25,000

ICMA UNIVERSITY

Leading Your Organization (and Elected Officials) to "Fiscal Health and Wellness through Priority Based Budgeting"

99th ICMA Annual Conference
Boston, Massachusetts
September 22, 2013

INSTRUCTORS

Chris Fabian, Co-Founder, Center for Priority Based Budgeting, Denver, CO
Jon Johnson, Co-Founder, Center for Priority Based Budgeting, Denver, CO
Kathie Novak, Senior Advisor, Center for Priority Based Budgeting, Denver, CO

Chris Fabian

Chris co-founded the Center for Priority Based Budgeting, an incubator project with the National Environmental Health Association (NEHA) located in Denver, CO. During his career, Chris has provided consulting and advisory services to numerous local governments across the country. His consulting experience has focused on public entities at all levels, advising top municipal managers, department heads and program directors from over 60 organizations concerning the fundamental business issues of local government. Of most significance, his work has centered on the budget process as a lever to produce results, accountability and change; performance and outcome-based management; purpose, productivity, and efficiency in operations; and rigorous financial analysis and strategy. Pursing the objectives of "Budgeting for Outcomes" (BFO), Chris was a partner of the consulting team that implemented BFO in Ft. Collins, Colorado, one of the leading organizations using this approach and is now assisting with their conversion to the Priority Based Budgeting model he developed in partnership with Jon.

Most recently Chris has served as a budget practitioner with Jefferson County, Colorado, where he incorporated the lessons learned from BFO into the development of the Priority Based Budgeting process. He holds a B.S. in engineering from the Colorado School of Mines.

Jon Johnson

Jon is co-founder of the Center for Priority Based Budgeting, a non-profit Denver-based organization whose mission is to help local governments achieve Fiscal Health and Wellness during these challenging economic times. Jon has more than 25 years of experience as a practitioner in financial administration for municipalities, counties, school districts and public universities. Throughout his career as a finance/budget director, he has been responsible for the management of all aspects of local government finance operations for both small and large organizations. Jon brings with him not only the "hands-on" technical skills associated with the day-to-day financial operations of local governments, but also the ability to apply a diagnostic approach to the analysis needed to assess the fiscal health of an organization and the management experience to implement the resulting solutions from that diagnostic analysis.

Most recently, Jon served as the Director of Budget and Management Analysis for Jefferson County, Colorado. Previous to that position, he was Assistant Director of Finance for Douglas County, Colorado. Prior to moving to Colorado in 2002, Jon served as the Director of Finance for several municipalities in Missouri, including the City of Blue Springs, the City of Joplin, and the City of Kansas City (MO) Aviation Department. He has also been associated with ICMA as a Senior Management Advisor and with GFOA as a regional trainer and workshop presenter. He served twice on the board of directors for the Missouri Government Finance Officers Association (GFOA-MO) and was active in its Central and Kansas City chapters. Jon holds a B.A. in political science and a B.S. in accounting from Missouri Southern State University, as well as a master's degree in College Administration from Pittsburg (KS) State University.

Kathie Novak

Kathie Novak is currently a Senior Advisor with the Center for Priority Based Budgeting, a non-profit located in Denver, Colorado. She is currently a part time lecturer for the Daniels College of Business at the University of Denver. Kathie has experience in the private, public, and not for profit sectors.

Kathie has 19 years of elected public service, eleven as a member of the Northglenn City Council, and an additional 8 years as Mayor. She was term-limited in 2010. During her time in public office, she served as President of the National League of Cities in 2009, and held numerous other leadership positions. She consults in the areas of leadership development, management training, team building, and facilitation. She has worked as an international consultant, specializing in program development, curriculum development, and training. Kathie has been a presenter and speaker at numerous national and international conferences.

She earned her Master of Science in Management from the University of Colorado at Denver, and has an undergraduate degree in Business Administration from the University of Colorado at Boulder, and has been teaching management at the graduate and undergraduate level since 1991.

Her awards include the 2012 John V. Christensen Award for exemplifying the tradition of John V. Christensen in promoting and working for good, strong, representative local government and regionalism in solving mutual problems; "9NEWS Leader of the Year" for 2003, "Businesswoman of the Year," awarded by the MetroNorth Chamber of Commerce, "Excellence in Teaching Award," from Regis University, and was awarded an American Marshall Memorial Fellowship, for travel in Summer 2002.

PBB
CENTER FOR PRIORITY BASED BUDGETING

Leading Your Organization (and Elected Officials) to

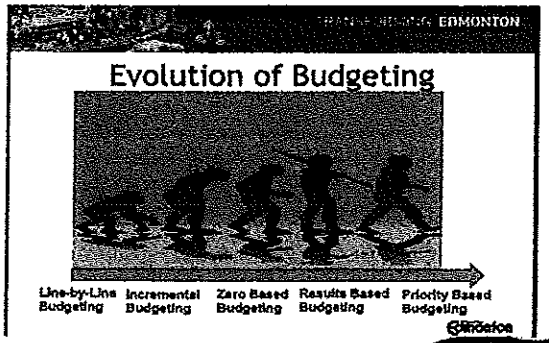
"FISCAL HEALTH and WELLNESS through PRIORITY BASED BUDGETING - Part I

Jon Johnson, Chris Fabian & Kathie Novak

ICMA Conference Presenters

ICMA
95th ANNUAL CONFERENCE
BOSTON
NEW ENGLAND
September 22-25, 2013

A Brief Introduction...



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From the Dias ....

Why Priority Based Budgeting?

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FISCAL
CLIFF
AHEAD
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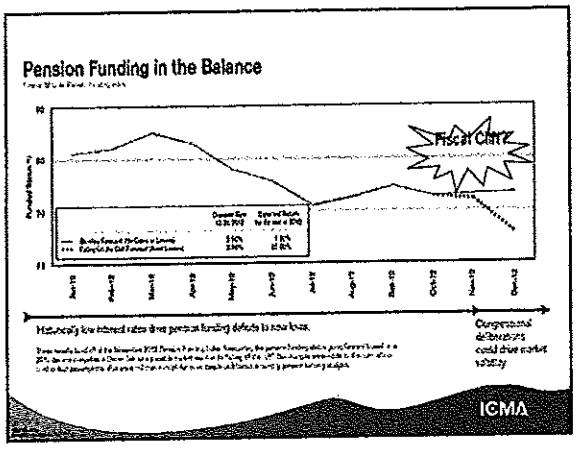
Pension Funding in the Balance
Fiscal Cliff
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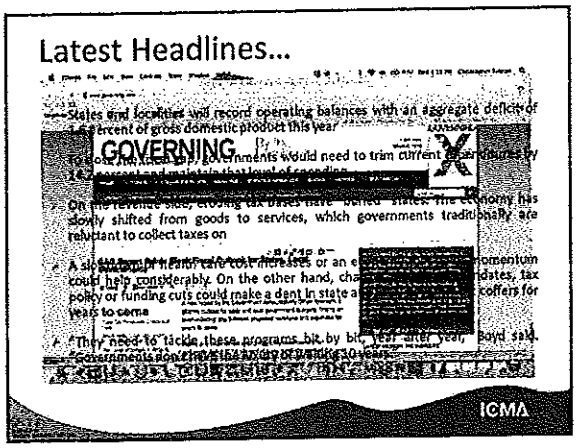
Latest Headlines...
States and localities will record operating balances with an aggregate deficit of
GOVERNING
On the revenue side, eroding tax bases have
slowly shifted from goods to services, which governments traditionally are
reluctant to collect taxes on
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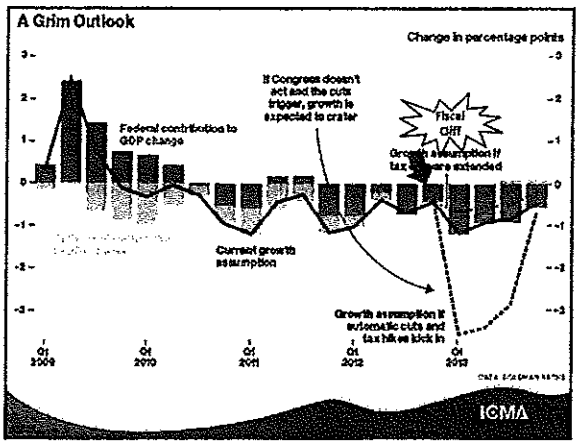
A Grim Outlook
Change in percentage points
Federal contribution to GDP change
If Congress doesn't act and the cuts trigger, growth is expected to crater
Fiscal Cliff
Current growth assumption
Growth assumption if automatic cuts and tax hikes kick in
Q1 2009
Q1 2010
Q1 2011
Q1 2012
Q1 2013
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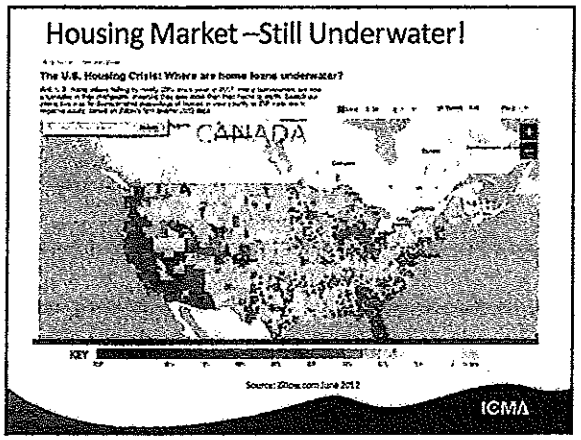
Housing Market – Still Underwater!
The U.S. Housing Crisis: Where are home loans underwater?
CANADA
KEY
Source: Zillow.com June 2012
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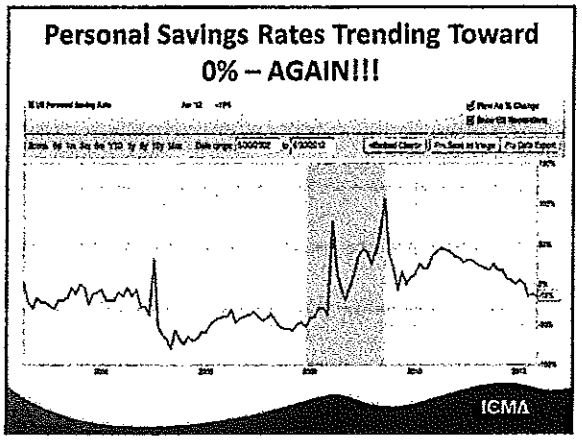
Personal Savings Rates Trending Toward 0% – AGAIN!!!
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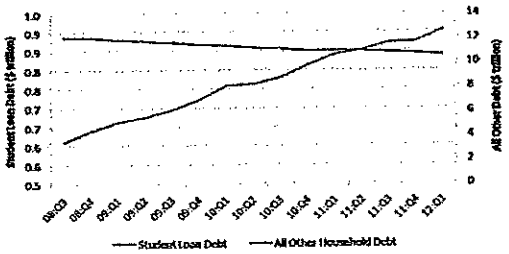
Student Loan Debt – the Next Collapse ????

