

Cities of Clearwater, Eustis, Mount Dora, Port Orange, and Tavares Budget Function Analysis

March 2015

**Management
Partners**





March 13, 2015

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Dear Ms. Silverboard, Ms. Kramer, Mr. Quinn, Mr. Hardin, and Mr. Drury:

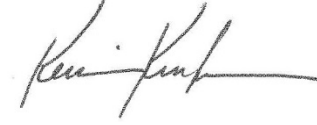
Management Partners is pleased to provide this report summarizing the results of our analysis of budget functions in medium- to small-sized cities in Florida. We examined budget legislative frameworks, locations within each organizations, and functions. Through our research we identified some best practices related to the budget functions and have provided those recommendations in this document.

Some recommendations may require changes to city charters, codes, or administrative policies and therefore might take some time to implement. However, these changes should result in more flexible operations that will allow your cities to provide creative financial solutions relating to budget issues.

Because we have prepared this document for the five jurisdictions of Clearwater, Eustis, Mount Dora, Port Orange and Tavares, some recommendations will not apply to all cities. In some cases, these recommendations may point out best practices your city has already incorporated.

We appreciated the opportunity to work with you on this important project and look forward to assisting you with other projects in the future.

Sincerely,

A handwritten signature in black ink, appearing to read "Kevin Knutson", with a long horizontal stroke extending to the right.

Kevin Knutson
Regional Vice President



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Executive Summary

In the fall of 2014 Management Partners approached the cities of Clearwater, Eustis, Mount Dora, Port Orange, and Tavares about participating in a pro bono project of interest to each jurisdiction. During meetings to develop a potential project, each city identified subject areas of interest to them. After meeting with all five cities, the most common theme that emerged was an interest in the budget function. Specifically there was interest in the location of the function within the organization the benefits and drawbacks to each organizational configuration in relation to the budget function.

Our research and interviews made it clear there is no “right” way to organize the budget function. However, there was a correlation between the size of cities and how they organize this function. This report contains six recommendations to enhance the efficiency and effectiveness of budget services within medium to small sized cities in Florida. Attachment A contains a summary of the recommendations.

Four of the six recommendations focus on changes to city charters, city codes, and administrative policies. These recommendations will allow cities greater flexibility in creating and administering the budget. The other two recommendations discuss organizational structure and provide tips on successful performance measurement programs (a subject related to budget functions that several individuals interviewed were interested in learning more about).

Methodology

Management Partners used a variety of analytical techniques during this study including reviewing documents, conducting interviews with city staff members, comparing similar government agencies, and applying best practices.

Document Review

Management Partners' team members reviewed a variety of documents to gain a basic understanding of each city's structure, size and functions. These documents included budgets, policies and procedures, organization charts, charters, codes, and ordinances.

Interviews

We conducted interviews with city managers, assistant city managers, finance directors, and in some cases finance or budget staff. We completed most of these interviews on site, but some were also completed by phone. The purpose of the interviews was to hear individual perspectives about budget function efficacy, strengths, weaknesses, processes, workload, and history.

Peer Comparison

Management Partners reviewed budget information and operations for 19 cities, including the cities for which we conducted this analysis. Of the 19 cities, our team conducted interviews with 12 to gather more insight into their budget functions. This was also helpful in determining best practices.

Best Practices

Management Partners' team members applied our knowledge of best practices associated with budget and general city management to identify relevant improvements for the cities involved in the study.

Budget Organization Structure and Functions

This section provides a basic comparison of information related to the organizational structure and functions of jurisdictions' budget operations.

Budget Operation Organization Structure

The client cities helped identify peers with organizational or community similarities, or because they are organizations they feel have embraced best practices Florida. All of the peer cities are located in Florida and each has a council-manager form of government.

Table 1 lists the jurisdictions included in the study, and indicates where the budget operation function is currently assigned.

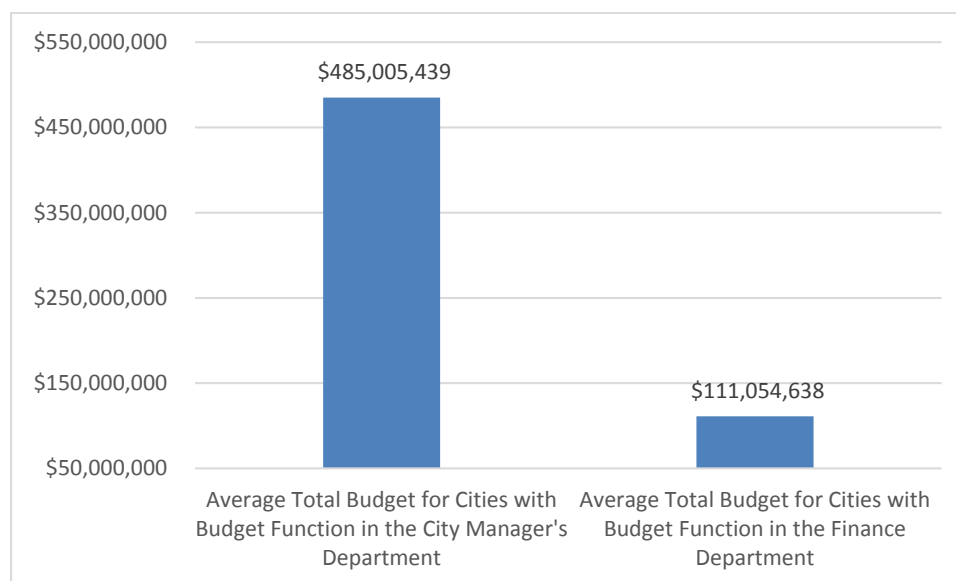
Table 1. Current Client and Peer City Budget Function Location

City	Department Where Budget Function is Housed
Clients	
Clearwater	Finance (recently relocated from City Manager's Office)
Eustis	Finance
Mount Dora	Finance
Port Orange	Finance
Tavares	Finance
Peers	
Clermont	Finance
Daytona Beach	Finance
DeLand	Finance
Fernandina Beach	Finance
Fort Lauderdale	City Manager's Office
Gainesville	Budget and Finance (Moved from City Manager's Office to Finance seven years ago due to need for efficiency)
Lakeland	City Manager's Office
Lake Mary	Finance
Largo	City Manager's Office

