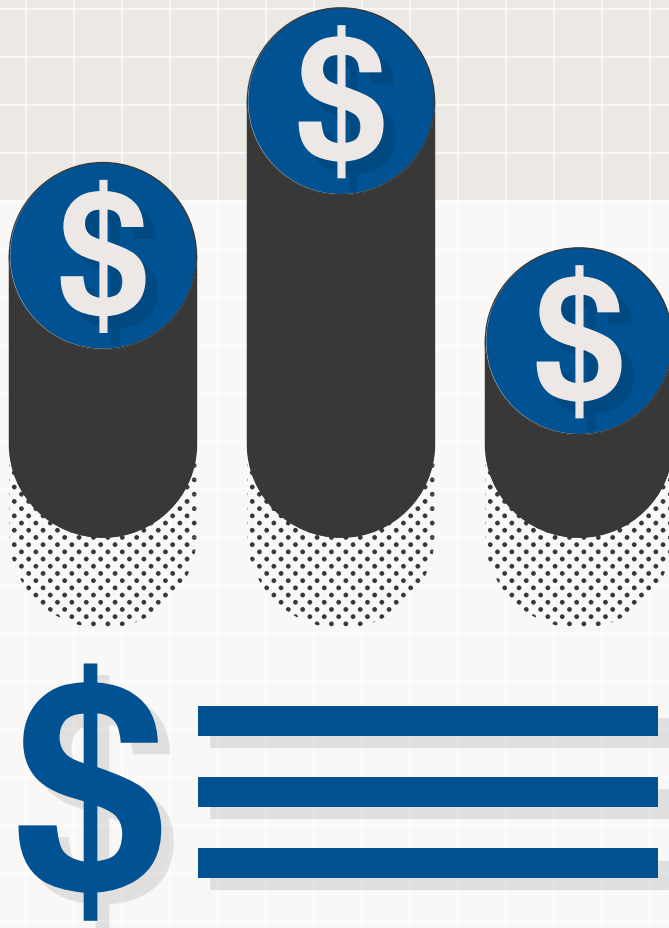


STRATEGIC PLANNING & PROGRAM BUDGETING

**HELP THE CITY OF INDIAN WELLS
IMPROVE ITS FINANCIAL FOUNDATION**

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Government Finance
Officers Association



The Government Finance Officers Association (GFOA) represents approximately 20,000 public finance officers throughout the United States and Canada. GFOA's mission is to promote excellence in state and local government financial management. GFOA views its role as a resource, educator, facilitator, and advocate for both its members and the governments they serve and provides best practice guidance, leadership, professional development, resources and tools, networking opportunities, award programs, and advisory services.

Local governments everywhere face pressure to improve their financial condition. In this article, we will see how the City of Indian Wells, California, strengthened its financial foundation. Though it is a community of only about 5,000 people, Indian Wells' experience is informative for all local governments. We will also see how Indian Wells' experience illustrates the concept described by GFOA's Financial Foundations for [Thriving Communities](#).

INDIAN WELLS' CHALLENGE

It is important to Indian Wells' fiscally conservative citizenry that their city government is in good financial condition for the long term. However, Indian Wells' budget process wasn't always up to the task of getting the city government to where the community wanted it to be. Indian Wells had a traditional line-item budget that showed detailed spending plans for each department. Detailed line items are useful for helping public managers control spending but are not very informative for the average citizen. This is because line items divide resources into categories that are abstract to members of the public. Categorizations such as salaries, benefits, contractual services, etc., didn't help the average Indian Wells citizen understand what services, exactly, city government was spending money on and why. Exacerbating the problem was the length of the budget. It was over 400 pages or, put another way, it approached one page in length for every 10 citizens! The public found it very difficult, if not impossible, to navigate both the kind and volume of information the budget provided.