Household Debt: Student Debt Rising



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So - as an Elected Official:

- What does this mean for me?
- What should be I be paying attention to?
- Who should be watching?
- What else is on the horizon?

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The Budget ....

From an Elected Officials Perspective

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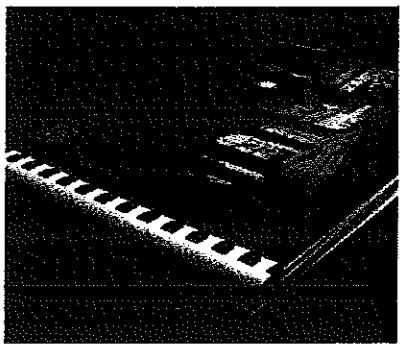

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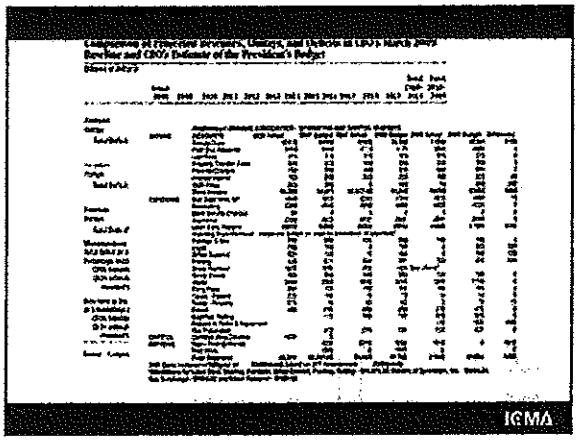

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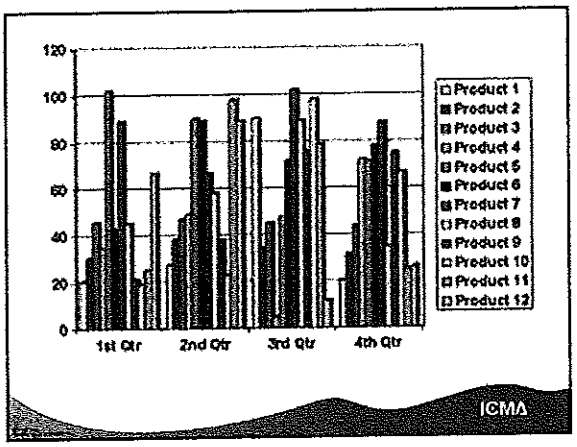
120
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60
40
20
0
1st Qtr
2nd Qtr
3rd Qtr
4th Qtr
Product 1
Product 2
Product 3
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Product 11
Product 12
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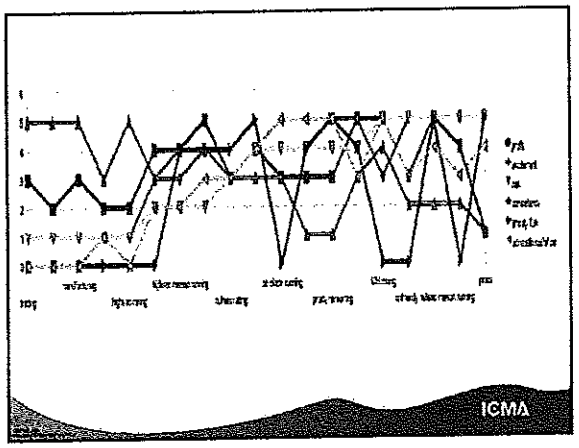
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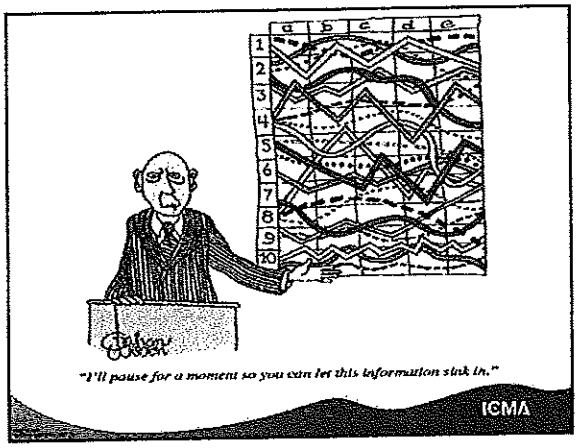
a
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"I'll pause for a moment so you can let this information sink in."
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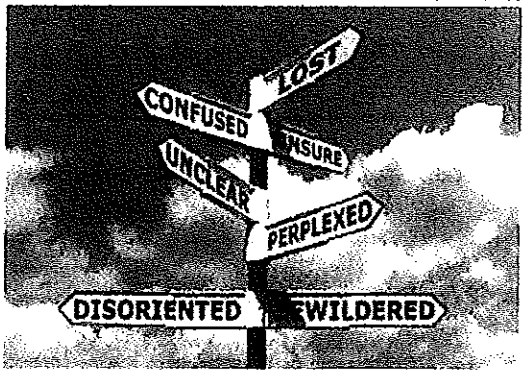

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What are your Elected Officials really thinking?

- What does all this financial information really tell me?
  - *Are you saying everything is fine ?*
  - *Are you saying we need to make cuts ?*
  - *Are you saying we need to raise taxes ?*
  - *Are you saying we have more money to spend ?*
- What are you asking me to decide ?

OR

- Are you just wanting my ***"rubber stamp"*** of approval ?

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Are We Headed in the Right Direction?

- *"If you don't know where you are and you don't know where you are going – any road will get you there."*
- *"You've got to be very careful if you don't know where you're going, because you might not get there."* *Yogi Berra*

- SO -

Show me where we <u>ARE</u> and show me where we are <u>GOING</u>!

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The Beginnings ....

Fiscal Health &
Priority Based Budgeting

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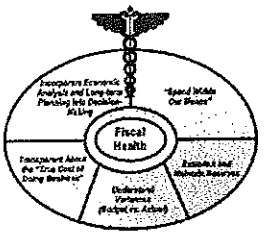
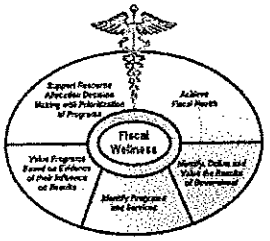
Achieving Fiscal Health & Wellness

2 Strategic Initiatives

Fiscal Health



Long-term Fiscal Wellness



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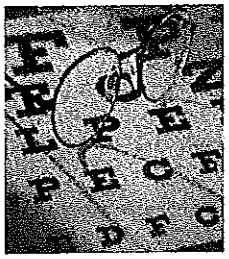
BRINGING VISION INTO FOCUS WITH A NEW *"LENS"*



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Who is Looking through the "New Lens"

- *ARIZONA* - Chandler (2); Queen Creek
- *CALIFORNIA* - Walnut Creek (3); San Jose (3); Sacramento (2); Monterey (3); Salinas; Seaside; Fairfield; Placentia; Mission Viejo
- *CANADA* - Edmonton; Alberta Ministry of Health
- *COLORADO* - Boulder (3); Longmont (3); Fort Collins (2); Wheat Ridge (2); Jefferson County; Thornton; Victor; Mountain View Fire Protection District; Manitou Springs; Denver International Airport; Dillon Valley Water/Sewer District
- *FLORIDA* - Lakeland (3); Delray Beach (2); Plantation; Pasco County
- *IDAHO* - Post Falls
- *ILLINOIS* - Boone County
- *KANSAS* - Shawnee
- *MISSOURI* - Branson
- *MONTANA* - Billings (2)
- *NEBRASKA* - Grand Island (3)
- *NEW MEXICO* - San Juan County
- *NEVADA* - Douglas County (2)
- *NORTH CAROLINA* - Cary
- *OHIO* - Blue Ash; Cincinnati
- *OREGON* - Springfield, Tualatin
- *PENNSYLVANIA* - Lehigh County
- *TEXAS* - Plano (3), Southlake
- *VIRGINIA* - Chesapeake (2); Christiansburg (2)
- *WYOMING* - Green River

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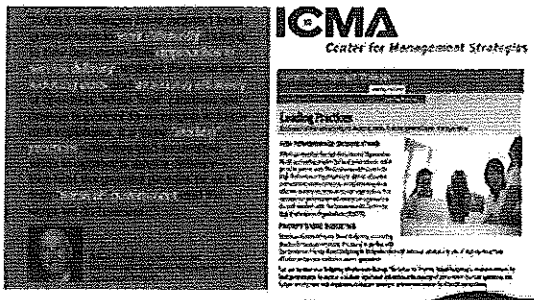
Fiscal Health & Wellness through *Priority Based Budgeting*



Achieving Fiscal Health

-OR-

Confessions of a 30-year Finance Director !

