



GFOA's Awards for Excellence in Government Finance

GFOA Awards for Excellence recognize innovative programs that exemplify outstanding financial management. These winners, selected from entries representing a diverse set of governments, provide inspiration, model examples, and implementation guidance for others looking to adopt GFOA's Best Practices or to develop creative and innovative solutions to improve government transparency, accountability, or outcomes.



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EXCEPTIONALLY WELL-IMPLEMENTED BEST PRACTICE:
PUBLIC ENGAGEMENT IN THE BUDGET PROCESS

Ada County, Idaho

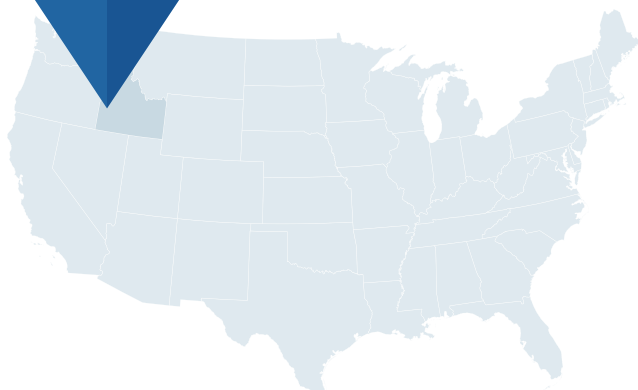
The Ada County Budget Explorer

BY HAGEN GURLEY



About Ada County, Idaho

Ada County, located in southwest Idaho, has a population of 481,600 and is home to the capital city of Boise. The county is home to nearly 25 percent of the state's residents.



Ada County, Idaho, has made a new commitment to building trust within the community and giving the public open access to financial data in an interesting and intuitive format. To further this mission, the county developed an interactive tool, the Ada County Budget Explorer, to help citizens explore the fiscal 2020 budget. The tool helps citizens understand the budgeting process, demonstrates how the budget is distributed among service areas within the county, and illustrates the impact of these services on individual residents' taxes. Phil McGrane, Ada County's newly elected county clerk, explains, "The tool allows the user to access and analyze the budget on a broad level and hone in on information as specific as a line item."

"There is an enormous amount of data. How do you help an average user navigate the tool and find what they are looking for? The strength of the Budget Explorer lies in the narrative pieces that describe the budget processes," says McGrane. Wading through financial information isn't always easy or exciting, and Ada County's Budget Explorer has made the process more user-friendly, including incorporating interactive Tableau Dashboards to tell the story of Ada County's financial situation. McGrane credits his team—Chelsea Carattini, communications specialist; Kathleen Graves, controller; Daisy Lewis, administrative specialist; and Anthony Lock-Smith, data analyst and the architect of the Tableau Dashboards—with the success of the Budget Explorer. "Anthony really deserves so much credit, perfecting the tool after each round of feedback."

McGrane encourages other governments to do something similar. "Empowering citizens with information builds trust," he said. "Better access to information brings about increased transparency. The government gets fewer questions from residents, and citizens have a greater understanding for how they contribute to government services."

“

Local governments grapple with issues of **transparency, public education, and public engagement**, particularly with regard to financial information. It is difficult to make complex financial information accessible, digestible, and engaging for the general public.”

—PHIL McGRANE, ADA COUNTY CLERK



THREE MAIN TENETS

Ada County's Budget Explorer follows three main tenets to improve public engagement and transparency in the budget process.

- 1. Encourage public engagement.** As part of its commitment to transparency, Ada County has encouraged a broad array of perspectives. Central to this idea is communicating information to the public in a format that they can understand easily. The interactive Budget Explorer is easy to navigate as it details the steps of the budget process. It also provides more detailed information for users who want a better understanding of revenue sources and what expenditures are used for.
- 2. Provide the engagement medium.** The Budget Explorer provides all residents with online access to information about how every dollar of the annual budget is spent, along with detailed explanations for users who don't understand technical terminology. Hovering over each element of the budget process provides pop-ups that supply additional information to contextualize the budget elements. For instance, the county spends more than \$123 million on public safety each year. This number is tangible, but it makes a lot more sense when users realize that it constitutes nearly 43 percent of the annual budget.
- 3. Propose opportunities for future engagement.** Beyond engaging with the data provided through the Budget Explorer, Ada County citizens can also voice their concerns, ask probing questions, seek clarification, and suggest solutions to current budget issues, proposed budget items, and future resource requirements. County officials encourage participation at monthly board meetings, along with special meetings that primarily focus on the budget.



The Ada County Budget Explorer gives citizens access to the county's entire budgeting process using interactive Tableau Dashboards.

Ada County has improved the transparency of its budget process, along with citizen engagement, by publishing timely, relevant budget data in an easily understood format. Residents can use the tiles on the home page to quickly navigate to the county's budget process, drill down to specific revenues, learn about expenditure needs, and even meet the county budget team. The Budget Explorer has been hailed as a great stride forward.

GFOA BEST PRACTICE

Ada County made use of GFOA's *Public Engagement in the Budget Process* Best Practice in creating its Budget Explorer. In the best practice, GFOA recommends that governments encourage effective and well-implemented public engagement budget processes, enabling the public to work with their government to help make beneficial budget decisions. Governments are encouraged to decide the purpose of public engagement, encourage people to engage, provide an engagement medium, and provide opportunities for future engagements.

TOOLS AND RESOURCES

- The Budget Explorer is available at adacounty.id.gov/clerk/budget-finance/budget-explorer.
- You can see a video demonstration of the Budget Explorer at youtu.be/LZvQLDeaVrw.

Hagen Gurley is a graduate student at the J.M School of Accounting at the University of Georgia. He is also an intern working in GFOA's Research and Consulting Center.



EXCEPTIONALLY WELL-IMPLEMENTED BEST PRACTICES:
ADOPTING FINANCIAL POLICIES AND LONG-TERM
FINANCIAL PLANNING

City of Campbell River

Financial Stability and Resiliency Policy

BY ALEXIE SCHWARZ



About Campbell River

The City of Campbell River, British Columbia, sits on the east coast of Vancouver Island at the south end of Discovery Passage, which lies along the important Inside Passage shipping route. Campbell River has a population of 35,138 and is known as the Salmon Capital of the World.

Looking at the results of a 2015 survey, the City of Campbell River, British Columbia, council saw a need to move past the city's previous financial challenges. Campbell River is primarily a forestry community, so losing a significant taxpayer when the local pulp and paper mill closed down had a significant impact on the city's revenues. Alaina Maher, Campbell River's deputy chief financial officer, noted that the city's reserves had begun to dwindle, and there weren't many contributions to pump them up. Volatile tax rates then became a problem, ranging from 1.7 to 13.6 percent from 2010 to 2015. (See Exhibit 1.)

