

COMMITTEE OF THE WHOLE  
City Hall Council Chambers  
August 18, 2014

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

Staff present: David Hales, City Manager, and Renee Gooderham, Chief Deputy City Clerk.

Staff absent: Tracey Covert, City Clerk.

Mayor Renner called the Committee of the Whole meeting to order at 5:32 p.m.

#### PUBLIC COMMENT

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

No one came forward to address the Council.

Motion by Alderman Schmidt, seconded by Alderman Painter to approve the Committee of the Whole Minutes from May 19 and July 21, 2014.

Motion carried, (viva voce).

#### PRIORITY – DRIVEN (BASED) BUDGETING

Mayor Renner introduced this topic. He noted that the initial cost of Priority Based Budgeting (PBB) was free. He expressed appreciation to Alderman Sage for taking the lead on the project.

David Hales, City Manager, addressed the Council. He introduced Dr. David Urlick, visiting Asst. Professor; Bernie Sieracki, Director Center for Applied Public Management Adjunct Faculty Illinois Institute of Technology (IIT) Stewart School of Business and Rick Hoppe, Mayor's Chief of Staff, Lincoln Nebraska. Mr. Hoppe had written an article entitled *Building Public Confidence in Lincoln, Nebraska* which appeared in the Government Finance Officers Association (GFOA) Review. Mr. Hales noted that senior staff had met with same prior to tonight's meeting. Tonight would define priority based budgeting PBB; describe how it was successfully, and define the role of IIT.

Bernie Sieracki, IIT's Director Center for Applied Public Management Adjunct Faculty, addressed the Council. He cited his background. Prior to teaching full time he was a lobbyist for forty (40) years. In March 2014, the Stewart Center for Applied Public Management (Center) was established. He noted that the Center was part of IIT. The Center approaches management issues for state and local governments. There were three (3) sections: 1.)environmental

management, 2.) masters in business administration and 3.) masters in public administration. The sections combined faculty expertise to establish the Center.

Peoria and Bloomington were approached first. PBB would be used for Peoria's combined sewer overflow (CSO) project.

PBB concept has existed for fifteen (15) years. PBB differs from traditional budgeting. It was a method of measuring program effectiveness and efficiency. This was the new reality. Some cities had not been successful. In 2008, Lincoln, NE developed a sustainable methodology. He noted that the University of Nebraska (UN) and the City of Lincoln had worked together. He would collaborate with same.

Rick Hoppe, Mayor's Chief of Staff, City of Lincoln, NE, addressed the Council. The belief was by allowing the public to replicate the same budget process as Council it would build trust and confidence.

In 2008, the City of Lincoln had challenges. Property and sales tax revenues were seventy (70%) of the budget. These were decreasing and labor costs rising. He noted that public sector salaries were determined by comparing same nationally. There was no community consensus. Raising taxes was not an option. Stop gap methods were normal.

He read *The Price of Government* by David Osborne and Peter Hutchinson. Traditional budgeting was driven by the process versus accomplishments. The results were ineffective programs, overworked staff, no future planning and delaying the inevitable. The authors believed there was a better way to tie budget planning with framework rooted in research based results.

Mr. Hoppe noted that budget choices should be grounded in goal accomplishment. Performance measures need to be identified. These assist with evaluating goal accomplishment. The City of Lincoln developed eight (8) budget outcomes with staff input. UN's, Public Policy Center (PPC) was hired to develop a public engagement section. The belief was that PPC would provide Lincoln with legitimacy and credibility.

Six hundred (600) residents were selected to review the outcomes and prioritize their importance. Goals were developed for each outcome using private, nonprofit organizations and staff. Each area had four to six (4 – 6) goals. Some goals required departments to work together. Staff reviewed the maximum impact on performance indicators to determine success or lack of success.

Mr. Hoppe acknowledged that the hardest portion was identifying all programs due to staff shortages. The process took about six (6) weeks. Programs were divided into: 1.) outcome areas; 2.) associated each with a goal; and 3.) tiering. Beginning with outcome area one (1) all programs were funded, including those ranked tier three (3). Every program was assigned a priority number. The list was provided to the community during budget time. A red line signified possible program cuts. Federal and state mandated programs were identified with a zero (0). This enabled citizens to recognize programs that required funding.