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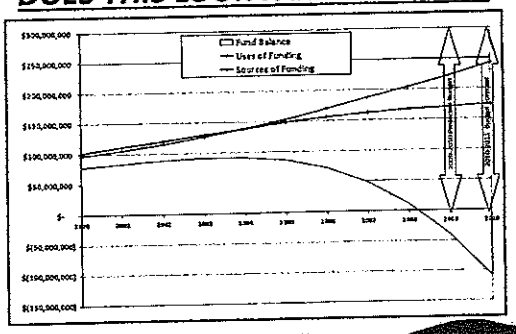
DOES THIS LOOK FAMILIAR ?????



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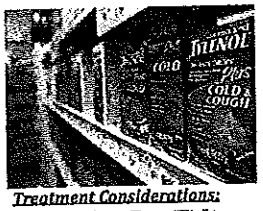
"Over the Counter" Treatments

Treatment Options:

- Fees for Service = Cost of Delivery
- Freeze Vacant Positions (*Temporaries?*)
- Across the Board *"Cuts"*
- Defer/Delay Capital Projects
- "Sharpen" Revenue Billing/Collection
- Consolidated Purchasing/Contracting
- Sell Underutilized Assets
- Cost Allocation/Overhead Transfers
- Freeze Salaries/Overtime



Treatment Considerations:

- Only a Short-Term "Fix" to Relieve Pain
- Safe to apply with minimal diagnosis
- Must have follow up diagnosis

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Emergency-Room" Treatments

Treatment Options:

- Across the Board Budget *"Amputation"*
- Hiring Freeze/Furloughs
- Reduction in Workforce
- 4-Day work weeks
- Reduce Services
- Spend "Savings" Reserves
- Early Retirement Incentives
- Outsourcing/Shared Services
- Resize or Restructure

Treatment Considerations:

- Don't apply without diagnosis
- Don't be guilty of malpractice
- Only to "Stop the Bleeding"

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"Cosmetic" Treatments

(Not a Solution!!!)

- Accounting Gimmicks
- Shifting Operational Costs to Capital Budgets
- Deferring Compensation
- Underfund Accrued Liabilities
- Short –term borrowing
- *"Distort"* estimates or projections

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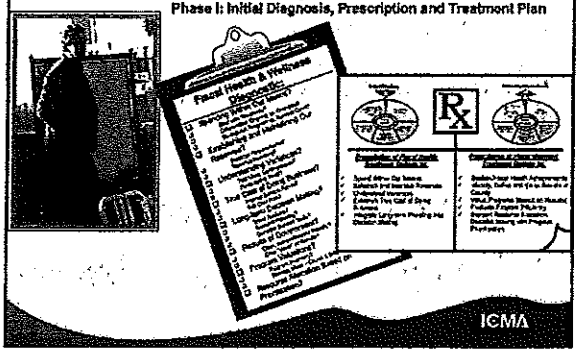
Become a Diagnostician

Achieving Fiscal Health & Wellness

Phase I: Initial Diagnosis, Prescription and Treatment Plan



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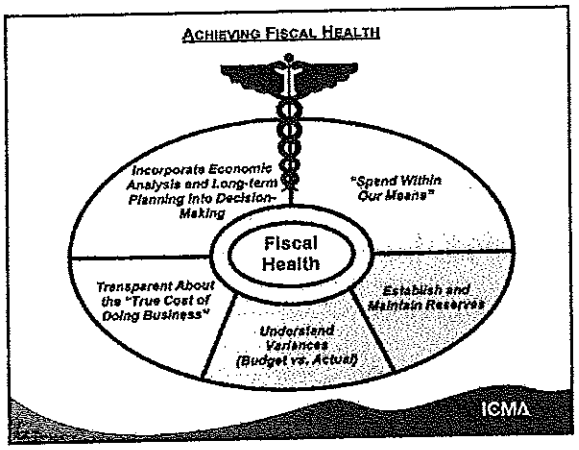

Strategic Questions

1. *How much do we have available to spend?*
   (not "How much do you need"?)

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Approach to Fiscal Health #1:
"Spend Within Your Means"

Apply Diagnostics – DO YOU...

- ***Start with revenues?***
  - Know what *"drives"* each major revenue source?
  - Prepare a formal organization-wide ***Revenue Manual***?
- ***Distinguish one-time from ongoing sources and uses?***
  - Have a process in place to *"track"* them separately?
  - Demonstrate this differentiation in your forecasts and other financial documents?
- ***Differentiate Program Revenues from General Government Revenues?***
  - Adjust budget allocations to departments for changes in associated Program Revenues?

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1) give new council members a revenue manual
- know what drives your revenues

One time vs ongoing
& better yet showing the difference

Approach to Fiscal Health #1:
"Spend Within Your Means"

Available Treatments:

- ***Achieve ongoing alignment***
  - Fund operating expenditures with reliable ongoing revenues
  - Prevent reliance on volatile revenues *(that might not come in!)*
- ***Achieve one-time alignment***
  - Fund one-time costs with one-time sources
  - Ensure reserves aren't used for ongoing expenses
- ***Promote revenue diversification and enhancement***

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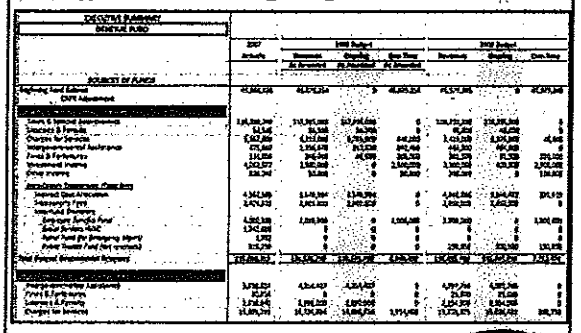
Differentiate Ongoing and One-time



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track ongoing vs onetime

Strategic Questions

1. *How much do we have available to spend? (not "How much do you need"?)*
2. ***Why do we need to keep "money in the bank"?***

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Approach to Fiscal Health #2:
Establish and Maintain Reserves

Apply Diagnostics – DO YOU...

- ***Understand what makes up Fund Balance(s) and why you hold reserves?***
  - Have a formal *"Inventory"* of all restricted or designated fund balance reserves, stating their purpose, the authority establishing them and how they are to be calculated?
- ***Have a written fund balance reservation policy?***
  - Monitor fund balances to ensure that reserves are maintained?
  - Ensure established working capital reserves are sufficient to meet emergency needs or short-term revenue shortfalls?
- ***Monitor Fund Balance levels to ensure they "aren't too little" OR "too much", but "just right"?***

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Fund balance is not a
savings account

Why are you building up a fund balance
↳ create a fund balance inventory

Determining the "Right" Level

- Baseline recommendation (*General Fund*)–
  - 5% to 15% of operating revenue
  - 1 to 2 months operating expenditures
- Adjust for:
  - Historic Events and Past Experience
  - Government Size
  - Revenue Stability
  - Future Capital Needs

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institute a fund balance policy

Monitor each individual fund

Standard & Poor's Views

- Low = 0% or "below"
- Adequate = 1% to 4%
- Good = 4% to 8%
- Strong = 8% to 15%
- Very Strong = Above 15%

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Approach to Fiscal Health #2: ***Establish and Maintain Reserves***

Available Treatments

- ***Establish a written Working Capital/Emergency Reserve policy***
  - Provides back-up plan for emergencies, revenue shortfalls, or other unforeseen changes
- ***Identify, document and understand all reserves***
- ***Review adequacy of Fund Balance levels***
  - Hold only appropriate amount in reserve to establish credibility with internal and external stakeholders
- ***Set aside funding for long-range plans, major maintenance and asset replacement***

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Strategic Questions

1. *How much do we have available to spend?*
   not "How much do you need"?
2. *Why do we need to keep "money in the bank"?*
3. ***What's the "difference"?***

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Approach to Fiscal Health #3: ***Understand Variances***

Apply Diagnostics – DO YOU...

- ***Allow Departments to budget for contingencies rather than appropriating at the fund level?***
- ***Have large capital project "carry-forwards" at year end?***
- ***Utilize a formal Compensation Plan to establish employee salary/wage ranges?***
  - Update the plan on a regular basis?
- ***Include employee benefit packages as part of total personnel costs when assessing the adequacy of employee compensation?***

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Types of Variance Analysis

- **Revenues & Expenditures**
  - Budget to Actual
  - Historical year to year actuals
  - Cyclical trends
  - Ongoing vs. one-time occurrence

- **Multi-year Capital Projects**
  - Eliminate Carry-forwards
  - Avoid excessive "change orders"

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Types of Variance Analysis

- **Employee Compensation**
  - Comp Plan vs. Actual Wages Paid
    - Hiring Range
    - Maximum Range
  - Market Comparison - based on total compensation
  - Approved FTE Count

- **Accounts Receivable**
  - Difference between amounts due and amounts billed?
  - Difference between amounts billed and amounts collected

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Approach to Fiscal Health #3: Understand Variances

Available Treatments:

- Strive to align budget with actuals (a source of "hidden treasure")
  - Refine salary and benefit projections, to align with actual costs incurred
  - Provide more effective budget monitoring and management to eliminate variances
  - Identify and eliminate the "fluff"
- Fund cyclical expenditures with one-time funding sources
- Consolidate contingencies maintained in department budgets
- Analyze and understand revenue & expenditure variances
- Promote multi-year budgeting for capital projects

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Strategic Questions

1. How much do we have available to spend? (not "How much do you need"?)
2. Why do we need to keep "money in the bank"?
3. What's the "difference"?
4. ***"It costs how much"????????***

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Approach to Fiscal Health #4:
Transparent About "True Cost of Doing Business"

Apply Diagnostics – DO YOU...