The instability of those rates made it difficult for the city to plan for the future or to fund community needs. To promote responsible fiscal management, the city introduced its Financial Stability and Resiliency program and formalized it into policy in 2019. "City Council was very focused on keeping taxes low and stable, and to meet this goal we had to develop a strategy that could accomplish this as well as be able to meet the needs of our own community, which has been growing significantly," Maher said.

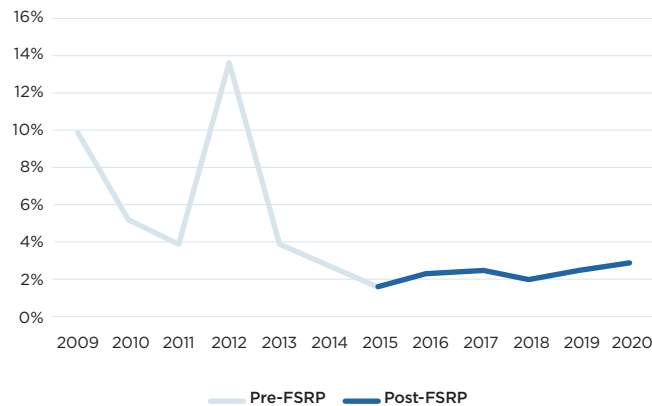
The overall policy has two objectives:

1. Develop guiding principles so that residents can look forward to predictable and stable tax rate increases.
2. Support and guide decision-making, continuity, and assurance in the city's financial management.

HOW IT WORKS

To maintain stability, Campbell River instituted parameters ensuring that annual tax increases don't exceed two to 3.5 percent. (See Exhibit 2.) These relatively small rate increases are maintained through several sub-policies that encourage responsible budgeting, including a stipulation that the city will not produce a budget with a horizon of less than 10 years—ensuring forward-thinking and long-term planning. Maher sees this aspect of the policy as essential.

EXHIBIT 1: ANNUAL TAX INCREASES FROM 2009 TO 2019



Also included are parameters for each budget component that aim to maintain service levels, provide opportunities to enhance services, and encourage investment in critical infrastructure. For example, the policy indicates that one-time operating projects will be funded by reserves in order to stabilize and smooth out tax increases.

The policy prioritizes continued investment in critical infrastructure because of its role in ensuring that service levels are maintained. The capital budget parameter—an annual 0.5 to 1 percent tax increase—will be invested in the city’s capital program. Rather than allowing the condition of the city’s aging infrastructure to worsen, the policy has allowed the city to increase taxes a little more each year so it can accumulate funds that can be invested back into critical asset management. Similar policies cover non-market changes, operating budget increases, and the city’s waterfall system for reserve balances.

The city is now able to strategically plan for stable tax increases and base service levels on those changes. Its Financial Stability and Resiliency program provides more certainty about the city’s ability to maintain services, fund ongoing cost increases, and plan for service enhancements. The program has also helped make the city more resilient in dealing with the past few months of uncertainty relating to COVID-19. “We’ve really seen the effectiveness of this in action throughout the current public health crisis,” Maher said. “We have solid financial foundations that help to mitigate fairly significant revenue losses.”

THE POLICY JOURNEY

The program creates a framework that prioritizes affordability and continuous improvement. Maher emphasizes the necessity of long-term thinking when crafting financial policies like Campbell River’s. “Small tax increases can be restrictive, so there has to be a focus on stability in the long-term,” she said. While the

EXHIBIT 2: PARAMETERS FOR TAX INCREASES

Budget Component	Low (%)	High (%)
Base Budget	1.5	2.0
Capital Budget	0.5	1.0
Ongoing New Services	0.0	0.5
All Services	2.0%	3.5%
Total Utility Fee Increase (includes sewer, water, solid waste and storm water parcel tax)	3.5%	5.0%

parameters may feel restrictive, Maher notes that council and city staff all agreed to an overall goal. “Having to work within that structure and make tough decisions is difficult in the short-term but pays dividends in the long term.”

Even though the financial policies at the city have a horizon of ten years, they are always open to addition and refinement. “It is definitely a journey,” Maher said. “Continuous improvement is important here at Campbell River.” In the coming years, Campbell River hopes to emphasize community outreach in order to educate residents about the city’s financial policies.

GFOA BEST PRACTICES

Campbell River primarily made use of two GFOA Best Practices in creating its Financial Stability and Resiliency program: *Adopting Financial Policies* and *Long-Term Financial Planning*.

In *Adopting Financial Policies*, GFOA recommends that governments should formally adopt financial policies. Steps to consider when making effective financial policies include (1) scope, (2) development, (3) design, (4) presentation, and (5) review.

In *Long-Term Financial Planning*, GFOA recommends that all governments regularly engage in long-term financial planning that encompasses the following elements and essential steps. A long-term financial plan should include these elements: time horizon, scope, frequency, content, and visibility. A long-term financial plan should include a mobilization phase, including alignment of resources, preliminary analysis, identification of service policies and priorities, validation and promulgation of financial policies, and definition of purpose and scope of planning; and an analysis phase.

Alexie Schwarz is a graduate student at the School of Public and Environmental Affairs at Indiana University. She worked as a 2020 summer intern in GFOA’s Research and Consulting Center.



Mecklenburg County, North Carolina

Budget Public Engagement Initiative

BY ALEXIE SCHWARZ



About Mecklenburg County

Mecklenburg County is home to 1,110,356 people, making it the second-largest county in North Carolina. The Mecklenburg Office of Management and Budget also received the GFOA Award for Excellence in 2018 for its Budget Monitoring Reports.

Mecklenburg County, North Carolina, started its Budget Public Engagement Initiative in 2019 to encourage public participation in the annual budget process while also increasing fiscal transparency and accessibility.

Seeing a need to improve the community's engagement with the decisions being made about the county budget, the Mecklenburg Board of County Commissioners asked the county's Office of Management and Budget (OMB) to develop a strategy. The OMB went on to develop a robust and sustainable program that would provide access to residents who wanted to be involved with the county's budget process. The resulting Budget Public Engagement Initiative gives residents transparent access to county budget information and a say in budget priorities.

SETTING GOALS AND BRINGING PEOPLE TOGETHER

When the OMB started gathering information about public participation in mid-2019, it had five goals in mind:

- **Inform:** Provide residents with the information and tools they would need to understand the budget process.
- **Consult:** Gather public feedback on decisions and alternatives.
- **Involve:** Get residents directly involved via workshops and random, representative polling.
- **Collaborate:** Include residents in a partnership where they were considered equals in important budget decisions.
- **Empower:** Put the final decision-making power in the hands of residents.

