

## BLUE ASH CITY COUNCIL

January 28, 2010 – Work Session

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A work session of the Council of the City of Blue Ash, Ohio, was held on January 28, 2010. Mayor Mark F. Weber called the meeting to order in the Blue Ash Conference Room at 6:30 PM.

### **OPENING CEREMONIES**

Mayor Weber led those assembled in the Pledge of Allegiance.

### **ROLL CALL**

MEMBERS PRESENT: Councilman Tom Adamec, Councilman Rick Bryan, Councilman Robert Buckman, Vice Mayor Lee Czerwonka, Councilwoman Stephanie Stoller, Councilman James Sumner, and Mayor Mark Weber

ALSO PRESENT: City Manager David Waltz, Deputy Clerk of Council Sue Bennett, Treasurer/Administrative Services Director James Pfeffer, Parks & Recreation Director Chuck Funk, Public Works Director Mike Duncan, Assistant to the City Manager Kelly Osler, Deputy Treasurer/Finance Officer Sherry Poppe, Economic and Community Development Director Judy Clark, and interested citizens

### **WORK SESSION – Topic: Budget prioritization discussion with ICMA representatives**

City Manager Waltz commented that our presenters this evening will talk in further about a budget reprioritization process they have created which has been helpful to other communities. He stressed that this process is meant to enhance the long-term perspective with the overall goal being to continue our work towards maintaining financial health. There have been many communities in the news recently who are experiencing economic crisis; however, this is not the case in Blue Ash. The program to be discussed this evening is intended to be another tool the City can use to continue its proactive approach towards fiscal health practices.

In discussing recent past year's financial performance, Mr. Waltz reminded all of the 0.8% average annual increase in operational costs since 2006. This is extremely favorable since at the same time, the City was battling large energy, gasoline, and insurance cost increases in the marketplace, as well as continuing cost of living adjustments for employees. The fact that we have had below 1% average annual increases in operational expenses over the past several years demonstrates clearly that the Administration has continually put forth much effort toward achieving cost efficiencies.

Mr. Waltz introduced Jon Johnson and Chris Fabian, Senior Advisors from the International City/County Management Association (ICMA). Mr. Waltz noted that Mr. Fabian has previously visited Blue Ash as he played in a college baseball tournament at Blue Ash's Crosley Field several years ago. Both gentlemen introduced themselves and gave a brief description of their background. Mr. Johnson is an accountant by trade (working many years at the county/local government level), and Mr. Fabian an engineer (also working many years at the county/local government level). They once worked together at Jefferson County, Colorado, and have also co-authored articles regarding the topic of communities achieving fiscal health and wellness through a prioritization process which they have created. It was in Jefferson County where they developed their model of prioritization. Both have worked with communities from across the nation to deal with what they term the "new normal" – a new financial level where communities will have to adjust in order to meet their objectives and stay fiscally healthy. Most communities they are working with are not in immediate crisis, including Blue Ash. Nonetheless, the communities, like Blue Ash, are looking for new strategic ways and tools to do their budget process – determining how to work best with the "new normal."

Highlights of their presentation follow:

- Their model of achieving fiscal health and wellness involves two strategic initiatives: achieving fiscal health, and achieving long-term fiscal wellness.

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- A real life example was given regarding action by the State of California in 2007 in reaction to a budget crisis. At that time, the governor announced an across the board approach to reductions in order to spread cuts out as evenly as possible, not singling out any single program. The overall reaction to this was that this approach would be similar to a family deciding to cut its monthly mortgage payment, dining out tab, and video subscription each by 10%, rather than eliminating the restaurant and video spending in order to keep up the mortgage payments. This was a real-life example that seems to be well understood as to why this across-the-board-cut approach may not be the best, and this example had a strong effect with the Jefferson County Commissioners with whom Mr. Johnson and Mr. Fabian were working with.
- The key objectives of prioritization include identifying the desired results/strategic goals, to further define what those results/strategic goals mean, to make an inventory of the programs and services the City provides, and then to evaluate each program/service as to cost and priority.
- The prioritization process evaluates the City's programs/services it offers -- one program/service is compared to another. Prioritization provides a process to better understand services in the context of cause and effect relationship they have on the organization's overall priorities. It determines how each program contributes to or influences the results/strategic goals of the community.
- Mr. Fabian noted that at the end of their work with Jefferson County, the process provided a higher degree of understanding among decision makers since they ranked services based on priorities. It is important too in the process to articulate to people in and out of the organization how services are valued, how the City invests in its priorities, and how the City may choose to divest itself of lower priority services.
- An important first step in this process is to achieve overall fiscal health. Achieving fiscal health involves these concepts (which, he noted, Blue Ash is already doing):
  - Spending within your means. This also includes understanding sources of funds which are recurring and dependable, and those, such as grants, which are one-time sources.
  - Establishing and maintaining reserves. A good community understands that having "money in the bank" is important and appropriate and is a good sign of fiscal health.
  - Understanding variances (such as looking closely at budget vs. actual). This involves making sure the budget is more in align with what is actually being spent.
  - Being transparent about the true cost of doing business. It is important to know the real cost of providing a service to citizens, including the support involved.
  - Incorporating economic analysis and long-term planning into decision making. It's important to know the impact of the decision today over the next five or ten years. For example, when deciding whether a large capital improvement project should be done today, decision makers must consider the ongoing expenses that it will take to maintain and operate that project over the next five or ten years.
- Once a community has fiscal health, it can shift its focus to fiscal wellness. Since Blue Ash already practices the concepts described above defining fiscal health, this is the stage that Blue Ash falls in. Concepts involved in achieving fiscal wellness are summarized below:
  - Achieving fiscal health (those items described above).
  - Identify, define, and value the results of government.
  - Identify programs and services.