- ***Allocate overhead and administrative costs to Funds and/or Departments that benefit from those services?***
- ***Identify total cost (direct AND indirect) for all programs?***
  - Prepare a ***Full Cost Allocation*** plan in addition to an ***OMB A-87 Cost Allocation Plan***?
  - How is this ***Plan*** incorporated into the budget process?
- ***Establish fees for service that recapture appropriate level of total costs of providing that service?***

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Approach to Fiscal Health #4:
Transparent About "True Cost of Doing Business"

Apply Diagnostics – DO YOU...

- ***Utilize Internal Service Funds to align delivery and cost of internal services with customer demand?***
  - Know what services are best adapted to an Internal Service Fund approach?
  - Understand how internal charges are established and distributed?
  - Ensure that internal customers perceive that costs are transparent and there is an ability to influence those costs by altering their own demand?

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Approach to Fiscal Health #4:
Transparent About "True Cost of Doing Business"

Available Treatments:

- ***Establish Internal Service Funds and engage Departments in assessing demands for these services***
- ***Promote enhancement of cost recovery for programs where appropriate***
- ***Diversify cost burden from General Fund by appropriately sharing costs among other dedicated revenue streams***
- ***Inventory and cost all programs***
  - Utilize Full Cost Plans to better determine the true cost(direct and indirect) of offering programs/services

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Strategic Questions

1. *How much do we have [illegible] to spend?*
   (not "How much do you need"?)
2. *Why do we need to keep "money in the bank"?*
3. *What's the "difference"?*
4. *"It costs how much ??????"?*
5. ***"What's the plan and what could cause it to change?***
6. ***What does the future look like?***
7. ***What if.....???***

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Approach to Fiscal Health #5:
Economic Analysis & Long-term Planning

Apply Diagnostics – DO YOU...

- ***Incorporate ALL long-term plans developed within the organization into your financial forecasts?***
- ***Prepare comprehensive, multi-year Capital Improvement Plan, and clearly identify associated ongoing operating costs?***
  - Understand how the CIP impacts the budget process and your long-term financial forecasts?
- ***Identify only relevant economic indicators to monitor?***
- ***Effectively utilize appropriate "tools" to communicate financial position to all stakeholders (elected officials, citizens and staff)?***

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KEY ECONOMIC INDICATORS

- Both External and Internal
- Focus on only what is relevant!!!!!!
- Utilize TRENDS over Benchmarks
- Demonstrate organizational impacts

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Approach to Fiscal Health #5:
Economic Analysis & Long-term Planning

Available Treatments:

- ***Prepare a 5 to 10 year financial forecast***
  - Use relevant key indicators and trend analysis to improve decision-making
  - Update and present on regular basis throughout the year
  - Identify potential points of failure and plan for needed changes
- ***Utilize simple, graphic communication tools to illustrate fiscal health position to all stakeholders***
  - Help keep decision makers focused on high-level stewardship role
  - Access impact of *"today's"* decisions on future financial sustainability
  - Allow scenario-planning which encourages flexible and adaptive decision-making

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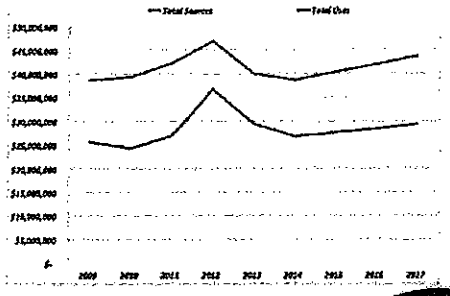
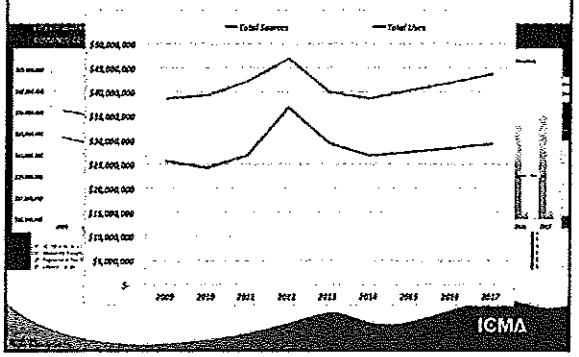
Looks like a Financially "Healthy" Organization – Right?



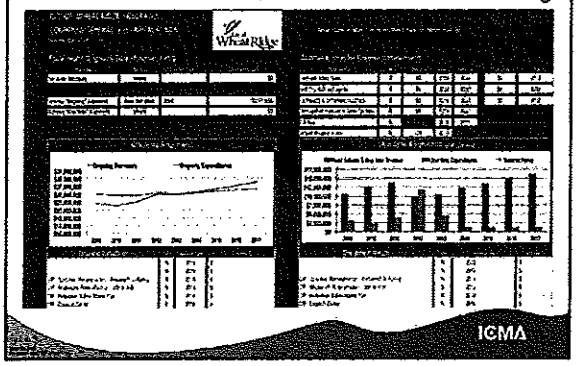
ICMA

Let's Look through a Different Lens!



ICMA

"FISCAL HEALTH DIAGNOSTIC TOOL" – Tell the Story with a "Picture"

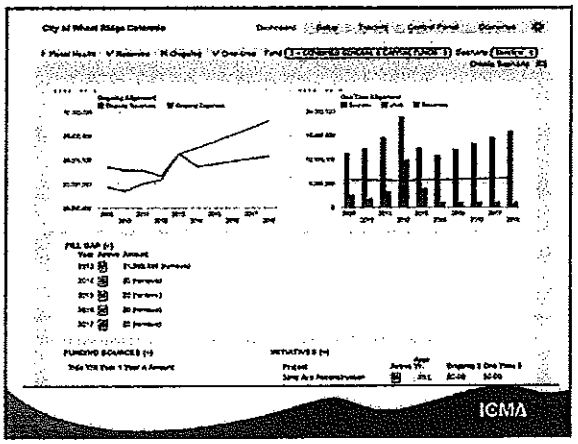


ICMA

Live Demonstration of

"Fiscal Health Diagnostic Tool"

ICMA



ICMA

DIAGNOSTIC QUESTIONS TO ASK

- ? Does your organization differentiate between one-time and ongoing revenues and expenditures?
  - ? *If yes, how are they tracked? Does your forecast demonstrate this differentiation?*
- ? How does your organization differentiate "program" revenues from "enterprise" revenues such as taxes, earnings on investments, franchise fees, etc.?
- ? Does your organization prepare a formal Revenue Manual?
  - ? *If yes, what type of information is included?*

ICMA

DIAGNOSTIC QUESTIONS TO ASK

- ? Does your organization have a written fund balance reservation policy?
  - ? *If yes, how are you monitoring to ensure that reserves are maintained?*
- ? Check to see if established working capital reserves are sufficient to meet emergency needs or short-term revenue shortfalls.
- ? Check to see if there is an inventory of all other restricted or designated fund balance reserves, stating their purpose, the authority establishing them and how they are to be calculated.

ICMA

DIAGNOSTIC QUESTIONS TO ASK

- ? Are variances between budgeted and actual revenues and expenditures analyzed and explained?
  - ? *If yes, how do those variances impact future budget cycles?*
- ? Does your organization utilize a formal Compensation Plan to establish employee salary/wage ranges?
  - ? *How often is the plan updated?*
- ? When assessing the adequacy of employee compensation, are employee benefit packages included in this assessment?

ICMA

DIAGNOSTIC QUESTIONS TO ASK

- ? *Does your organization utilize Internal Service Funds?*
  - ? *If yes, what are the services provided by each fund and how are the internal charges established and distributed?*
- ? Check to see if appropriate demand metrics are evaluated when determining costs.
- ? Check to see if customers perceive that costs are transparent, and they have the ability to influence those costs by altering their own demand.
- ? Does your organization prepare a Full Cost Allocation plan in addition to an OMB A-87 Cost Allocation Plan?
  - ? *If yes, how is this plan incorporated into the budget process?*

ICMA

DIAGNOSTIC QUESTIONS TO ASK

- ? Does your Five-Year forecast incorporate other long-term plans developed by your organization?
- ? Does your organization prepare a Capital Improvement Plan?
  - ? *If yes, what information is included and how is it utilized in your budget process and your financial forecasts?*
- ? What tools does your organization use to communicate financial information to its elected decision-makers?

ICMA

ICMA
99TH ANNUAL CONFERENCE
BOSTON
NEW ENGLAND
September 22-25, 2013

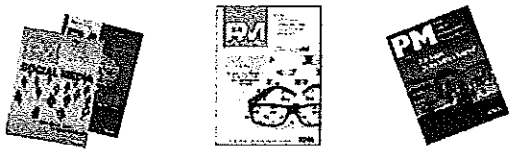
PBB
CENTER FOR PRIORITY BASED BUDGETING

Leading Your Organization (and Elected Officials) to

"FISCAL HEALTH and WELLNESS through PRIORITY BASED BUDGETING - Part II

Jon Johnson, Chris Fabian & Kathie Novak

ICMA Conference Presenters



CPBB Publications on Fiscal Health & Wellness

Priority Based Budget Process

The Mercury News *From 2007*

Across the Board Cuts Address $14.5 Billion Shortfall

- *California Governor's Office:* "Across-the-board approach spreads reductions as evenly as possible so no single program gets singled out."
- *Reaction:* "the governor's approach would be like a family deciding to cuts its monthly mortgage payment, dining-out tab and Netflix subscription each by 10%, rather than eliminating the restaurant and DVD spending in order to keep up the house payments."