In line with GFOA's Best Practice on *Public Engagement in the Budget Process*, the county made use of technology, social media, community partners, and local news media outlets to ensure broad



reach and to maximize participation. Town Hall meetings and virtual Facebook Live events were also employed to answer questions, gather feedback, and address concerns from residents who were interested in the budget process. And although state statute only requires one budget public hearing each year, Mecklenburg County authorized an additional public hearing in fiscal 2020, before the budget was formulated, to reach a larger and more diverse group of residents.

Adrian Cox, the county's acting management and budget director, emphasized that the county wanted to make sure it was targeting the right audience. To that end, it distributed a budget priority survey (in both English and Spanish) to help gauge public priorities and promoted it via social media (Instagram, Twitter, and Facebook) and appearances on local television and radio media outlets.

The collaboration that took place at the public meetings was a big reason for the initiative's success, according to Cox. "The more you can bring people together to work through the challenging aspects of budgeting, the better results you'll get," he said, adding that other governments that might be working on improving public engagement should strongly consider including their public information department and leaders from both teams in public meetings. "It creates an environment where residents are not afraid to ask questions and can learn from a variety of voices."

ONGOING EFFORTS

The Budget Public Engagement Initiative includes broad plans for community outreach in coming years, many aspects of which have already been implemented. These plans include a budget priority survey and a Balancing Act Budget Simulator, which were particularly important in gathering feedback for the fiscal 2021 operating budget. The county also held community budget workshops in early 2020 to educate residents about important budgeting terms and processes.

The Balancing Act Budget Simulator allows residents to adjust the county's budget according to their priorities through an online tool. They can either change the way money is spent or change the way money is brought in. Throughout the exercise, the deficit and surplus amounts are visible to the user, helping them understand how a budget is balanced. This simulation is



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— ADRIAN COX, MECKLENBURG COUNTY
ACTING MANAGEMENT AND BUDGET DIRECTOR



Above left: Residents can use the county's online Balancing Act Budget Simulator to create a budget that aligns with their priorities.

Above right: Acting Management and Budget Director Adrian Cox stands with team members Sam Sparger (left) and Brandon Juhais (right).

helpful for residents who want to know more about the budget process and have ideas about how public funds should be spent.

Using a resident budget priority survey, the county was able to gauge public opinion about how county funds are allocated. The results of this survey were made available online via an interactive dashboard where survey results can be sorted by respondent race/ethnicity, income, age group, or living situation. Viewers can also explore different responses.

Community budget workshops were another important part of disseminating information about the county's budget process. In these workshops, a county representative taught residents the basics about county government and the budget. They led budget prioritization exercises and took questions from the audience about terms, processes, and outcomes.

Cox recommends that governments considering a similar project make use of different modes of communication to provide information. "Leverage online platforms, host meetings, and go out into the communities that you wish to involve," he suggested.

GFOA BEST PRACTICE

GFOA's *Budget Public Engagement Initiative* Best Practice recommends that governments encourage an effective and well-implemented public engagement budget process, enabling the public to work with their government to help make beneficial budget decisions. This includes deciding the purpose of public engagement, encouraging people to engage, providing the engagement medium, and providing opportunities for future engagement.

Alexie Schwarz is a graduate student at the School of Public and Environmental Affairs at Indiana University. She worked as a 2020 summer intern in GFOA's Research and Consulting Center.



 EXCEPTIONALLY WELL-IMPLEMENTED BEST PRACTICE:
ESTABLISHMENT OF STRATEGIC PLANS

City of Redmond, Washington

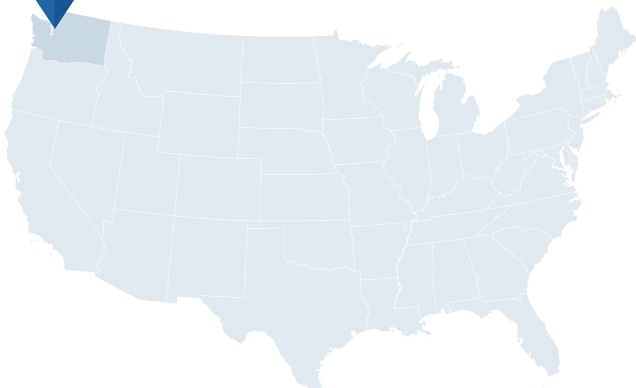
Community Strategic Plan

BY ISABELLA ROMANO



About Redmond, Washington

Redmond is the 16th most populous city in the State of Washington, located approximately 20 miles east of downtown Seattle at the north end of Lake Sammamish. The city has a population of 71,929, up from 54,144 in 2010. Several companies in the high-tech industry are based in Redmond, including Microsoft and Nintendo of America.



In 2018, the City of Redmond, Washington, decided that it needed a work plan to make sure it was doing the things that were most important to the city council and to the community; in short, it was time to start setting goals in a more purposeful way. “We realized that we needed a work plan to make sure that we were doing the things that were most important to the council and the community,” said Malisa Files, director of finance. “The Community Strategic Plan gave us that guidance.”

CREATING THE PLAN

The City of Redmond had a long-range financial plan that defined its strategy for financial integrity, but policy decisions at the city council level were still somewhat ad hoc. “When I became council president, one of my goals was to have more predictability about what we would be seeing as a council and how the community could track what our priorities were and what we were working on,” said Redmond’s mayor, Angela Birney.

The city already had a long-range financial plan, and the community strategic plan was written as a complement to this document.

Next, Redmond sought community input directly through an online open house, allowing digital comments on the document. It also asked for comments from community partners, encouraged public comment at city council meetings and study sessions, and sought additional input through the annual community survey, which was already in place, and through the city’s priority budgeting processes.

Birney noted that the city is lucky to have an engaged constituency. “People are really bought-into our community and they want to make it better, so as a city it is really important for us to continue on that long-term vision of making sure we are the best city that we can be,” she said.

“

People are really bought-into our community and they want to make it better, so as a city it is really important for us to continue on that long-term vision of making sure we are the best city that we can be.”

—ANGELA BIRNEY, MAYOR OF REDMOND



The project got underway with a city council retreat to discuss council members’ goals, after which it created a working draft of priorities. A draft of the plan was made public during an online open house, which allowed digital comments on the document. The plan that the city council adopted, roughly a year and a half after its first retreat, is an iterative document that will be revisited and updated periodically.