City	Department Where Budget Function is Housed
Leesburg	Finance
Ormond Beach	Finance
Saint Augustine	Finance, Budget and Management Department
Tallahassee	City Manager's Office
Winter Garden	Finance

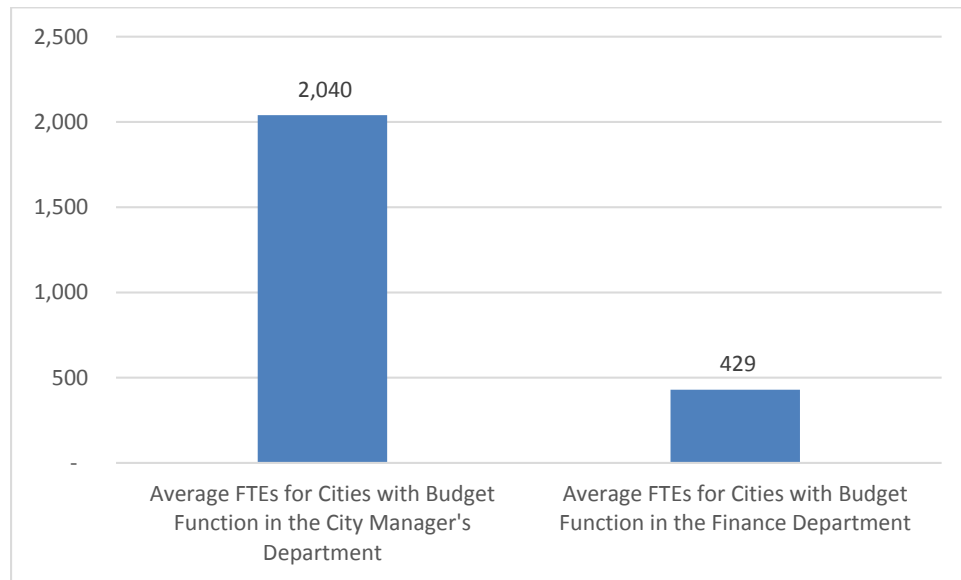
When comparing the cities and peers, there was a clear correlation between the average budget size, population, number of full-time equivalent (FTE) employees and where the budget function was located within the organization. Figures 1 through 3 illustrate these averages for both groups.

Figure 1. Comparison of Average Total Budgets for Cities with Budget Functions in Different Departments (FY 2014-15)



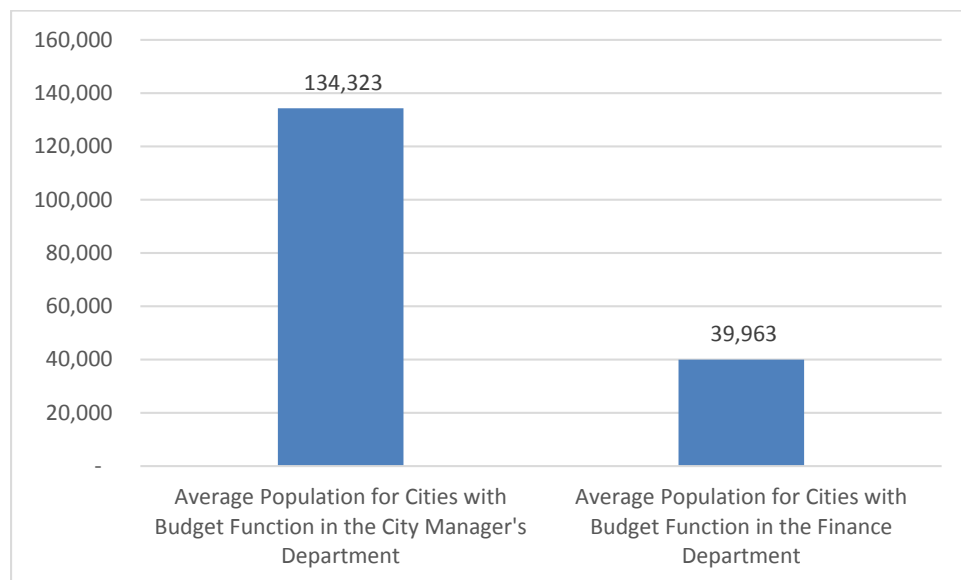
Note: Budgets include all funds, but exclude fund balance or reserves. This average includes all client and peer cities.

Figure 2. Comparison of Average FTEs for Cities with Budget Functions Located in Different Departments (FY 2014-15)



Note: Averages include all client and peer cities. FTEs comprise the averages listed in Figure 2 except for the cities of Lake Mary, Lakeland, Daytona Beach, Clermont, and Saint Augustine from whom we could only find the number of approved or full-time positions.

Figure 3. Comparison of Average 2013 Population Estimates for Cities with Budget Functions Located in Different Departments