According to Moody's:

- Across-the-Board versus Targeted Budget Cuts
  - *"Across-the-board cuts can be a way to avoid tough decisions"*
  - *"Targeted cuts require a serious discussion of community values, relative benefits of different services, and long-term implications"*
- Moody's wants to see how local governments plan for and respond to financial challenges over the long term
  - *"Making targeted cuts can demonstrate a more strategic approach to managing the fiscal crisis"*

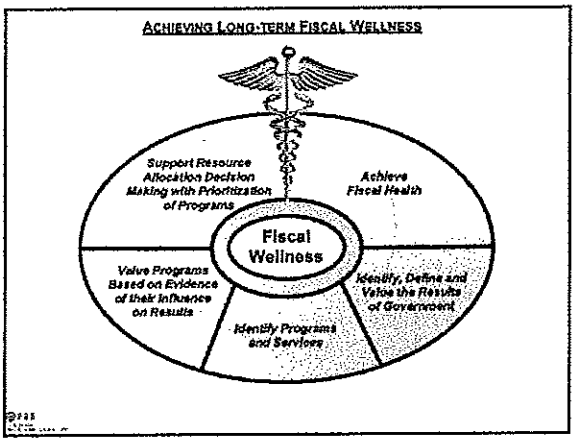
across the board cuts creates mediocrity

Target cuts foster long-term planning and discussion of community values

GOVERNING

"Across the board cuts spreads the pain evenly and also evenly spreads the mediocrity"

- Budget Director for the State of Louisiana



STEPS to SUCCESS – Priority Based Budgeting

1. *Determine Results*
   - Accurate prioritization of programs, reflecting the organization's stated objectives, depends on the comprehensive identification of the *Results* it is in business to achieve
2. *Clarify Result Definitions*
   - Precision in prioritization depends on the articulation of the cause and effect relationship between a program and a *Result*
   - Using clearly defined *"Result Maps"*, detailing the factors that influence the way *Results* are achieved, the organization can minimize subjectivity in the process of linking programs with its *Results*
3. *Identify Programs and Services*
   - Comparing individual programs and services as opposed to comparing departments that provide those services allows for better prioritization
4. *Value Programs Based on Results*
   - With the right *Results* that are clearly defined, the organization can more accurately "value" a program relative to its influence on achieving *Results*
5. *Allocate Resources Based on Priorities*
   - Using *"Resource Alignment Diagnostic Tool"*

Strategic Questions

1. ***What are we in "business" to do?***

What does the community expect us to do??

Provide a service → results

What are "Results"

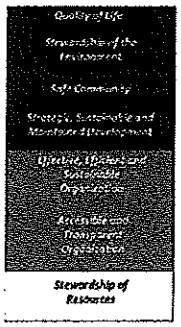
- ***High-level and over-arching reasons the organization exists in the eyes of the community***
- ***Remain consistent and unchanged over time***
- ***Comprehensive***
- ***Distinguished from (i.e. "Results" are not...)***
  - Vision or Mission Statements
  - Organizational Values
    - *How* we want to achieve our results
  - *"Marketing"* statements
    - Look and feel of the community
  - Specific short-term, projects, goals or initiatives

list of projects are not results

results ~~is~~ measure why we are here
↳ give us the context around what we do and why we exist - long range

Step 1: *Determine Results*

City of Grand Island, Nebraska



Community Results

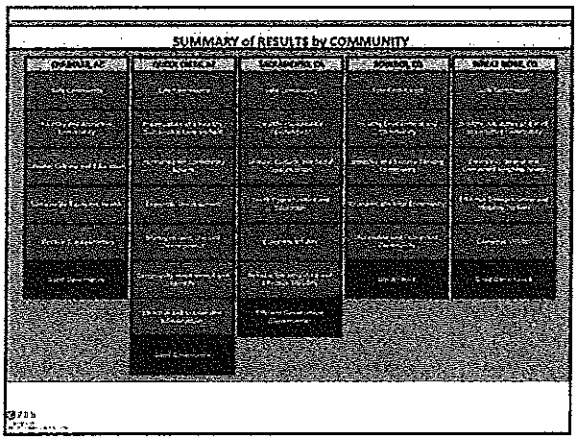
- *Used to Differentiate Programs Offered to the Community*
- *Not All Programs Achieve these Results*
- *Programs that Achieve Many Results, with a High Degree of Influence, Achieve Highly in Prioritization (demonstrate high degree of relevance)*

Quality Service Results

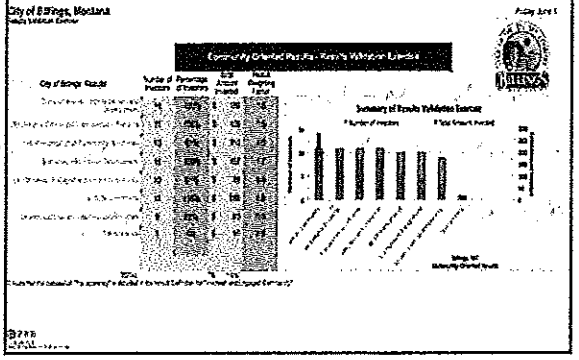
- *Every Program Should Achieve these Results (though potentially, not every program does)*
- *Not Used to Differentiate the Relevance of Programs in Prioritization*

Governance Results

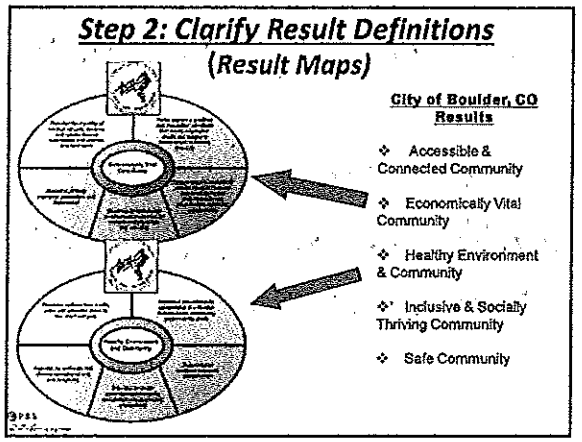
- *Used to Differentiate Programs Designed to Support Governance*