The budget proposal was placed the website known as *Taking Charge*. The website included previous impacted programs. The belief was that citizens saw the city's follow through. PCC conducted telephone and online surveys asking citizens for input on items below the red line. They were provided with performance indicators information and program cut results. Should a citizen request to fund a below red program they were asked how to pay for same.

An interactive exercise was developed by PCC. This allowed citizens to view the red line programs. Citizens were provided with funding, below the actual cost. Citizens selected how to spend same. The program provided the actual change in property taxes.

The budget survey was developed was known as *forced choice*. Citizens were given the same information as elected officials to make budget decisions. Participants were required to provide an opinion. He cited snow removal as an example. People were willing to allow more snow accumulation once they understood the impact.

The process allowed Lincoln to make budget choices. He cited the Police School Resource Officer listed in 2010 – 2011 budget. Based on performance indicators the program was cut. The civilian workforce was reduced by ten percent (10%). Staff was able to select programs that did not meet goals or meet the community needs.

In 2011- 2012 the general fund was \$140 million and there was a \$9.3 million deficit. Proposed cuts were listed with general fund cost, performance indicators and elimination explanations. 2,700 citizens were surveyed. Eighty – four percent (84%) recommended raising the property tax levy to save programs. The result was a ten percent (10%) increase to the property tax levy, Lincoln Electric System Bills surcharge implementation and a fifteen percent (15%) wheel tax increase. He noted that some citizens did protest same. The belief was involving citizens in the decision making process resulted in fewer objections.

He believed keeping survey's simple kept citizens engaged. Typical surveys list eight to nine (8 – 9) items. They involved an unbiased partner to offer legitimacy. Framing questions was important. Realistic questions were required.

Alderman Schmidt questioned setting goals and determining same. Mr. Hoppe responded that citizens and directors met to decide what to measure. Information was gathered from departments. Performance indicators would change as progress was made. Input was measured based on goals and associated with hard data. The website listed where data was drawn.

Alderman Schmidt questioned elected official engagement. Mr. Hoppe stated that PBB was administrative driven for the first (1<sup>st</sup>) five (5) years. It changed the way of doing business. He believed it forced same to make tough decisions. He noted elected officials were beginning to participate in year five and six (5 & 6).

Alderman Fazzini noted that in 2007 Lincoln's income was decreasing and expenses increasing. The City of Bloomington had a \$400 million deficit due to deferred maintenance and underfunded pensions. He questioned if Lincoln was the same circumstance. Mr. Hoppe stated that Lincoln had a \$100 million deficit. The PBB was a work in progress.

Alderman Lower questioned government mandates. Mr. Hoppe believed explaining same to citizens was frustrating. Tier zero (0) was established to place mandates at the top. Citizens understood that those items could not be cut.

Alderman Sage noted that most conversations with citizens were about unfunded mandates. He stated that communicating same was valuable. He cited the water bill. He questioned citizen response to mandates. Mr. Hoppe stated most appreciated the education.

Alderman Sage questioned telephone survey. Mr. Hoppe stated that the methodology was listed on the website. A list of registered voters was obtained from the Election Commission. The list was used by PCC. The computer program randomly selected participants. For subsequent years an online survey or the combination online and the random mailing/telephone was used.

Mayor Renner questioned repeat online survey participants. Mr. Hoppe stated PCC accounted for the possibility. He noted that an online user has a particular Internet Protocol (IP) address. Duplicate addresses were removed.

Alderman Sage favored online survey's and citizen summits. He questioned identifying interrelation programs, i.e. increase in youth crime and swimming pool hours. Mr. Hoppe responded that the Police Chief noted that youth crime increased from 3:00 – 7:00 p.m. when swimming pools were closed. Mr. Hoppe cited another example; Community Learning Centers. These were located in a few schools. It was listed in the safety and security outcome. It had a high priority number due to youth crime.

Alderman Stearns questioned the number of survey participants. Mr. Hoppe stated the number varies. The highest was 2,700 online participants. Mayor Renner noted that the 600 participants was the initial year. Mr. Hoppe responded affirmatively and stated that the survey was limited to 600. Alderman Stearns questioned population. Mr. Hoppe responded 260,000.

Alderman Stearns questioned the number of alderman. Mr. Hoppe responded seven (7). Alderman Stearns questioned the objection from same. Mr. Hoppe believed that using the PBB method made it harder to reduce positions. It reduced programs. He acknowledged cutting programs was not popular.