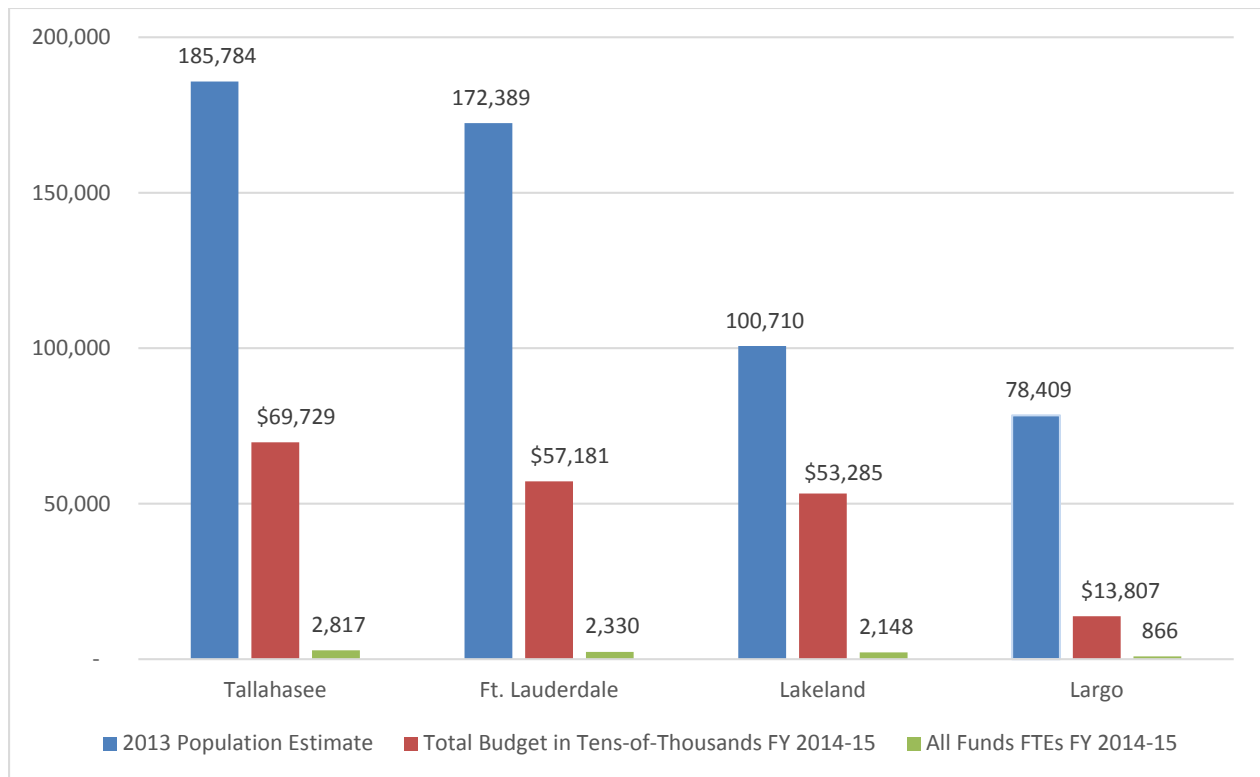
Note: Averages include all client and peer cities.

The differences in the averages illustrated in figures 1 through 3 clearly indicate it is more common for cities to locate the budget function in the City Manager's Office in larger cities than in smaller ones. There are some notable exceptions to this trend however.

Both the cities of Clearwater and Gainesville, which have overall budgets of approximately \$391 million and \$304 million respectively, house their budget function within the equivalent of a Finance Department. It is interesting to note that both cities previously housed their budget functions within the City Manager's Office and moved them into the Finance Department for reasons of efficiency or logistics. Clearwater moved its budget function in 2014 and Gainesville did the same approximately seven years ago.

On the other side of the spectrum, the City of Largo houses its budget function within the City Manager's Office. Largo is significantly smaller than other peers in the group that house the budget function in the City Manager's Office. Figure 4 illustrates this difference.

Figure 4. Comparison of Cities That Have the Budget Function Within the City Manager's Office



Research and interviews with peer and client cities indicated that jurisdictions located their budget function in either the Finance Department or City Manager's Office based on three things (in no particular order of importance):

- The preference of the city manager,
- Changes in the economy over time, which forced cities to save money through consolidation, and
- Logistical considerations.

We asked city managers and other staff to identify the benefits and drawbacks of locating the budget function under the Finance Department or the City Manager's Office. Table 2 lists common answers we gathered from the cities included in this study.

Table 2. Benefits and Drawbacks of Locating the Budget Function Within the City Manager's Office Versus the Finance Department

	Budget Function Within City Manager's Office	Budget Function Within the Finance Department
Benefits	• Easier to communicate council priorities and have those developed within the budget as a strategic planning document • Budget staff is more influential when operating as the city manager's liaison • Helps budget staff have a clearer understanding of the political and strategic realities of budget development • Budget staff have more time for strategic tasks instead of switching between budget and accounting functions	• Budget and finance have similar functions, which allow for more coordination and accuracy of numbers • Separation from political influences may allow for more independent budget projections • May promote additional levels of review before it gets to city manager • Exposes budget staff to finance and accounting, which is a different skill-set (cross-training)
Drawbacks	• Limits ability to cross-train budget staff in finance and accounting • Potential for duplication of effort • Risk of the City Manager's Office having "too many positions" • City manager could get too bogged down in the details of the budget	• Budget is more policy/strategy-oriented and finance is more numbers/history-oriented • Finance Department is not as influential as the City Manager's Office • Budget book produced in finance could focus on numbers and not on financial strategy and results

As depicted in Table 2, locating the budget function under finance or the city manager each has its own set of drawbacks and benefits. While most cities in our study located the budget function within the Finance Department, they used an organic organization structure to create the budget, forecasts and budget book.

An organic organization structure is one in which teams and reporting structures rotate to tackle projects that they may not easily complete under a rigid structure. The current city manager of Port Orange, for example, used an organic structure for budget production in Delray Beach, where he also worked as city manager.

The City of Delray Beach located its budget function within the Finance Department. However, during budget season, the budget staff would report directly to the city manager while preparing for budget adoption. When the budget season concludes, the budget staff report directly to the finance director.

The advantage of an organic structure (such as the one described above) is that a city can take advantage of all of the benefits and reduce the drawbacks listed in Table 2. While officially shifting reporting structure during the budget season may not be feasible for every city, jurisdictions can accomplish this in other ways.

One example includes allowing finance staff involved in the budget process to attend meetings with the city manager, department directors and other high-level officials during the budget process. This will expose the budget staff to the strategic planning logistics that guides the budget process without subverting the supervisory relationship between the city manager and finance director.

Recommendation 1. Evaluate the drawbacks and benefits of using an organic organization structure for budget production.

Budget Functions

Individuals we interviewed wanted to know what functions other cities delegated to budget (or budget-related) staff. While we did not perform analysis related to which functions were best suited for budget staff, we did gather information from cities for reporting purposes.

Budget functions varied widely from one city to another. Table 3 provides a matrix of budget-related functions performed by cities we interviewed during this study.