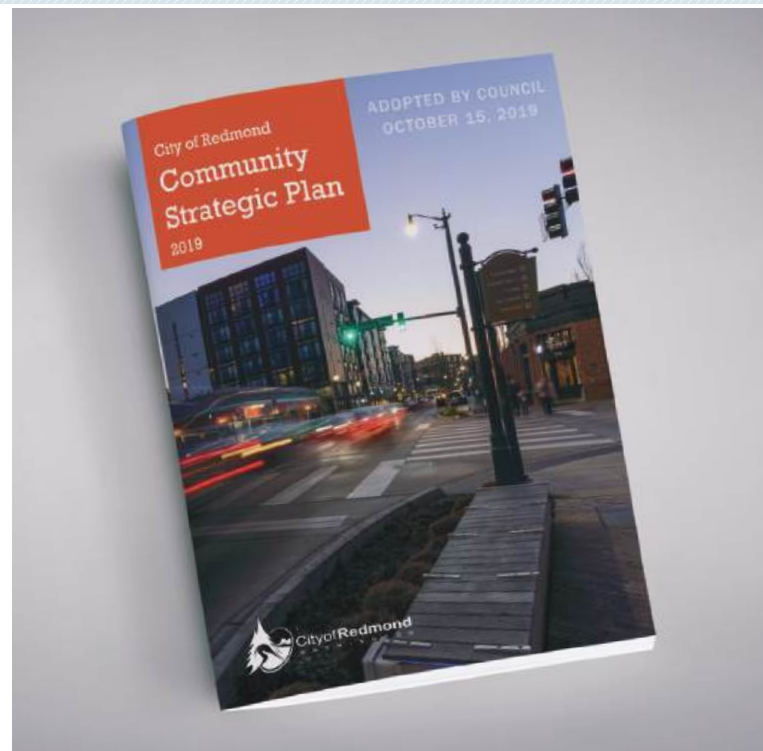
GETTING IN SYNC

Redmond’s Community Strategic Plan is a 24-page document that focuses on housing affordability, environmental sustainability, technology and information services infrastructure, cultural inclusion, and infrastructure. The plan is not all-encompassing. For instance, public safety does not appear as its own priority. “Safety is always a high priority for our community, but we know that safety is taken care of,” Files said. “The items in the Community Strategic Plan are things we need to focus on because we need them to be better than what they are right now.”

Central to the plan’s success is its alignment with the city’s comprehensive plan, budgeting process, and departmental plans. “It takes discipline,” Files said. “You want to make sure that your community strategic plan and all the other plans in your city are in sync. The Community Strategic Plan speaks to our comprehensive plan, which speaks to our departmental plan. It takes the entire city pulling the same way.”

SEEING THE BENEFITS

Birney listed continuity as one of the plan’s numerous benefits. “It keeps the focus on the good of the city and the nonpartisan issues that are truly important to a city structure,” she said. “It does remove a lot of the politicizing of the issues, keeps you on a longer-term target, and helps you develop a work plan for accomplishing goals.”



The City of Redmond’s Community Strategic Plan followed GFOA’s *Establishment of Strategic Plans* Best Practice.

The plan has also provided a vision for city staff and given them an understanding of what the community is looking for. “I think it’s really helpful in order to focus staff. For instance, take a person who works with utility billing and show them how their work contributes to a welcoming government or affordable housing initiatives, to show how their day-to-day tasks connect with what we are trying to do in the community,” Files said.

“I think it came at a really good time for our city, when people were really clamoring to have more interaction with local government,” Birney added.

“A community strategic plan creates an opportunity for conversation and transparency about what is really important,” Birney said. If your jurisdiction is considering creating a similar plan, “The advice I would give is to start out with a general structure and keep in mind what the long-term goal is,” Birney said.

GFOA BEST PRACTICE

Redmond followed GFOA’s *Establishment of Strategic Plans* Best Practice in creating its Community Strategic Plan. In the best practice, GFOA recommends that all governmental entities use some form of strategic planning to provide a long-term perspective for service delivery and budgeting, thereby establishing logical links between authorized spending and broad organizational goals.

Isabella Romano is a graduate student at the College of Urban Planning and Public Administration at the University of Illinois at Chicago. She worked as a 2020 summer intern in GFOA’s Research and Consulting Center.



 EXCEPTIONALLY WELL-IMPLEMENTED BEST PRACTICE:
INTERNAL CONTROL NETWORK

State of South Dakota

Statewide Internal Control Framework

BY JAMIE PORTER



About South Dakota

South Dakota is a large, sparsely populated state where rolling prairie gives way to the dramatic Badlands and Black Hills. It has 884,659 residents distributed between rural areas and a few smaller cities.

The State of South Dakota's Statewide Internal Control Framework allows the state and its agencies to implement an adaptive, effective internal control system. The framework's standards provide guidance for establishing, maintaining, assessing, and reporting effective internal controls across the state government. The purpose of this project is to provide a greater level of assurance to state leadership that the state is accomplishing its operational, reporting, and compliance outcomes.

The idea for the framework came about because of an instance of fraud committed by vendors that received funding from the state. As Mark Quasney, former statewide internal control officer and current state economist, explained, "The investigations into the incident made state officials realize agencies weren't following guidance consistently. A standardized form of internal control across state government was needed to avoid running from issue to issue. The framework would give agencies the tools they needed to be able to identify issues before problems occurred and to put measures in place to mitigate those risks."

The State of South Dakota was looking for a way to implement a system of internal control that went beyond what was already in place, Quasney explained. The state wanted to ensure that it was being proactive, not just reacting to instances of fraud as they occurred but actually preventing fraud from occurring.

CREATING THE FRAMEWORK

The state worked with consultants to create the initial draft of the Statewide Internal Control Framework. To begin this process, a joint team worked with leaders and professionals across the state's agencies. A multi-agency Internal Control Framework Steering Committee was created to gain more insight into the operation of each part of the state. The Statewide Internal Control Officer Framework then formally developed the framework in 2018, in collaboration with the Framework Steering Committee, and the framework was implemented over a 10- to 16-week period that included different levels of training. Agencies conduct their own risk identification, risk prioritization, control identification and documentation. Also, a State Board of Internal Control was created to build in accountability; agencies are required to report to the board twice a year about their internal controls.

The framework is closely aligned with the Committee of Sponsoring Organizations of the Treadway Commission (COSO) principles. COSO language is usually used by the private sector, but South Dakota adapted it for state government. As Quasney explained, "We understood that the public and private sectors don't align perfectly and that there are some nuances in how governance occurs between government and private sector. We knew we couldn't just take COSO and say, 'OK, now the state is using COSO.'" South Dakota worked with its consultants to create something that was COSO-based but catered to a governmental setting.

Taking inspiration from COSO, the framework is made up of eight elements:

- Program Management
- Roles and Responsibilities
- Tools and Technology Enablement
- Continuous Improvement
- Information, Communication, and Reporting
- Monitoring and Testing
- Control Identification
- Strategy and Governance

The elements are laid out in a wheel structure to build in continuous improvement as part of the process. The idea is that once an agency goes through the framework and all eight elements, the agency "starts back over, constantly getting better, constantly improving the framework, constantly improving the state of internal control in state government," Quasney said.

