

**BLUE RIBBON COMMISSION
PHASE II**

March 2010

City of Boulder

Blue Ribbon Commission – Phase II

Commission Members

- Susan Graf - President, Boulder Chamber
- Tom Hagerty - Retired City Employee - Finance
- Suzanne Jones - Regional Director, The Wilderness Society; Environmental Advisory Board
- Dan King - Ambassador of Cool, Boulder Outlook Hotel
- Michelle Krezek - Intergovernmental Affairs Director, Boulder County
- Beth Pommer - Former Planning Board Member
- Dorothy Rupert - CU Instructor; Retired State Senator
- Jeffrey Wingert - Partner, WWR Real Estate Services, LLC. WW Reynolds
- Richard Wobbekind - CU Assoc. Dean, MBA and Executive Programs; Assoc. Prof. of Business Economics; Dir. Business Research Division

City of Boulder Staff

- Jane S. Brautigam, City Manager
- Paul Fetherston, Deputy City Manager
- Stephanie A. Grainger, Deputy City Manager (retired)
- Bob Eichen, Acting Executive Director for Administrative Services and Finance Director
- Maureen F. Rait, Executive Director of Public Works
- Lynne Reynolds, Municipal Court Administrator
- Patrick H. Von Keyserling, Communications Manager
- Jim Reasor, Budget Manager
- Kathy McGuire, Budget Officer
- Jay Newberg, University of Colorado, MBA Intern
- Peggy Bunzli, Administrative Analyst

BLUE RIBBON COMMISSION (BRC) – PHASE II

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Executive Summary

By nearly quadrupling its population in the 30 years between 1950 and 1980, the City of Boulder saw a dramatic increase in revenues and a corresponding demand for city services. Citizens came to expect that the city would not only provide a high-level of core services¹, but would also provide many more specialized programs and services. However, as the pace of growth slowed, so did the growth of new revenues but residents and the city organization continued to desire an extensive set of services.

By using dedicated² revenues through restricted sales and property taxes, the city funded specific programs and met long-term goals that were important to many citizens. In addition, the city's budget process resulted in each individual city department looking at its programs and services in isolation, without regard to the bigger picture. In this most recent decade, the financial condition of the city has become increasingly constrained – with the long-term trend showing that revenue growth will not keep pace with the growth in expenditures. The current budgeting process and restricted revenues make it more difficult to develop a comprehensive budget across all departments that will address the long-term funding gap³ the city is facing.

In order to address this situation and place the city organization on firm financial footing, the culture of the organization and the community's expectations must change. The Blue Ribbon Commission – Phase II recommends that the city manager and the city council adopt several key strategies to facilitate the changes necessary to put the city on a path toward long-term financial stability. These strategies include:

Budget Process – adoption of a budget process based on prioritizing services will allow the city to allocate limited resources in a way that most effectively⁴ meets the city's key goals or top priorities.

Performance Measurement – the use of meaningful measures and feedback on the attainment of city goals will allow the organization and the community to have confidence that programs and services are being provided in the most efficient manner possible.

¹ Core services are those services that are considered the fundamental responsibility of a local government; these typically include but are not limited to police, fire, transportation and water/wastewater utilities.

² Dedicated funding refers to allocating a revenue source, such as sales or property tax, to a specific expenditure item either through a ballot initiative, city council/city manager direction or city charter; the Blue Ribbon Commission – Phase I (BRC I) used the term “earmarking” to refer to this form of funding.

³ The Blue Ribbon Commission completed a long-range analysis of city revenues and expenditures from 2006 through 2030. The analysis indicated that city revenues are projected to grow at a 3 percent annual rate and expenditures at 4 percent. This ongoing difference between revenues and expenditures is referred to as the funding gap.

⁴ Using city resources in the most effective way means that the city is providing the right combination of services to meet citywide goals.

Full Costing of Services and Programs – the total costs for all city services, including subsidies, must be known so that informed budget decisions can be made.

Efficient Delivery of City Services – looking for ways to end duplication of services through centralization of administrative functions within the city organization or partnering with the private sector, nonprofits or other governments to provide services will increase efficiencies.

Use of Dedicated Revenue Sources – dedicated funds should be used sparingly and that, if such dedicated taxes are used, they should come with a full understanding of their impact on the city’s finances, including any corresponding incremental operating and maintenance costs. In reaching this determination, there were generally two perspectives expressed among members of the BRC II. One, that if dedicated funds are used, they should only be used for capital purchases and construction. The second and minority perspective expressed was that dedicated funds may be appropriate not only for capital purchases and construction but for some broader applications.

Financial/Management Policies:

- Compensation - the manner in which employees are compensated (both in terms of salary and benefits) greatly impact the city’s finances. A balance must be maintained between total employee compensation and the city’s ability to pay. By recognizing the need to balance both of these interests, the city should be able to attract and retain good employees, as well as minimize necessary reductions in city programs/services.
- Asset Management – the city must be proactive in the management of its assets, including land, facilities, vehicles and equipment. The asset management policies need to be routinely reviewed to ensure maximization of efficiencies.
- Transfers from the General Fund⁵ - the practice of transferring General Fund monies to other city funds should be the exception rather than the rule. These transfers are acceptable only when the funding helps to achieve high priority city goals rather than simply based on historic practices.

Implementation of the strategies described in this report will not be easy and will not occur over night. It will take a commitment on the part of all city stakeholders, require difficult decisions and will have to be adapted and adjusted as new information becomes available. The projected long-term funding gap has been called "the new normal."⁶ It represents a fundamental shift in the outlook for the city and will require profound changes in how the city operates. All city services and programs must be part of the

⁵ The General Fund is one of five governmental fund types and typically serves as the main operating fund of the government. The General Fund is used to account for all financial resources except those required to be accounted for in another fund.

⁶ “New Normal” economy refers to the expectation that the economic growth following the 2008-09 recession will be slower than economic recoveries following other recent recession; the slow growth rate is attributable to consumer credit constraints, decreased wealth and increased saving rates.

discussion. The stakeholders of the city must answer the questions: Is the city providing the right services? Are the services provided in the most efficient way possible? Are the services effectively achieving their objectives? Even after these questions are answered, there may be services that the city can no longer afford to support.

The looming fiscal constraints will require changes beyond just managing the city's spending and budget. In order for these strategies to be successful, it is critical that the city organization engage the community in a robust public process. This process must be a two-way dialogue. The city organization needs to inform the community regarding current and long-range financial challenges and the corresponding difficult trade-off decisions; and the community needs to inform the city regarding which services are most important on a comprehensive, citywide basis. The traditional practice of each group protecting its own political turf and self interest does not produce positive results. This will lead only to viewing services in isolation rather than the balanced perspective necessary to meet the needs of the broader community.

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The Problem

Overview

On Jan. 15, 2008, the Blue Ribbon Commission on Revenue Stabilization (BRC I) presented a report to city council that focused on stabilizing revenue sources. The primary finding of BRC I was that growth in city revenues will not keep pace with anticipated inflationary costs for city services. This "structural gap" between revenues and expenditures means that the city will be faced with an estimated \$90 million shortfall by 2030, even if the current sales taxes set to expire are extended. It should be noted that the city's annual budget adoption process works to close the funding gap each year since the city charter and state law both stipulate that the city maintain a balanced budget. The BRC I's stabilization effort focused on diversifying and extending current revenue streams, evaluating new revenues, implementing financial policies and ensuring efficient and effective use of public funds.

While the scope of BRC I focused on revenue stability and the identification of the structural gap, BRC I also noted that fiscal stability would be achieved through a combination of both increased revenue sources and expenditure management. To support a more detailed review of city expenditures, the City Manager's Office appointed and convened a second Blue Ribbon Commission (BRC II) in September 2008. In this second phase of work, the BRC II was asked to "review the city's expenditures to identify opportunities to enhance organizational efficiency⁷ and to ensure the community's continued confidence in the use of public funds. In addition, the BRC II was asked to review, consider and recommend necessary action steps to implement the recommended approaches, strategies and policy guidelines developed in the first phase of the BRC work."

Background

The Blue Ribbon Commission I (BRC I) projected revenue and expenditures for nine City of Boulder funds from 2006 through 2030 as a starting point for its revenue stabilization endeavor. This modeling exercise revealed that Boulder's revenues would grow approximately 3 percent a year over the planning horizon while expenditures are anticipated to grow at approximately 4 percent per year. This one percent difference each year projected over 24 years results in a \$90 million annual shortfall in the expanded General Fund in the year 2030 assuming all expanded General Fund sales taxes are renewed through the period. The expanded General Fund provides funding for services

⁷ Efficient delivery of programs and services refers to providing them as economically as possible or in the least costly manner.

and programs typically considered basic city services (including, but not limited to, police, fire, library, parks and recreation).

The principal reasons for the growth differential is the decreasing productivity of sales tax revenue and the above average inflation rate of government inputs. Specifically, the BRC I found that sales tax productivity will continue to decrease due to:

- a flat inflation rate associated with durable goods
- durable goods diminishing as a percentage of total consumption
- changing demographics leading to fewer purchases of sales tax eligible products
- continuing increases in e-commerce

Conversely, the cost of municipal inputs will outpace revenue growth due to inflation rates associated with:

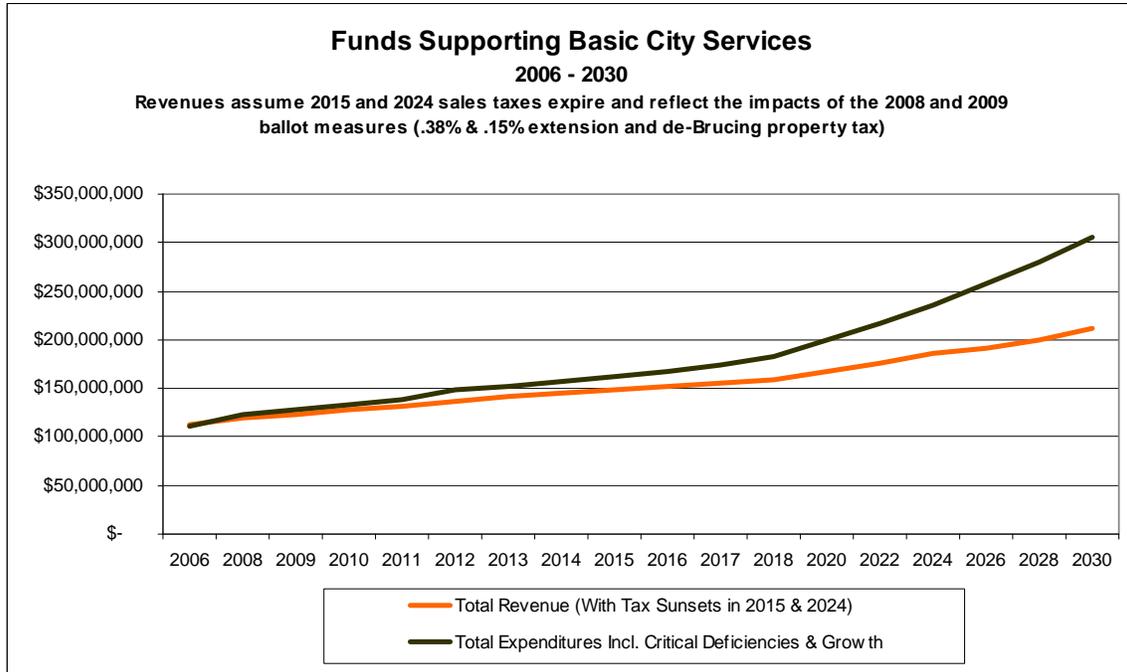
- energy (to operate offices, recreation centers, libraries and fleets)
- building materials (oil for streets, cement for sidewalks)
- personnel (salaries, pensions, health care).

This gap is compounded by the fact that 41 percent of Boulder's expanded General Fund sales tax rate is set to expire during this same planning horizon. Factoring this into the model expands the gap for the General Fund to \$135 million a year in 2030 (in 2030 dollars). This means, it will cost \$135 million more than Boulder's revenue system will generate to provide the same bundle of services at the same service standard in 2030 as it did in 2006. Even if the expiring sales taxes are continued, the gap in 2030 will be \$90 million. Furthermore, simply increasing sales tax rates, as has traditionally been the revenue tool relied upon by municipalities in years past, can only solve the problem in the short term, and continues the trend of over-reliance on a volatile revenue source. The work of the BRC I concluded that the city's financial challenges were structural in nature and would have long-term impacts due to demographic changes and decreased productivity of sales tax.

The BRC I identified the renewal of existing sales taxes as the top priority for revenue stabilization in Boulder. At the conclusion of BRC I, six sales taxes were set to expire during the planning horizon that account for 41 percent of the city's sales tax rate. In addition, the BRC I called for the full "de-Brucing" of the Boulder property tax, changing the development excise tax to a level competitive with surrounding municipalities and ideally set at a rate that fully recovers costs, and exploring a sales tax on selected services. These changes alone will not eliminate the gap. BRC I concluded that a combination of additional increased revenues and decreased expenditures must also be implemented.

The city has moved forward with a number of the BRC I recommendations. In November 2008, ballot measures to extend indefinitely the 0.38 percent sales/use tax and to remove the remaining TABOR restrictions on property tax (referred to as "de-Brucing") were approved by voters. In 2009, a measure to extend indefinitely the 0.15

percent sales/use tax was also approved by Boulder voters. The impact of the approval of these measures has reduced the projected long-range funding gap from \$135 million to \$95 million, as reflected in the graph below.



Even though the scope of BRC I was focused on revenue stability and the identification of the funding structural gap, the BRC I noted that fiscal stability would be achieved through a combination of both increased revenue sources and expenditure management. Both sides of the equation must be considered in addressing the structural funding gap. To support a more detailed review of city expenditures, the City Manager's Office convened a second Blue Ribbon Commission (BRC II) in September of 2008. BRC II is primarily focused on a review of city expenditures to ensure that public funds are being used effectively and efficiently.

Process

The BRC II held its first meeting on Sept. 23, 2008 and continued to meet twice a month through the end of 2009. The initial meetings of the BRC II focused on providing the group with a basic understanding of local government finance and an overview of the city's financial structure, both in terms of revenues and expenditures. This information provided the BRC II with a sound framework to begin reviewing city expenditures to ensure that public funds are being used effectively and efficiently.

After the group was given a base of knowledge regarding local government finance, they began to tackle its purpose or goal in more detail. Given the size and complexity of the city organization, the BRC II's charge proved to be challenging and required several discussions and continued refinement of the vision for the outcome of its work. For

instance, in order to determine if city services are being provided effectively and efficiently, the BRC II needed to understand what services are being provided and why. These early discussions greatly helped the group and staff to identify what was needed in terms of additional information and analysis to achieve the desired outcomes. The additional materials provided to the group during this period included:

- the “basket of services”⁸ provided by each department and how they are funded
- highlights and issues from recently approved department master plans
- an overview of the performance measures and benchmarking currently used to evaluate city services
- an overview of the current budget process used by the city, referred to as the “business plan”⁹

It was agreed that community values¹⁰ have shaped the services provided but a more defined understanding of how services are actually prioritized was needed. In other words, which services are considered core services for a local government to offer and which services are more optional and could be provided more effectively by another segment of the community. The issue of “which businesses the city should be in” was a frequent topic of discussion because the type and variety of programs offered by the city impacts which method of service delivery is most efficient.

The group determined that its efforts should also include a consideration of alternative options for providing services to the community. For example, does the city need to offer a full range of recreational services since there are so many options offered in the private sector. Also, the BRC II wanted to know how often departments are able to partner with non-profit organizations, private sector entities or other government agencies to avoid duplicating efforts. The BRC II also asked how services are evaluated and assessed in each area to make sure they are meeting performance goals. These discussions led to agreement that it would be beneficial for each department to present a standard set of information to the BRC II addressing these items. The presentations included:

- Overview of funding sources and uses
- Business plan categorization for services for the department (i.e., essential, desirable, discretionary)
- Any atypical services provided compared to other municipalities
- Legal service requirements

⁸ Basket of services refers to the overall or total set of services/programs offered across all city departments.