Table 3. Matrix of Budget Related Functions

Function	Budget Production ¹	Budget Monitoring ²	Analysis ³	Forecasting ⁴	Performance Measures	Grants ⁵	Purchasing ⁶	Strategic Planning	Audit Compliance
Client Cities									
Clearwater	X	X		X					
Eustis*	X	X	X			X			
Mount Dora*	X	X	X	X	X				
Port Orange*	X	X		X					
Tavares	X	X	X						
Peer Cities									
Fort Lauderdale	X	X	X			X			X
Gainesville	X	X	X	X					
Lakeland	X		X		X			X	
Largo	X		X		X		X	X	
Leesburg	X	X			X		X		
Ormond Beach*		X		X					
Tallahassee	X		X		X				
Totals	92%	75%	67%	42%	42%	17%	17%	17%	8%

* Indicates city does not have a distinct budget department, division or staff. Answers provided by these cities report what they feel their staff does that is budget related.

¹ "Budget production" includes preparing the budget (operating and capital) in accordance with state law, publishing a budget book and providing support to departments during the budget process.

² "Budget monitoring" includes preparing budget-to-actual reports, preparing budget amendments, monitoring actual revenues and expenditures (operating and capital) and providing support throughout the year on budget related matters.

³ "Analysis" includes special projects, budget analysis, fee analyses, process improvements, management studies, and other related analysis.

⁴ "Forecasting" includes revenue and expenditure forecasting.

⁵ "Grants" include grants management and monitoring.

⁶ "Purchasing" includes traditional purchasing responsibilities and/or requisition reviews.

As Table 3 indicates, the most common functions provided by budget staff are budget production, budget monitoring and conducting various analyses. Sub-categories of responsibilities within these functions include:

- Budget Production
 - o Preparing the budget (operating and capital) in accordance with state law,

- o Publishing a budget book, and
 - o Providing support to departments during the budget process.
- Budget Monitoring
 - o Preparing budget-to-actual reports,
 - o Preparing budget amendments,
 - o Monitoring actual revenues and expenditures (operating and capital), and
 - o Providing support throughout the year on budget related matters.
- Analysis
 - o Special projects,
 - o Budget analysis,
 - o Fee analyses,
 - o Process improvements,
 - o Management studies, and
 - o Other related analysis.

Budget (or budget-related) staff in each city that performed budget production, monitoring and analysis did not necessarily perform all of the sub-categories listed above.

Almost half of the individuals in the cities interviewed located financial forecasting and performance measure responsibilities within the budget function or budget-related staff. Conversely, only two cities tasked budget-related staff or divisions with grants, strategic planning, and purchasing functions. Fort Lauderdale was the only city in the study that placed audit compliance functions within the purview of budget.

Legislative Framework

This section pertains to the legislative framework that a municipality is required to comply with in accordance to its budgetary operations.

City Charters

The State of Florida does not mandate where cities house their budget function within the jurisdiction. However, charters for every city included in this study identified the city manager as the person responsible for creating and presenting the annual budget.

The Model City Charter, 8th Edition, published by the National Civic League in 2003 (the most recent edition) lists 14 examples of city manager responsibilities that can be included in a charter. One of these examples (number five) mentions the budget. Most client and peer cities in the study include similar language in their charter. Table 4 shows client city and Model City charter language for city manager duties related to the budget.

Table 4. Comparison of Model City Charter Suggested Language and Client Charter Language for Budget Duties Related to the City Manager

	Charter Language
Model City Charter	Prepare and submit the annual budget and capital program to the city council, and implement the final budget approved by the council to achieve the goals of the city.
Clearwater	Article III – Administration, Section 3.03. - Powers and duties of the city manager. (e) Prepare and submit to the council in the form provided by ordinance, the annual budget, a capital improvement budget, and a projected capital improvement program for a minimum five-year period.
Eustis	Article IV, Section 5. Powers and Duties of the City Manager. - The City Manager shall: (e) Prepare and submit the annual budget, budget message, and capital program to the City Commission.
Mount Dora	Part V – City Manager, Section 23 – Powers and Duties – The city manager shall have the following powers and duties: (e) To prepare, submit, and administer the annual budget;
Port Orange	Article IV – Administrative, Section 4.04 – Powers and Duties of the City Manager – The city manager shall: (e) Prepare and submit the annual budget, budget message, and capital program to the council in a form provided by resolution;

	Charter Language
Tavares	Article VIII – Administrative, Section 8.01 – City Administrator; Powers and Duties - There shall be a city administrator who shall be the chief administrative officer of the city. The administrator shall be responsible to the council for the proper administration of all affairs of the city and to that end shall have power and shall be required to: (b) Prepare the budget annually and submit it to the council and be responsible for its administration after adoption, subject to guidelines established by the city council.

Note: Every charter includes more information related to the duties of the city manager, but we have only listed the responsibility related directly to the budget for the purpose of this report.

Both the Model City Charter language and the charter language of the cities included in this study empower the city manager with preparing and presenting the budget. In practice however, most cities interpret this charter language to mean that the city manager can delegate the production of the budget or capital plan to whatever division or department is most appropriate.

Some client cities have additional requirements in their charter language than what the Model City Charter suggests. For example, Clearwater includes the number of years the City must include in the capital plan. Eustis and Port Orange include the additional requirement of having a budget message.

In contrast, some cities have fewer requirements in their charter language than what the Model City Charter suggests. Clearwater, Eustis and Port Orange for example do not include the requirement to implement the budget. Mount Dora and Tavares do not include the requirement to prepare a capital plan.

In the most extreme cases, some peer charters included detailed information on how the city manager should develop budget forecasts and historical expenditures. The City of Fernandina Beach’s charter included the most detail and we have included it in Appendix 1. This part of the city’s charter includes details such as the type of columns and information to include in the report.

Fernandina Beach likely included this information in its original charter to comply with Florida law at the time. The charter language mirrors that of the 1921 publication – *Acts and Resolutions Adopted by the Legislature of Florida, Volume 2*. However, current Florida Statutes covering municipal finance and taxation are much less intrusive. Title XII – Municipalities; Chapter 166 – Municipalities; Part III – Municipal Finance and Taxation includes information on the fiscal year, budgets and budget amendments. We have included this section (166.241) in Appendix 2.

The City of Saint Augustine also originally included detailed language in its charter about budget reporting and forecasting. However, since Florida updated its laws about municipal finance, as described above, the City moved this information to its code of ordinances.

The Model City Charter is a framework for basic local government structure and function. Cities do not change their charters very often and usually by design, it is a time intensive and difficult process. Therefore, charter language should provide enough detail to describe duties and responsibilities, but not so much detail so as to handcuff city administration should state regulation or best practices change.