GFOA'S FINANCIAL FOUNDATIONS FOR THRIVING COMMUNITIES AND INDIAN WELLS

Before we see how Indian Wells approached its challenge, let's briefly review GFOA's Financial Foundations Framework. The framework identifies five pillars necessary for a strong financial condition:

- 1** **Establish a long-term vision.**
Give people a reason to work together in supporting a financially strong local government.
- 2** **Build trust and open communication.**
Create the conditions for people to work together.
- 3** **Use collective decision-making.**
Develop forums for working together.
- 4** **Create clear rules.**
Reinforce constructive behavior.
- 5** **Treat everyone fairly.**
Promote and protect mutual trust and respect.

Indian Wells' experience illustrates how these pillars can be applied. For the sake of concision, this article will focus on the two most important parts of Indian Wells' experience: a strategic plan and a program budget.

THE STRATEGIC PLAN: PUTTING THE BUDGET IN CONTEXT

A strategic plan emphasizes the big-picture issues that are most important to the community. This big picture can get lost in the details of the budget. When the public can see that its local government is addressing the big-picture issues that citizens care about, they will be more likely to support their local government.

Indian Wells started an annual strategic planning process in 2014. The city develops a two-year strategic plan one year and then updates the plan, as needed, in the next year. The strategic planning process produces a list of issues facing the community, which are then prioritized to reach a shorter list of goals that the city can focus on for two years. To illustrate, for 2017 through 2019, the goals were to:

- Implement strategies to improve the city's long-term financial position.
- Encourage economic development to improve the city's financial position.
- Create a plan for the city's golf course to be self-sustaining before capital expenses.
- Beautify main roadways in the community.
- Modernize a fire station to withstand seismic hazards.

The highlight of the strategic planning process is a three-day workshop that includes the public. The city uses email and social media to publicize the workshop and usually has about 70 to 80 residents in attendance. Indian Wells' finance director, Kevin McCarthy, believes the annual workshop is the most effective way to engage citizens in making decisions about their community.

City officials take citizen input from this workshop very seriously: McCarthy says, "the two-way input and direct dialogue is invaluable." For instance, to improve the city's long-term financial position, the city investigated new revenue sources. One potential revenue source was emergency medical services billing, such as billing a user for the cost of ambulance transportation to a local hospital.

Emergency medical services has characteristics that suggest user fees would be a good fit. First, the cost of the service is directly attributable to the particular individual using the service. Second, the benefit of service accrues primarily to the individual using it. The general public does not benefit from an ambulance ride in the same way the general public benefits from a police patrol. However, emergency medical services has one important feature that makes fees a bad fit: It is not a voluntary service. People find it unfair to be charged a fee for a service they need when they are at their most vulnerable. Hence, Indian Wells citizens wanted a billing program for insurance only, with no out-of-pocket cost to citizens. City staff listened and developed a medical services billing program focused solely on costs recoverable through insurance. Today, the medical billing program generates over \$600,000 in new revenue without any out-of-pocket costs to Indian Wells citizens. Thus, both the Indian Wells municipal government and its constituents benefited from the decision.

The decisions made in the strategic planning process then influence Indian Wells' budget. Let's see how Indian Wells reinvented its budget to help the city build the strong financial foundation citizens wanted.

PROGRAM BUDGET: SHOWING PEOPLE WHAT THEY GET FOR THEIR MONEY

A line-item budget is focused on categories of spending and controlling that spending. A program budget is focused on identifying the value that the public gets from government spending. Indian Wells' budget message captures why the city needed a program budget:

A budget is more than a spending plan. It is a statement of priorities; a road map for the coming year and beyond; a melding of ideas, thoughts, perspectives, and opinions, balanced against fiscal realities and constraints. This budget reflects the collaboration between the community, the Council, and staff members.

If the city was to show citizens that their city government was on the right financial path, then it needed a budget format that would be easily understood by people not familiar with government finance—and that wouldn't take several hours of study to understand. With the city's old line-item budget, a citizen had to know what to add up to determine the full cost of a service. The goal of the new format was to make it much easier for citizens to see what exactly the city government was doing with their taxes.