⁹ The business plan is a decision-making tool the city has been using since 2005 to recommend strategic citywide revenue and expense priorities for current and future funding; as part of the business plan, each department categorizes its services as essential, desirable or discretionary according to their contribution to the mission and objectives of the department and aligned with good public stewardship principles.

¹⁰ Community values are those ethical or moral values that are largely shared by members of the community; the values identify those conditions or characteristics that members of the community consider important such as stewardship of the environment, respect for diversity, promotion of healthy lifestyles, etc.

- Identification of other service providers and regional partnerships
- Performance measures currently used by the department

These presentations proved to be useful to the departments as well as the BRC II. In discussing their presentations with the BRC II, it helped departments identify potential efficiencies and potential ways to collaborate with other organizations (e.g., non-profits, private sector and other government agencies). It also gave the departments an opportunity to review and receive feedback on potential budget reductions being considered for implementation in the 2010 budget.

Based on departmental presentations, the BRC II received additional information on issues that impact multiple departments. This information included:

- Purpose of General Fund transfers to other funds
- Identification of dedicated revenues
- Fee subsidies
- Update on calculating the cost to provide each service/program

Based on presentation materials and group discussions, the BRC II developed its recommendations and study conclusions. These are reflected in chapters two and three of this report.

2

The Findings

Overview of BRC II Findings

The City of Boulder grew significantly between 1950 and 1980. During this time period, the city's population increased from 20,000 to 72,000. The correspondingly influx of revenue allowed the city to offer increasingly more services and the community's expectations for city services grew as well. For example, at one time the city had just one main library and one recreation center. As the population grew in the outlying areas, those neighborhoods wanted easier and closer access to library and recreation services. Once an additional library and recreation center were established, other neighborhoods saw the benefit and came to expect similar amenities in their area as well.

As the city's prolonged growth in revenues began to slow in the 1980s and 1990s, two issues became apparent. First, city departments increasingly began to compete for limited financial resources. Second, and in response, the community sought dedicated revenues for particular services. This encouraged some constituencies to advocate for specific service areas and resulted in the community viewing city services in isolation without regard to necessary trade-offs across all city services.

Beginning in 2001, the city's financial condition became increasingly constrained and the projected long-term trend is that revenue growth will no longer keep pace with the growth in expenditures. This long-term trend (the structural funding gap) is a fundamental transition in funding for the City of Boulder. The city will continue to be pressed to identify funds to implement new programs as well as to maintain its current programs. As a result, practices such as considering services in isolation and dedicating sales taxes, only conceal the central fact that funds for the general operation of the city are limited and hard choices are necessary to close the structural funding gap.

The organization, both internally and from an external political perspective, must change in order to adapt and ensure its long-range financial sustainability. Specifically, the city must change its long-standing practices and culture of:

- Expecting that the city will be "everything to everyone"
- Reacting to interest groups that advocate for specific city services without considering other service needs

- Fostering a silo mentality¹¹ where each department and service seeks to protect its own budget rather than viewing its budget as part of the total city budget
- Viewing city services in isolation
- Considering the majority of city services to be essential or core rather than embracing a more rigorous prioritization

In order to respond to the structural funding gap, the city must change the culture of the organization and community expectations. Several strategies that will assist the city in this culture change are: a budget process that prioritizes city services and enables the community to make informed decisions about difficult trade-offs¹²; identification of the full costs for city services; and implementation of a performance measurement system to measure the efficiency and effectiveness of city services. In addition, the city organization will need to evaluate and possibly modify financial/management policies, such as compensation and asset management, that may be exacerbating the funding gap. These strategies will support transparent and informed decisions that reflect community values and priorities. The remainder of this chapter describes these key strategies for driving change.

A fundamental issue that the city will need to address is whether it is providing the right mix of services. Some city services may no longer be effective, or even desirable, if they do not appreciably contribute to overall city goals. Also, the city should identify where it directly competes with the private sector. Although overlapping services may be appropriate, it merits further review to understand the rationale for providing similar or duplicative services. If a service is adequately provided by the private sector, both in terms of public access and affordability, the city should move to phase out the provision of the service. This is an important point because once residents begin receiving a city service, it is difficult to eliminate the service even if it does not provide significant community benefit or is only provided to a limited number of residents.

Enhancing the City’s Budget Process

In the city’s current budget process, referred to as the business plan, services are categorized as essential, desirable or discretionary by each individual department. While this categorization was useful in identifying individual departmental priorities, it resulted in approximately 80 percent of city services being classified as essential; the majority of remaining services were labeled as desirable and relatively few services identified as discretionary. The business plan was focused on each department’s priorities rather than a citywide perspective. This limited its efficacy as a tool to prioritize services between and among departments.

¹¹Silo mentality refers to an organizational culture that occurs when individual departments or work groups promote and protect their programs/services without considering the broader needs of the organization.

¹²The term “trade-off” refers to the decision to continue or begin funding a particular program/service through the elimination of funding for another program/service.

Additionally, these categorizations do not adequately distinguish essential functions between or within departments. It is critical that the city understand the relative importance of all its programs/services. For example, is it more important to provide human services to at-risk populations, police patrol services, learn-to-swim programs, fire prevention, clean water, preservation of open space, or transportation alternative modes. These are difficult questions to answer since there would be no consensus among residents regarding how they view city programs/services. In summary, the city's business plan categories are too subjective and do not adequately distinguish the relative importance of programs. City service priorities must be more clearly established through the budget process.

The city must balance its budget every year, and the business plan has been useful in making short-term corrections to respond to the present economic environment. However, the business plan is ineffective in addressing the changes that will be required to resolve the structural funding gap. This gap must be closed by making hard choices regarding what services the city will eliminate or by identifying additional sources of revenue. These choices will be difficult, but avoiding them now will only delay the inevitable and lead to a crisis management approach in the future.

The city's budget process must be changed to improve its effectiveness in order to guide the allocation of limited financial resources across the entire organization. It also needs to reflect clearly the city's key goals and top priorities. A direct link between how funding is distributed and the achievement of citywide goals needs to be clearly established and demonstrated to the community. Ideally, a return-on-investment should be calculated using known data and compared to other municipalities. This will require prioritizing programs/services across the city in a comprehensive manner and determining how each contributes to effectively meeting the city's goals. The key components of a new budget process, focused on ensuring long-term financial sustainability, include:

- Prioritizing all city services based on their individual contribution toward achievement of overarching city goals
- Incorporating broad community input that informs the budget process
- Improving transparency
- Implementing a rational trade-off decision-making process
- Identifying and reviewing the full cost of programs/services
- Identifying duplicative programs/services, either internal or external to the city
- Providing a consistent method to evaluate potential new programs/services

In accordance with the city charter, the city manager is ultimately responsible for developing and presenting a recommended budget to city council for approval. In order for this structure to be effective, it is important that the key players in the budget process (i.e., city manager, city council, and the community) understand that trade-off decisions are going to be difficult and require discipline to implement successfully budgetary

decisions. The city manager must be able to use the budget as a tool to implement difficult choices such as recommended organizational and operational changes.

Emphasizing Performance Measurement of City Services

Each city department currently reports on performance measures for its service area. Thus, every city department uses data and statistics to track and report on performance. For example, the library reports on the circulation of library materials each year. This statistic tells how many items have been checked out of the library and provides a picture regarding whether circulation is increasing, flat or decreasing. However, this data does not give a clear indication of whether library services are meeting specific goals or objectives.

The purpose of a performance measurement system is to measure objectively the success a program/service has had in achieving its stated objectives and goals. The performance measurement system defines how success is to be measured and identifies the criteria or benchmarks to be used in judging success. Instead of simply reporting inputs (e.g., expenditures for library materials) and outputs (e.g., number of lane miles swept), the most useful measures include efficiency measures and outcome measures. Examples of these two types of measures include:

- Efficiency measures:
 - Number of transactions per purchasing staff member (or FTE)
 - Cost per work order completed
 - Expenditures per code violation case closed
- Outcome (or effectiveness) measures:
 - Citizen and customer satisfaction ratings
 - Percent of residents who feel safe in the city
 - Fires confined to room of origin

An effective performance measurement system provides an objective mechanism to evaluate whether services/programs are achieving their intended purpose. If performance data indicates that the desired outcome is not occurring, the program can be adjusted or resources can be reallocated to another area to improve overall performance. As mentioned earlier, each city department currently collects performance data for its area and uses the information to manage its programs/services. Some departments, such as police, have a fairly sophisticated system for tracking performance while other areas are in the process of developing/enhancing performance data.

The city needs to embrace a culture of measurement and feedback. As a new performance measurement system is implemented, the city must focus on developing meaningful measures rather than simply a large quantity of measures. It is also important that the performance measurement system provide a way to evaluate the cost-effectiveness (or return on investment) of city expenditures. In other words, are city programs/services providing sufficient benefit for the amount of public dollars invested

in a program/service? The information provided by a citywide performance measurement system needs to be integrated into the budget process to inform funding decisions.

The performance measurement system must reflect the city's priorities/goals and should include the following key steps:

- Incorporating the performance measurement system as a feedback loop into the budget process
- Developing consistent and meaningful measures for each service area
- Reporting performance measure results to the community via the budget process

Understanding the Cost of Providing City Services

For the city to make informed fiscal decisions, it needs to understand fully all costs associated with providing a service. Currently, city departments that charge user fees, such as recreation and development review, determine the user fees for their services based on the costs of the services provided. Generally, the city budget reflects the direct program costs for each program/service. These costs are incomplete since they do not include the associated department overhead (e.g., division managers, department director) or citywide overhead¹³ (e.g. citywide administrative services such as information technology, human resources and finance).

Determining the full cost to provide city programs and services will also provide information to show what portion of programs/services are funded entirely by taxes, by the service user through fees or through a combination of taxes and user fees. Subsidizing programs and services with general tax dollars is a typical mechanism used by local government and may also reflect community values (e.g., to defray costs for low-income users).

Without knowing the full cost, some programs may appear to be self funded through user fees, but are actually partially funded (subsidized)¹⁴ by tax revenues. The city must ensure that any subsidies are fully identified and are used deliberately rather than as a result of not understanding the full cost. Program costs need to be reflected in the appropriate department's budget in order to provide a comprehensive picture of program costs. For example, although Housing/Human Services (HHS) and Parks & Recreation both provide youth outreach services, it is difficult to determine how much the city is spending in total for these services.

Furthermore, subsidies must be directed toward programs and services based upon their achievement of city goals.

¹³ Overhead costs are defined as either citywide or departmental administrative, facility or other expenses that are not directly associated with a particular program or service; rather they are related to overall general operations and support all city programs/services; examples include finance, human resources, information technology and general administrative support.

¹⁴ Subsidized services refer to city services that do not cover their full direct and indirect costs through user fees and are partially funded through other funding sources such as sales or property taxes.

The following steps are required to calculate adequately the cost of services/programs:

- The full cost for each city service/program needs to be calculated on a regular basis; the full cost should include, but not be limited to,
 - the direct program costs
 - department overhead costs
 - reasonable capital/facility costs
 - citywide overhead costs
- The full cost for subsidized programs and its funding source needs to be identified, presented within the budget process and reviewed regularly to verify that the level of tax subsidization is appropriate
- Routinely evaluate which services are funded entirely by tax revenues, fully funded by user fees or a combination of the two

Efficient Delivery of City Services

The structure for delivering services has a substantial impact on both the cost and quality of the services provided. A number of areas that need to be evaluated in terms of service delivery include:

Centralization of Administrative Services

Currently administrative support or overhead services such as accounts payable, purchasing, computer support, media relations and facility maintenance are generally provided in a decentralized manner. For example, each operating department is responsible for paying their own vendor invoices rather than having them all processed within the Finance Department. Another example relates to media relations or communication needs. Currently, some operating departments have a staff member dedicated to responding to media requests or writing press releases. Although this structure provides a high level of customer service and responsiveness, it may be more cost efficient to centralize administrative services.

Duplication of Services

There is a potential for overlapping services or service duplication between departments. This occurs when there are some inherent similarities in the services provided across departments. For example, staff in Parks, Transportation and Open Space may all be responsible for maintaining appropriate signage for their designated service area. However, it may be more efficient to have a sign shop provide services across departmental lines and this could result in cost savings (e.g., reduces the overhead costs associated with each separate department) and provide additional back-up for each department.

Partnering with Other Organizations (e.g., Non-profits, Private Sector and Other Government Agencies)

The structural funding gap is not unique to the City of Boulder. This creates an opportunity to find ways to partner with other entities to deliver services more efficiently

to the community. For instance, the city may coordinate the service through community non-profits or provide seed money to assist an outside organization in establishing the service. Thus, the city may consider a strategy to be more of a “partner rather than the provider” of the service.

Dedicated Funding

Dedicated funding refers to allocating a revenue source to a specific expenditure item, either through a ballot initiative, city council/city management direction or city charter. In the 1980s and 1990s, dedicated revenues were used to secure funding for specific city services, primarily by passing citizen-initiated ballot measures to raise taxes for specific expenditures. For example, Transportation, Open Space, and Parks & Recreation all have dedicated sales/use taxes to fund portions of their services and, at least historically, have been able to expand their services through these dedicated funding sources.

Below is a table summarizing significant city funds that are currently dedicated for specific expenditure purposes. Based on the 2010 approved budget, these dedicated revenues represent 21 percent of the city’s projected revenues of \$224 million.

Summary of Significant Dedicated Funding			
Start Date	Dedicated Funds	Purpose	Nature of Dedication
1/1/1967	.40% Sales/Use Tax	open space	City Charter
1/1/1967	.60% Sales/Use Tax	transportation	City Charter
1/1/2004	.15% Sales/Use Tax	open space	Ballot Initiative
1/1/1990	.33% Sales/Use Tax	open space	Ballot Initiative
1/1/1996	.25% Sales/Use Tax	parks and recreation	Ballot Initiative
1982	9% of Accommodations Tax	Boulder Visitor's and Convention Bureau	City Council/City Mgmt Direction
1987	.15% sales tax on prepared food	Boulder Visitor's and Convention Bureau	City Council/City Mgmt Direction
1992	.800 mill property tax	affordable housing	City Council/City Mgmt Direction
1917	.333 mill property tax	library operations	City Charter
1961	.900 mill property tax	parks & recreation capital improvements	City Charter

This table excludes funding received from external entities, such as the federal government and the state of Colorado, typically distributed in the form of grants.¹⁵

On the other hand, basic city services not covered by specific dedicated revenues, such as the Fire Department, have to compete with other city departments for limited available resources in the General Fund. As a result, it is not uncommon for one department/service area to be implementing service reductions while another is adding new programs/services.

¹⁵ **Grants** are contributions or gifts of cash or other assets from another organization to be used or expended for a specified purpose or activity.

While dedicating revenues is an effective method to assure funding for specific long-term purposes, it is typically presented to voters in isolation of all other city needs. Thus, in approving a new ballot measure for one city service, voters are left to assume that the city's other services are adequately funded. Also by dedicating a sales/use tax for one service area, the city's potential ability to pass a sales/use tax for general or basic services may be compromised since there is limited capacity to increase taxes.

Significant progress toward several unique community goals, including Open Space and Parks and Recreation, has been made with funds from dedicated sales taxes. These programs and services are valued by the Boulder community and have helped define the community's identity. However, the city has also maintained valued basic programs/services, such as police and fire, through the use of unrestricted funds. This suggests that dedicating revenues may not be necessary to meet community priorities. The use of unrestricted revenues also allows the city to adapt more quickly to volatile revenue streams and provides the flexibility to fund evolving priorities.

Unrestricted revenues provide greater and necessary flexibility to the city manager and city council to facilitate the allocation of funds for the highest priority services—especially important in an era of decreasing and/or limited revenues. Dedicated revenues inherently reduce the city's ability to adapt its services to meet the changing needs of its residents. The city organization must strike a balance between assuring achievement of specific long-term goals and its inherent responsibility to maintain basic services even through financially challenging conditions.