Recommendation 2. During the next charter review change the city manager’s duties related to budget to include important roles and/or to exclude information that is too detailed.

City Code

Our team found wide variations in city codes relating to the budget function. Table 5 summarizes the information found in each city’s code of ordinances.

Table 5. Summary Information on City Code Regarding Budget Function

City	Budget Related Information in City Code
Clients	
Clearwater	Code provides a significant amount of information covering the contents of budget document
Eustis	Code provides a few paragraphs of detail about budget document, budget approval process and amendments to the budget
Mount Dora	Code provides no information about budget function
Port Orange	Code provides detailed information about budget book, production (including timing), and amendments
Tavares	Code provides no information about budget function
Peers	
Clermont	Code advises that the city manager shall advise Council on budget matters if adjustments are needed
Daytona Beach	Code includes detailed information on budget document, adoption and amendments
DeLand	Code provides no detailed information on budget function
Fernandina Beach	Code provides no detailed information on budget function
Fort Lauderdale	Code provides no detailed information on budget function
Gainesville	Code provides no detailed information on budget function
Lakeland	Code provides no detailed information on budget function

City	Budget Related Information in City Code
Lake Mary	Code provides no detailed information on budget function
Largo	Code provides no detailed information on budget function
Leesburg	Code provides no detailed information on budget function
Ormond Beach	Code provides detailed information on capital and operating budget adoption that include succinct references to Government Finance Officers' Association and state standards.
Saint Augustine	Code provides significant amount of detailed information on budget production
Tallahassee	Code provides no detailed information on budget function
Winter Garden	Code provides no detailed information on budget function

Note: Information in Table 4 does not include uncoded or unpublished information from cities included in this study.

In our sample of 19 cities, 63% include no detailed information on the budget function in their published code of ordinances. Some other cities including Clearwater, Port Orange and Saint Augustine include procedural information in their code relating to budget production.

As with city charters, including policy direction and information and excluding most procedural information in the code is important. Too much procedural information restricts the ability of administrators to be creative within the framework of federal, state and local policies when operating a city. This handicap becomes even more pronounced when detailed information is codified within a city's charter or code and this information does not represent new federal or state law, or best practices.

Cities often overlook the difference between policy and procedure, but it is important to identify so that jurisdictions do not combine the two. Policies are clear, simple statements of how an organization intends to conduct business or provide services. Policies are guiding principles that help with the decision making process. Policy statements do not need to be long and complicated.

Procedures are more detailed than policies and they describe how an organization will implement policy. At the very least, each procedure should outline:

- Who will do what,
- The steps need to accomplish the policy, and
- What tools they will use to complete the task.

Cities could publish procedures in policy and procedure manuals or in standard operating procedures. These documents are easy to amend if necessary.

Ormond Beach included language in their code of ordinances that provides general guidelines and allows for flexibility regarding the budget function. We have included this language below for reference.

Sec. 2-294. - Annual budget.

(e) The city manager shall prepare and submit to the city commission an annual budget covering the fiscal year, which budget shall set forth an estimate of the expenditures and revenues of the city for the ensuing year. This budget shall be consistent with the standards of the government finance officers' association and in such format as required by the city commission.

Sec. 2-295. - Adoption of annual budget.

The city commission shall adopt its annual budget by resolution and in accordance with the procedures set forth in Sections 166.041 and 200.065, Florida Statutes.

Ormond Beach includes additional language about the capital improvement plan and budget, but the selection included above is sufficient to ensure that the organization creates a budget that conforms to Florida Statute and a budget book that conforms to GFOA standards. This information describes the City's policies without providing procedures. It allows the City to remain flexible, while still ensuring it provides the basic requirements and best practices regarding budget production.

Recommendation 3. Amend city code when appropriate to include clear and concise detail about budget production that provides direction and flexibility for staff.

Ancillary Budget Functions

During interviews with client and peer cities we asked if there was any interest in how other cities performed ancillary budget functions. The two most common inquiries were about the use of salary savings and performance measurement. Each is discussed below.

Policy on Spending Salary Savings

During interviews with client and peer cities, three general policies emerged in relation to the use of salary savings.

- Some cities did not allow the use of salary savings for other expenditures,
- Some cities allowed each department to spend up to its expenditure authority regardless of whether the savings was derived from operating or salary expenditures, and
- Some cities allowed departments to use salary savings after analysis and agreement by management.

Most individuals interviewed indicated that their current policy worked well for them. However, there are benefits and drawbacks to each policy. Some of them are listed below.

- No use of salary savings
 - o Benefits
 - Increases possibility of salary savings for fund balance or emergency use
 - Centralizes decision-making on the use of unexpended budget appropriation
 - Ensures departments do not overspend salary authority
 - o Drawbacks
 - Limits autonomy of departments
 - Limits creative solutions within departments
 - Does not reward increased efficiency

- Allow department to spend within their authority
 - o Benefits
 - Increases decision-making autonomy of departments
 - Encourages creative solutions within departments
 - Simplifies administrative oversight
 - o Drawbacks
 - Decreases the likelihood of salary savings for fund balance or emergency use
 - May require more frequent forecasting to ensure budgets aren't being overspent
- Allow the use of salary savings after review by management
 - o Benefits
 - Allows for creative proposals by departments
 - Ensures departments do not overspend salary authority
 - Centralizes decision-making authority
 - o Drawbacks
 - Imposes additional administrative oversight on spending authority
 - Extends decision-making timeline

The second policy (allowing departments to spend their budget authority regardless of the line item) provides departments with the most flexibility of the policies listed above. It forces cities to focus on the overall department, division or program instead of line item detail. However, it also might require frequent forecasting to ensure departments are not on a trend to exceed their budget authority.

Some cities do not allow this level of autonomy either because management is not comfortable giving this authority to department directors, or because budget authority is set at the line item level by city code or policy. However, if leaders are comfortable with the financial management ability of department directors and the ability of budget or finance staff members to ensure departments are not going to overspend their budgets, this policy allows for the greatest flexibility in financial decision-making at the department level.

Recommendation 4. In larger cities, establish policies and procedures that empower departments to spend up to their budget authority.