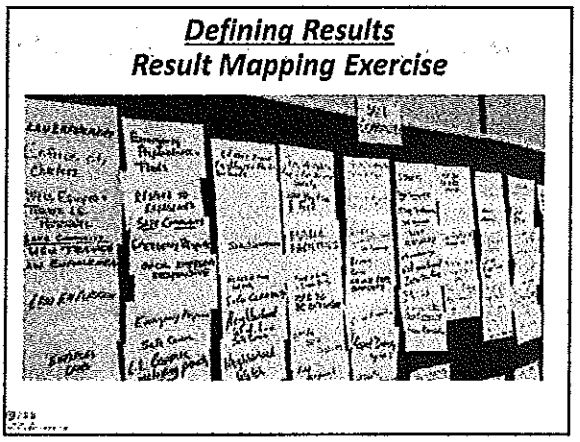
Validating Results

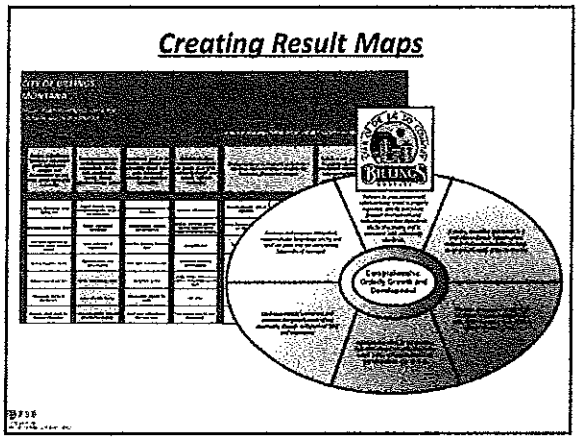


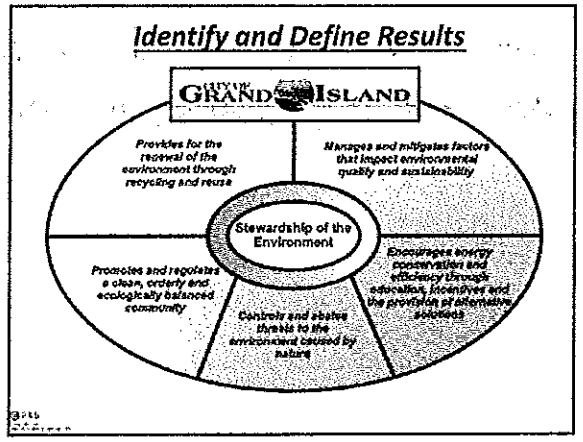
Billings, MT



not about dept results
its about organization wide results

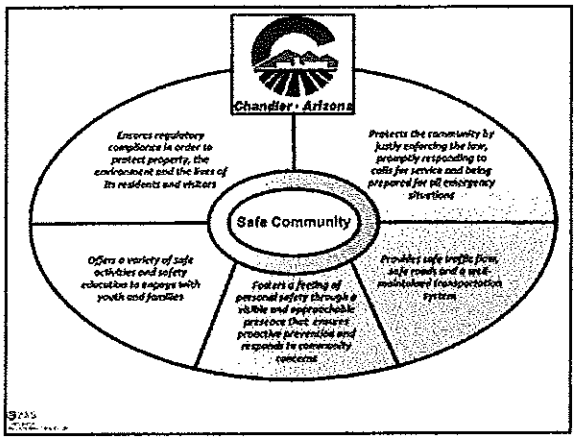




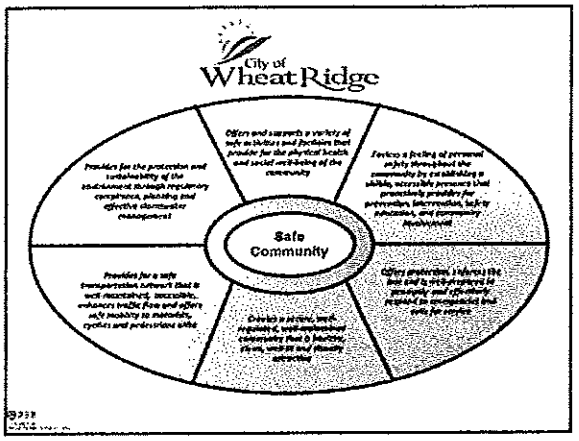


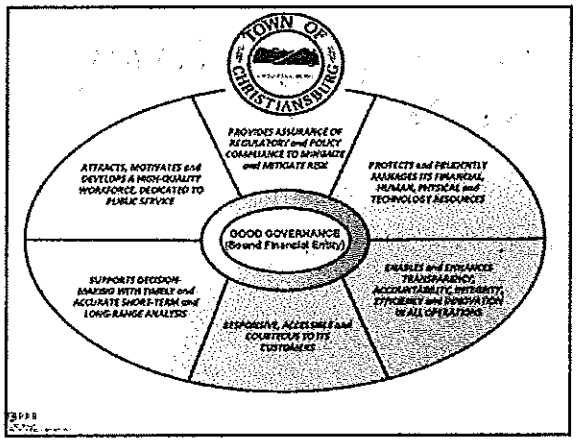
Check out GI, NE website

Elected officials ~~HAVE~~ HAVE to be engaged - this comes from them



Check out Chandler, AZ website





Role of the Council/Board

- Develop *and/or* endorse the Results
- Partner with Staff to develop *and/or* endorse the Results Definitions
- Decide on the level of public engagement

Role of the Citizens

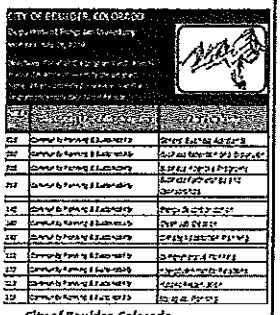
- Partner with the Council/Board to develop *and/or* endorse the Results
- Partner with Council/Board and Staff to develop or endorse the Results Definitions

Strategic Questions

1. *What are we in "business" to do?*
2. ***What exactly do we do?***

Step 3: Identify "Programs"

- Departments develop their own *"program"* inventories – only *ongoing*; exclude capital & one-time
- Comprehensive list of *"what we do"*
- Comparing relative value of programs, not relative value of departments
- *Goldilocks & the Three Bears:* *Not too big, not too small, just right!*
  - *TOO BIG* = Departments/Divisions
  - *TOO SMALL* = Tasks
  - *JUST RIGHT* = Measure relative size based on costs/people associated with program to more discretely demonstrate how resources are used



City of Boulder, Colorado

Make a program inventory
& what do we do

Program costing

OBJECTIVES for Developing Program Inventories

- Create a comprehensive listing of all services offered by each operating division *(to both "external" and "internal" users*
- Provide a better understanding of *"what we do"* to staff, administration, elected officials and citizens
- Provide a framework to better understand how resources are used to support *"what we do"*
- Provide a valuable tool for staff, management and elected officials to use when faced with budgetary *"choices"* about how funds are distributed.
- Allow for the preparation and discussion of a *"program budget"* rather than a *"line-item budget"*

talk ~~ab~~ about the program – not paperclips

Defining Programs

- To determine *"just right"*, look for *"differences"* that might help determine if an activity can be defined as a *"stand-alone"* program
  - *"Who"* are you doing the activity for?
    - Does it benefit a specific demographic group or population?
  - *"Where"* are you offering the service?
    - Does it impact a specific area, location or environment
  - "What" are you doing the service to?
    - Does it affect a specific property or asset (infrastructure, facility, etc.)
  - *"How"* is it funded? – is there someone paying for it?
    - Are there revenue sources associated directly with the program (*"Program Revenues"*)

Defining Programs

- ***"What"*** percentage of your resources are used to provide it? - Do you need ***"specialized resources?***
  - Is the estimated annual cost of the program a significant percentage of your total section's budget?
  - Are the number of FTE's associated with the program a significant portion of your total section's staff?
- Has someone told us we ***"have to do it?***
  - Are there statutes, ordinances, resolutions, or other legislative documents that require us to provide the service?
- What ***"type"*** of service are you providing?
  - Preventative, Replacement; Repair/Maintenance; Instruction; Protection; Informative; etc.

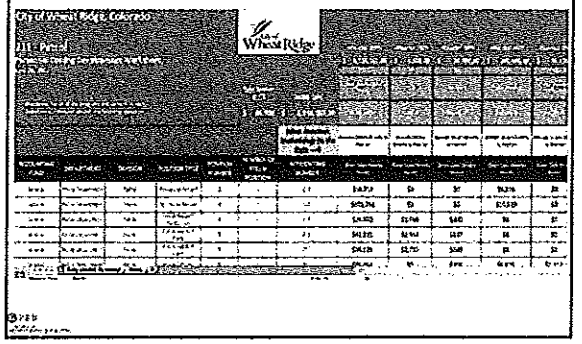
Defining Programs

- Is there an ***"End Product"*** as a result of doing it?
  - Does the external or internal user get something tangible when the service is delivered?
- "Is there someone outside the organization that ***"does the same thing"?***
  - Does a private business offer a similar service (***"Yellow Pages test"***)
- Do we ***"advertise"*** that we do it?
  - Is there a separate phone directory or website reference to the service?

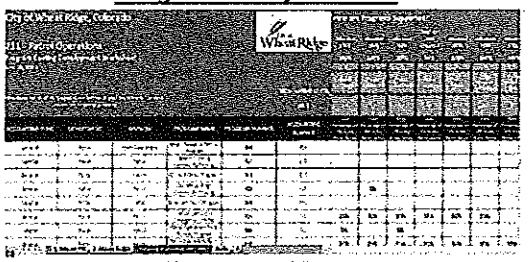
How to Identify Program Costs

- 1) Associate ***Salary & Benefit Costs*** with your ***Personnel***
- 2) Assign ***Personnel*** to the ***Programs*** they Provide
- 3) Associate ***Non-Personnel Costs*** with ***Programs***
- 4) ***Line item*** Budget is now expressed as a ***Program*** Budget!

1) Associate Salary & Benefit Costs with your Personnel

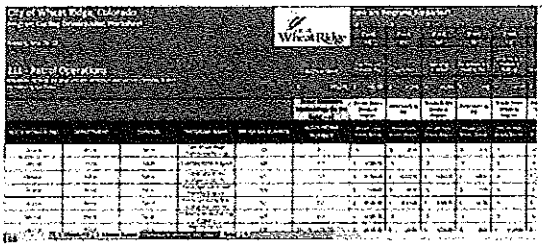


2) Assign Personnel to the Programs they Provide



- Estimate for a given year (this is not a time study!)
- Accuracy, not precision, is the goal
- Can't allocate an FTE over 100% (no matter how overworked they think they are)

3) Associate Non-Personnel Costs with Programs



- Choose a reasonable allocation methodology:
  - Divide costs by FTE (i.e. supplies line item)
  - Assign costs directly to program (i.e. annual audit)

Role of the Council/Board

- Have transparent access to listing of all programs offered along with associated costs and FTE
- Educate themselves on the variety and diversity of programs offered

Role of the Citizens

- Have transparent access to listing of all programs offered along with associated costs and FTE
- Be informed about the nature of the programs offered to residents businesses and visitors

Strategic Questions

1. *What are we in "business" to do?*
2. *What exactly do we do?*
3. ***How do we figure out what is "core" OR What is of the highest importance?***

Step 4: Score Programs against Results & Attributes

City of Boulder's Results

- Accessible & Connected Community
- Economically Vital Community
- Healthy Environment & Community
- Inclusive & Socially Thriving Community
- Safe Community

Basic Program Attributes

- Mandated to Provide the Program
- Reliance on the City to Provide the Program
- Cost Recovery of the Program
- Change in Demand for the Program
- Portion of Community Served by the Program
- *And/or any other criteria that is relevant to your community*

Simple Scoring Scale – "Degree" of Relevance to a Result

- **4** = Program has an ***essential*** or ***critical*** role in achieving Result
- **3** = Program has a ***strong*** influence on achieving Result

"High Degree" of Relevance

- **2** = Program has ***some*** degree of influence on achieving Result
- **1** = Program has ***minimal*** *(but some)* influence on achieving Result

"Lower Degree" of Relevance (still a clear connection)

- **0** = Program has ***no*** influence on achieving Result

No Clear Connection

Basic Program Attributes: Mandated to Provide Program

- *Programs that are mandated by another level of government (i.e. federal, state or county) will receive a higher score for this attribute compared to programs that are mandated solely by the City or have no mandate whatsoever.*
- The grading criterion established to score programs, on a 0 to 4 scale is as follows:
  - 4 = Program is required in writing by Federal, State or County government legislation
  - 3 = Program is required by Charter or other incorporation documents *OR* is required in order to comply with regulatory agency standards
  - 2 = Program is required by code, ordinance, resolution or policy *OR* is required to fulfill an executed franchise or contractual agreement
  - 1 = Program is recommended by a national professional organization to meet published standards or as a best practice
  - 0 = No requirement or mandate exists

