobs
- \> Low crime rate
- \> Clean water and air

County Government "Mission/Vision Goals"
- \> Informed, involved communities
- \> Economic self sufficiency
- \> Justice, safety and accountability
- \> Ample recreational opportunities

Department Mission — Target Groups
- \> Low-income families
- \> Offenders, victims
- \> County residents, park users

Department Goals
- \> Families will be self-sufficient.
- \> Offenders will not return to crime.
- \> Parks will be user-friendly.

Outcome Statements
- \> Clients will get, retain jobs.
- \> Offenders will learn coping skills.
- \> Visitors will enjoy the campgrounds.

Service/Program Indicators (Outputs, process)
- \> # Job search clients
- \> # Cognitive therapy clients
- \> # (Repeat) Campground visitors

Claim: If we do "X," then "Y" will result. This shows the value added by county services.

Outcome Indicators (Effectiveness, efficiency responsiveness)
- \> Job placement rate
- \> Offender recidivism rate
- \> Cost per: job placement, probation case, campsite
- \> Campground user satisfaction rating

Data Collection Strategies
- \> Client surveys
- \> Administrative data
- \> Skill tests, assessment scales

Data Analysis and Use
- \> Benchmarks, trend analysis
- \> Special studies
- \> Program evaluation

sections include the goals that are relevant to the services they provide, as well as describing the projects and programs that will achieve the predefined goals. There is a direct link between departmental support for goals in the department section and the information provided in the Community Priorities and Policy Initiatives section. This link serves as a crosswalk that allows the reader to assess and understand how the city plans to achieve the predefined goals. Department sections also include the outcome data on the performance measures derived by the Livable Tucson Vision Program. The city's efforts to establish a performance measuring system are ongoing, but the city is geared toward the refinement and improvement of quantifiable outcome measures. The city's focus on linking performance measures to specific program goals and objectives is a good illustration of how it

is using community priorities to drive the budget process and its relation to policy initiatives.

Tucson's Livable Community Vision Program is an excellent example of how governments can incorporate the values and priorities of its citizen into the budget process. Almost all governments operate within the parameters of limited financial resources. Tucson's Livable Vision Program allows community priorities to be the driving force within the resource allocation process that ultimately determines the programs and services that a government will be able to provide. Tucson's efforts in the areas of stakeholder involvement not only allow citizens an opportunity to be heard, but help shape the policy initiatives and efforts of city departments that will move the community in the direction most desired by its residents.

Identifying Program Challenges

Developing effective strategies to address program challenges requires continuous monitoring of service delivery inputs and outcomes. This process is systematic and follows logically from program goals and the assessment of work processes undertaken to achieve intended outcomes. Put differently, identifying program and service delivery challenges cannot take place without a comprehensive and systematic evaluation of existing programs and their service delivery mechanisms.

Dakota County, Minnesota, instituted and formalized an innovative process for identifying program challenges. To illustrate the county's process, the *1999 Annual Plan and Budget Report—Volume 1 and 2* and *Outcomes: Getting and Proving Results in Dakota County* of Dakota County are used. This case study was chosen because it clearly shows the process for documenting challenges and strategies, specifying desired outcomes, and developing logical effectiveness, efficiency, and responsiveness measures. Dakota County also was selected because its processes are consistent with the NACSLB budgeting framework.

Dakota County outcome management cycle incorporates planning, budgeting, implementation, and evaluation (Exhibit 2). With respect to planning, county administrators assess their stakeholder needs and determine the overall mission or vision of each department. Goals and outcome statements then are developed. To develop a budget consistent with stakeholder needs and departmental goals, financial resources are appropriated and aligned with programs and services. Data collection is then undertaken to obtain appropriate performance measures to assess how well goals and objectives were achieved. The performance measures are then used for identifying challenges for each program and for undertaking service delivery improvements. To put its management cycle into practice, the county developed and implemented an outcomes logic model (Exhibit 3).