For smaller cities, where more central control over budgets allows for greater flexibility in allocating resources across departments, the third policy may be the best approach (allow departments to expend salary

savings after review by management). This policy allows departments the opportunity to use salary savings in certain cases, but also provides managerial discretion to control spending when overall city policies and resources require them to do so.

Recommendation 5. In smaller cities, establish policies and procedures that allow department to spend salary savings after managerial approval.

Performance Measurement Programs

Individuals interviewed were interested in learning about other jurisdictions that had implemented performance measurement programs that were working well. While most managers recognized this management tool is important, they had experienced disinterest or resistance from elected officials and department directors. This resulted in some cities eliminating their performance measurement program or continuing to go through the motions without positive outcomes resulting from measuring and reporting performance.

The city managers of Fort Lauderdale (Lee Feldman) and Winter Garden (Michael Bollhoefer) indicated that their experiences with performance measurement had been successful. Both managers indicated similar keys to success. We have only received documentation on Mr. Feldman's previous program in Palm Bay, Florida.

Palm Bay implemented a program called "PalmStat" in December 2005, which the City modeled after the City of Baltimore's "CitiStat" program. We have included a description of the PalmStat program from Palm Bay's 2010 budget document in Appendix 3.

Both Mr. Feldman and Mr. Bollhoefer identified factors integral to the success of their programs. These factors (not in order of importance) were:

- Obtain buy-in from elected officials and management.
- Begin the program with some relatively simple measures (i.e., workload and efficiency) and work towards measures that are harder to define and measure (i.e., outcome).
- Reinforce constant feedback and accountability. In the PalmStat model, city management staff met with department leaders weekly to discuss measures, identify problems, and create solutions. Palm Bay also published monthly performance reports.

- Collect, measure and report on only the most important measures. Do not inundate departments with a multitude of measures are not helpful.

These factors are important in a successful performance measurement program. Removing a single factor may jeopardize the entire management system related to performance measurement. For example, when Mr. Feldman left Palm Bay for Fort Lauderdale, a change in management dismantled the entire program because there was no longer buy-in from the top.

Recommendation 6. Include all of the key success factors when implementing a performance measurement system.

Conclusion

The original question on the minds of city managers in Clearwater, Eustis, Mount Dora, Port Orange and Tavares for this project was, “Where do other cities locate their budget function and why?” Our research indicates that most small cities locate this function within finance, while larger cities locate this function within the City Manager’s Office.

Every manager we interviewed agreed that the budget function was more of a strategic function than an accounting function. There also was consensus that the city manager should be involved in budget development because the budget was viewed as the tool for administrators to implement council goals on an annual basis. Most managers found a way to be involved in budget development regardless of the location of the budget function.

While Management Partners did not find enough evidence to recommend the “perfect” location for the budget function, we did find best practices that, if implemented, could help improve the effectiveness of budget functions within medium- to small-sized cities in Florida.

Attachment A – List of Recommendations

Recommendation 1. Evaluate the drawbacks and benefits of using an organic organization structure for budget production.

Recommendation 2. During the next charter review change the city manager's duties related to budget to include important roles and/or to exclude information that is too detailed.

Recommendation 3. Amend city code when appropriate to include clear and concise detail about budget production that provides direction and flexibility for staff.

Recommendation 4. In larger cities, establish policies and procedures that empower departments to spend up to their budget authority.

Recommendation 5. In smaller cities, establish policies and procedures that allow department to spend salary savings after managerial approval.

Recommendation 6. Include all of the key success factors when implementing a performance measurement system.

Appendix 1 – Sample of the City of Fernandina Beach Charter

The city manager in his annual report covering the operation of the city during the previous fiscal year, which it shall be his duty to make and submit to the city commission, shall set forth an estimate of the expenditures and revenues of the city for the ensuing year. The annual report shall be submitted to the city commission not later than the 15th day of July and the estimate of the expenditures and revenues of the city for the ensuing year shall be submitted not later than the 1st day of August. This estimate shall be compiled from detailed information, and in its arrangement the classification of expenditures shall be as nearly uniform as possible for the main functional divisions and departments of the city and shall give in parallel columns the following information:

- (a) Detailed estimate[s] of the expense of conducting each department and division of the city government, including all public utilities and enterprises conducted by the city.*
- (b) Expenditures for corresponding items during the two fiscal years last past, plus revenues and expenditures to date and estimates of revenues and expenditures for the balance of the current fiscal year.*
- (c) Increase of demands and change of requirements compared with the corresponding appropriation for the last fiscal year.*
- (d) Such other information as is required by the city commission or as the city manager may deem advisable to submit.*

The estimates so given and constituting the recommendation of the city manager as to the amounts necessary to be appropriated for the ensuing fiscal year shall be supported with information giving the reasons therefor in such detail as may be necessary to afford the city commission a comprehensive understanding of the needs and requirements of the various divisions of the city government for the ensuing period.

Sufficient copies of the annual report and budget estimate of the city manager shall be prepared [so] that there may be copies on file in the office of the clerk of the city commission and at the public library for inspection by the public.¹

¹ The Charter of the City of Fernandina Beach; Finances and Taxation; Section 71 – Annual estimate of expenditures and revenues for forthcoming year; submission to city commission by city manager.