Indian Wells still has departments for day-to-day management, but it does not organize the budget presentation around them. Instead, the budget is organized by programs that have meaning to citizens such as code enforcement, building and safety, resident amenities, etc. The budget presentation for each program describes important initiatives the program is undertaking, how

many staff work in that program, measures of the work produced by the program, and the cost of that program. The cost of each program also includes an allocation for indirect general and administrative costs, thus revealing the true, total cost for the city to provide each program.

The program budget helps tie the strategic plan to the budget. People can see if the initiatives being undertaken by each program will help achieve the goals in the strategic plan and if the programs that Indian Wells is spending money on are consistent with the direction established in the strategic plan.

Through the program budget, citizens gain a better understanding of what departments are really doing. Citizens appreciate having a clear picture of the staffing required to provide the services that the public enjoys. McCarthy says the city has received positive feedback on the program budget from residents. He has heard from residents that they now understand how many hours a day it takes to keep the community safe and what the cost of that service is—and that citizens like knowing how their city government is using their tax money.

Remarkably, this improvement in budget communication also came with a reduction in the overall complexity of the budget. The new budget is less than 200 pages, so it is more than 50% smaller than the old budget. The city divided its services into 25 programs, which has proved a manageable number for departments to track.

How Indian Wells Got Started: The Importance of Professional Networking

Indian Wells learned the techniques it has applied at a GFOA training course. This shows the importance of using professional networks like GFOA to expand the capacity of local government finance officers to provide leadership and build stronger institutions for their community.

CONCLUSION AND LESSONS LEARNED

The City of Indian Wells has enjoyed a significant improvement to its financial condition as a result of its new approach to strategic planning and budgeting. It has a very healthy reserve and routinely passes a balanced budget—even under the more stringent definition of a balanced budget the city has set for itself, compared to what is required by California state law! However, Finance Director McCarthy notes that the best evidence of the city's strong financial foundation is citizens' commitment and engagement. The city government does not need to wait for challenges to become crises. It can manage challenges with foresight because the community understands the city's long-term financial plan. For example, the citizens recently voted for a new hotel tax, and McCarthy believes that is a direct result of the public's understanding of the city's finances and trust in the city to be a good steward of the money.

We can learn a number of lessons from Indian Wells that apply to all local governments, big and small.

Provide big-picture context for the budget.

- Indian Wells used a strategic plan to identify the big-picture issues the city government needs to address. This helps show why city government is important.

Citizen engagement can help local governments achieve community goals in a way the public finds acceptable.

- Indian Wells' experience with emergency medical services billing is instructive. To charge a fee for this service would generate revenue. There are also solid technical reasons why a user of emergency medical services should be charged the full cost of those services. However, Indian Wells citizens valued helping people who were in a vulnerable condition and minimizing the financial impact on those individuals. The citizens felt that a full-cost charge would be unfair. Perceived fairness is a key ingredient to a solid financial foundation. Imagine if the city has instituted a full-cost fee. The city would have realized more revenue but at the cost of undermining the trust that citizens have in their city government. Through public engagement, citizens can help local governments identify values that the public wants its local government to exhibit. Honoring these values helps build trust.

Use a budgeting format that helps people see the value of public services.

- If people can see the good that public services provide, then they will be more supportive of local government. The citizens of Indian Wells are fiscally conservative, but through the city's program budget, they can see the value that Indian Wells city government provides to the taxpayer. Hence, they have been willing to consistently participate in the city's strategic planning and budgeting.

A better budget is not necessarily a more complex budget.

- Indian Wells' program budget is less than half the volume of its old budget. By focusing on what citizens most needed and wanted to know about their city government and eliminating extraneous detail, Indian Wells was able to create a much more engaging and explanatory budget while also reducing the amount of information the city government produced.

**City policy is to balance its budget over a two-year period.*



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