Based on a critical review of its programs and services, each department identifies challenges that affect the performance of its existing programs and services. Specific and logical strategies for addressing the program challenges are then proposed. Exhibit 4 illustrates the process for the sheriff department's recruitment and training program. For this program, four key challenges are identified: a) recruiting minority police officers; b) limited financial resources for training; c) balancing increas-

ing demands for services with training; and d) finding interesting and challenging training opportunities for police officers. The sheriff department developed five specific strategies for addressing these challenges. Although performance measures are not included in this exhibit, they provide the basis for assessing how well the strategies address each challenge.

The case study illustrates how best practices can help to a) identify program challenges, b) develop specific strategies for addressing each challenge, and c) evaluate the effectiveness of the strategies to improve programs and their service delivery mechanisms. Governments desiring to improve their service delivery need to undertake a comprehensive and systematic review of their programs. Without a thorough program evaluation, underlying deficiencies cannot be rectified.

Budget Development

Long-term financial planning (LTFP) is necessary for ensuring that the government will have sufficient resources to fund existing programs and services in the future. The LTFP process also helps the government to develop appropriate strategies to address anticipated changes in financial condition. Long-term financial planning is a strategic process that provides governments with the insights and information they need to establish sound financial and operations policies and pursue actions that maintain good fiscal health. As NACSLB Recommended Practice 9.1 states:

> A government should have a financial planning process that assesses the long-term. Financial implications of current and proposed policies, programs, and assumptions and that develops appropriate strategies to achieve its goals.

In short, the LTFP process provides critical information and insights that are essential for developing and adopting future operating budgets.

The LTPF is part of a broader strategic planning process that begins with the analysis of multi-year financial trends and ends with the adoption, implementation, and review of a budget.

This section discusses the best practice LTFP process of San Clemente, California. San Clemente's LTFP was selected to illustrate the long-term financial planning process for three reasons:
- the city's LTFP clearly illustrates the process for creating a long-term financial plan that is linked to strategic planning and budgeting;
- the processes used to create San Clemente's LTPF are consistent with the NACSLB Recommended Practices; and,
- there are opportunities for stakeholder input in the LTPF process, through presentation of the plan in a public forum and its publication (including supporting documentation and explanations of the process followed) as part of the budget document and in a separate report.
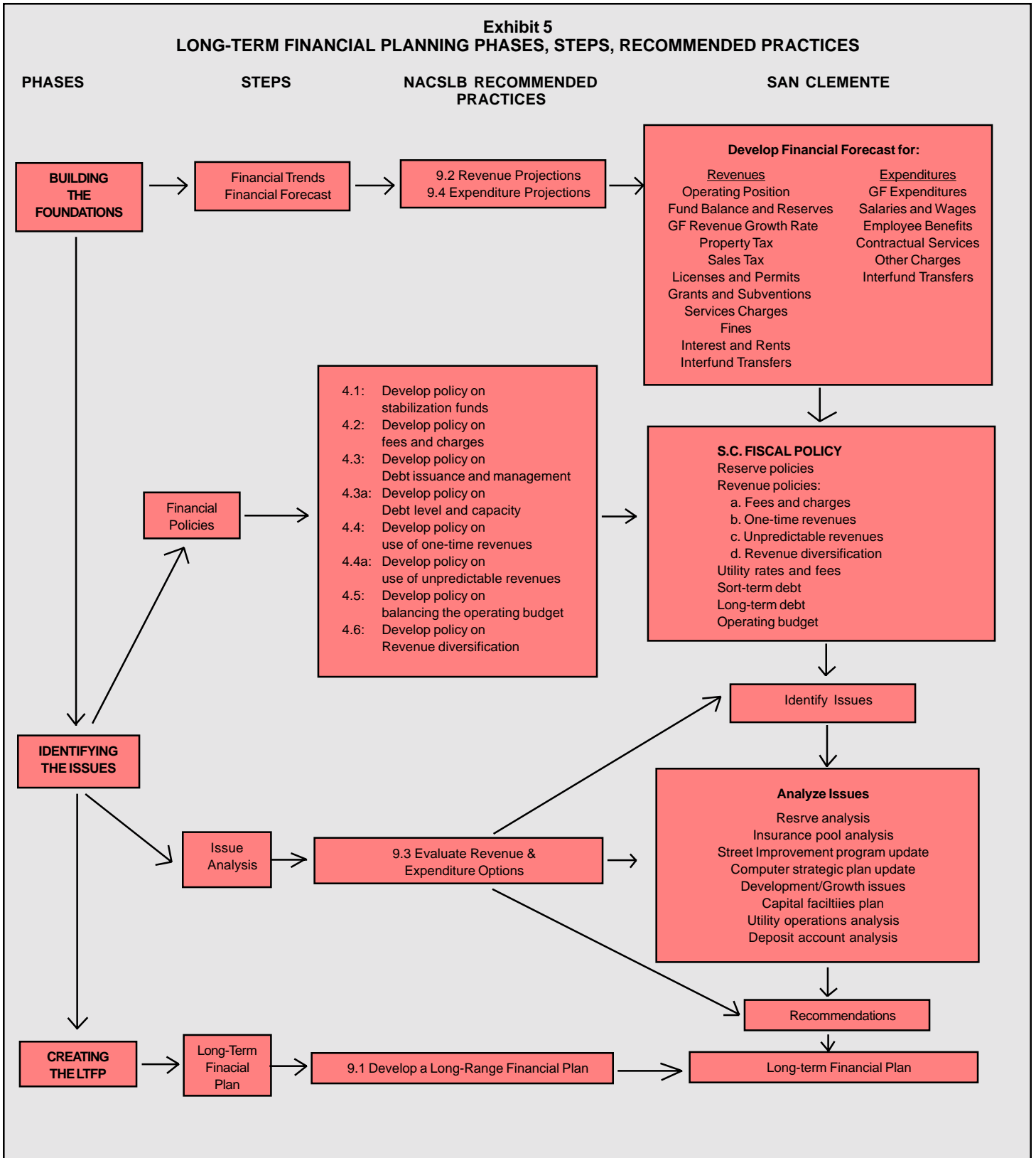
Building a Foundation: Gathering Data, Forecasting Trends. The first step in creating San Clemente's LTFP involves identifying economic, revenue, and expenditure trends and developing five-year projections for use in the planning process. This information provides the foundation or "core" of the city's LTFP.