GETTING CONTINUOUS IMPROVEMENT UNDERWAY

The framework was designed to help agencies get this system of continuous improvement underway, after which each agency would be the owner of their own framework. Allysen Kerr, the current statewide internal control officer, explained that



the guidance has to be put into operation at the agency level, not centrally by the state government. Quasney agreed, noting that the key is for agencies to own their respective frameworks. The framework is meant to be a tool to help agency leadership manage their agencies and to cover all categories of risk, not just to focus narrowly on something such as fraud, he explained.

As of May 2019, the Statewide Internal Control Framework had been implemented in two agencies, the Bureau of Finance and Management and the Department of Revenue. The two agencies identified a total of 165 controls and 514 risks, and 100 percent of self-assessments were completed on time. Kerr and the state are now focused on contracting with a technology company to bring everything online and expanding to work with more agencies. They are working with one agency per quarter, implementing and setting up the framework. "We sit down with one agency at a time and help identify risks and see if they have any controls implemented for those risks," Kerr said.

CHALLENGES AND LESSONS LEARNED

Quasney and Kerr point out a number of challenges encountered in creating and implementing the framework. The main challenge, as mentioned above, was adapting the COSO framework to a public setting like the State of South Dakota. Quasney noted that the initial challenge was that other states haven't addressed control by adapting something normally used in the private sector for government. "Balancing a very strong system of internal control and also understanding that agencies have their independence was a critical part of this challenge," he explained. The state created the steering committee, held



State Of South Dakota Internal Control Program Snapshot

KEY ACCOMPLISHMENTS TO DATE

Metric	Current Period	Prior Period
Number of Overall Findings	3	n/a
Number of Remediation Plans in Progress	30	n/a
Number of Issues Related to IT	n/a	n/a
% High/Critical Risks	35.2%	n/a
% High/Critical Risks with Deficiencies	17.1%	n/a
Number of New Risks Identified	514	n/a
% Certifications Completed on Time	100%	n/a
Number of New Controls Identified	165	n/a

2 Agencies Onboarded

1 3rd Party Assessment Performed

100% of Self Assessments Completed On Time

514 Risks Identified

165 Controls Identified

question and answer sessions, developed the framework, and bounced ideas off the steering committee to find what would work and what would need some revision.

Other challenges included creating buy-in for the framework among state agencies. “Overcoming everyone’s preconceived notions about what the process and framework was going to be was—and remains—a challenge,” Quasney said. “A lot of agencies are short-staffed as is, so finding dedicated time is also a hurdle,” Kerr added. And this situation has only been compounded by COVID-19.

It was also difficult to find software partners that understood what the government would need, because “a lot of software providers out there primarily have experience in the private sector,” Quasney said. Kerr pointed out that one of the biggest challenges is that software partners are more tailored to the public companies. “The timeframe they gave was not going to work in the government setting, so it took a lot longer to get it tailored to what would make sense for the State of South Dakota and state agencies. The extra time that this took was a considerable hurdle,” she said.

Having a framework, they learned, provided “guidance and something to start and work from,” Kerr said. It also kept the process consistent across agencies. Kerr also noted the importance of having a state board of internal control, focused on overseeing the framework, and having agencies report

semi-annually, as this kept the agencies accountable in terms of implementing and following the framework.

Another crucial step is securing buy-in and support from the very top, right from the beginning. Leadership was instrumental in setting the tone that this framework was “something that needs to be done,” Quasney said. Support from leadership meant that the State of South Dakota implemented a law formalizing the framework. Implementing and following the framework became “something that was a requirement by law” rather than “something that we ask be done,” Mark explained.

GFOA BEST PRACTICE

The state followed GFOA’s *Internal Control Network* Best Practice in creating its Statewide Internal Control Framework. In the Best Practice, GFOA recommends a series of steps that governments should follow to establish a strong internal control environment. These include steps to ensure that: all levels of the government and staff throughout the organization demonstrate a commitment to the framework; the governing body assumes responsibility for overseeing internal control; management develops organizational structures and ensures staff accountability; governments commit to attracting and retaining competent employees; and governments hold individuals accountable for their internal control responsibilities. [\[4\]](#)

Jamie Porter is a program associate in GFOA’s Research and Consulting Center.



East Bay Municipal Utility District

Budget-in-Brief Initiative

BY ISABELLA ROMANO



About the East Bay Municipal Utility District

East Bay Municipal Utility District provides high-quality drinking water for 1.4 million customers in Alameda and Contra Costa counties, both in California. The district's award-winning wastewater treatment protects San Francisco Bay and serves 685,000 customers. The organization's mission is to manage the natural resources with which the district is entrusted; to provide reliable, high-quality water and wastewater services at fair and reasonable rates for the people of the East Bay; and to preserve and protect the environment for future generations.

Like many other public agencies, the East Bay Municipal Utility District (East Bay MUD) is experiencing increasing pressure for financial data transparency. Although the biennial budget document presents an extensive amount of budgetary and financial data, non-financial readers can find it difficult to understand rate increases. Field staff also indicated that they are often approached by members of the public who have questions about the budget and billing rates, but they find themselves unable to provide informative answers. To address this situation, budget staff designed and developed a biennial budget summary in brochure format—known as the Budget-in-Brief—to promote transparency, better inform the public, and draw direct connections between the district's charges and the services it provides.

GETTING STARTED

Jeanne Chase, East Bay MUD manager of budget, and David Mercado, the district's principal management analyst, were working on a data visualization effort when a consultant recommended that East Bay MUD should develop a two-page summary of its annual budget. Chase and Mercado agreed and began working on the district's first Budget-in-Brief as part of the fiscal 2020 to 2021 budget process.

"We thought that in addition to being able to communicate information about our budget in a concise manner, it would also be a good opportunity to offer some background information about the district," Mercado said. "Most people think you turn on the tap, you get water, and that's the end of it. But there's a lot more to it."

Staff looked at examples from other governmental bodies for inspiration and guidance and found that cities were more likely to publish a budget-in-brief than utility districts. "They range from a couple of pages to something much longer," Mercado said. "But the general idea was that it should have visuals; it should not have a lot of text; it should be something easy to read."



Chase and Mercado created a rough draft for Michael Bergstrom, the district's senior graphic designer, who turned the rough concept into a final product.

"This whole budget-in-brief concept was new to me," said Bergstrom. "It was interesting to see what other agencies are doing and where it was most effective."