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- Value programs based on evidence of their influence on the desired results
- Support resource allocation decision making with prioritization of programs.
- Steps to successful prioritization include the following:
  - Determine results/goals – this involves identifying the results the City is in business to achieve. What are the programs and services that citizens expect of its government? This is about what is more long-term and what really defines a community – the defined results/goals are things that are important to the community and won't change much over time. Examples of desired results may be a safe community, quality of life, etc.
  - Clarify result definitions – their model utilizes results maps to identify clearly what the results mean. For example, a “safe” community might mean different things to different people. Each result must be clearly defined.
  - Identify programs and services – this involves creation of a program inventory of all the programs and services we offer. Developing this inventory is done internally by each of the City's departments/divisions. The advisors will work with the group staff participants in explaining this process in much more detail at a meeting scheduled January 29, 2010. This step will identify on-going (as compared to one-time) services and programs.
  - Value programs based on results. Given the desired, clearly defined results completed in previous steps, each program will receive a value relative to its influence on achieving those results.
  - Allocate resources based on priorities. However, this does not necessarily mean automatically eliminating the programs that had the lowest ranking.
- This results discussed above are the overall goals the City is in business to achieve. However, there are other functions of government that don't fit directly in these categories, yet are still critical to the organization. For example, the support functions that help those who directly provide the desired results to citizens would be within this category (i.e., finance/tax, IT, human resources, administration, etc.). These types of services are looked at separately within a “governance” review process.
- In defining the results or goals, their model utilizes a results mapping process, and several visual examples from other communities were shown. Results maps will help everyone (elected officials, staff, and the public) better understand the definition of the desired result. For example, if a “safe community” were chosen as one of the desired results, then the factors that define a “safe community” would be clearly described within a results map. The definition of the goal is important because it will ultimately help decide how important various programs/services are to the results and their ultimate value.
- When valuing the results, varying weight factors can be given towards each strategic goal to account for the fact that some goals may be more important than others. This provides the opportunity to make sure that if there is a result that is more important than another, then there is more emphasis in their score.
- The process involves identifying all programs and services to a community (not department or division vs. another department or division). This is an exercise that Mr. Johnson and Mr. Fabian will be working with staff tomorrow to describe in more detail, helping staff to come up with that inventory of ongoing programs and services previously discussed.
- The programs and services are then all rated in terms of how they contribute to the desired results. Each program and service will be rated as to how it contributes to the specific results – rated with a 0 through 4 based on how it contributes to each of the desired results. The system also works in a way to appropriately rate/value those programs or services that may be required of the community – perhaps required by federal or state law or local charter.

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- A peer review process is also a part of the prioritization process – a type of quality control. This is where others within the organization review the valuation of each program (not just those offering the service). Once departments have graded their programs in terms of how it contributes to results, this part of the process provides a separate independent review by others in the organization (a peer review team).
- A top to bottom city-wide prioritization listing of its programs and services will result from this process.
- Services or programs that may be available through a different venue (such as in the private sector, by another governmental agency, etc.) are also considered within this process (such as trash collection, contractual mowing, etc.).
- Another part of the process involves looking at the costs of providing the City's various programs and services (divided up into quartiles). For example – determining how much money it costs to provide the services within the top (priority 1) quartile, how much it costs to provide services in the next quartile, etc.
- Their model incorporates a "fiscal health diagnostic tool" which can show the effects of changes on projected revenues and expenses. It also measures the alignment of one-time sources and expenses.
- Prioritization-driven resource allocation is an important stage in the program. This part of the process assisted their Jefferson County Commissioners to develop a spending plan to achieve spending based upon prioritization. It is meant to be a way to help guide the organization towards allocating resources to programs that achieve objectives more directly, and question or talk more about the programs that don't contribute as much towards those results. This tool can also be used to evaluate whether a new proposed program may fit within the prioritization process.