San Clemente's LTPF includes economic and financial trend overviews that provide a base reference for the expenditure and revenue forecasts that follow. The economic overview discusses the various economic factors such as inflation trends that will affect the budget development process. The financial trend overview contains a five-year historical summary and analysis of revenues, expenditures, and fund balances in the general fund.

San Clemente also assesses the strengths and weaknesses of the city's overall financial condition and the general fund's operating position in its financial trend overview. Performance is measured using a rating system based upon the city's adopted fiscal policies and 20 indicators developed by the International City Management Trend Monitoring System. Then, specific recommendations to address trends considered unfavorable are developed for incorporation into the long-term financial planning process. Factors utilized in the trend analysis include:
- the economic condition of the city and surrounding region;
- types and amounts of revenues and whether they are sufficient and the right mix to support the population as it grows;

Exhibit 5
LONG-TERM FINANCIAL PLANNING PHASES, STEPS, RECOMMENDED PRACTICES

PHASES	STEPS	NACSLB RECOMMENDED PRACTICES	SAN CLEMENTE

BUILDING THE FOUNDATIONS → **Financial Trends / Financial Forecast** → **9.2 Revenue Projections / 9.4 Expenditure Projections** →

Develop Financial Forecast for:

Revenues	Expenditures
Operating Position	GF Expenditures
Fund Balance and Reserves	Salaries and Wages
GF Revenue Growth Rate	Employee Benefits
Property Tax	Contractual Services
Sales Tax	Other Charges
Licenses and Permits	Interfund Transfers
Grants and Subventions	
Services Charges	
Fines	
Interest and Rents	
Interfund Transfers	

Financial Policies →

4.1: Develop policy on stabilization funds
4.2: Develop policy on fees and charges
4.3: Develop policy on Debt issuance and management
4.3a: Develop policy on Debt level and capacity
4.4: Develop policy on use of one-time revenues
4.4a: Develop policy on use of unpredictable revenues
4.5: Develop policy on balancing the operating budget
4.6: Develop policy on Revenue diversification

→

S.C. FISCAL POLICY
Reserve policies
Revenue policies:
   a. Fees and charges
   b. One-time revenues
   c. Unpredictable revenues
   d. Revenue diversification
Utility rates and fees
Sort-term debt
Long-term debt
Operating budget