In this new era of fiscal limits, it is absolutely essential that the public be educated and informed on the tradeoffs in the city's budget and be responsibly engaged in the articulation of city values and the prioritization of how limited city funds are spent.

The BRC II determined that dedicated funds should be used sparingly and that, if such dedicated taxes are used, they should come with a full understanding of their impact on the city's finances, including any corresponding incremental operating and maintenance costs.

In reaching this determination, there were generally two perspectives expressed among members of the BRC II. One, that if dedicated funds are used, they should only be used for capital purchases and construction. The second and minority perspective expressed was that dedicated funds may be appropriate not only for capital purchases and construction but for some broader applications.

Adjusting the City's Financial/Management Policies

The financial/management policies established by the city reflect the organizational culture and can have a significant impact on the cost of services delivered. Although individual policies may appear cost neutral, the cumulative financial impact of an organization's policies may not be sustainable. As such, the following policy areas need

to be considered and BRC II recommends specific actions outlined under each policy area.

Compensation

Since personnel costs represent the largest expense in the city's budget (approximately 48 percent of the city's 2010 budget of \$230 million), the manner in which employees are compensated (both in terms of salary and benefits) greatly impact the city's finances. A balance must be maintained between total employee compensation and the city's ability to pay. By recognizing the need to balance both of these interests, the city should be able to attract and retain good employees, as well as minimize necessary reductions in city programs/services.

In order to provide quality services to its residents, the city needs to maintain highly productive, motivated and well qualified workforce. The city's employee compensation strategy is the organization's primary tool used to attract and retain its employee base.

The city's current compensation practices generally focus on each individual element of compensation separately rather than as part of a comprehensive or total compensation system. Both the organization and employees tend to look at specific compensation issues in isolation rather than as part of a bigger picture.

Although in recent years the city has begun to communicate total compensation to its employees, greater emphasis should be placed on this effort to ensure that all staff realize the full value of their compensation. The city needs to clearly identify and communicate total compensation to its employees. Total compensation should reflect salary, health benefits, retirement, fringe benefits and leave accruals (i.e., vacation, sick and holidays). For example, the BRC II believes that the value of the city's retirement plan (i.e., PERA) is not adequately recognized by the organization or its employees. The organizational commitment to total compensation needs to be articulated to all employees through the city's compensation philosophy.

To realign the city's compensation system with the city's fiscal realities, the BRC II recommends:

- Shifting compensation practices to a primarily performance-based system; this includes discontinuing compensation practices based on years of service, such as longevity pay, across-the-board salary increases and appreciation bonuses.
- Rewarding employees for reaching and exceeding performance goals. This may include providing greater financial incentives than the current system allows in order to reward excellent performing employees.

- Providing a citywide training program for managers and employees to support the move to a performance-based system. This should include identifying more consistent approaches to the employee evaluation process and a periodic review of the performance-based system to confirm that it is being used in a manner consistent with its intent.
- Reviewing the city's total compensation policies/practices at least every five years to make sure the stated goals are achieved, including recruitment, retention and fiscally responsible use of public funds.

Asset Management

The BRC II recommends the city be proactive in the management of its assets, including land, facilities, vehicles and equipment. To maximize efficiencies, the asset management policies need to be routinely reviewed with the following in mind:

- To prevent more costly future expenses, maintenance and basic renovation of city facilities/equipment should not be deferred beyond industry accepted standards
- A complete land/property/equipment inventory needs to be maintained (including the current market value of land and facilities) and the city needs to manage actively the value of its real estate holdings.
- In terms of vehicles and equipment, a balance needs to be maintained between replacement of vehicles and extending the use of an existing vehicle. While older vehicles may generally require additional maintenance, it may be more cost efficient to extend the use of vehicles that are in good condition rather than automatically replacing them. The BRC II recognizes that this may need to occur on a case-by-case basis depending on vehicle type and condition.
- In terms of land/facilities, the asset management strategy needs to include evaluating property owned by the city (including alleys and easements). This includes the possible disposition of specific properties. For example, if the Public Works Department owns but is not using an undeveloped land parcel in a commercial area of town, the best use of the land could be for use by a business, in order to generate additional sales and property tax.

General Fund Transfers to Other Funds

The practice of transferring General Fund monies to other city funds should be the exception rather than the rule. These transfers are acceptable only when the funding helps to achieve high priority city goals rather than simply based on historic practices. In addition, all General Fund transfers should be reviewed in the annual budget process to determine best use of limited funding.

3

Next Steps

The BRC II developed recommendations to change the culture of the city and community expectations. Although all of its recommendations are important, some will more quickly result in efficiencies or cost savings. For example, regional partnerships should be pursued but may take several years to develop and implement with other entities. On the other hand, the city may expedite the implementation of proposed compensation changes.

The economic downturn that started in late 2008 required city management to take immediate action on several items the BRC II was considering. While staff and BRC II members initially thought that the recommendations would be reviewed and implemented over the next few years, the city's financial situation accelerated this process. As a result, the city began implementing several items that were concurrently being reviewed and discussed by BRC II:

Budgeting Process – It is important to begin implementing a process that clearly identifies city service priorities based on community goals and values.

In late 2009, the City of Boulder began examining alternative budget strategies that would build upon the business plan. The business plan represented the first phase of implementing a decision-making tool to assist the organization in making strategic citywide recommendations regarding revenue and expense priorities for current and future funding. Recently, the city selected the Priority-based Budgeting (PBB)¹⁶ approach to be used in developing the 2011 recommended budget. This approach builds upon the Boulder business plan work completed to date and is more easily implemented than other similar outcome-based budget approaches. A summary of the steps in the PBB process is as follows:

The first step of PBB involves identifying the results or goals desired in the City of Boulder. Once the results are determined each result is defined. The definitions are determined by asking the question:

When the City of Boulder _____ (insert proposed definition) we achieve this (result).

¹⁶ **Priority-based Budgeting** is a budget approach that prioritizes city programs/services based on how they contribute to the achievement of overall city goals; the prioritization process provides clarity regarding how limited resources are allocated in order to meet citywide goals

A current example for the City of Boulder follows:

When the City of Boulder contributes to a well-maintained system of infrastructure, we achieve an accessible and connected community.

When finalized, the definitions become the basis for evaluating each city program. In addition to the definitions, other factors will be considered as programs and services are evaluated. Those factors are currently reflected in the business plan and include customer demand for the program and the degree to which a program is mandated and addresses user fee guidelines for cost recovery (under the city's revenue policies).

After obtaining input from the city council, the results and definitions will be updated and then taken out into the community for input and feedback. Once the work with the community has been completed, departments will evaluate programs using the final results and definitions. Departments will then submit these to the city manager and the findings will undergo review by a peer review team. The peer review team will be responsible for the equitability of priorities across departments and meetings will be with the departments to clarify and discuss findings.

By prioritizing services across departments, PBB is designed to identify which services the city considers most essential and which services are of lower priority. As the city allocates its limited resources on a priority basis, it will reach a determination as to which services are unfunded. The structural funding gap will require either the elimination of lower priority services or identification of new revenue sources to support these services.

Performance Measurement of City Services - The BRC II recommends that the city identify and implement an effective set of performance measures. As such, appropriate performance measures need to be monitored and communicated by every city department. The measures should be incorporated into the budget process to show objectively the effectiveness of city services.

In late 2009, the city joined the Colorado Performance Measurement Consortium (CPMC). The goal of the CPMC is to develop common key indicators and measures to evaluate and improve the efficiency and effectiveness of local government service delivery. The Consortium was developed in response to the International City/County Managers Association (ICMA) Center for Performance Measurement's comparative performance measurement data report.

While this program was developed to achieve the same goal as the Consortium's, it must accommodate several hundred jurisdictions, which limits the flexibility and applicability of data definitions. The members of the Consortium have had to prepare data in a way that often does not reflect what they considered key data or in a way that does not coincide with their data collection measures. As a

proposed solution, the Consortium members (currently comprised by 15 Colorado Front Range municipalities) came together to identify key measures and develop a methodology that could be agreed upon by a much smaller number jurisdictions instead of several hundred. By taking a tool that was nationally applied in diverse organizations and geographic locations, the Consortium is revising it to be a more locally focused and relevant performance measurement tool. Participation in the Consortium will allow Boulder to take its current measurement program to the next level and tie it into the new PBB approach being implemented for the 2011 budget.

Financial/Management Policies - Compensation – The city needs to gradually shift to a performance-based compensation system rather than a mix of performance-based and longevity-based (e.g., cost of living adjustments) compensation.

The city is currently completing a comprehensive review of its compensation practices and policies with the intent of implementing recommended changes in 2011. The purpose of the compensation study is to undergo a comprehensive and independent review in context of organizational changes, to be effective in attracting and retaining high caliber employees, to be technically sound, easily understood and administered.

In presenting preliminary study findings to the BRC II, the city manager stressed that she intends to move the organization to a performance-based compensation system for management/non-union and BMEA employees. For 2010, Management/non-Union employees were not granted a General Salary Increase (also referred to as a cost of living adjustment) and, based upon contractual stipulations, BMEA employees received a 1.5 percent GSI.

2010 Budget Stabilization Plan – The BRC II recommended several action steps that were used to some extent by city management during the development of the 2010 Budget Stabilization Plan.

In order to maintain a balanced budget, the city implemented one-time budget reductions (e.g., vacant positions remained unfilled) for 2009 and \$5 million of ongoing budget reductions for the 2010 budget. Although the BRC II's work was progressing concurrently with the city's efforts to balance the budget, the BRC II's work influenced the budget stabilization plan.

More specifically, the BRC I and II's recommendations clearly aligned with the city's 2010 budget reductions in the following areas:

- General Fund transfers to other funds (Central Area General Improvement District, Affordable Housing, Open Space and Mountain Parks, Planning and Development Services, Recreation)

- Centralize administrative services
- Identify and eliminate service duplication

Conclusion

In addition to the long-range funding gap, the city will continue to encounter normal cyclical downturns in the economy. As a strategy to offset these short-term economic/revenue declines, the city needs to adopt a policy which would allow the city to slow progress toward long-term goals during such downturns. This flexibility may act as an additional buffer against economic volatility. Although desired long-term goals need not be abandoned, the city should recognize the ability to flexibly use funds as a short-term trade-off in order to preserve basic or core services. The funding could then be restored as the economy recovers.

The implementation of the strategies described in chapter two will not be easy and will not occur over night. It will take a commitment on the part of all city stakeholders, require difficult decisions and will have to be adapted and adjusted as new information becomes available. The projected long-term funding gap has been called "the new normal." It represents a fundamental shift in the outlook for the city and will require profound changes in how the city operates. All city services and programs must be part of the discussion. The stakeholders of the city must answer the questions: Is the city providing the right services? Are the services provided in the most efficient way possible? Are the services effectively achieving their objectives? Even after these questions are answered, there may be services that the city can no longer afford to support.

The looming fiscal constraints will require changes beyond just managing the city's spending and budget. In order for these strategies to be successful, it is critical that the city organization engage the community in a robust public process. This process must be a two-way dialogue. The city needs to inform the community regarding current and long-range financial challenges and corresponding difficult trade-off decisions; and the community needs to inform the city regarding which services are most important. The traditional practice of each group protecting its own political turf and self interest does not produce positive results. This will only lead to viewing services in isolation rather than the balanced perspective necessary to meet the needs of the broader community.



City of Boulder Revenue & Expenditures

Overview
October 23, 2008

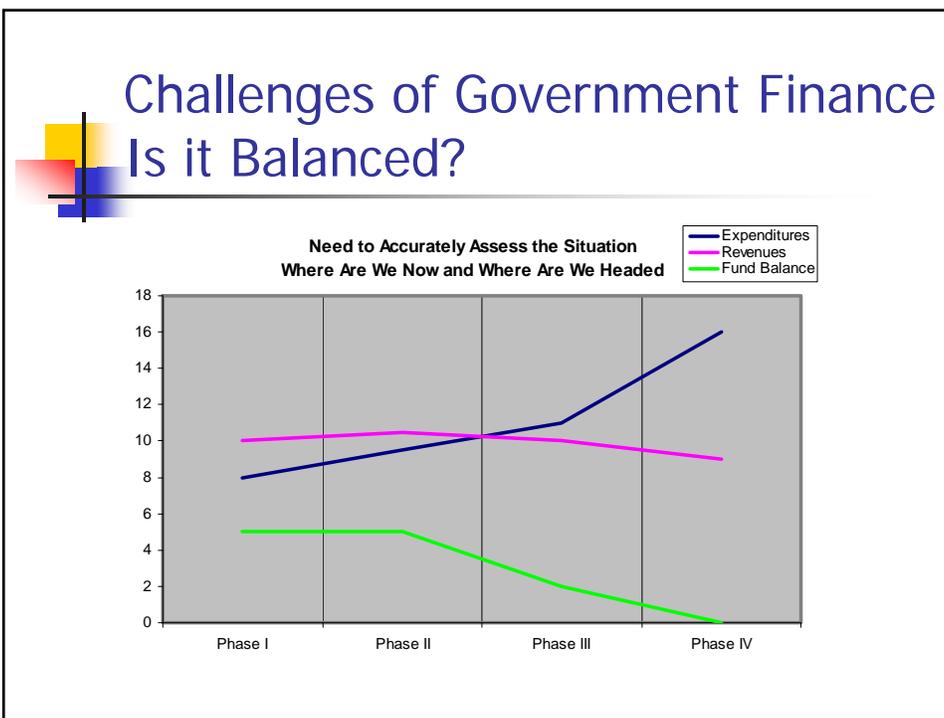


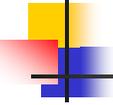
Key Terms

- Fund – A governmental accounting term that is used to refer to major segments of the city. Similar to a stand alone business. COB: General Fund, Water/Wastewater Fund, Transportation Fund and Parks & Recreation Fund.
- Fund Balance – the savings account of the fund. Measured at the end of each year. Increases if what is brought in is greater than what is spent. Decreases if spending is greater than what is brought in for the year.
- Financial Policies - Policies adopted by City Council that guide financial decisions of the City. Included in the Budget.

Financial Policy 1.1

- Budgets shall be balanced.
 Budgeted expenditures and transfers-out will not exceed reasonable projection of the sum of current year revenues, transfers-in, and available fund balances.
- Debt shall not be utilized for operating expenses.





The Municipal Corporation of Boulder, Colorado

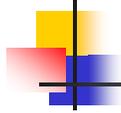


Under the Umbrella
Funds = The Businesses of the City
Departments – Divisions – Programs - Services



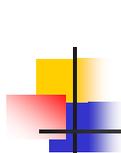
Restricted Funds

- If legally restricted by law or a vote:
 - Can only be used for what the law or the ballot issue says they may be used for.
 - May or may not expire.
 - In most cases the money cannot be used or transferred to other funds (businesses) in the city. When in doubt the City Attorney Office is contacted for an opinion.



Dedicated Funds

Dedicated to certain programs or expenditures by Council.



Reserve Policies aka Fund Balance

- * Reserves are used to buffer the City from downturns in the economy and to provide an additional source of accumulated funding for major capital improvement projects, replacement capital, or redevelopment.



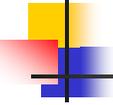
How Much is Enough?

- No hard and fast rules for appropriate levels of operating/emergency reserves
- Factors to consider:
 - Reliability of revenue sources
 - Volatility of revenues and expenditures
 - Possible future claims on the fund
 - Impact on credit ratings



Where Does the Fund Balance Target Originate?

- NLC Training Program, "Dollars and Sense"
- Government Finance Officers Association
- Standard and Poor's and Moody's Bond Rating Agency Guidelines
- Comparison to Other Cities in Area



It Depends on the Individual Entity

All of the sources stated that individual situations can be unique and may require higher levels.