HIGHLIGHTING THE UTILITY'S WORK

At the same time, Water Distribution Crew Foreman Deelorean Johnson pointed out that work crews are often approached by customers who have questions about rates, but they didn't have any information to offer. Johnson and Chase worked together to develop roadshows and set up front-line workers with Budget-in-Brief pamphlets for these situations.

"The Budget-in-Brief has been a great help out in the field," Johnson said, adding that customers often come out while he is onsite and ask about their charges. "They just know that it's part of the financial package they have to pay to get water from the district. Having that booklet available and being able to open it up and show where all of their dollars go has been a great help."

Chase agreed that the pamphlet helps highlight East Bay MUD's work. "In the Bay Area, our customers are very knowledgeable and engaged," she said. "We make a concerted effort to explain what our services cost. For example, most people don't realize that we run a fish hatchery or that we have 57,000 acres of watershed land, which is about 2.5 times the size of San Francisco. We want people to understand that. We want people to understand what they pay for."

In addition, work crews are available for maintenance 24 hours a day, 7 days a week, 365 days a year. "If there's a leak, they're there," Chase said. "It costs money to have that level of availability. We want customers to understand this."

Mercado added that the visibility of the district is affected by its status as a utility, rather than a general government. "When you live in a city, I think you are a little more in tune with who your representatives are. In general, it probably gets more coverage than our utility does."

In the future, the district hopes to translate the Budget-in-Brief document into two of the main languages spoken in the service area and to explore new avenues for distribution.

ADVICE FROM THE DISTRICT

The staff at East Bay MUD had some advice for other jurisdictions that want to create a budget-in-brief: The hard work of boiling down a huge budget document to only its most crucial components was worth the effort. But keep it brief. "You have to be very selective about what information you're going to put in there," Mercado advises. "Most people probably don't read the 300-page budget document, so now if there is an interest—even if it's a slight interest—they are much more likely to open this budget-in-brief and read it."

Also, involving Bergstrom as the designer at an early stage was crucial, as this allowed him to shape the document into something that would be pleasant to look at and easy to follow.

And finally, "The document would be nothing if we didn't have people like Deelorean Johnson who embrace it. There's the bridge to the customer right there. You need to look at the entity as a whole and ask how you're going to get the end product into the hands of the people who want it," Chase said.

GFOA BEST PRACTICE

East Bay MUD followed GFOA's *Making the Budget Document Easier to Understand Best Practice* in creating its Budget-in-Brief. In this Best Practice, GFOA recommends that governments incorporate guidelines to encourage more people to read the budget document and to help them understand it better. The guidelines GFOA provides concern organization, to lessen redundancy and provide a better flow of information; limiting of excessive details such as financial schedules, text, and supplemental data; design, making the budget document simple, easy to use, and attractive; consistency in presenting information; highlighting of major points; and the observation of formatting conventions.

Isabella Romano is a graduate student at the College of Urban Planning and Public Administration at the University of Illinois at Chicago. She worked as a 2020 summer intern in GFOA's Research and Consulting Center.



- Staff began the biennial budget process with the end goal of a Budget-in-Brief in mind.
- Budget staff created a rough draft of the document, including a graphic design specialist early on. They focused on using as few words as possible, incorporating vibrant graphics, and keeping the writing at a 10th grade reading level.
- The designer created a brochure on legal-size paper that was tri-folded to form a document that was easy to carry in the field.
- Budget staff held presentations with field staff to help them become familiar with the brochure. For example, budget staff worked with a water distribution operator to build a strong network with public-facing employees.
- Field staff started carrying the brochures in their work vehicles and distributing them to the public when approached by customers.
- Other channels of distribution include outreach events and display at public watershed locations.



View the Budget-in-Brief brochure: gfoa.org/EBMUD-budget-in-brief



CREATIVE SOLUTION TO A COMMON CHALLENGE

City of Philadelphia, Pennsylvania

Philadelphia's Road to Pension Recovery

BY JACQUELINE DUNN



About Philadelphia

The City of Philadelphia, the economic and cultural anchor of the greater Delaware Valley, is the largest city in Pennsylvania and the sixth most populous city in the United States.

In 2018, Philadelphia adopted a comprehensive plan to improve the long-term health of its pension system by paying down its unfunded liability more quickly while also reducing the rate at which future liabilities will grow. Its funding ratio has historically been below average compared to peer cities, and the funded level dropped 10 points from 2008 to 2009, to 45 percent. When reform discussions began in 2016, the fund was still only 44.8 percent funded, with just \$4.9 billion available to cover \$11 billion in liabilities.

To combat the underfunding, the city employed a bilateral approach, focusing on reforms that foster effective decision-making and fiscal discipline and wide-ranging partnerships that engage elected officials, union officials, and pension board members. These changes were made to improve the health of the pension fund and to reach full funding by 2033.

STRATEGY

The city's plan will improve the pension system's funded level to 80 percent by 2029 and 100 percent by 2033 by:

- Dedicating additional assets to the fund.
- Reducing the rate at which future liabilities grow.
- Reducing the plan's risk profile.

Additional funding comes from dedicated city sales tax revenue, additional employee contributions negotiated through collective bargaining, and payment of the full actuarially required contribution every year. The city created a revenue recognition policy to dedicate these revenues to the city's pension liabilities.



Using the additional money *in addition* to the city's full annual actuarially required contribution will improve the city's funded status more quickly than using money *as part* of the payment would have. The policy of making additional payments toward the unfunded liability will also help insulate the plan's funding level and the city's contribution amount from annual market fluctuations. By fiscal 2019, Philadelphia's total contribution was \$752 million, up from \$431 million in 2008. The rapidly increasing costs were not sustainable and crowded out spending on other critical priorities. But the city's funding plan includes continuing dedicating revenues/assets to the pension; pension costs as a share of the budget will remain elevated until the city reaches full funding and is only paying the normal cost.

To reduce the rate at which future liabilities grow, the city administration and union negotiators agreed to create a new mandatory "stacked hybrid" plan for new, non-uniformed hires. The new plan combined elements of a traditional defined benefit plan, which is capped at \$65,000, and a 401(k) plan, in which participation is voluntary. By fiscal 2029, the flat cap is projected to reduce future plan liabilities by more than \$100 million. Total annual employee contributions have increased from \$58.6 million to \$83.3 million between fiscal 2015 and 2018. By offering a stacked hybrid plan, Philadelphia is able to continue providing a defined benefit for its new non-uniformed employees while better managing the rate of growth in future pension costs to ensure the long-term financial health of the system and city.