IDENTIFYING THE ISSUES

Identify Issues

Issue Analysis → **9.3 Evaluate Revenue & Expenditure Options** →

Analyze Issues

Resrve analysis
Insurance pool analysis
Street Improvement program update
Computer strategic plan update
Development/Growth issues
Capital facitiies plan
Utility operations analysis
Deposit account analysis

Recommendations

CREATING THE LTFP → **Long-Term Ficial Plan** → **9.1 Develop a Long-Range Financial Plan** → **Long-term Financial Plan**

- expenditure levels and whether they are sufficient to provide citizens with the desired level of services as the city grows;
- fund balances and whether they are sufficient to protect the city against an economic downturn; and,
- debt levels and their impact upon current city financial resources.

San Clemente's financial forecasts are developed using a baseline environment, that is revenues are projected by trend and expenditures are projected using historical growth rates. These forecasts provide a frame of reference for evaluating the city's overall financial condition. They are updated three times annually: 1) as part of the city's LTFP process; 2) after the proposed budget is prepared; and 3) after the budget is adopted by the city council.

Revenue forecasting uses analytical techniques to produce estimates of the future inflow of financial resources. Its purpose is to minimize uncertainty about future revenue levels by accurately predicting inflows of specific revenue sources such as taxes, fees, and charges. Five-year revenue forecasts are prepared by San Clemente for operating position, fund balance and reserves, overall general fund revenue, interfund transfers, and eight of the city's major revenue sources.

Expenditure forecasting produces estimates of a government's future spending. Its purpose is to help policymakers plan more effectively by projecting anticipated spending levels for budgetary categories such as salaries and wages, fringe benefits, and supplies. San Clemente prepares five-year expenditure projections for general fund expenditures, salaries and wages, employee benefits, contractual services, other charges, interdepartmental charges, interfund transfers, and capital outlay.

Identifying Issues: Developing Options. In the next phase, San Clemente uses the information provided by the trends and forecasts is to: 1) *identify issues* expected to have a long-term impact on financial condition of the government and 2) develop specific *policy and program alternatives and recommendations* that meet its goals and objectives.

The framework for San Clemente's LTPF is provided by several *fiscal policy* guidelines developed by administrators and financial managers for a variety of key management issues. These policies establish operating parameters for the city's elected and appointed officials and provide government personnel with a written description of what's expected of them when carrying out day-to-day operations as well as what is not permitted in making significant decisions. They are clearly and concisely written and address a range of revenue issues, including fees and charges, one-time revenues, revenue diversification, and unpredictable revenues.

As recommended by the NACSLB, the San Clemente City Council formally adopts the various fiscal policies and annually assesses how well the fiscal policy objectives have been met. In FY99-00, 45 of the city's 46 policy objectives were met, as opposed to only 30 out of 43 in FY93. Exhibit 6 outlines San Clemente's revenue policies, providing a representative illustration of the city's fiscal policies.

This part of the LTFP process involves identifying several critical areas which have,

or are expected to have, an impact on the financial condition of the city over the next five years. Once these critical issues identified, specific goals and objectives developed for each. Then, project teams and leaders chosen based on individual talents and expertise and a steering committee is formed to keep project on track and on schedule.

Each project team is charged with preparing issue papers that meet the goals and objectives already defined. The reports must be written clearly and concisely and provide very specific and practical recommendations. They also must include calculations of the fiscal impact of the recommendations. In short, the insights gleaned from the forecasts are used by San Clemente's financial management team to develop policy and program options for review by the city council in the budget process.

In San Clemente's FY99-00 budget, the following reports were produced:
- Capital Facilities Plan;
- Computer Strategic Plan Update;
- Deposit Account Analysis;
- Development and Growth Issues;
- Insurance Pool Analysis;
- Street Improvement Program Update;
- Reserve Analysis; and
- Utility Operations Analysis.

Creating the Long-term Financial Plan. The final step is to create the city's LTFP, using the financial forecasts and trend analyses as the plan's foundation and incorporating recommendations from the issue papers. Then, the LTFP is linked to the city's budgeting process.