Appendix 2 – Florida Statute Regarding Municipal Budgeting

- (1) Each municipality shall establish a fiscal year beginning October 1 of each year and ending September 30 of the following year.*
- (2) The governing body of each municipality shall adopt a budget each fiscal year. The budget must be adopted by ordinance or resolution unless otherwise specified in the respective municipality's charter. The amount available from taxation and other sources, including balances brought forward from prior fiscal years, must equal the total appropriations for expenditures and reserves. At a minimum, the adopted budget must show for each fund, as required by law and sound financial practices, budgeted revenues and expenditures by organizational unit which are at least at the level of detail required for the annual financial report under s. 218.32(1). The adopted budget must regulate expenditures of the municipality, and an officer of a municipal government may not expend or contract for expenditures in any fiscal year except pursuant to the adopted budget.*
- (3) The tentative budget must be posted on the municipality's official website at least 2 days before the budget hearing, held pursuant to s. 200.065 or other law, to consider such budget. The final adopted budget must be posted on the municipality's official website within 30 days after adoption. If the municipality does not operate an official website, the municipality must, within a reasonable period of time as established by the county or counties in which the municipality is located, transmit the tentative budget and final budget to the manager or administrator of such county or counties who shall post the budgets on the county's website.*
- (4) The governing body of each municipality at any time within a fiscal year or within 60 days following the end of the fiscal year may amend a budget for that year as follows:*
 - (a) Appropriations for expenditures within a fund may be decreased or increased by motion recorded in the minutes if the total appropriations of the fund is not changed.*
 - (b) The governing body may establish procedures by which the designated budget officer may authorize budget amendments if the total appropriations of the fund is not changed.*
 - (c) If a budget amendment is required for a purpose not specifically authorized in paragraph (a) or paragraph (b), the budget amendment must be adopted in the same manner as the original budget unless otherwise specified in the municipality's charter.*
- (5) If the governing body of a municipality amends the budget pursuant to paragraph (4)(c), the adopted amendment must be posted on the official website of the municipality within 5 days after adoption. If the municipality does not operate an official website, the municipality must, within a reasonable period of time as established by the county or counties in which the municipality is located, transmit the adopted amendment to the manager or administrator of such county or counties who shall post the adopted amendment on the county's website.²*

² 2014 Florida Statutes Title XII – Municipalities; Chapter 166 – Municipalities; Section 166.241 – Fiscal Years, budgets, and budget amendments.

Appendix 3 – PalmStat Program Description

Budget Performance Measurements

In addition to these Strategic Plan linkages to department requests, the City leadership has continued to include performance measurements within this budget document, as a method to continually work toward institutionalizing strategic thinking concepts within the organization. As performance measures were first included in the FY 07 Budget, the FY 10 Budget will be the fourth year that these measures will be available, and much of the information has been refined and improved each year. The measures are grouped into four distinct categories:

- *Outcomes* – Qualitative consequences resulting from a program (to be implemented in future years).
- *Service Quality* – Degree to which customers are satisfied with a program, or how accurately or timely a service is provided.
- *Efficiency* – Ratio of inputs and outputs.
- *Output* – Quantity of units produced.

Although outcome measures typically provide the most meaningful information concerning the performance of service organization, their development tends to be the most complex and challenging. In the first years of budget performance measures, departments were encouraged to start with output and efficiency measures, and to build up to a balanced set of useful measures in future years. It is anticipated that the FY 11 Budget will contain an even greater level of refinement, along with a more substantial amount of historical data, allowing for more substantial analysis opportunities.

Throughout the fiscal year, departments are required to provide quarterly updates on the status of their measures, to allow for ongoing tracking of progress.

PALMSTAT

An internal initiative that has served as part of the overall focus on strategic thinking has been City Manager Lee Feldman's PALMSTAT system. Implemented in December 2005, PALMSTAT is an accountability management system modeled after the City of Baltimore's "CitiStat" system. PALMSTAT is a collaborative effort by senior managers and key employees to improve government performance and service delivery through the review of statistical information and the development of improvement strategies. The PALMSTAT process is intended to facilitate timely and accurate information reporting throughout the City, with a focus on increasing employee productivity and more effectively deploying resources, thereby reducing the cost of government.



At meetings held weekly, departments present progress reports on their performance, including their progress on the various performance measures they are tracking. This information is provided directly to city management and senior-level representatives from all other departments who collectively engage in discussion as to what response is necessitated by the data being presented. From the start of the process, the monthly performance reports developed by each department included a wide-range of mostly input/output data that was primarily used by city management for trend analysis and process improvement. Through the guidance of Robert D. Behn, faculty chair of Driving Government Performance at Harvard's JFK School of Government Executive Education, modifications to the existing reporting system were made in 2006 and the focus turned to identifying, targeting, and resolving specific performance deficits. Performance deficits are simply defined as gaps between current and expected service delivery, and more specifically relate to aspects of operations that should undergo direct, intense focus due to existing inadequacies or a significant need for improvement.

Once performance deficits were identified and agreed upon by department directors and city management, each department then developed strategies that would be used to address the deficits, and they were additionally asked to identify data measures and targets that would be used to track progress toward deficit resolution. PALMSTAT has been beneficial in helping to identify areas of service that needed

improvement, and, as a result, city management, department directors, and staff have worked together to resolve deficits and improve service.

In spite of the benefits achieved during the early years of PalmStat, management realized that solely focusing on internal initiatives could be detrimental to achieving a balanced view of the current environment in which the City is operating. In an effort to further develop in this area, the City applied for and received a Trailblazer Grant from the [National Center for Civic Innovation](#) in early 2007. The grant provided an opportunity to begin offering citizens a chance to learn about PalmStat and become more engaged. Specifically, a public [PalmStat website](#) was developed and launched in July 2008 to allow citizens and other interested individuals to see what deficits each department is working on through PalmStat. Information on all deficits is made available, and the site allows visitors to drill down to deficit-specific scorecards that include three tabbed sections. The first tab provides a visual representation of the data that is being tracked and shows the current progress that staff has been making. The second tab provides further narrative explanation regarding the deficit, and the final tab allows visitors to fill out a form and provide immediate feedback to city staff regarding their thoughts on that deficit.



Additionally, in December 2008 the City completed and distributed its first publication of an Annual Performance Report. All of these efforts are helping PALMSTAT evolve beyond being solely an internal reporting and accountability system, and instead are developing it into an even more dynamic tool that will promote a greater flow of information to and communication with a broad range of external community elements.

Although information on all PalmStat deficits is currently available on the website, a listing of the current performance deficits is provided below, followed by the linkages that have been established to Strategic Plan goals and objectives.

PalmStat Performance Deficits

City Manager – Economic Development

- **Prioritized Sector-Based Planning:** To support successful short-term and long-term development planning citywide, this focus has been selected to assist in the identification and prioritization of specific sectors.
- **Expand Restaurant Choices:** In an effort to meet the diverse restaurant needs of the citizens, this effort targets development in specific restaurant categories.
- **Availability of Commercial Space:** This approach relates to both the recruitment of new businesses to the City, but also monitoring and working collaboratively with the business community to reduce the commercial vacancy rate.
- **Quality Employment Opportunities:** Local jobs are important to the health of the economy, and this deficit focuses on understanding both the quantity and quality of available jobs, as well as on developing a plan for the recruitment of businesses that will enhance employment opportunities.