Replacement - Reserves & Cost Allocation

- Internal Service Funds (ISF) Reserves and Financial Policies.
- Significant \$\$\$ Good Business Practices & Comparisons to entities that don't
 - Fleet Replacement
 - Telecommunications
 - Computer Replacement
 - Equipment Replacement
 - Facility Renovation & Replacement
 - Self Insurance of Property & Casualty – Worker's Comp
 - Compensated absences
- Cost Allocation GF Source \$6.1 in 2008



Primary Revenue Sources for Local Government

- Property tax
- Sales and Use Taxes (use taxes differ)
- Other taxes
- Fees and Charges
 - Franchise Fees
 - Utility Fees and Charges
 - Recreation Fees and Charges
- Licenses, Permits and Fines
- Intergovernmental
- Leases, Rents and Royalties
- Investment Earnings



Ongoing vs. One-Time Funds

- Ongoing = the revenues can be predicted and will come in each year to pay ongoing costs.

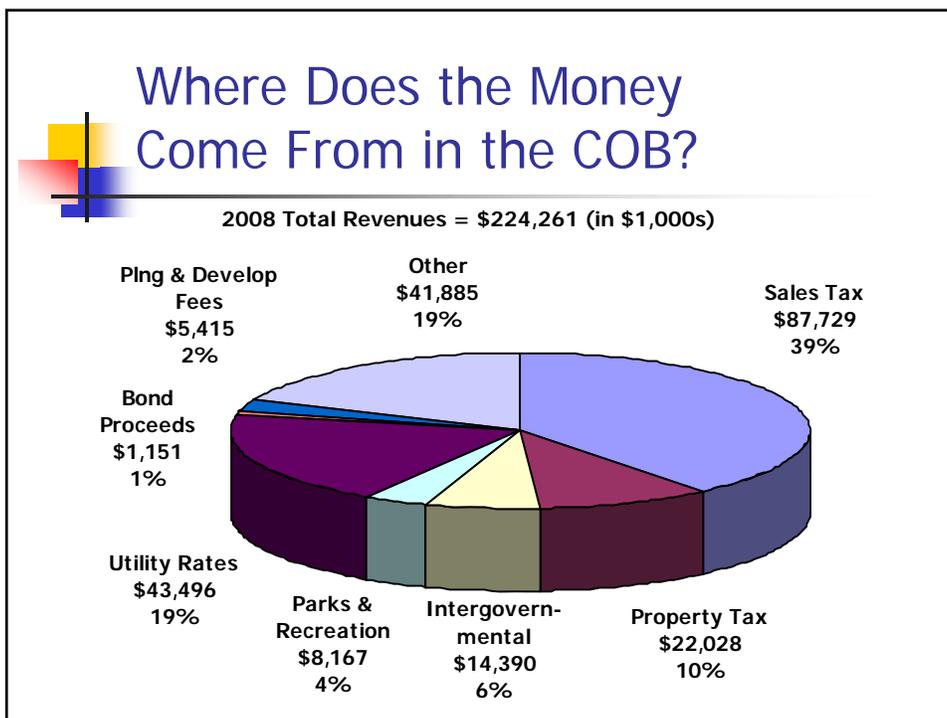
- One-time = the revenues will only occur once. Therefore, they cannot be used to pay ongoing costs. The costs must occur only once.

Ongoing vs. One-Time

- Ongoing



- One-time

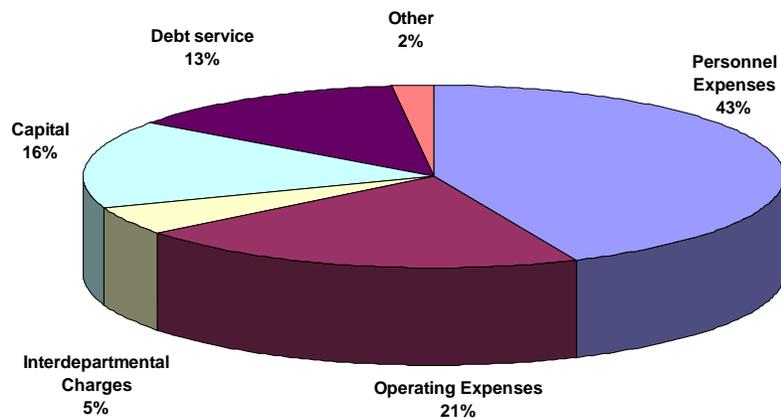



Where Does the Money Come From in the COB?

Funds	Sales Tax	Property Tax	Other Taxes	Charges & Fees	Other
General	46%	19%	15%	3%	17%
Open Space	92%	-	-	-	8%
Transportation	64%	-	-	-	36%
Utilities	-	-	-	90%	10%

Where Does the Money Go? Citywide

2008 Total Uses = \$237,781 (in \$1,000s)



Where Does the Money Go?

General Fund	Category	Citywide
59%	Personnel Exp	43%
17%	Operating Exp	21%
7%	Interdepartmental Charges	5%
<1%	Capital	16%
3%	Debt Service	13%
<1%	Other	2%
14%	Transfers to Other Funds	In expenses
100%	Total	100%

Business Plan Approach

- A framework for making funding decisions
- A link between the comprehensive plan, master plans, and the recommended budget
- Fiscally constrained plans – reprioritized service plans within existing departmental budget targets
- City-wide approach to trade-offs and funding decisions leading to City Manager's recommended budget



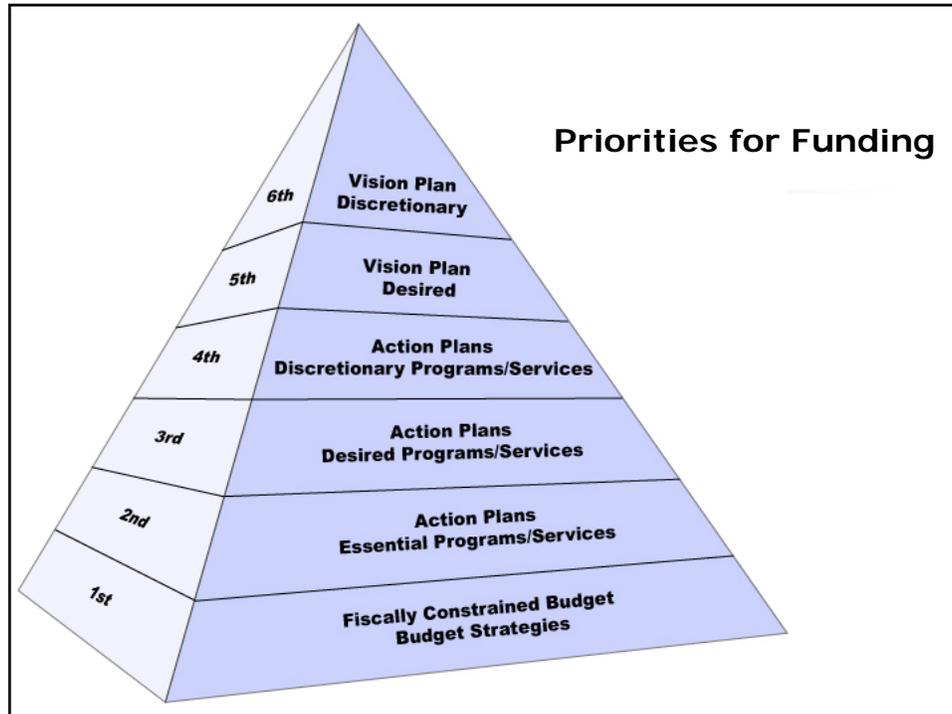
Business Plan Categorization

- Essential
 - Programs/services/facilities essential to ensuring health and safety of the community
- Desirable
 - Services that enhance programs or facilities in ways that advance desired community values
- Discretionary
 - Creates or maintains discretionary services/facilities that service limited purposes or specialized interests



Why a Business Plan?

- **In the absence of a Business Plan, it is possible that we could propose to:**
 - restore functions to their former levels without comparing those uses to competing needs, implying that what *was*, represents how the future *should* be;
 - react to the most vocal constituents, implying that needs that are heard most frequently and passionately should receive the scarce resources; and/or
 - fund the first few excellent new ideas or master plan proposals, implying that whatever comes up first should grow.





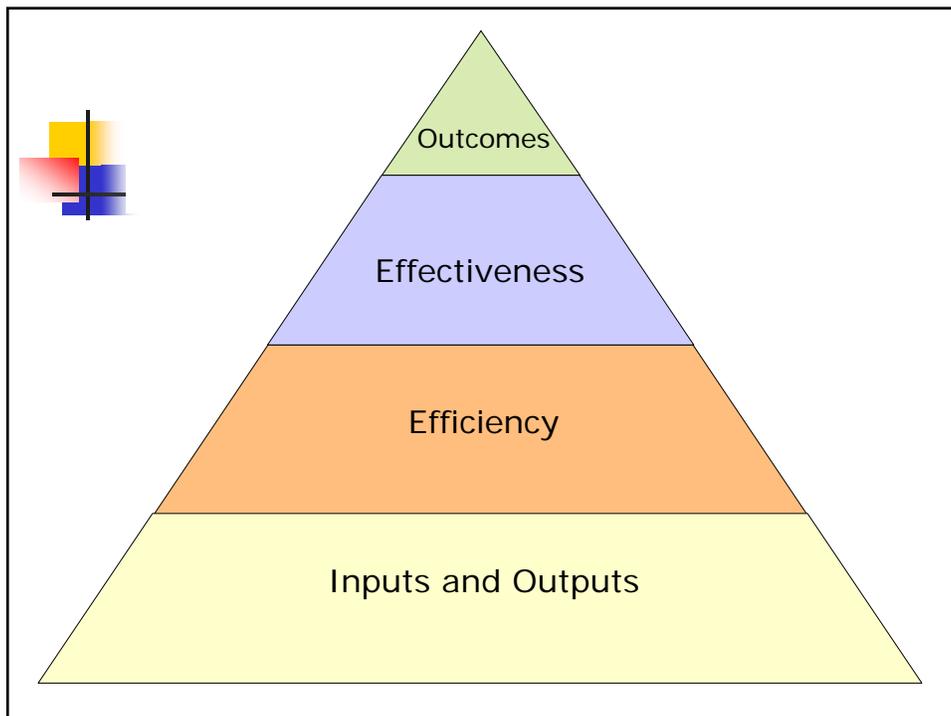
Budget Strategies

- "Must Do"
 - Maintain adequate reserves
 - Fund liabilities adequately
- "Should Do"
 - Fund Compensation Philosophy
 - Increase facilities maintenance budgets
 - Increase materials/supplies (or NPE) budget (to maintain buying power)



Introduction to Performance Measures

How Do We Measure Up





Measuring Productivity – Operational Assessments and Analysis

- Internal analysis conducted by the departments.
- External analysis of departments or programs.
- Departments are at various stages due to where they are with master and strategic plans.



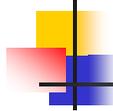
Employee Performance Plans

■ Goal Setting

- Goals aligned with Council, Master, Strategic & Business Plans
- Common behaviors
- Set high standards
- Developmental goals encouraged

■ Reviews

- Feedback given (360 degree, merit)
- Continual coaching and feedback
- New goals set



Questions

- 1.) *What concerns do you hear or have about city services and potential inefficiencies?*
- 2.) *What current city services and programs do you or others believe the city should no longer provide?*
- 3.) *What does efficiency look like to you?*

BUSINESS PLAN TERMINOLOGY

The business plan is a set of documents (such as the departmental master plans or strategic plans) that guide the city of Boulder municipal corporation in terms of program and services to be provided to the community. It is a decision-making tool to recommend strategic citywide revenue and expense priorities for current and future funding. There is a distinct set of terminology originating from the Business Plan that permeates the language of the organization and appears in other city documents. This paper will explain the most common terms.

INVESTMENT LEVEL – The investment level refers to an overall level of funding. There are three investment levels noted in master/strategic plans, business plans and budget documents. They are:

FISCALLY CONSTRAINED - Fiscally Constrained is a baseline level of funding. For planning purposes, this is the funding level associated with the FY 2006 Budget. This represents a bundle of services that was provided by the city at its lowest or near lowest level since the 2001 revenue peak.

ACTION PLAN - Action Plan is the **next step** of service expansion or restoration that should be taken when additional funding is available.

VISION PLAN - Vision Plan is the **complete set of programs, services and facilities** desired by the community and aligned with values and policies, with alternative proposals to fund them.

PROGRAM CATEGORIES - Within each investment level, there are a bundle of services provided. Each city department was challenged to create a Fiscally Constrained budget in which services are prioritized according to their contribution to the mission and objectives of the department and aligned with good public stewardship principles. Services were prioritized into the three categories according to the following principles.

Essential

- Programs, services or facilities essential to ensuring the health and safety of the people and property in the community and municipal corporation
- Services ensuring the integrity of the most fundamental responsibilities of government
- Programs or expenses that are legally mandated by federal or state law or City Charter
- Investments that contribute the most to achieving the core mission of a department
- Businesses the city of Boulder is required to be in and/or essential services that no other entity provides
- Actions required by obligations such as bond covenants, laws and other requirements in order to avoid fines or penalties

Desirable

- Services that enhance programs or facilities in ways that advance desired community values
- Services that enhance essential services or quality of life improvements
- Funding for ongoing operation, maintenance and replacement of an existing facility, infrastructure, program or service
- Services valued by the community and created by the legislative action of the city of Boulder City Council
- Actions required to meet Council's adopted budget and financial policies
- Programs maintained as "seed corn" to provide a base for restoration in an economic recovery; maintaining core elements of a program of higher priority to make future restoration possible

Discretionary

- Creates or maintains discretionary services/facilities that serve limited purposes or specialized interests.
- Programs desired by the community but not required to provide or enhance an essential service
- Services that people could obtain through other means, private or other governmental and non-profit agencies

Each department created its prioritization logic, based on the principles above, and in terms that are meaningful to its unique business. This was then expressed as short, clear statements of the investment strategy that guide a department's prioritization of its programs/services

SERVICE STANDARDS - Lastly, associated with each program is a service standard. This is a basic rating system that is subjectively applied by departments. It is intended to provide a status as to the condition of the program or service and is based on the following three descriptors:

BELOW STANDARD

STANDARD

ABOVE STANDARD

2009 Budget		Some of these expenditures are contingent on meeting economic or program goals.																		
Departments	Primary Funding Sources (Sales, Property or Other Tax, Fee, Intergov't)	Arts		City Attorney		City Council		City Manager		Citywide		Community Planning - Environmental Affairs		Community Planning - Planning		Downtown & Univ Hill Mgmt District/Parking Services		Finance		
10 General	Tax, Fee, IG and Transfers	\$212,790 40.1% of dept	0.3% of fund .50 FTEs	\$1,929,561 100.0% of dept	2.4% of fund 17.65 FTEs	\$335,782 100.0% of dept	0.4% of fund 1.00 FTEs	\$4,963,257 100.0% of dept	6.2% of fund 22.50 FTEs	\$3,102,240 100.0% of dept	3.9% of fund .00 FTEs	\$1,175,280 49.4% of dept	1.5% of fund 5.30 FTEs			\$1,183,368 13.0% of dept	1.5% of fund 13.85 FTEs	\$2,446,398 99.0% of dept	3.1% of fund 24.37 FTEs	
110 Capital Development	Excise Tax																			
111 Lottery	IG																			
112 Planning & Development Svcs	Fee and Transfers													\$3,015,936 100.0% of dept	37.0% of fund 26.78 FTEs					
114 Affordable Housing	IG and Other Tax																			
115 Cmmnty Hsg Asst Prgm (CHAP)	Property Tax																			
117 .15 Cent Sales Tax	Sales Tax	\$318,000 59.9% of dept	11.0% of fund 1.00 FTEs										\$318,000 13.4% of dept	11.0% of fund 1.20 FTEs						
118 .25 Cent Sales Tax	Sales Tax																			
120 Library	Transfer and Prop Tax																			
130 Recreation Activity	Fee and Transfers																			
140 Climate Action Plan Tax	OtherTax												\$888,000 37.3% of dept	100.0% of fund 4.00 FTEs						
150 Open Space	Sales Tax																			
170 Airport	Fee and IG																			
180 Transportation	Sales Tax and IG																			
181 Transportation Development	Excise Tax																			
182 Transit Pass General Improvemnt District	Property Tax																			
191 Community Development Block Grant	IG																			
192 HOME	IG																			
230 Permanent Parks and Recreation	Property Tax																			
310 General Obligation Debt Svc	Transfer																	\$25,000 1.0% of dept	100.0% of fund .00 FTEs	
321 .15 Cent Debt Service	Sales Tax																			
510 Water Utility	Fee																			
520 Wastewater Utility	Fee																			
530 Stormwater and Flood Mgmt Utility	Fee																			
540 CAGID	Fee, Tax and Transfers																	\$7,522,401 82.3% of dept	100.0% of fund 24.78 FTEs	
550 UHGID	Fee, Tax and Transfers																	\$429,242 4.7% of dept	100.0% of fund 3.62 FTEs	
610 Telecommunications																				
611 Property & Casualty Insurance				\$77,829 4.0% of dept	5.2% of fund 1.00 FTEs														\$1,414,923 57.3% of dept	94.8% of fund 1.50 FTEs
612 Worker Compensation Insurance																			\$1,594,113 64.5% of dept	100.0% of fund 2.50 FTEs
619 Compensated Absences																			\$381,240 15.4% of dept	100.0% of fund .00 FTEs
621 Fleet																				
630 Computer Replacement																				
640 Equipment Replacement																				
650 Facility Renovation & Replacement																				
Totals by Dept		\$530,791 100.0%	1.50 FTEs	\$1,929,561 100.0%	18.65 FTEs	\$335,782 100.0%	1.00 FTEs	\$4,963,257 100.0%	22.50 FTEs	\$3,102,240 100.0%	.00 FTEs	\$2,381,280 100.0%	10.50 FTEs	\$3,015,936 100.0%	26.78 FTEs	\$9,135,011 100.0%	42.25 FTEs	\$2,471,398 100.0%	28.37 FTEs	
Programs & Services		Arts Grants Theatre Guild Boulder Arts Center Space for Dance		Consultation & Advisory Prosecution & Civil Litigation		City Manager's Office Internal Audit Economic Vitality City Clerk/Support Services Communications Non-Departmental Contracts Citywide Programs		Risk Management Citywide Contracts Police/Fire Pension		Administration Waste Reduction Wildlife/Integrated Pest Mgmt Climate Action Plan		Administration Information Resources Long Range Planning Land Use Review Engineering Review Building Construction Code Enforcement		Administration Debt Service Public Info & Events Community Improvements Economic Vitality Transportation Garage Improvements Meters, Ops & Enforcement		Budget & Treasury Risk Management Controller/Financial Operations Finance System Admin				

A		B		W		X		Y		Z		AA		AB		AC		AD		AE		AF		AG		AH		AI		AJ		AK		AL		AM		AN	
2009 Budget		Some of these expenditures are contingent on meeting economic or program goals.																																					
Departments	Primary Funding Sources (Sales, Property or Other Tax, Fee, Intergov't)	Fire		Housing and Human Services		HR/Org. Effect.		Information Technology		Library		Muni Court		Non-Enterprise & BMPA Debt		Open Space & Mountain Parks		Parks and Recreation																					
Funds																																							
10 General	Tax, Fee, IG and Transfers	\$13,593,155	17.1% of fund	\$5,092,621	6.4% of fund	\$1,618,193	2.0% of fund	\$4,914,166	6.2% of fund			\$1,688,163	2.1% of fund	\$1,678,353	2.1% of fund	\$140,034	0.2% of fund	\$4,051,417	5.1% of fund																				
		99.4% of dept	111.67 FTEs	32.8% of dept	36.63 FTEs	100.0% of dept	16.63 FTEs	100.0% of dept	32.75 FTEs			100.0% of dept	18.00 FTEs	75.0% of dept	.00 FTEs	0.5% of dept	1.32 FTEs	16.1% of dept	40.05 FTEs																				
110 Capital Development	Excise Tax																																						
111 Lottery	IG															\$525,000	43.8% of fund	\$675,000	56.3% of fund																				
																2.0% of dept	.00 FTEs	2.7% of dept	.00 FTEs																				
112 Planning & Development Svcs	Fee and Transfers																																						
114 Affordable Housing	IG and Other Tax			\$3,816,512	100.0% of fund																																		
				24.6% of dept	5.32 FTEs																																		
115 Cmmnty Hsg Asst Prgm (CHAP)	Property Tax			\$2,578,745	100.0% of fund																																		
				16.6% of dept	4.08 FTEs																																		
117 .15 Cent Sales Tax	Sales Tax			\$1,906,000	65.9% of fund													\$352,000	12.2% of fund																				
				12.3% of dept	6.03 FTEs													1.4% of dept	1.00 FTEs																				
118 .25 Cent Sales Tax	Sales Tax																	\$6,960,072	93.9% of fund																				
																		27.7% of dept	19.82 FTEs																				
120 Library	Transfer and Prop Tax									\$6,991,956	100.0% of fund																												
										100.0% of dept	79.95 FTEs																												
130 Recreation Activity	Fee and Transfers																	\$10,420,465	100.0% of fund																				
																		41.4% of dept	76.62 FTEs																				
140 Climate Action Plan Tax	OtherTax																																						
150 Open Space	Sales Tax	\$78,780	0.3% of fund													\$25,044,145	99.7% of fund																						
		0.6% of dept	.66 FTEs													97.4% of dept	89.68 FTEs																						
170 Airport	Fee and IG																																						
180 Transportation	Sales Tax and IG																																						
181 Transportation Development	Excise Tax																																						
182 Transit Pass General Improvemnt District	Property Tax																																						
191 Community Development Block Grant	IG			\$850,894	100.0% of fund																																		
				5.5% of dept	4.11 FTEs																																		
192 HOME	IG			\$1,293,087	100.0% of fund																																		
				8.3% of dept	1.25 FTEs																																		
230 Permanent Parks and Recreation	Property Tax																	\$2,711,866	100.0% of fund																				
																		10.8% of dept	9.50 FTEs																				
310 General Obligation Debt Svc	Transfer																																						
321 .15 Cent Debt Service	Sales Tax													\$558,170	100.0% of fund																								
														25.0% of dept	.00 FTEs																								
510 Water Utility	Fee																																						
520 Wastewater Utility	Fee																																						
530 Stormwater and Flood Mgmt Utility	Fee																																						
540 CAGID	Fee, Tax and Transfers																																						
550 UHGID	Fee, Tax and Transfers																																						
610 Telecommunications								\$1,591,090	100.0% of fund																														
								32.4% of dept	2.50 FTEs																														
611 Property & Casualty Insurance																																							
612 Worker Compensation Insurance																																							
619 Compensated Absences																																							
621 Fleet																																							
630 Computer Replacement								\$1,565,717	100.0% of fund																														
								31.9% of dept	.00 FTEs																														
640 Equipment Replacement																																							
650 Facility Renovation & Replacement																																							
Totals by Dept		\$13,671,935	100.0%	\$15,537,859	100.0%	\$1,618,193	100.0%	\$4,914,166	100.0%	\$6,991,956	100.0%	\$1,688,163	100.0%	\$2,236,523	100.0%	\$25,709,179	100.0%	\$25,170,821	100.0%																				
			112.33 FTEs		57.42 FTEs		16.63 FTEs		35.25 FTEs		79.95 FTEs		18.00 FTEs		.00 FTEs		91.00 FTEs		146.99 FTEs																				
Programs & Services		Administration Emergency Services -General -Training Division -Wildland Division Prevention Services		Administration Community Services -Human Services -Human Rights Children, Youth & Families -Community Based Services -Child care resources -Youth opportunities Senior Services Affordable Housing Community Housing Asst. Home Ownership Comm. Devel. Block Grant Affordable Housing		Employment & Diversity Compensation & Benefits Employee & Labor Relations Employee & Org. Development		Applications Database/Systems Admin Microcomputer Support Infrastructure Projects		Main Library Services Branch Services Adult Programs Childrens' Programs Volunteer Services Literacy Acquisitions Building		Adjudication Case Management		Debt Service		Administration -Admin -Financial Mgmt -Fleet -Communications Real Estate -Capital Acquisition & Devel. - Debt Service Land & Facilities -Trail Construction/Maint. -Project Management Resource Systems -Ranger Naturalist Services -Resource Information/Envir Plan. -Community Services		Business & Finance Mgmt Policy & Information Services Planning & Construction City Parks -Admin -Operations/Maintenance -Conservation/Forestry -Cultural Assets Recreation -Admin -Access & Inclusion -Recreation Centers Business & Finance Mgmt -Aquatics & Boulder Reservoir -Boulder Reservoir & Golf Course																					

	A	B	AO	AP	AS	AT	AU	AV	AW	AX	AY	AZ
1	2009 Budget											
	Some of these expenditures are contingent on meeting economic or program goals.											
2	Departments	Primary Funding Sources (Sales, Property or Other Tax, Fee, Intergov't)	Police		Public Works - Development & Support Services		Public Works - Transportation		Public Works - Utilities		Totals by Fund	
3	Funds											
4	10 General	Tax, Fee, IG and Transfers	\$28,013,967 100.0% of dept	35.3% of fund 273.25 FTEs	\$3,215,173 36.2% of dept	4.0% of fund 13.08 FTEs	\$67,162 0.3% of dept	0.1% of fund .00 FTEs			\$79,421,079	100.0% 628.55 FTEs
5	110 Capital Development	Excise Tax			\$80,000 0.9% of dept	100.0% of fund .00 FTEs					\$80,000	100.0% .00 FTEs
6	111 Lottery	IG									\$1,200,000	100.0% .00 FTEs
7	112 Planning & Development Svcs	Fee and Transfers			\$5,131,185 57.8% of dept	63.0% of fund 49.78 FTEs					\$8,147,121	100.0% 76.56 FTEs
8	114 Affordable Housing	IG and Other Tax									\$3,816,512	100.0% 5.32 FTEs
9	115 Cmmnty Hsg Asst Prgm (CHAP)	Property Tax									\$2,578,745	100.0% 4.08 FTEs
10	117 .15 Cent Sales Tax	Sales Tax									\$2,894,001	100.0% 9.23 FTEs
11	118 .25 Cent Sales Tax	Sales Tax			\$450,262 5.1% of dept	6.1% of fund .00 FTEs					\$7,410,334	100.0% 19.82 FTEs
12	120 Library	Transfer and Prop Tax									\$6,991,956	100.0% 79.95 FTEs
13	130 Recreation Activity	Fee and Transfers									\$10,420,465	100.0% 76.62 FTEs
14	140 Climate Action Plan Tax	OtherTax									\$888,000	100.0% 4.00 FTEs
15	150 Open Space	Sales Tax									\$25,122,925	100.0% 90.34 FTEs
16	170 Airport	Fee and IG					\$378,977 1.5% of dept	100.0% of fund 1.20 FTEs			\$378,977	100.0% 1.20 FTEs
17	180 Transportation	Sales Tax and IG					\$24,487,544 94.6% of dept	99.3% of fund 66.79 FTEs	\$171,859 0.3% of dept	0.7% of fund .80 FTEs	\$24,659,403	100.0% 67.59 FTEs
18	181 Transportation Development	Excise Tax					\$951,877 3.7% of dept	100.0% of fund .20 FTEs			\$951,877	100.0% .20 FTEs
19	182 Transit Pass General Improvemnt District	Property Tax					\$12,513 0.0% of dept	100.0% of fund .00 FTEs			\$12,513	100.0% .00 FTEs
20	191 Community Development Block Grant	IG									\$850,894	100.0% 4.11 FTEs
21	192 HOME	IG									\$1,293,087	100.0% 1.25 FTEs
22	230 Permanent Parks and Recreation	Property Tax									\$2,711,866	100.0% 9.50 FTEs
23	310 General Obligation Debt Svc	Transfer									\$25,000	100.0% .00 FTEs
24	321 .15 Cent Debt Service	Sales Tax									\$558,170	100.0% .00 FTEs
25	510 Water Utility	Fee							\$31,206,248 58.4% of dept	100.0% of fund 75.67 FTEs	\$31,206,248	100.0% 75.67 FTEs
26	520 Wastewater Utility	Fee							\$15,707,167 29.4% of dept	100.0% of fund 58.81 FTEs	\$15,707,167	100.0% 58.81 FTEs
27	530 Stormwater and Flood Mgmt Utility	Fee							\$6,368,122 11.9% of dept	100.0% of fund 20.95 FTEs	\$6,368,122	100.0% 20.95 FTEs
28	540 CAGID	Fee, Tax and Transfers									\$7,522,401	100.0% 24.78 FTEs
29	550 UHGID	Fee, Tax and Transfers									\$429,242	100.0% 3.62 FTEs
30	610 Telecommunications										\$1,591,090	100.0% 2.50 FTEs
31	611 Property & Casualty Insurance										\$1,492,752	100.0% 2.50 FTEs
32	612 Worker Compensation Insurance										\$1,594,113	100.0% 2.50 FTEs
33	619 Compensated Absences										\$381,240	100.0% .00 FTEs
34	621 Fleet				\$6,342,326 71.4% of dept	100.0% of fund 16.87 FTEs					\$6,342,326	100.0% 16.87 FTEs
35	630 Computer Replacement										\$1,565,717	100.0% .00 FTEs
36	640 Equipment Replacement				\$1,306,257 2.4% of dept	100.0% of fund .35 FTEs					\$1,306,257	100.0% .35 FTEs
37	650 Facility Renovation & Replacement				\$1,443,930 2.7% of dept	100.0% of fund 1.65 FTEs					\$1,443,930	100.0% 1.65 FTEs
38	Totals by Dept		\$28,013,967 100.0%	273.25 FTEs	\$8,876,620 100.0%	81.73 FTEs	\$25,898,073 100.0%	68.19 FTEs	\$53,453,396 100.0%	156.23 FTEs	\$241,646,105	1288.52 FTEs
39	Programs & Services		Administration Communications Detectives Patrol Watch Traffic Records & Info Systems Financial & Facility Services		Support Services -Facility & Asset Management		Transportation -Administration -Transport. Planning & Operation -Transportation Maintenance -Project Management -Airport		Utilities -Administration -Planning & Project Management -Water Resources -Water Treatment & System Maint -Wastewater Treatment -Environmental Quality			

City of Boulder – Overview of 2009 General Fund Transfers to Other Funds

	Planning and Development Services	Recreation Activity	Affordable Housing	Community Housing Assistance Program (CHAP)	Downtown Commercial District	University Hill Commercial District	Open Space
Purpose	Established to provide a source of funding for General Fund services provided by Community Planning & Sustainability and Public Works/Development & Support Services	Established to provide a source of funding to subsidize recreation programs that do not cover 100% of their direct costs	Established to provide funding to support affordable housing goals	Established to provide funding to support affordable housing goals.	A portion of the General Fund’s on-street parking kiosk revenue (collected within the DCD’s boundaries) is transferred to offset costs of associated General Fund programs.	A portion of the General Fund’s on-street parking kiosk revenue (collected within the UHCD’s boundaries) is transferred to offset costs of associated General Fund programs.	Established to provide funding to maintain the mountain park system after it was merged with Open Space. Prior to the merger, the funding was allocated to Parks and Recreation for mountain parks).
Total 2009 Budget	\$2,333,000	\$1,854,000	\$416,000	\$1,363,000	\$1,955,000	\$255,000	\$1,099,000
Legally Restricted	No	No	No	No (a 0.80 mil of General Fund property tax allocated to CHAP based on council direction in 1992)	No (Meter revenues pledged as repayment in CAGID bonds)	No	No
Service Examples	Long –range planning, historic preservation, code enforcement, development review	Programs for people with disabilities, low-income youth, Pottery lab, other programs/facilities	Funds used to increase permanently affordable housing units in Boulder	Funds used to increase permanently affordable housing units in Boulder	Ecopass program, parking kiosk maintenance/ops, economic vitality, Mall improve/mgmt, event permitting	Parking kiosk maintenance/operations, economic vitality, supplemental maintenance	Maintenance of mountain parks
Is GF transfer segregated or commingled w/other revenues?	Segregated based on service costs and accepted cost recovery rates	Funds commingled	Funds commingled	Funds commingled	Segregated based on service type	Segregated based on service type	Funds commingled