Once it has been developed, the LTPF is presented in a public meeting to the city council and other stakeholders for their review. A few days later, the council, working with the city manager, evaluates and ranks in priority order the various proposals contained in the LTFP at a "Vital Few Priorities" workshop. This priority-setting process guides the ultimate shape of the city's budget. Finally, a few weeks later, the council formally adopts the LTFP.

Using the insights and guidance provided by the LTFP, San Clemente's financial managers and administrators then develop workplans to allocate resources in a budget document. Once the budget has been formulated, it is presented to the city council in June for deliberation and approval.

San Clemente summarizes its LTFP in both the budget document and a separate stand-alone report. After budget implementation, the performance of the LTFP is

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Exhibit 6
SAN CLEMENTE'S REVENUE POLICIES: 1999-00 BUDGET

- The city will try to maintain a diversified and stable revenue system to shelter it from short-term fluctuations in any one revenue source.
- Because revenues, especially those of the general fund, are sensitive to both local and regional economic conditions, revenue estimates adopted by the city council must be conservative.
- The city will estimate its annual revenues by an objective, analytical process utilizing trend, judgmental, and statistical analysis as appropriate.
- User fees will be adjusted annually to recover the full cost of services provided, except when the city council determines that a subsidy from the general fund is in the public interest.
- One-time revenues will be used for one-time expenditures only (including capital and reserves).
- The city annually will identify developer fees and permit charges received from "non-recurring" services performed in the processing of new development. Revenues from these sources will be used to meet peak workload requirements.
- Capital improvements will be financed primarily through user fees, service charges, or developer agreements when benefits can be specifically attributed to users of the facility. The city will analyze the impact of capital improvements to ensure that operational and maintenance costs are balanced with out-going revenue to support the facilities.

Exhibit 7
PERFORMANCE MEASURES FOR FIRE AND LIFE SAFETY SERVICES, CITY OF SAN DIEGO, CALIFORNIA

Department Mission
To improve the quality of life for San Diego area residents and visitors by protecting lives and property through fire suppression, rescue, disaster preparedness, fire prevention, community education, emergency medical care, and lifeguard services.

Communications
Support 911 dispatch operations, emergency responders, and Fire and Life Safety Services department staff by supplying reliable communications systems and equipment (telephones, radios, and computers) such that all systems are operational 99.5% of the time.

Performance Measures	Actual FY1998	Budgeted FY 1999	Final FY 2000
Workload: Number of hours per year of computer aided dispatch system available	8,759	8,760	8,760
Effectiveness: Hours of system downtime	1	44	44
Effectiveness: Percent of time the communications system is operational	99.9%	99.5%	99.5%
Efficiency: Support cost per hour of computer aided dispatch system operation	$65	$99*	$127

* Staffing and support transferred from citywide program expenditures

monitored and evaluated throughout the calendar year in order to make adjustments and corrections.

A good long-term planning process is essential for governments to effectively prioritize budgetary issues and then produce a budgetary program that links those budget priorities to the fiscal resources available By implementing an effective LTPF, the City of San Clemente is able to more effectively plan for future contingencies and to allocate budgetary resources in a more efficient and rational manner.

Performance Measurement

Evaluating organizational and program performance seems to be straightforward, but few governments do it well. In some cases, the linkage between program goals and objectives and performance measurement is weak; in other cases, there is a disconnect between predefined program goals and their performance measures. Performance measures should follow logically from the predefined program goals and objectives. The City of San Diego, California, is one jurisdiction that follows best practices in benchmarking its municipal operations on an ongoing basis.

Development of Performance Measures. To begin the benchmarking process, the city identifies the programs, services, and/or functions that will be compared and makes simple comparisons between other government operations or private organizations. Then, operations data are acquired from

similar organizations. This collection effort includes quantitative and processing data. Each department is charged with developing performance measures for the organizational comparison.

The city next evaluates its operations against similar governments to assess if gaps exist between its performance levels and the best industry performers. This use of performance measures allows the city to compare itself to others with respect to effectiveness, efficiency, and quality of its outcomes.

After assessing each department's and service's performance, senior managers communicate the results to their employees. This communication effort is undertaken to inform employees of any changes that will affect their work and to provide them with the necessary information for making necessary operation changes.