Basic Program Attributes: Reliance on City to Provide Program

- *Programs for which residents, businesses and visitors can only look to the City to obtain the service will receive a higher score for this attribute compared to programs that may be similarly obtained from another intergovernmental agency or a private business*
- The grading criterion established to score programs, on a 0 to 4 scale is as follows:
  - 4 = City is the sole provider of the service and there are *no* other public or private entities that provide this type of service
  - 3 = City is currently the sole provider of the service but there are other public or private entities that could be contracted to provide the service
  - 2 = Program is only offered by another governmental, non-profit or civic agency
  - 1 = Program is offered by other private businesses but none are located within the City limits
  - 0 = Program is offered by other private businesses within the City limits

Basic Program Attributes:
Change in Demand for Program

- *Programs demonstrating an increase in demand or utilization will receive a higher score for this attribute compared to programs that show no growth in demand for the program. Programs demonstrating a decrease in demand or utilization will actually receive a negative score for this attribute.*
- The grading criterion established to score programs, on a -4 to 4 scale is as follows:
  - 4 = Program experiencing a *SUBSTANTIAL* increase in demand of 25% or more
  - 3 = Program experiencing a *SIGNIFICANT* increase in demand of 15% to 24%
  - 2 = Program experiencing a *MODEST* increase in demand of 5% to 14%
  - 1 = Program experiencing a *MINIMAL* increase in demand of 1% to 4%
  - 0 = Program experiencing *NO* change in demand
  - -1 = Program experiencing a *MINIMAL* decrease in demand of 1% to 4%
  - -2 =Program experiencing a *MODEST* decrease in demand of 5% to 14%
  - -3 =Program experiencing a *SIGNIFICANT* decrease in demand of 15% to 24%
  - -4 =Program experiencing a *SUBSTANTIAL* decrease in demand of 25% or more

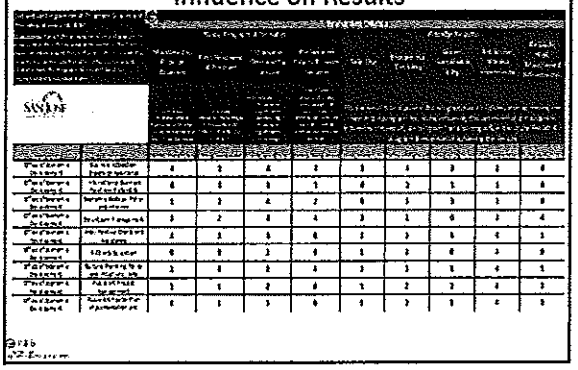
Basic Program Attributes:
Cost Recovery of Program

- *Programs that demonstrate the ability to "pay for themselves" through user fees, intergovernmental grants or other user-based charges for services will receive a higher score for this attribute compared to programs that generate limited or no funding to cover their cost.*
- The grading criterion established to score programs, on a 0 to 4 scale is as follows:
  - 4 = Fees generated cover 75% to 100% of the cost to provide the program
  - 3 = Fees generated cover 50% to 74% of the cost to provide the program
  - 2 = Fees generated cover 25% to 49% of the cost to provide the program
  - 1 = Fees generated cover 1% to 24% of the cost to provide the program
  - 0 = No fees are generated that cover the cost to provide the program

Basic Program Attributes:
Portion of Community Served by Program

- *Programs that benefit or serve a larger segment of the City's residents, businesses and/or visitors will receive a higher score for this attribute compared to programs that benefit or serve only a small segment of these populations.*
- The grading criterion established to score programs, on a *0 to 4* scale is as follows:
  - 4 = Program benefits/serves the ENTIRE community *(100%)*
  - 3 = Program benefits/serves a SUBSTANTIAL portion of the community *(at least 75%)*
  - 2 = Program benefits/serves a SIGNIFICANT portion of the community *(at least 50%)*
  - 1 = Program benefits/serves SOME portion of the community *(at least 10%)*
  - 0 = Program benefits/serves only a SMALL portion of the community *(less than 10%)*

Identify "*Value*" of Program Based on their Influence on Results

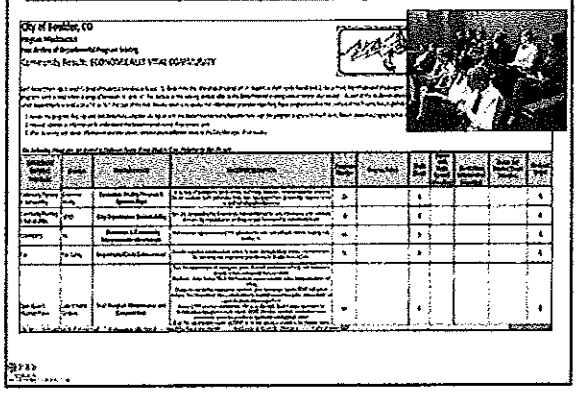


Strategic Questions

1. *What are we in "business" to do?*
2. *What exactly do we do?*
3. *How do we figure out what is "core" OR What is of the highest importance?*
4. ***How do we know we are successful?***

SUCCESS

Peer Review (Quality Control) Process



Great Process to incorporate performance measures

Role of the Council/Board

- Offer input and/or endorse the ***Basic Program Attributes.***
- If desired, individually participate in *Peer Review* process as member of one Result Team
- Understand and evaluate the *"key indicators"* being used to validate achievement of desired Results

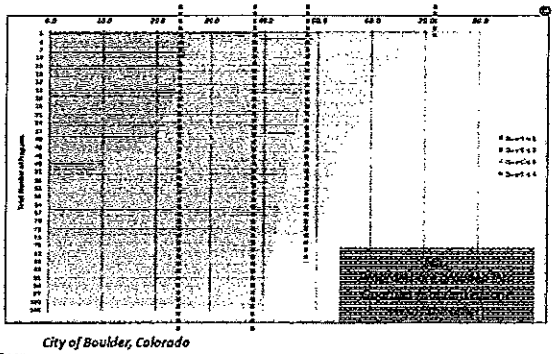
Role of the Citizens

- Selectively participate in *Peer Review* process as member of one Result Team – *City of San Jose, CA*
- Understand and evaluate the *"key indicators"* being used to validate achievement of desired Results

Strategic Questions

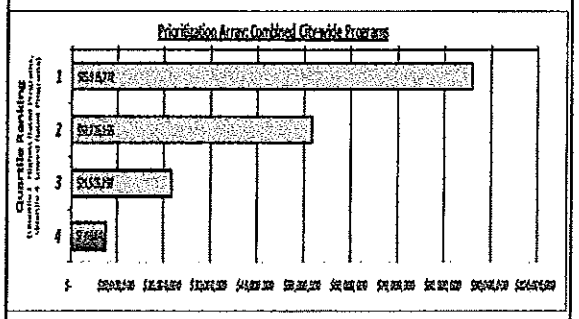
1. *What are we in "business" to do?*
2. *What exactly do we do?*
3. *How do we figure out what is "core" OR What is of the highest importance?*
4. *How do we know we are successful?*
5. ***How do we ask "better" questions that lead to "better" decisions about "what we do" and "why we do it"?***

Defining Quartile Groupings



City of Boulder, Colorado

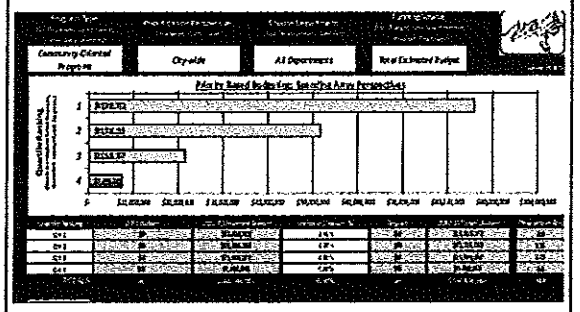
Step 5: Allocate Resources Based on Prioritization



City of Boulder, Colorado

"Resource Alignment Diagnostic Tool"

City of Boulder, CO



Live Demonstration of

"Resource Alignment Diagnostic Tool"©

Role of the Council/Board

- Engage in the discussions by looking through this *"new lens."*
- Be guided to ask the *"right"* questions – focused on ***POLICY*** rather than ***OPERATIONS.***
- Allocated resources based on priorities of the community
- Make better decisions that you can easily communicate to your citizens.

Role of the Citizens

- See through the "new lens" how decision-makers are more objectively allocating resources to achieve the community's priorities
- Better understand the budget "choices" that need to be made and the impacts of those choices on the community

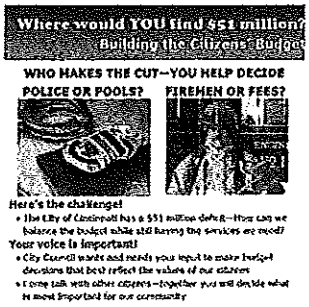
Strategic Questions

1. *What are we in "business" to do?*
2. *What exactly do we do?*
3. *How do we figure out what is "core" OR What is of the highest importance?*
4. *How do we know we are successful?*
5. ***How do we ask "better" questions that lead to "better" decisions about "what we do" and "why we do it"?***
6. ***What do you want to "keep" (not "What do you want to cut") – THE ROLE OF CITIZENS***

Keys to Public Engagement

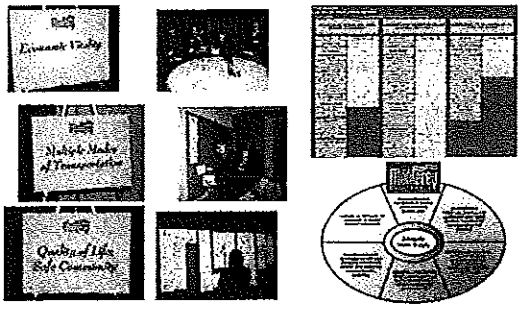
- 1.) Determine objective for engaging the Public
  - Is it a ***"Means to an End"*** or an ***"End in and of Itself"***?
- 2.) Design the role of the Public so it will have a meaningful influence
- 3.) Ensure higher participation – ***GO TO THEM***
  - Use the Web
  - Mail enclosures with Newsletters or Utility Bills
  - Attend Community Meetings *(i.e. Chamber of Commerce; Civic Groups; School Board; HOA Meetings)*
  - Set up kiosks at Library, Rec Center, Senior Center, etc.