To reduce the plan's risk profile, the pension board has voted to make some changes in the way the assets are managed. They gradually reduced the assumed rate of return, which affects investment decisions and the amount of the city's contribution, from an all-time high of nine percent ten years ago to 7.55 percent. Lowering the assumed rate of return is fiscally prudent, but because any reductions result in an immediate increase in the city's pension costs, city leadership and the pension board also consider the size of future reductions each year to make gradual but consistent progress. They also shifted assets into passive investments with lower management fees and transferred assets from expensive and often volatile hedge funds into more stable real estate funds. The board also adopted changes to other actuarial assumptions including mortality rate and salary growth to ensure that projections match actual experience. These changes will reduce the likelihood of adding to the unfunded liability in any given year.

Combined, these changes have resulted in two consecutive years of net positive cash flows, meaning the fund is receiving more assets than it is paying out in benefits. The level of total city contributions is unique among public pension plans: The Philadelphia pension

system falls in the 95th percentile among plans in the Public Pension Plan Database (established by the Center for Retirement Research at Boston College and the Center for State and Local Government Excellence, and supported by the National Association of State Retirement Administrators). The plan is 49.7 percent funded as of fiscal 2020.

BENEFITS

Taking a comprehensive approach involving all stakeholders has enabled Philadelphia to address the root cause of the underfunding and to achieve the buy-in needed to sustain funding progress over time. Additionally, developing a funding policy that requires additional payments toward the unfunded liability helps improve the funding status more quickly than otherwise, and it insulates Philadelphia from the impact of periodic market fluctuations on its annual contributions.

The city's approach has improved the health of its chronically underfunded pension fund and, in turn, improved the city's overall financial condition. Pension costs had grown to consume increasingly larger shares of the city's budget, meaning fewer resources were available for other critical priorities. In 2002, seven percent of the city's budget was allocated to pension contributions. Currently, about 15 percent of the city's budget is dedicated to pension costs. The reforms the city put in place have stopped this ever-increasing rate of growth. As the city's reform plan dedicates additional assets to the pension fund beyond the required contribution, the share of the budget dedicated to pensions is projected to remain constant at 14 to 15 percent over the next five years. The city has more predictability around future pension costs, and the continued practice of providing more than the actuarially required contribution will help the city reduce the unfunded liability over time.

LESSONS LEARNED

Philadelphia successfully engaged critical stakeholders in a collaborative process to implement and ensure a long-term solution. Philadelphia Mayor James Kenney was clear coming into office that improving the health of the pension fund was a top fiscal priority. During negotiations and arbitration, the city analyzed alternate proposals for employee contribution levels and benefit structures, ultimately modifying the reform plan to respond to stakeholder concerns while still reaching its stated funding targets. Where possible, the city also codified components of reforms in legislation and its union contracts. The city is required to use the additional employee contributions to reduce the unfunded liability, limiting the ability of future stakeholders to deviate from the funding plan.

GFOA BEST PRACTICES

The city looked to several GFOA Best Practices in implementing its pension strategy.

Defined Benefit Retirement Plan Design

This Best Practice defines the appropriate elements of a defined benefit (DB) plan, which provides employees with a predictable retirement benefit for life. DB plans are based on an established formula and are defined by a legal plan document. These plans may be funded by employee and employer contributions and investment returns. The investment-related risks are typically borne by the plan sponsor. The benefits formula is calculated by multiplying the benefit percentage based on the years of service times the final average compensation.

Defined Contribution Retirement Plan Design

This Best Practice defines the appropriate elements of a defined contribution (DC) plan as the primary retirement vehicle. A DC plan provides funds for retirement based solely on the assets available in an employee's individual account, and all investment-related risk is borne by the employee. Defined contribution plans can be offered as the primary retirement plan or as a supplemental retirement plan.

Hybrid Retirement Plan Design

GFOA recommends that governments that choose to provide a hybrid retirement benefit plan, address key points related to plan design, funding policies, board governance, plan conversion, and participant education. The fundamental goal of retirement plan design is to adequately meet the needs of employees, consistent with the plan sponsor's available resources.

Sustainable Pension Benefit Tiers

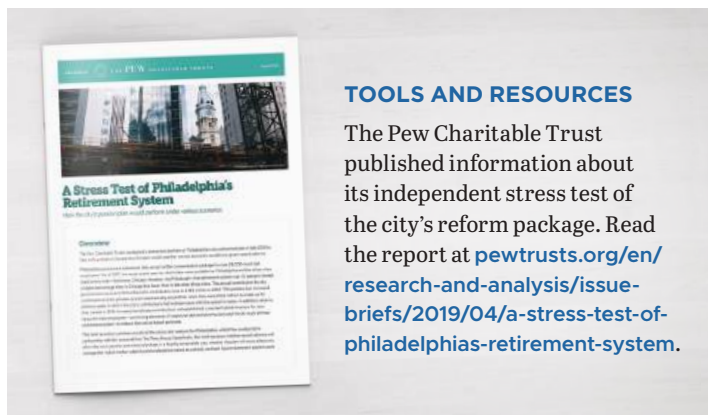
Jurisdictions that are considering new benefit tiers should examine the following issues: A government's authority to revise its pension benefits, the overall goals it wants to accomplish by doing so, and the effect of such changes on the workforce; and the financial impacts resulting from changes to pension plan design, as well as the effects on employees. GFOA further recommends that as governments consider new benefit tiers they solicit input from actuaries during the analysis, design, and implementation related to forecasting benefit costs, determining funding adequacy, and making decisions regarding employer and employee contribution rates.



CONCLUSION

Many cities and states have pension funding challenges that place a strain on their operating budgets and threaten to jeopardize retirement security for beneficiaries. Improving the health of the pension fund requires budgetary tradeoffs and support from a wide-ranging group of stakeholders. Elected officials, union officials and pension board members were all willing to make sacrifices today to improve the future health of the fund. The breadth of that partnership will help ensure that the pension changes stay in place in the future.

Jacqueline Dunn is first deputy city treasurer for the City of Philadelphia, Pennsylvania.



TOOLS AND RESOURCES

The Pew Charitable Trust published information about its independent stress test of the city's reform package. Read the report at pewtrusts.org/en/research-and-analysis/issue-briefs/2019/04/a-stress-test-of-philadelphias-retirement-system.



CREATIVE SOLUTION TO A COMMON CHALLENGE

Scott County and Rock Island County

Quad-City P25 Radio Project

BY JAMIE PORTER



About Scott County and Rock Island County

Scott County, Iowa, is located on the border of eastern Iowa, and Rock Island County is on the border of western Illinois, in an area commonly known as the Quad Cities. The metropolitan area has a population of 316,000, comprising 917 square miles, separated by the Mississippi River.