Using the information and insights gained during the evaluation and communication processes, city officials propose improvements for programs and services with poor performance. In so doing, cost-benefit analyses are conducted to assess the effectiveness and efficiency of the improvements. Each improvement initiative also is discussed with employees to assess its feasibility and to generate alternatives.

Implementation and Monitoring. To implement the proposed operation improvement initiatives, each department then develops an implementation plan. These plans describe the following.
• What is going to be accomplished?
• How will it be accomplished?

• Who is responsible for implementation?
Once the action plans are established, each department develops its implementation schedule. The implementation schedules specify the milestones, goals related to the action plans, and whether improvement initiatives will be implemented sequentially or simultaneously.

To assess the effectiveness of the service improvement initiatives, each department monitors the implementation effect on operational performance. This is accomplished by using predefined performance measures to track the changes in output and outcomes. Additionally, the city has established committees and internal procedures to assist in monitoring the improvement process.

The final step in the benchmarking process entails re-assessing the performance of the programs and services that were modified. This is accomplished by collecting additional data for the service areas and generating a new set of performance measures. Subsequently, the new performance levels are compared to the performance of other organizations.

Additionally, the budget document provides performance measures for sub-departmental programs and services. For example, Exhibit 7 shows the relationship between the mission of the Fire and Life Safety Services, its communications services (i.e., 911 dispatch), and outcomes. As shown in Exhibit 8, the performance measures relate logically to the services provided by communications' services.

To make appropriate program and service improvements, governments need to assess how well their programs and services perform. Comparing program and service performance with other jurisdictions allows governments to monitor their accomplishments more effectively. More importantly, intergovernmental comparisons allow governments to identify and incorporate "best practices." The City of San Diego has improved its financial management, performance measurement system, and organizational performance by establishing its own benchmarking process comparing itself to similar governments.

Summary

Although there is no one single method that can achieve all of a government's goals and objectives, there are best practices that can help governments improve their management and operations. Each of the juris-

dictions highlighted in this article provides an illustration of how innovative best practices are being used to improve financial management and government operations.

- Dakota County, Minnesota, effectively identifies program challenges by clearly stating the process for documenting challenges and strategies, specifying desired outcomes, and developing logical effectiveness, efficiency, and responsiveness measures.

- San Clemente, California's Long-Term Financial Planning (LTPF) process is clearly and concisely illustrated in the budget and supporting documents; is integrated with broader strategic planning and budgeting processes; and provides opportunities for stakeholder input in the LTPF process.

- San Diego, California, has created a benchmarking process that establishes a clear linkage between program goals, objectives and performance measurement and successfully uses it to monitor the effectiveness of departments and programs.

- Tucson, Arizona's Livable Vision Program brings together citizens, members of the business community, and city employees to establish long-term, community-driven goals that help shape the city budget and hold policymakers accountable for developing programs and services that address community needs.

Governments desiring to improve their financial management and service delivery need to incorporate their constituents' preferences, conduct long-term planning to assess whether the government has sufficient resources to meet its stakeholder preferences, and assess how well service delivery mechanisms are meeting stakeholder needs. To become high-performance organizations, governments need to adopt best practices for each of their major processes. □

NOTES

[1] See "National Advisory Council on State and Local Budgeting," *Government Finance Review*, December 1996, p. 3; "A Leap Forward for State and Local Government Budgeting," *Government Finance Review*, October 1996, pp. 38-39; "A New Standard of Excellence in Budgeting," *Government Finance Review*, October 1996, p. 5; "NACSLB Recommended Budget Practices: What They Are and How to Use Them," *Government Finance Review*, June 1998, pp. 9-14; "The Challenge of Change," *Government Finance Review*, August 1998, p. 5.

[2] See "Linking Strategic Planning and Budgeting in Scottsdale, Arizona," *Government Finance Review*, August 1998, pp. 9-14; *1999/01 Biennial Budget*, City of Scottsdale, Arizona.

[3] See "Recommended Budget Practices: Incorporating Stakeholder Into the Process," *Government Finance Review*, August 1998, pp. 15-18.

[4] See *Summary Budget Fiscal Year 1999/00 & 2000/01*, Santa Clara Valley Water District, California.

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