DEPARTMENT MASTER PLANS

BRC II
November 6, 2008

Master Plans

- Align with the Boulder Valley Comprehensive Plan
- Provide guidance on city priorities for funding capital improvements and services
- Gives direction on operations to meet department mission/vision

Master Plans (con't)

Key components:

- Clear mission statement and goals
- Investment strategy and service prioritization (essential, desirable, discretionary)
- Levels of service standards (exceeds, meets and below)
- Three funding plans (fiscally constrained, action and vision)

Master Plans (con't)

Master Plan process includes:

- Input from public meetings
- Feedback from advisory boards
- Approval from Planning Board
- Adoption from City Council

Goals from Parks & Recreation

- Maintain our parks & recreation facilities
- Become economically sustainable
- Fill in gaps in parks & recreation system
- Engage a broad range of the community
- Emphasize environmental sustainability
- Enhance quality of life

Investment Strategies from Parks & Recreation

- Fiscally constrained:
 - Take care of existing assets
 - Develop highest priority park sites
- Action:
 - Invest in revenue producing facilities
 - Increase maintenance funding
 - Broaden access to services
 - Complete gaps in park system
 - Adapt to changing needs
- Vision:
 - Strive for excellence in our parks & recreation system

Significant Issues Raised in Parks & Recreation Master Plan

- What services/programs should be provided (e.g., pottery lab, # of recreation centers, # of pools)
- What is appropriate cost recovery level for each program (e.g., should gymnastics be subsidizing pottery)
- Where to invest capital funding (e.g., Valmont City Park vs. completing pocket parks)

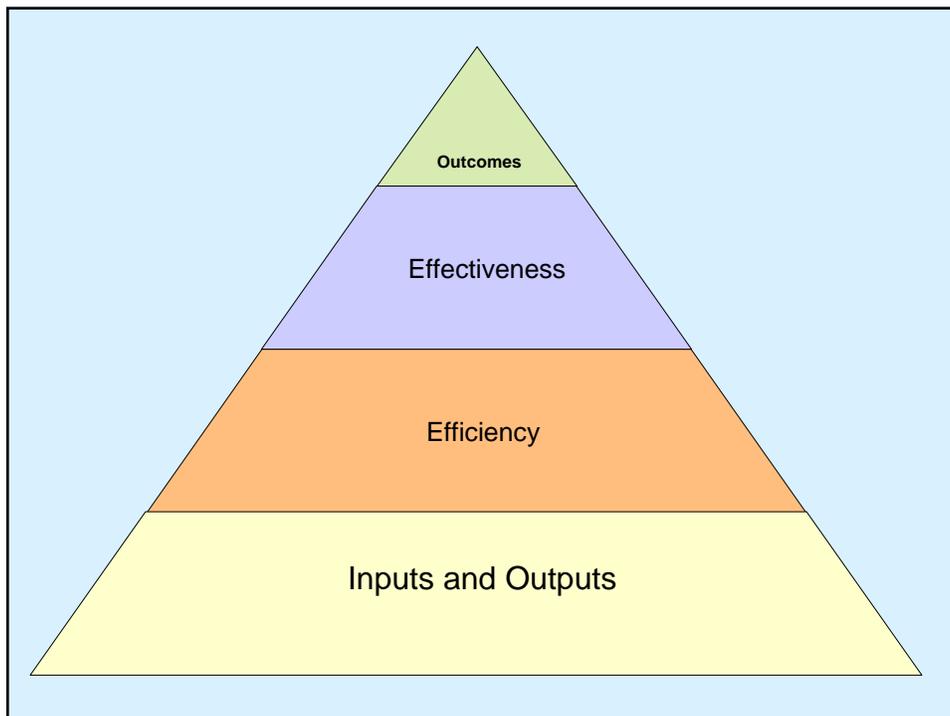
PERFORMANCE MEASURES AND BENCHMARKS

BRC II

November 6, 2008

1980s – 2000s Dedication to Quality Management

- Tom Peters “In Search of Excellence”
- Deming “Out of the Crisis”
- Quality Circles
- Total Quality Management
- Re-engineering
- Webs of Inclusion
- Balanced Scorecard
- Six Sigma
- Business Process Management
- Knowledge Management



The Evolution of Performance Measures In Local Government

- Early 1980s Statistics a.k.a. Inputs and Outputs
 - Workload: How many of X (lane miles, etc.)
- Efficiency: Output/Input
 - Transactions per employee
 - Total Cost/# of units of output

The Evolution of Performance Measures in Local Government

- Effectiveness: What is it now and what do you want it to be.
 - What will it take to reduce the cost of X to \$X,XXX per item?
 - Benchmarks – being used by several cities through ICMA. Some do their own. Sometimes difficult to compare due to the differences in cities.
 - Productivity – how has our work improved over time? Is the cost of X decreasing over time?

Outcomes

Are the taxpayers and rate payers receiving the outcomes they want for the money they are paying the local government and is the local government accountable?

- Do they feel safe on our streets?
- Do they feel welcome in our city?

City of Boulder

- Service standards in the Business Plan (linked to Master Plans)
- Included in the city budget
 - Range and quality varies greatly
 - Police has good benchmark information
- Community Surveys

Service Standards in the Business Plan

Service Standards critical to Business Plan:

- Addresses assumption that all essential services are provided at adequate level
- Provides consistent foundation for making decisions between competing needs
- Assists in identifying funding deficiencies

Service Standards in the Business Plan (con't)

Each service is designated as:

- Exceeding minimum service standards
- Meeting minimum service standards
- Below minimum service standards

General principle: all essential services should meet minimum service standards before new desired or discretionary services are implemented.

Service Standards in the Business Plan (con't)

Key service standards should be identified in the master planning process through:

- Input from customers
- Review of national, industry, peer city and other applicable standards
- Feedback from boards and commission

Ultimately, service standards are accepted by City Council through master planning process

Examples of Performance Measurements in the City Budget

- Police:
 - Crimes per 1,000 citizens
 - Response time per police emergency
 - Percent of crimes solved
- Finance:
 - GFOA award for financial reporting & budgeting
- Planning:
 - Percent of building permit applications processed “over-the-counter”

Community Survey

Results of 2007 Community Survey provides insights into citizen satisfaction and identifies areas for improvement:

- Residents rate quality of life in Boulder as very high
- Not all people feel welcome
- Transportation and traffic are viewed as important challenges
- City Council goals generally match priorities of residents
- City Government performance ratings were generally positive

Performance Measurement versus Performance Management

National Performance Management
Advisory Commission

Performance Measurement

- Mainly for data reporting purposes
- Assumes that the reports are used to realize significant value for the organization
- Used for:
 - Compliance with statutory requirements
 - Demonstration of transparency to stakeholders,
 - Showing accountability to residents

Performance Management

- Focuses on delivering results to customers
- Does not assume that changes are made
- Data is used to measure improvement
- Data is systematically gathered and used for decision making at all levels
 - Great amounts of data collection
 - It is not easy

National Performance Management Advisory Commission (NPMAC)

A commission charged with creating a national principles-based framework for public sector performance measurement and management.

The Commission's effort will result in voluntary guidelines that:

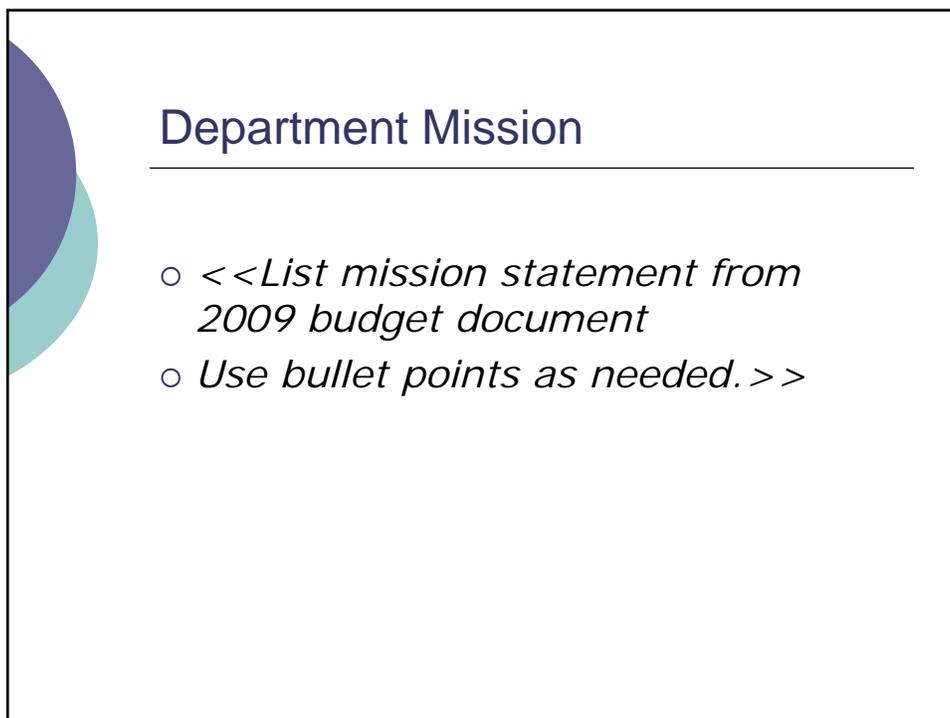
- Identify general approaches and practices that are characteristic of successful performance measurement and management
- Emphasize the value of evidence-based and data-driven decision-making in effectively delivering government services
- Support state and local government implementation of performance measurement systems
- Reflect the issues and challenges associated with development and implementation of performance management systems from a broad range of perspectives including elected and appointed officials, and program and operational managers
- Provide a flexible framework that is adaptable to the unique and diverse environments of state and local government.

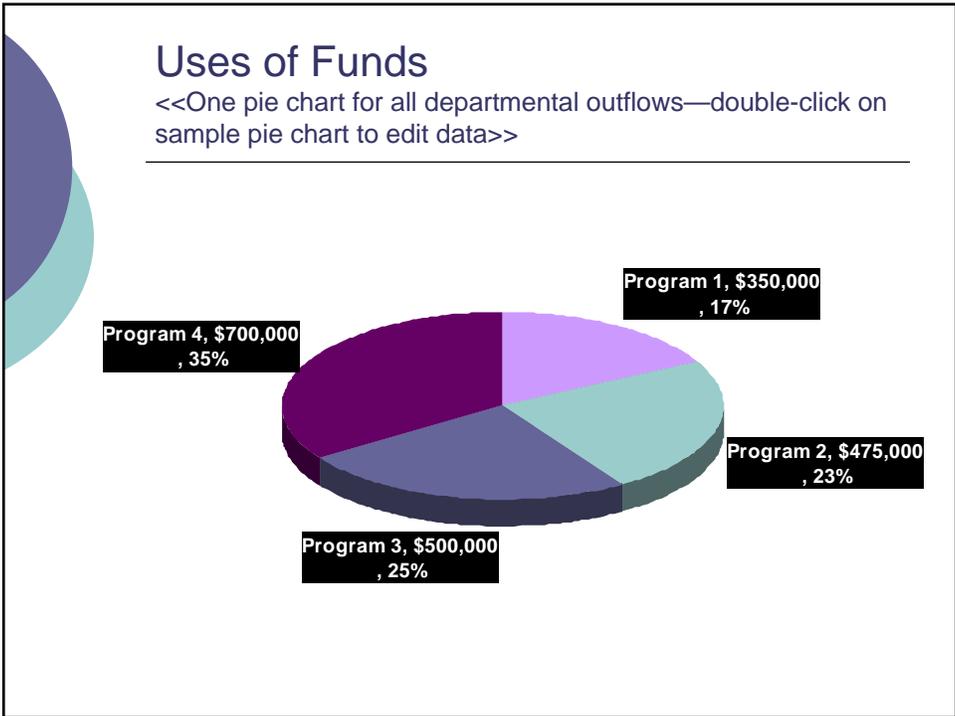
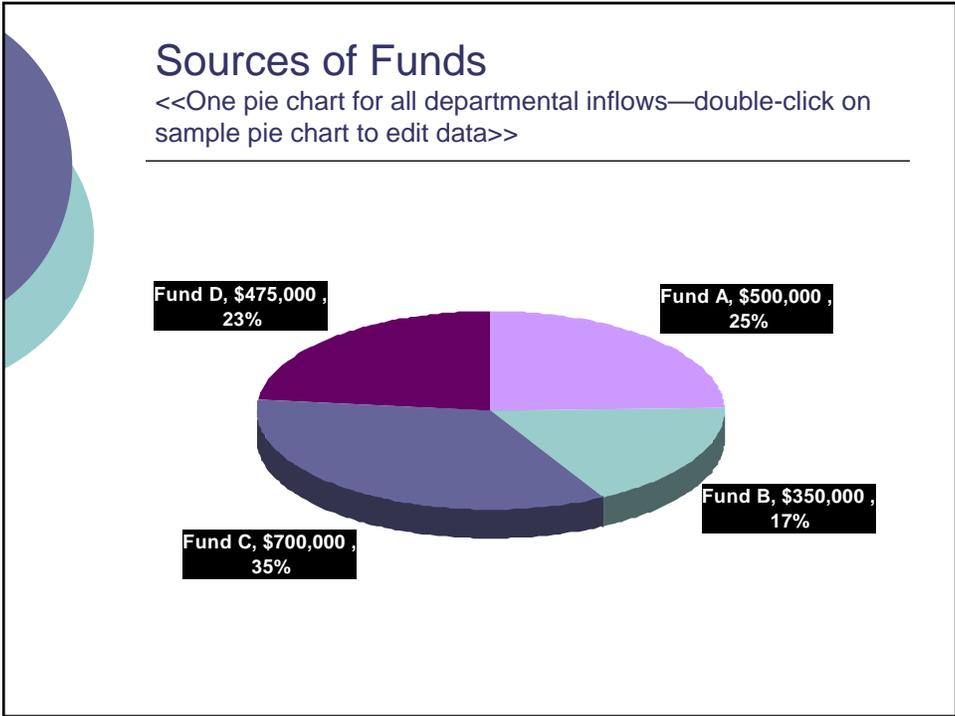
State and National

- Colorado and national group working on performance measures and benchmarking.
- Cost for the national program is \$5K to \$10K annually.
- Staffing and the time required to compile the data in the required format are resource issues.

2009 Colorado Municipal League

October 2008, the Issues and Trends Committee recommended to the Policy Committee that the Colorado Municipal League support the **NPMAC** effort.