The communication infrastructure in Scott County, Iowa, and Rock Island County, Illinois—which are part of one metropolitan area that is separated by the Mississippi River—needed upgrading because it didn't meet modern federal interoperability standards. The communities' systems weren't capable of communicating with one another, within the overall area (known as the Quad Cities), or with other agencies across the state line. The infrastructure was also aging and obsolete, potentially jeopardizing the critical lifesaving role of 911 and emergency communications throughout the region. So, these two communities came together to solve a problem that affected them both: aging emergency radio infrastructure.

Darren Hart, captain and operations commander of the Rock Island County Sheriff's Office and Rock Island's project manager, said the project came about because both counties wanted to address this critical issue as well as maintain their working relationship. "We wanted to know what it would look like to build out a public safety communication network for first responders. And with the two counties already operating closely together, it was important that our collaboration continue," Hart said. "For many years, Rock Island County has been an island of sorts, where we would have agencies from other jurisdictions drive right by our squad cars and never have an opportunity to communicate with them."

It was a problem that the two counties tackled together. David Farmer, director of budget and administrative services for Scott County and the lead financial professional on the project for Scott County, points out that although this concept had been talked about for some time, it officially got underway in 2017. The counties formed a steering committee made up of interested individuals

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This project is a model for creativity in the future for counties that may struggle by themselves to do an infrastructure project.”



—DARREN HART, CAPTAIN AND OPERATIONS COMMANDER
OF THE ROCK ISLAND COUNTY SHERIFF'S OFFICE

from both governments—including police chiefs, city managers, and county financial officials—to begin looking at the project and determining the needs of both counties. A consultant was also brought on to help assess current and future needs, what the counties needed to do to replace the aging communication system, and what the bottom line for cost expenditures would be.

The joint project the steering committee came up with is the Quad-City P25 Radio Project. The initiative consists of an innovative digital emergency radio system that shares lines and frequencies and allows for first responder communication in Scott and Rock Island counties and throughout the Quad City area. There will be 12 total towers installed across the two counties, with seven of 12 towers based in Scott County and the remaining five in Rock Island County.

Hart noted that this project is a unique collaboration between two counties, each in a different state. When it's finished, “first responder activity can easily move across state lines from one county into the other,” he added. The project is nearing its final months, and infrastructure installation is expected to be completed in 2021. As Hart explains, “it has been a great collaboration thus far. We are now at the exciting part.”

FINANCING AND OWNERSHIP

The most innovative aspect of the project is how it has been, and will continue to be, funded across the two counties, along with the ownership of the infrastructure. Instead of the typical leasing model, the counties wanted to own the infrastructure themselves. While RACOM Technologies, the vendor of the new system, will run and operate it for the two counties, Scott County and Rock Island County will own the emergency communications system. This arrangement provides a number of benefits, including an ownership approach that is specifically tailored for the two counties that will provide long-term stability.



Funding for the Quad-City P25 Radio Project is shared by Scott and Rock Island Counties, who will jointly own the infrastructure.

The major funding components of the project include funding for the infrastructure itself—radio towers, transmitting equipment, switches and servers, and the software and computers located at local dispatch centers—as well as funding for new radios for first responders. Although the counties are working together to build the system, the costs are still separated out by county. Each county pays for the infrastructure within its borders, and the counties have opted for different funding mechanisms.

Since Scott County has seven of the 12 towers, it will cover approximately 60 percent of the total costs. To pay for the project, Scott County has issued bonds that it will be paying through fiscal 2028, and it has also issued debt for essential purpose bonds for the entire county. Funding across the county is based on property taxes. As Farmer explains, “we normally like to divvy up costs by residents, but in this case, a business or manufacturer may be calling 911 for support, not a resident.” Therefore, the main funding mechanism Scott County is employing is property taxes.

Rock Island County, which will cover approximately 40 percent of all costs, has not taken out bonds or levied a dollar amount for the infrastructure. Instead, the county is employing what Hart describes as a “pay-as-you-go” mechanism that is based on served population to determine the percentage of total price of what the project would be. This total cost is then broken down for each covered municipality, which will pay its share however it sees fit primarily using general fund revenues. Rock Island County created a payment schedule for each municipality that was sorted into significant milestones, with municipalities paying into a dedicated fund overseen by the county, “to build out this as we go,” as Hart explains.



THE ROAD TO SUCCESS

Both counties have learned a number of important lessons throughout this process. Farmer and Hart both emphasize the importance of having legal counsel involved early on in the project. Since the project was structured with multiple intergovernmental agreements, each state and county needs to abide by its own laws and regulations, which is why having legal counsel early on is imperative. Otherwise, the legal counsel will be “playing catch up for years of discussion,” Hart said.

It is also necessary to have the “willingness to try new things and the vision to have a joint system that can work within multiple jurisdictions,” Farmer said. Hart added that “if someone looked at this project, they would initially say there’s just no way, but you need to be creative. This project is a model for creativity in the future for counties that may struggle by themselves to do an infrastructure project.” Similarly, both governments should have the determination to see the project through. “It’s critical not to take no for an answer and to continue to push along, especially for a project that can be very beneficial to both counties involved,” Hart said.

The final takeaway is how important it is to get elected official support for the project. As Hart explains, “Getting elected official support is huge. Without their support, the project would not happen.” Hart and others on his team put a lot of time and effort into getting everyone to sign onto the project, going to each municipality in the county and speaking to city councils to communicate the importance of the project. And these efforts to get support from elected officials have paid off with “100 percent support and buy-in” from officials,” Hart said, adding that municipalities have even offered up their land as locations for the towers. “We want to make sure the product at the end is

something we can all be proud of and that will support public safety and first responders.”

Although the project has been very successful, Farmer and Hart pointed out that there were challenges along the way, and they anticipate more in the future. Many of the issues arose from the complexity of negotiations, because the project involved two counties and two states with different sets of laws. Figuring out the funding models and mechanisms for allocating who is going to pay for what portions of a common infrastructure took some work. The process also took longer than anticipated, although the end product will be better because of that extra time spent.

WHAT’S NEXT

“As for the future, we are still having to develop a maintenance policy and what that will look like, as well as future financing costs,” Farmer said. He also emphasized the importance of making sure community members feel that they are getting good value as the project advances. This means the two counties need to ask value-focused questions upfront, so they can focus on that value when presenting future facets of the project to community stakeholders to keep them onboard.

The Scott County, Iowa, and Rock Island County, Illinois, Joint 911 Radio Project is starting its next phase. In late June 2020, an Iowa-Illinois joint advisory group met to start discussions about policies and protocols that will govern the project when it’s up and running. As Hart said, “the working partnership between Scott and Rock Island County has been fantastic to this point. Everyone who is a part of it understands how critical it is that it gets finished.” The project is expected to be completed in June 2021. 📍

Jamie Porter is a program associate in GFOA’s Research and Consulting Center.