The advisors answered several questions from Council, as summarized below:

- The advisors are currently working with approximately ten communities who are at varying stages of implementation in the process. These communities are located in California, Colorado, Florida, Nebraska, Missouri, and perhaps other states. Lakeland, Florida was the first to complete the process. San Jose, California is the largest, and Grand Island, Nebraska the smallest.
- The detail involved with the process done at the beginning of the process is not necessarily repeated each year (though the services/programs and their ratings may be adjusted). Their goal is that the organizations take this new tool and blend it into their annual budgeting process. This is not a tool meant to just fix something one time -- it's one to be supported by the organization within the budgeting process done each year. A lot of the work involved is accomplished during the initial effort. Future year efforts can also be tweaked to assure the programs measured are truly helping to achieve the desired result to the degree expected.
- It is anticipated that this prioritization project will take approximately five or six months. It includes tonight's presentation, a scheduled meeting tomorrow with group staff participants, and a future open house or town hall meeting to obtain citizen involvement. That open house is tentatively set for Thursday, March 25 (before a regularly scheduled Council meeting).
- This process does not necessarily look at the efficiency of each program and service. It simply prioritizes and values it based upon the desired results determined through the process. The first step of the process defines the relevance of the program. Mr. Waltz reiterated that over the past five or six years the Administration has already been working towards improving overall efficiencies of each program/service. For example, we have contracted out our building inspection services and some mowing responsibilities, etc. At this point, relevancy of a program may be the question, whereby efficiency of services is almost a continual and intrinsic process.

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- Mr. Waltz clarified that this process is not meant to introduce a huge change for Blue Ash. Rather, it's meant to be an additional tool to continue our proactive practice to our financial well being.
- The timing of this process will assist in the development of the tax budget which is due in July.

The advisors led an approximate 20-minute exercise with participation of Council and the Administration. They asked that those participating write down suggested "results" (or overall strategic goals of the City). After (and during) the exercise, they divided the many suggestions into various categories (i.e., proposed "results"). The goal of this exercise is to develop common "themes" as to what the results are that Blue Ash wants to accomplish – what are the ongoing high-level features/services that Blue Ash is expected to provide.

Some discussion was held regarding the categorization of the results developed during the exercise. After some discussion, it appeared that the following results (or strategic goals of the city) seemed to be dominant (not listed in any particular ranking or order):

- Safety: It was clear that a safe community is important to all.
- Quality of Life: it was clear that factors affecting quality of life are important. For example, amenities, places to go, "stuff" to do, etc.
- Parks and recreational services.
- A visually attractive, clean, and healthy community – look and feel of the community appears to be important.
- Economic development – it's important to attract businesses that will support the local economy.
- Neighborhood/housing – quality, diverse, clean, well-preserved, and attractive housing options seem to be important.
- Infrastructure – comments such as good roads, sidewalks, mobility, streetlights were contained within this category.

The advisors commented that usually communities can reasonably work with about five to eight results or strategic goals. Treasurer Jim Pfeffer commented that he believes it important to consider generational suggestions in this process as well. Some discussion was had as to how the opinions of younger citizens can be assured in this process.

Mr. Waltz commented that the next step in this process will be an internal meeting scheduled for tomorrow with department and division leaders in the City. Another group meeting is scheduled for later February, where he intends to also invite community leaders, perhaps from Sycamore Schools, the Chamber, and other community/civic leaders. An open house will likely be held on March 25 before a regularly scheduled Council meeting. He also mentioned that another citizen survey (to be completed by UC's Institute for Policy Research) is planned within this process and will work to validate the results generated by this process.

**ADJOURNMENT**

All items on the agenda having been acted upon, Councilman Bryan moved, Councilman Buckman seconded to adjourn the meeting. A voice vote was taken. All members voted yes. The Council meeting was adjourned at approximately 9:07 PM.

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Mark F. Weber, Mayor

MINUTES WRITTEN BY:

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Susan K. Bennett, Deputy Clerk of Council