Service Categories

<< Example: Operations and Maintenance				
	2009 Budget	ESS	DES	DIS
Bikeway Maintenance	\$316,000	100%		
Graffiti Maintenance	\$95,000		100%	
Median Maintenance	\$731,000	100%		
Street Sweeping	\$601,000	100%		
Traffic Signals	\$1,208,000	95%	5%	
Street Lighting	\$1,207,000	100%		
Traffic Engineering	\$110,000		100%	
Transit Service	\$3,178,000	60%	40%	
Special Transit	\$248,000	80%	20%	
TDM	\$781,000		100%	
Tran. System Management	\$120,000		100%	
Total O&M	\$12,673,000	80%	20%	>>

Atypical Services

- << Are there programs/services your department provides that are not **typical** in the front range? Are there typical front range municipal programs/services that your department does **not** provide?
- Are there things provided because we are asked or expected to that we would not or should not otherwise do? >>

Legal Requirements

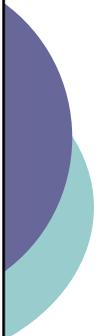
- <<Summarize services/programs that are legally mandated by federal/state law or city charter – reference the applicable law or charter section>>

Service Standard Performance

<<list the performance measures or standards used to evaluate performance and actual results for either 2007 or 2008>>

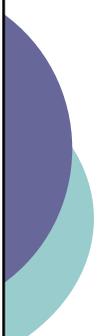
<<Description of Measure>>	<<Measure>>
<<For example: Employee Retention>>	<<93.7%>>

<<Describe any industry standards on which the department's performance measures are based>>



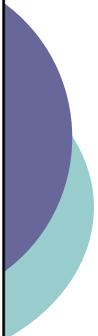
Explanation of Current Performance

- << *Explain what the most current performance results mean*
- *IF YOU ALREADY HAVE IT, can you share comparable staffing levels in other front range cities* *If you do not already have this info, please do not reach out to other cities—citywide benchmarking is in progress.* >>



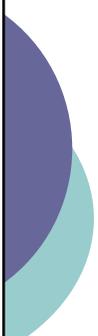
Other Providers

- << *With what other organizations do we currently share service provision?*
- *What services do we currently outsource?*
- *Are we competing with the private sector and, if so, in which service areas?* >>



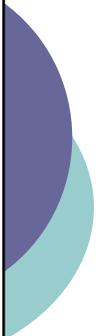
Opportunities to Outsource or Partner

- <<*Describe opportunities for outsourcing or partnering with internal or external agencies to provide today's services.*>>



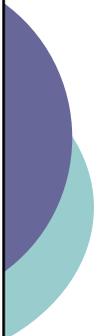
Budget Reductions

- <<*Describe what budget reductions you would recommend if needed.*>>



Impact of Reductions

- <<*Describe what the impact of these reductions would be.*>>



Questions?

APPENDIX G

Department Presentations to Blue Ribbon Commission – Phase II *	
Meeting Date	Department Presenting
January 22, 2009	Finance Department Fire Department
February 12, 2009	City Manager’s Office Police Department
February 26, 2009	Transportation Department
March 12, 2009	Housing and Human Services
April 9, 2009	Community Planning Public Works/Development and Support Services Division (includes Fleet, Facilities and Asset Management and development-related activities)
April 23, 2009	Parks and Recreation
May 28, 2009	Downtown and University Hill Management Division/Parking Services Library/Arts
June 11, 2009	City Attorney’s Office Municipal Court Human Resources
June 25, 2009	Public Works – Utilities Division
July 14, 2009	Information Technology Open Space – Mountain Parks

*The department presentations are available on the city’s website at:

<http://www.bouldercolorado.gov>

Click on Departments, City Manager’s Office and then on Revenue Stabilization/Blue Ribbon Commission in menu bar on the left side of the page. Scroll down the page and click on Blue Ribbon Commission Phase II to get to the list of Presentations/Meeting Materials.

*Blue Ribbon Commission - Phase II
Project Update*

Boulder City Council
June 9, 2009

*Mission of the Blue Ribbon
Commission Phase II (BRC II)*

The emphasis of BRC II is to refine the revenue stabilization recommendations of BRC Phase I and to continue the implementation of the principles and policies proposed by BRC I.

The group is also completing a review of city expenditures to ensure that public funds are being used effectively and efficiently.

Members of BRC II

- Susan Graf
- Tom Hagerty
- Suzanne Jones
- Dan King
- Michelle Krezek
- Michael Leccese
- Beth Pommer
- Dorothy Rupert
- Jeffrey Wingert
- Richard Wobbekind

Process to Date

1. Review of city's current expenditure structure
2. Clarified purpose as "How can the city of Boulder assure residents that operational efficiencies are maximized?"
3. Standardized review of services/programs provided by each department
4. Initial identification of opportunities to explore for continued increases in efficiency

BRC II Timeline

BRC II Action	Timeframe for Completion
Complete review of current expenditure structure and clarify BRC II purpose	Sept – Dec, 2008
Complete department reviews	Jan – July, 2009
Develop final recommendations	Aug – Sept, 2009
Prepare final BRC II report	Oct – Dec, 2009

1. Review of City's Current Expenditure Structure

- Financial overview or "Budget 101"
- Description of city's "basket of services" and business plan process
- Overview of departmental master/strategic plans
- Discussion of performance management and benchmarking approaches

2. Purpose of BRC II

Clarified purpose as “How can the city of Boulder assure residents that operational efficiencies are maximized?”

3. Standardized Review of Departments

- Services provided (essential, desirable, discretionary)
- Atypical services provided
- Legal requirements
- Service standards for measuring performance
- Opportunities to outsource services or partner with other agencies/non-profits
- Possible service reductions

4. Opportunities to Explore for Increases in Efficiency

- A. Service Issues - define services the city should be providing and prioritize them on a citywide basis
- B. Organizational/Structural Issues - identify the best organizational structure for providing services (e.g., centralized vs. decentralized)
- C. Policy Issues – refine policies to support efficient and effective delivery of services (e.g., all user fee subsidies based on need only)
- D. “Tools” - Identify tools to verify services are delivered in most efficient and effective way (e.g. performance measurement system)

A. Service Issues

- Define services the city should provide or avoid:
 - Where does the city compete with private sector?
 - What services should be taxpayer supported & to what extent?
 - Should self-funded programs be provided simply because they recover their full costs?
 - Is the definition for essential, desirable and discretionary services applied consistently across all city services?

B. Organizational/Structural Issues

- Evaluate centralized vs. decentralized provision of services
- Identify areas of service duplication and consolidate where appropriate
- Explore opportunities to partner with other agencies/non-profits to provide services

C. Policy Issues

- Continue review and implementation of BRC I policy recommendations (e.g., review fund balance reserves across all funds)
- Review compensation policies on a regular basis
- Evaluate subsidies for user fees and determine if all should be based on need

D. Implementation "Tools"

"Embrace culture of outcomes and measurement"

- Utilize citizen survey or other public input process to gather information about community priorities
- Implement efficient & effective performance management and benchmarking systems
- Evaluate city's budget approach and verify it encourages efficiency and effectiveness
- Complete external audits of departments/ service areas based on a rotating schedule

Questions?

City of Boulder Blue Ribbon Commission Phase II

Update on Compensation Program Review

October 22, 2009

Sue Bohline
sue.bohline@hcconnection.com
303.443.2347

Agenda

- Introduce HCC, Inc.
- Study objectives
- Total compensation framework
- Environmental context – trends and best practices
- The City's current practices
- Next steps

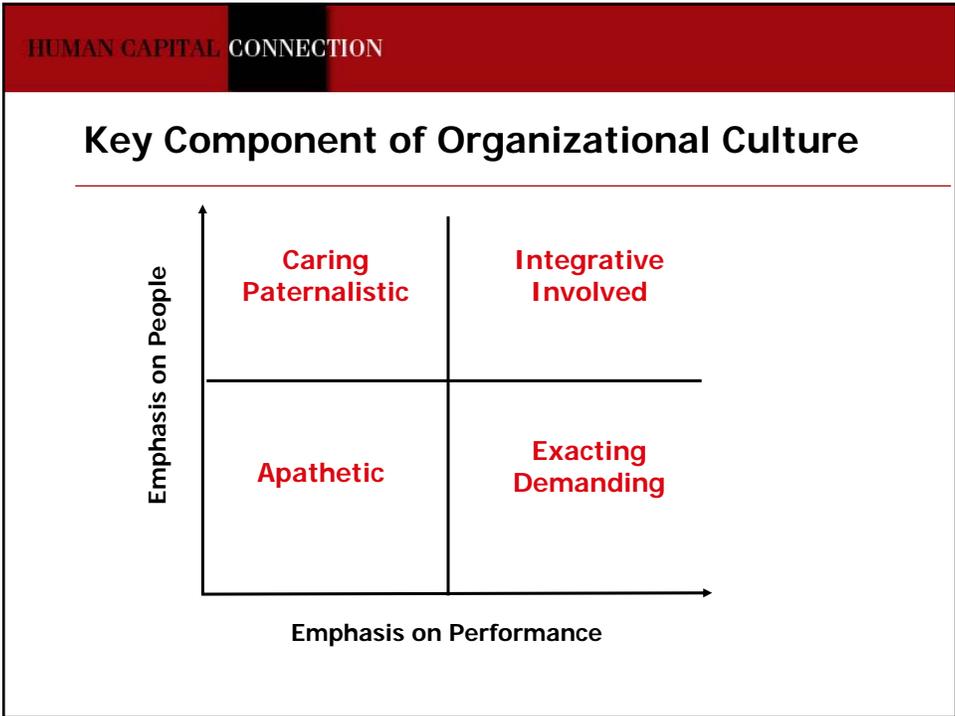
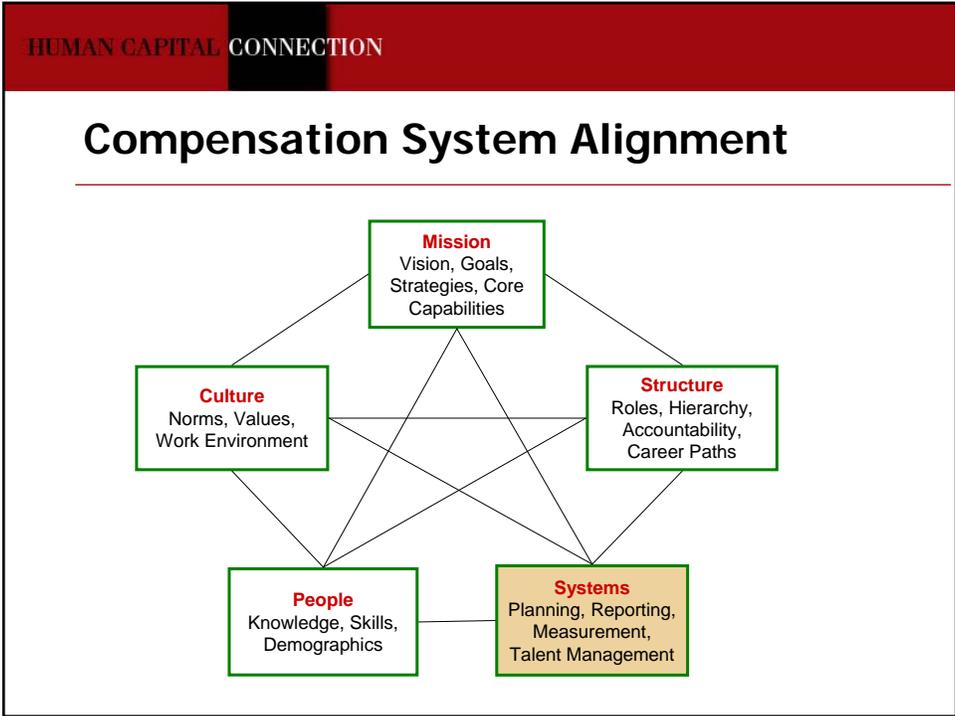
About HCC, Inc.

- Boutique, Boulder-based consulting firm specializing in:
 - Compensation
 - Performance management/talent management
 - Organizational development
 - Culture change
- Broad experience
 - Diverse client base – public sector, non-profit, for-profit
 - Diverse roles – compensation specialist, senior consultant/practice leader, senior executive
- “Big firm” experience and reach at “little firm” responsiveness and flexibility

Study Objectives

- Comprehensive, independent review driven by:
 - Planned audit
 - Organizational/environmental changes
 - Increased emphasis on pay-for-performance
- Evaluation factors:
 - Compensation philosophy (continued fit, implementation)
 - Technical soundness (internal/external equity, performance/pay link)
 - Cost effectiveness
 - Administrative effectiveness (compliance, efficiency)
 - Communications effectiveness

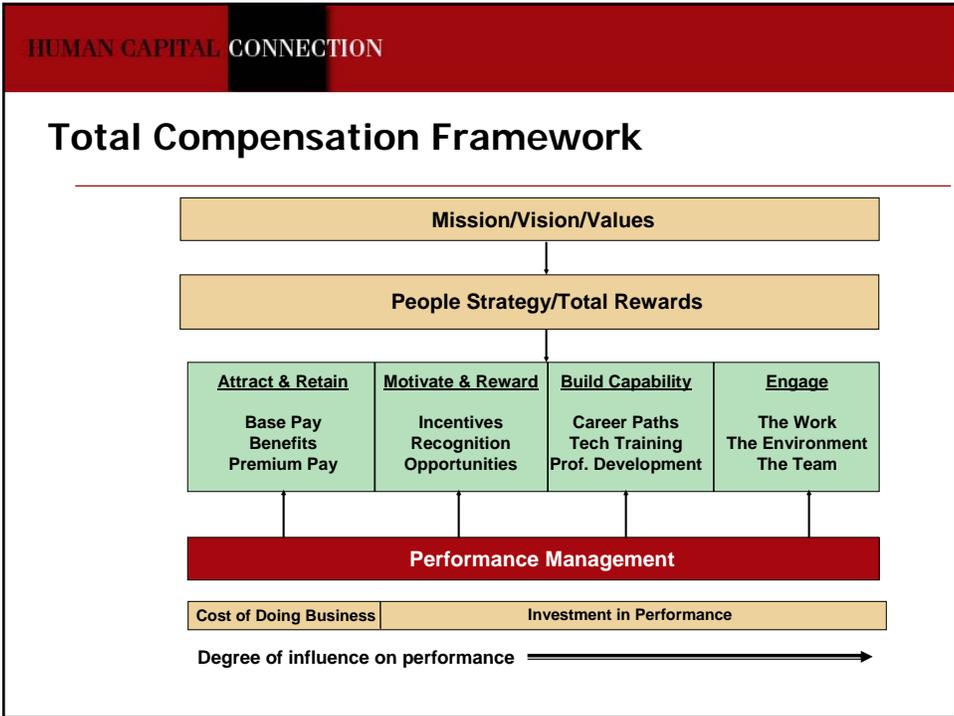
Note: employee benefits included in philosophy discussion; separate process for detailed design



HUMAN CAPITAL CONNECTION

Recognize Goals/Needs of Diverse Workforce

Veterans (1922 – 1943)	Baby Boomers (1943 – 1960)	GenXers (1961 – 1980)	Millennials (1980– 2000)
~ 10% of US Workforce ~ 1% of City Workforce	~ 50% of US Workforce ~ 37% of City Workforce	~ 25% of US Workforce ~ 54% of City Workforce	~ 15% of US Workforce ~ 8% of City Workforce
<ul style="list-style-type: none"> Work hard, disciplined, duty before pleasure Dedicated to helping organization succeed Great team players Like consistency and uniformity Conform Patient, comfortable with delayed rewards Conservative in spending "Good soldiers" 	<ul style="list-style-type: none"> Work hard, play hard Optimistic, idealistic Like stability Want to be involved, to know they're valued Loyal Good team players Driven, love challenge Focused on building stellar career Highly competitive Want more work-life balance Personal gratification is important 	<ul style="list-style-type: none"> Work hard if it doesn't interfere with play Value feedback, flexibility, autonomy Self-motivated, want autonomy Loyal to career Emphasize personal satisfaction Want fun, informal work environment Comfortable with change Think globally Skeptical Value learning & skill development Green is important, must have a cause 	<ul style="list-style-type: none"> Work effectively Confident, resilient, achievement-oriented Excellent team players Respect authority, want collaboration Respect and value differences Want to be judged by contributions, talent Time is important; demand flexibility Ethics and benefit to society are important Green is essential, Loyal to a point



Compensation Trends

- **Public sector organizations moving towards private sector pay practices**
 - Broader definition of market
 - Stronger focus on performance
 - Limited use of COLA/general increases
 - Progression to salary range maximum not automatic

- **Private sector trends**
 - Increased focus on differentiating rewards
 - Increased focus on career development
 - Targeted strategies to develop and retain top performers
 - Increased use of variable pay

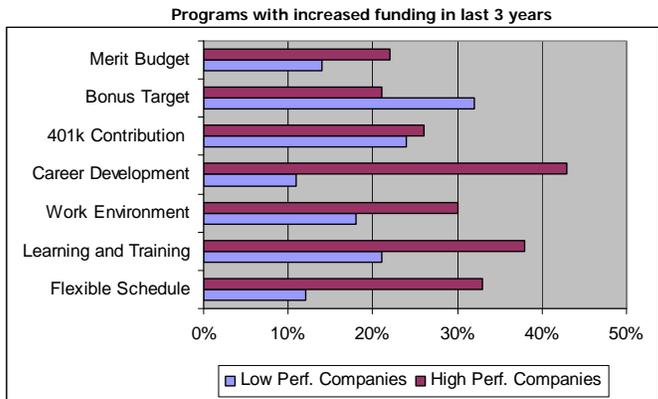
Total Compensation Toolkit

(Example)