Alderman Stearns questioned framing questions. Mr. Hoppe stated that an either/or survey was used. Currently citizens were given ten (10) programs and a dollar amount to fund same. They choose the funding type. Alderman Stearns questioned new recommendations. Mr. Hoppe noted that there were opportunities for comments on every page. He stressed that when asking for input there had to be follow through.

Alderman Black questioned public participation. Mr. Hoppe cited his preference for the online survey. They reached out to various constituent groups; targeting those that are not always represented. The group was asked to participate in a Saturday session. This was an opportunity to look fully at the issues. He believed the later was valuable to staff. It provided more information than what was gathered from the online survey. He noted that that Saturday session was a full day.

Alderman Stearns left the dias at 6:20 p.m.

Alderman Black questioned budget flexibility. Mr. Hoppe stated that cash reserve was used for emergencies. He believed informing the community was key. The public had information prior to budget approval.

Alderman Black suggested that citizens be provided the agency name and telephone number of the programs in tier zero.

Alderman Fruin believed the PPB had good potential. Business modeling was helpful to reach decisions. It was a continuing process. He questioned number of actual choices versus mandated programs. More time was spent in the minutiae than required. He questioned Council teamwork. He questioned Lincoln's form of government. Mr. Hoppe stated that Lincoln was strong Mayoral form of government. The Council had four (4) district seats and three (3) at large.

Alderman Stearns returned at 6:30 p.m.

Alderman Fruin cited Bloomington's form of government. He believed the challenge was competing priorities. He believed there was promise. The challenge was the public's misinformation or lack of information when making decisions. There needed to be ways to reeducate and/or reconnect with same.

Alderman Fazzini questioned Lincoln's bond rating. Mr. Hoppe stated barely AAA in 2007 now it was AAA. Alderman Fazzini questioned staff disruption and implementation time. Mr. Hoppe stated that work was usually slow the day before a holiday. Initially Directors worked ten – twenty (10 – 20) hours a month. Once the system was in place the time commitment was reduced. Staff chemistry was important. It takes leader to step forward, one who understands that PBB was a better way to do business.

Mayor Renner questioned subsequent surveys, apart from focus groups and online. Mr. Hoppe stated the number varied according to cost. Mayor Renner questioned the validity, demographics, etc. Mr. Hoppe responded that a random sample survey accounted for same. The city's composition should be approximated. Mayor Renner noted that same was combine with online, which gave other results. Mr. Hoppe responded affirmatively. Mayor Renner believed that the population was irrelevant. Mr. Sieracki stated that the goal was a percentage of the population. He believed that with proper advertising receiving 3,000 of 9,000 surveys would be good.

Alderman Mwilambwe cited concern for continuity of Councils. He questioned public trust. Mr. Sieracki believed trust would come from the methodology and transparency of the process. The surveys should be simple and open.

Alderman Mwilambwe noted that performance based funding was used in higher education. He believed it allotted a percentage of funds to other higher performing programs. He questioned room for same within PBB. Mr. Sieracki stated there could be further discussions.

Alderman Fazzini left the dias at 6:42 p.m.

Alderman Painter cited concern for the program's success. She questioned communities that failed. Mr. Sieracki stated there were various reasons for same. Lincoln's model was not complex. It did not allow for political bickering. He believed priority budgeting had excellent ideas but could be too complicated. The PBB model would be shaped toward Bloomington's needs.

Alderman Fazzini returned at 6:45 p.m.

Alderman Sage acknowledged Aldermen Fruin and Mwiliambwe's comments. He believed a repeatable process was needed no matter who was elected. The process should be independent of personalities. He believed priorities should have measurable results that were understood by the citizens. Same should have value and legitimacy to the elected officials, staff and public.

Alderman Schmidt questioned inclusion of Aldermen's priorities. She questioned capturing everything and rating a program higher. Mr. Hoppe noted that politics could play a role. The PBB was a guideline and framework. Alderman Schmidt believed PBB was an interesting process. Bloomington needed to develop its own model. If not it would be similar to advocating their responsibility.

Alderman Stearns questioned who decides what the City was or was not willing to do. Mr. Hoppe stated it was a political process.

Mayor Renner stated his appreciation of the presentation and information provided. He believed there were things to think about.

Motion by Alderman Streans, seconded by Alderman Mwilambwe to adjourn. Time: 6:50 p.m.

Motion carried, (viva voce).

Respectfully submitted,

Renee Gooderham  
Chief Deputy Clerk