Many Challenges Inherent to Engaging Public



- Level of discussion too "Big Picture"
- Conversation is framed contentiously (and possibly with "fear")
- Unclear about "how" citizens will be able to participate

Engaging Public in New Discussion About *"What They Want to Keep"*



Valuing the Results of Government

Invest $100 in Results, according to their relative importance

Results of Government	
A Safe Community	$ 30
Strong Neighborhoods and a Sense of Community	$ 6
Economic Vitality	$ 20
Culture, Recreation and Learning Opportunities	$ 15
Stewardship of the Environment	$ 10
Effective Transportation and Mobility Options	$ 20

Thank You !

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Use this process to understand your budget and maybe shift resources.

This is not a tool to cut your budget.

Questions/Comments?

Practices for Effective Local Government Management

ICMA UNIVERSITY

(Revised 2006)

ICMA members have agreed that certain defined practices are essential for effective local government management. For convenience, these practices were originally organized into eight groupings. With the development of the Management Practices Assessment, it became clear that for professional development purposes the practices more clearly fall into 18 "core content areas," as shown below. These are the same Practices that members developed and approved. They are simply organized differently.

1. STAFF EFFECTIVENESS: Promoting the development and performance of staff and employees throughout the organization (requires knowledge of interpersonal relations; skill in motivation techniques; ability to identify others' strengths and weaknesses). Practices that contribute to this core content area are:

• COACHING/MENTORING Providing direction, support, and feedback to enable others to meet their full potential (requires knowledge of feedback techniques; ability to assess performance and identify others' developmental needs)

• TEAM LEADERSHIP Facilitating teamwork (requires knowledge of team relations; ability to direct and coordinate group efforts; skill in leadership techniques)

• EMPOWERMENT Creating a work environment that encourages responsibility and decision making at all organizational levels (requires skill in sharing authority and removing barriers to creativity)

• DELEGATING Assigning responsibility to others (requires skill in defining expectations, providing direction and support, and evaluating results)

2. POLICY FACILITATION: Helping elected officials and other community actors identify, work toward, and achieve common goals and objectives (requires knowledge of group dynamics and political behavior; skill in communication, facilitation, and consensus-building techniques; ability to engage others in identifying issues and outcomes). Practices that contribute to this core content area are:

• FACILITATIVE LEADERSHIP Building cooperation and consensus among and within diverse groups, helping them identify common goals and act effectively to achieve them; recognizing interdependent relationships and multiple causes of community issues and anticipating the consequences of policy decisions (requires knowledge of community actors and their interrelationships)

• FACILITATING COUNCIL EFFECTIVENESS Helping elected officials develop a policy agenda that can be implemented effectively and that serves the best interests of the community (requires knowledge of role/authority relationships between elected and appointed officials; skill in responsibly following the lead of others when appropriate; ability to communicate sound information and recommendations)

• MEDIATION/NEGOTIATION Acting as a neutral party in the resolution of policy disputes (requires knowledge of mediation/negotiation principles; skill in mediation/negotiation techniques)

3. FUNCTIONAL AND OPERATIONAL EXPERTISE AND PLANNING (A COMPONENT OF SERVICE DELIVERY MANAGEMENT): Practices that contribute to this core content area are:

• FUNCTIONAL/OPERATIONAL EXPERTISE Understanding the basic principles of service delivery in functional areas—e.g., public safety, economic development, human and social services, administrative services, public works (requires knowledge of service areas and delivery options)

• OPERATIONAL PLANNING Anticipating future needs, organizing work operations, and establishing timetables for work units or projects (requires knowledge of technological advances and changing standards; skill in identifying and understanding trends; skill in predicting the impact of service delivery decisions)

4. CITIZEN SERVICE (A COMPONENT OF SERVICE DELIVERY MANAGEMENT): Determining citizen needs and providing responsive, equitable services to the community (requires skill in assessing community needs and allocating resources; knowledge of information gathering techniques)

5. PERFORMANCE MEASUREMENT/MANAGEMENT AND QUALITY ASSURANCE (A COMPONENT OF SERVICE DELIVERY MANAGEMENT): Maintaining a consistently high level of quality in staff work, operational procedures, and service delivery (requires knowledge of organizational processes; ability to facilitate organizational improvements; ability to set performance/productivity standards and objectives and measure results)

6. INITIATIVE, RISK TAKING, VISION, CREATIVITY, AND INNOVATION (A COMPONENT OF STRATEGIC LEADERSHIP): Setting an example that urges the organization and the community toward experimentation, change, creative problem solving, and prompt action (requires knowledge of personal leadership style; skill in visioning, shifting perspectives, and identifying options; ability to create an environment that encourages initiative and innovation). Practices that contribute to this core content area are:

• INITIATIVE AND RISK TAKING Demonstrating a personal orientation toward action and accepting responsibility for the results; resisting the status quo and removing stumbling blocks that delay progress toward goals and objectives

continued...

• VISION CONCEPTUALIZING an ideal future state and communicating it to the organization and the community

• CREATIVITY AND INNOVATION Developing new ideas or practices; applying existing ideas and practices to new situations

7. TECHNOLOGICAL LITERACY (A COMPONENT OF STRATEGIC LEADERSHIP): Demonstrating an understanding of information technology and ensuring that it is incorporated appropriately in plans to improve service delivery, information sharing, organizational communication, and citizen access (requires knowledge of technological options and their application)

8. DEMOCRATIC ADVOCACY AND CITIZEN PARTICIPATION: Demonstrating a commitment to democratic principles by respecting elected officials, community interest groups, and the decision making process; educating citizens about local government; and acquiring knowledge of the social, economic, and political history of the community (requires knowledge of democratic principles, political processes, and local government law; skill in group dynamics, communication, and facilitation; ability to appreciate and work with diverse individuals and groups and to follow the community's lead in the democratic process). Practices that contribute to this core content area are:

• DEMOCRATIC ADVOCACY Fostering the values and integrity of representative government and local democracy through action and example; ensuring the effective participation of local government in the intergovernmental system (requires knowledge and skill in intergovernmental relations)

• CITIZEN PARTICIPATION Recognizing the right of citizens to influence local decisions and promoting active citizen involvement in local governance

9. DIVERSITY: Understanding and valuing the differences among individuals and fostering these values throughout the organization and the community

10. BUDGETING: Preparing and administering the budget (requires knowledge of budgeting principles and practices, revenue sources, projection techniques, and financial control systems; skill in communicating financial information)

11. FINANCIAL ANALYSIS: Interpreting financial information to assess the short-term and long-term fiscal condition of the community, determine the cost-effectiveness of programs, and compare alternative strategies (requires knowledge of analytical techniques and skill in applying them)

12. HUMAN RESOURCES MANAGEMENT: Ensuring that the policies and procedures for employee hiring, promotion, performance appraisal, and discipline are equitable, legal, and current; ensuring that human resources are adequate to accomplish programmatic objectives (requires knowledge of personnel practices and employee relations law; ability to project workforce needs)

13. STRATEGIC PLANNING: Positioning the organization and the community for events and circumstances that are anticipated in the future (requires knowledge of long-range and strategic planning techniques; skill in identifying trends that will affect the community; ability to analyze and facilitate policy choices that will benefit the community in the long run)

14. ADVOCACY AND INTERPERSONAL COMMUNICATION: Facilitating the flow of ideas, information, and understanding between and among individuals; advocating effectively in the community interest (requires knowledge of interpersonal and group communication principles; skill in listening, speaking, and writing; ability to persuade without diminishing the views of others). Practices that contribute to this core content area are:

• ADVOCACY Communicating personal support for policies, programs, or ideals that serve the best interests of the community

• INTERPERSONAL communication Exchanging verbal and nonverbal messages with others in a way that demonstrates respect for the individual and furthers organizational and community objectives (requires ability to receive verbal and nonverbal cues; skill in selecting the most effective communication method for each interchange)

15. PRESENTATION SKILLS: Conveying ideas or information effectively to others (requires knowledge of presentation techniques and options; ability to match presentation to audience)

16. MEDIA RELATIONS: Communicating information to the media in a way that increases public understanding of local government issues and activities and builds a positive relationship with the press (requires knowledge of media operations and objectives)

17. INTEGRITY: Demonstrating fairness, honesty, and ethical and legal awareness in personal and professional relationships and activities (requires knowledge of business and personal ethics; ability to understand issues of ethics and integrity in specific situations). Practices that contribute to this core content are:

• PERSONAL INTEGRITY Demonstrating accountability for personal actions; conducting personal relationships and activities fairly and honestly

• PROFESSIONAL INTEGRITY Conducting professional relationships and activities fairly, honestly, legally, and in conformance with the ICMA Code of Ethics (requires knowledge of administrative ethics and specifically the ICMA Code of Ethics)

• ORGANIZATIONAL INTEGRITY Fostering ethical behavior throughout the organization through personal example, management practices, and training (requires knowledge of administrative ethics; ability to communicate ethical standards and guidelines to others)

18. PERSONAL DEVELOPMENT: Demonstrating a commitment to a balanced life through ongoing self-renewal and development in order to increase personal capacity (includes maintaining personal health; living by core values; continuous learning and improvement; and creating interdependent relationships and respect for differences).