What to Compensate	How to Compensation					
	Salary	Benefits	Incentives	Recognition	Develop.	Not at All
Market Comp. Increases	X	X				
Cost of Living						X
Individual Goal Achievement	X		X	X	X	
Overall Job Performance	X		X	X	X	
Job Growth, Promotion	X		X		X	
Knowledge/Skill Development	X			X	X	
Team Results			X	X		
Org Results	X	X	X	X		
Tenure		X		X		

Allocating Scarce Budget Dollars

High performing organizations emphasizing training, career development, flexibility



Source: Watson Wyatt 2007/2008 Strategic Rewards Survey

What's "Competitive" Varies



Entry

- Employees just entering the job (new hire, promotion)
- Less experience, less developed skill experience at this level

Target

- Fully experienced, fully proficient employees
- Meeting or exceeding all performance expectations
- Target range for most employees over time

Premium

- Employees who have demonstrated superior performance over time

Emerging Trends/"Best" Practices

From	TO
<ul style="list-style-type: none"> ▪ "Total compensation" = pay and benefits 	<ul style="list-style-type: none"> ▪ Comprehensive integrated package ▪ Pay, benefits, career opportunities, work environment
<ul style="list-style-type: none"> ▪ Focus on program design/mechanics 	<ul style="list-style-type: none"> ▪ Focus on program implementation and communication
<ul style="list-style-type: none"> ▪ Focus on market analysis, job leveling 	<ul style="list-style-type: none"> ▪ Focus on helping managers link pay to contributions
<ul style="list-style-type: none"> ▪ Focus on merit increase differentiation 	<ul style="list-style-type: none"> ▪ Increased use of variable pay ▪ Increased focus on calibrating skills, contributions
<ul style="list-style-type: none"> ▪ Performance management: employee performance against job description 	<ul style="list-style-type: none"> ▪ Performance management: tool to drive organizational performance
<ul style="list-style-type: none"> ▪ One size fits all 	<ul style="list-style-type: none"> ▪ Differentiation based on position, skills, contributions ▪ Targeted solutions for unique needs
<ul style="list-style-type: none"> ▪ HR-led implementation 	<ul style="list-style-type: none"> ▪ Line-led implementation
<ul style="list-style-type: none"> ▪ Goal: cost control 	<ul style="list-style-type: none"> ▪ Goal: maximize return-on-investment

Public Sector "Best" Practices

- **Forbes: identifies "100 Best Cities for Jobs"**
 - Implication: tough competition for talent
 - Denver #15 on "Big Cities" list, Boulder #21 on "Small Cities" list
- **Schuster & Zingheim study: how do the municipal organizations in these cities compete for talent?**
 - Confidential interviews with 20 city governments
- **Common practices:**
 - Pay competitively
 - Pay scarce skills and top performers the most
 - Provide training and development
 - Create programs that reward growth
 - Address total compensation
 - Communicate
 - Move forward

Source: Schuster & Zingheim, "Workforce Retention, Pay and Rewards Practices in Tough Market Cities: Implications for Public Sector Organizations", World at Work Journal, Fourth Quarter 2008

Emerging Public Sector Practices

Best Practice	Representative Tactics
Pay competitively	<ul style="list-style-type: none"> ▪ Consistent with employment market, position, person ▪ Re-visit traditional, internal job evaluation systems ▪ Private sector market data
Pay scarce skills and top performers the most	<ul style="list-style-type: none"> ▪ Re-allocate across-the-board adjustments ▪ Increased use of variable pay (limited ability to differentiate through merit increases) ▪ Targeted retention strategies for top talent
Provide training & development	<ul style="list-style-type: none"> ▪ Prepare for current role and future needs ▪ Develop "NexGen" skills, broader competencies ▪ "In-job" development
Create programs that reward growth	<ul style="list-style-type: none"> ▪ Career paths based on demonstrating skills, increasing responsibility ▪ Performance = results, behaviors, skill/competency development

Source: Schuster & Zingheim, *World at Work Journal*, Fourth Quarter 2008

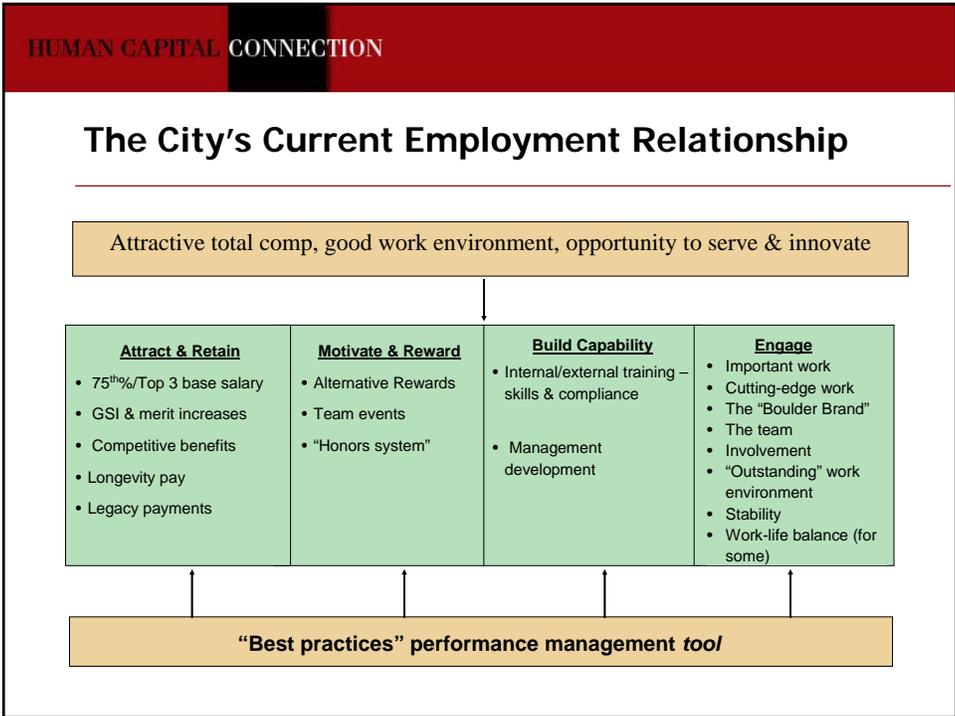
Public Sector Best Practices (cont.)

Best Practice	Representative Tactics
Address total compensation	<ul style="list-style-type: none"> ▪ Broaden definition of total compensation ▪ Fully communicate advantages, limitations of benefits package (e.g., defined-benefit retirement plan) ▪ Flexible work arrangements
Communicate	<ul style="list-style-type: none"> ▪ Enhance communications <ul style="list-style-type: none"> – Increased focus on philosophy versus mechanics ▪ Re-frame conversation; contributions versus entitlement <ul style="list-style-type: none"> – Focus on community and customer service
Move Forward	<ul style="list-style-type: none"> ▪ Targeted solutions versus organization wide ▪ Pilot test and adjust

"We're trying to move toward the growth-oriented, agile culture top performers want"

Source: Schuster & Zingheim, *World at Work Journal*, Fourth Quarter 2008

HUMAN CAPITAL CONNECTION	
City of Boulder's Current Practices	
Philosophical Construct	Current Practice
Definition of "total compensation"	<ul style="list-style-type: none"> Narrowly defined – pay and benefits
Competitive position	<ul style="list-style-type: none"> Look at base salary and benefits separately "Attractive package" implemented as 75th% pay and competitive benefits
Employment market definition	<ul style="list-style-type: none"> Selected local public sector organizations Private sector data for selected position
Internal versus external equity	<ul style="list-style-type: none"> Job evaluation process focuses on internal equity
Salary structure design	<ul style="list-style-type: none"> Consistent with "best" practice
Basis for pay progression	<ul style="list-style-type: none"> General increases and merit Step increases in police and fire
Performance rewards	<ul style="list-style-type: none"> Primary cash reward is merit increases Alternative Rewards Program for non-cash rewards



The Current Compensation Model

What	How					
	Salary	Benefits	Premiums	Recognition	Develop.	Not at All
Market Comp. Increases	X	X				
Individual Performance	X			X		
Job Growth	X			X		
Knowledge/Skill Development						X
Team Performance				X		
Organizational Performance						X
Longevity	X	X	X			
Involvement				X		
Emergency Response			X			
Other?						

Program Evaluation Factors

	Plus	Minus
Compensation Philosophy	<ul style="list-style-type: none"> Fits current culture Consistency 	<ul style="list-style-type: none"> May not fit desired culture May not fit diverse jobs and businesses Implementation gaps <ul style="list-style-type: none"> Pay for longevity "Constrained" pay-for-performance Total compensation approach only in BPOA
Technical Soundness	<ul style="list-style-type: none"> Consistent with professional practices Detailed internal job evaluation Well-established market analysis process Well-designed salary structure Merit increase matrix links pay to performance 	<ul style="list-style-type: none"> Internally focused Market analysis may not reflect true employment markets, scarce skills Technical measurement processes may "trump" logic Limited differentiation in merit increases
Cost-Effectiveness	<ul style="list-style-type: none"> Policies and procedures ensure affordability, budget compliance 	<ul style="list-style-type: none"> Not leveraging variable cost programs (variable pay, rewards and recognition) Programs tend to be viewed as separate pieces versus integrated whole

Program Evaluation Factors (cont)

	Plus	Minus
Administrative Effectiveness	<ul style="list-style-type: none"> Processes designed to ensure regulatory compliance, consistent treatment Consistent with City's process-orientation 	<ul style="list-style-type: none"> Some processes are time-consuming, bureaucratic Significant time required to make decisions, administer programs
Communications Effectiveness	<ul style="list-style-type: none"> Strong on facts 	<ul style="list-style-type: none"> Light on messages
Fit with "Best" Practices	<ul style="list-style-type: none"> Performance management system and tools 	<ul style="list-style-type: none"> Internal focus Limited focus on career paths, development Market analysis scope

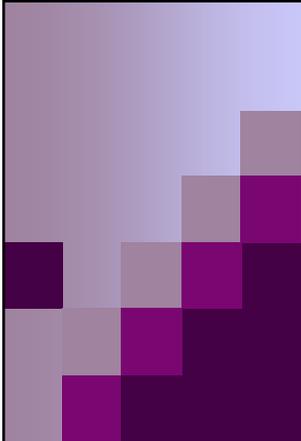
Does the City's employment package "fit"?

(Discussion Draft)

Veterans (1922 – 1943)	Baby Boomers (1943 – 1960)	GenXers (1961 – 1980)	Millennials (1980– 2000)
~ 10% of US Workforce	~ 50% of US Workforce	~25% of US Workforce	~15% of US Workforce
~ 1% of City Workforce	~ 37% of City Workforce	~ 54% of City Workforce	~ 8% of City Workforce
<p>Effective</p> <ul style="list-style-type: none"> Attractive pay Stability PERA Time-off/flexibility Longevity pay Legacy programs Culture (team, consistency) <p>Less Effective</p> <ul style="list-style-type: none"> Defined contribution retirement plans in police & fire 	<p>Effective</p> <ul style="list-style-type: none"> Same as Veterans Culture (involvement, team, challenge) <p>Less Effective</p> <ul style="list-style-type: none"> Defined contribution retirement plans in police & fire Pay not strongly linked to performance Personal gratification (can they make a difference?) Culture (hours) 	<p>Effective</p> <ul style="list-style-type: none"> Attractive pay Cutting edge work Time-off/flexibility Boulder "Green" Work environment <p>Less Effective</p> <ul style="list-style-type: none"> Demographics may impact career growth Limited focus on training and development Benefits of PERA too far off Public service often not first choice for top talent Culture (change-resistant, hours, autonomy) 	<p>Effective</p> <ul style="list-style-type: none"> Same as GenXers Learn from the best Culture (teams, collaboration) <p>Less Effective</p> <ul style="list-style-type: none"> Same as GenX Culture (inefficient, hours, can they make a difference?)

Next Steps

Finalize Assessment	November 1, 2009
Develop Action Plan	January 1, 2010
Employee Communications	December/January
Initial Market Analysis Complete	March, 2010
Implement Study Recommendations	Q1, 2010 – Initial Priorities 2010/2011 – Longer-Term Development
Monitor and Fine-Tune	On-going



Cost Accounting and Cost Allocation in Local Government

BRC II

November 12, 2009



How is it Different than Regular Accounting?

- Cost accounting:
 - management analytical and decision-making
- Financial accounting:
 - reporting, monitoring and compliance
- Two separate software systems for two different purposes

Key Terms: Wrong Method Can Mean Wrong Decision

- Direct Cost: Cost assigned to a program
- Indirect Cost: Overhead assigned to more than one program or service (multiple levels)
- Fixed Cost: Does not change with +/- in service level provided (rent)
- Variable Cost: Changes with +/- service provided (direct salary)

Key Terms Continued

- Sunk Cost: cost already incurred so disregard it (current computer system)
- Marginal Cost: +/- change in total cost of a service as increases or decreases
- Life Cycle Cost: Total of all costs from acquisition through disposal
- Opportunity Cost: The cost if an alternative is not pursued

Cost Analysis is Used For:

- Monitoring and Increasing Efficiency
- Determining Fees and Charges
- Changing the Level of a Service + or –
- Make vs. Buy Decisions
- Internal or Outsource a Program or Service
- Buying Capital Equipment

The Challenge of Determining the Cost of

- Direct costs: salaries, benefits, supplies
- Applying indirect costs:
 - at the department level for division costs
 - Supervision, office costs, supplies, commodities
 - Indirect costs at the fund level
 - Supervision, support services, commodities
 - Indirect costs at the city level
 - Supervision, support services, commodities
 - Other indirect costs
 - Council, advertising, security at council meetings

Options to Account for Program and Service Costs

- Direct Cost Only
- Direct Cost and Cost Allocation
- Cost Accounting
- Hybrid (some use cost allocation; some do not)

Direct Cost Only

- Includes only the known specific costs:
 - The easiest and least costly to do; provides high level but not detailed information for total cost of a program or service
 - Used in many general fund programs or services
 - Is what is done in most general fund programs in Colorado
 - Government financial accounting systems capture salaries, benefits, supplies and contract costs
 - does not capture shared overhead
 - Internal Service Funds allocate overhead

Cost Allocation

Basic problem in calculating the cost of a service is that the resources used to support one service are also used to support many other services.

- Costs in support programs are assigned to the program or service
- Allocated indirect costs are based on a nexus:
 - Telephone costs based on number of phones
 - Payroll costs based on number of employees

Direct Cost and Cost Allocation

- Captures all expenditure in direct cost slide
- Allocates overhead costs to other funds
- Cost allocation for general fund departments (e.g., police, fire, etc.) is not allocated
 - Cost allocation to general fund could be added and then offset in the budget to show the cost but not distort the amount of change in the budget
- Is cost effective and captures overall costs without having to purchase cost accounting software or adding staff
 - An enterprise accounting, payroll and HR system = \$3.0 million

Cost Accounting Systems

- 85% of cost accounting is non-financial
 - The city is required by charter and state law to do financial accounting and is staffed for it
 - Cost accounting allocates overhead based on nexus and is more detailed than cost allocation
- Additional staff and software is needed
 - The software for financial accounting is usually not adaptable for cost accounting without significant modifications or a separate module
 - Can be looked at when new software is considered

Hybrid

- What is used in the city of Boulder
 - Includes:
 - Direct costs
 - Cost allocation of overhead outside of the general fund
 - Internal service fund costs to all funds if a major costs
- Could be adapted to show overhead allocations in the general fund then net them out so as not to distort budgets
- Recreation Activity Fund and Climate Action Plan Fund do not pay cost allocation