Finance

- **Electronic Applications for Customers:** Customer Service Division customers are unable to complete and submit various forms electronically (ex. applications for service or service termination requests). Efforts are being made to increase the availability of electronic application processes for our customers.

- **Expand Utilization of E-Billing and Direct Debit Services:** Billing and Collection automated programs such as e-notification utility billing or direct debit services that are currently available to residents/customers are underutilized. Efforts are being made to expand the use of these programs.
- **Increase Use of Electronic Payments:** Accounts payable checks and pay stubs are distributed in paper format. Efforts are underway to make electronic format the primary method of payment.
- **Improve Credit Rating:** Recognizing the value of having increasingly solid credit ratings, steps are being taken now to strengthen the City's position to prepare for any future bond issuance.
- **Maximize Investment Returns:** The City's Investment Portfolio must be closely monitored to provide maximum return on investment for taxpayers. The overall investment portfolio rate of return is being monitored against established benchmarks.
- **Expand Vendor Access to RFP Process:** The current system for vendors interested in accessing Requests for Proposal (RFPs) issued by the Purchasing Division functions through a third-party vendor who charges users for the service. Efforts are underway to develop an in-house system.

Information and Innovation

- **Increase Network/System Maintenance:** Preventative maintenance is vital to supporting the City's network, and helps to limit service outages. Efforts are underway to provide efficient utilization of resources by properly maintaining the various assets of the system.
- **Improve Efficiency of Print Environment:** This focus on the citywide print environment will assist by reducing the number of redundant or inefficient printers and associated supplies, thereby maximizing the efficiency of the system.
- **Improve Data Lifecycle Management:** Electronic file management, when done properly, can improve the efficiency of the data system by identifying and eliminating duplicate files, storing "stale" data, and expanding storage capacity. Efforts are underway to improve the overall management of this system.
- **Reduce Postage Costs:** As postage costs increase and the city has grown, so has the cost of doing business as it pertains to mail communication. A citywide review has been initiated to identify possible cost savings.

Human Resources

- **Improve Work Scheduling:** In an effort to strengthen organizational viability, working to identify methods for reducing non-emergency overtime costs by improving the efficiency of work schedules.
- **Improve Employee Health Index:** This annually compiled index provides a summary view of the overall health and wellness of City employees. Using wellness programs the Human Resources Department will support efforts to improve the index score.
- **Cost Savings through Employee Clinic:** Health care costs have been increasing in recent years, and in an effort to manage those costs, the City recently opened an employee clinic to provide basic medical services to staff. The goal through this endeavor is to ultimately reduce health care costs.
- **Reduce Turnover Rate:** This effort relates to developing strategies to recruit and retain quality employees in specific positions that typically have high turnover.

Growth Management

- **Improve the Building Division's ISO Rating:** The Insurance Services Office rating impacts the insurance cost to homeowners. A detailed plan has been developed and strategies are being implemented to work towards achieving a higher ISO rating, resulting in lower insurance costs to citizens.
- **Improve Economic Health Index:** This index provides a summary view of the overall economic state of the city. Strategies for improvement will be identified where applicable.
- **Technological Advancement:** Increasing the use of available technology will streamline activities and provide more accurate support for citizens. Funding options are being explored.
- **Develop a Growth Issues Involvement Program:** Update and inform citizens, elected officials, and staff of the new growth activities by other entities surrounding Palm Bay that would impact future growth and development. Development standards are being developed.
- **Improve Quality of Life Index:** This index provides a summary view of the overall quality of life for residents of the city. Strategies for improvement will be identified where applicable.

- **Strengthen Coordination of Economic Development Efforts:** Integrate economic development by combining efforts interdepartmentally through grant funding. This program would research the grant programs in other communities and implement revisions to grant work programs in the City.
- **Improve Effectiveness of the Grant Program:** The Department is striving to better monitor the schedule of program outputs and expenditures. Since funds are tied to the state, grant improvements positively affect the progress of program goals. Efforts are underway to improve scheduling.

Parks and Recreation

- **Expand Existing Tree Canopy:** Expanding the number of trees per acre at park sites and other city property is vital to supporting a sustainable and healthy environment for current and future citizens.
- **Increase Development of Neighborhood Parks:** Planning is ongoing for future expansion of the park system to provide active park areas for all residents. Although city funding for this is limited, opportunities to achieve these expansions via grant programs are constantly under evaluation.
- **Public-Private Partnerships:** Partnerships with the community to support the future development, operations, and maintenance of the parks are vital to the long-term sustainability of the system.
- **Expand Preventative Maintenance:** A comprehensive preventative maintenance program is being developed to cover all aspects of city buildings and facilities, in an effort to avoid costly repairs through a more proactive approach.
- **Community Center, Athletic/Recreation Program, and Special Events Sustainability:** The City is aiming to decrease taxpayer dollars used to subsidize operations in these service areas. This effort will help the City become more responsive to citizen's needs and interests.

Police

- **Reduce Burglary Rate:** Efforts are underway to reduce commercial, residential, and vehicle burglaries, with a special focus on residential crimes.
- **Reduce Domestic Violence:** Domestic violence victims are often subject to repeat violence when the perpetrator has further contact with the victim and when the victim feels isolated. The Victims Services Unit is working with uniformed officers to strictly enforce criminal no contact orders as well as to follow-up with all victims, in an effort to reduce these crimes.
- **Traffic/Speeding Issues:** Concerns regarding traffic, speeding, and related accidents have made this a high priority focus for the Police Department. Enforcement efforts are focusing on reducing accidents citywide.
- **Improve Call Processing Time:** Police and Fire Department response times to incidents are consistently under scrutiny in an effort to find improvement. An additional aspect of response time that is being equally scrutinized is the call processing time, or the time from a 911 call being received to a first responder being en route to the scene.
- **Reduce Long-Term Code Violators (Code Compliance Division):** Long term violators have typically been cited repeatedly and due to a lack of compliance, these properties continue to blight neighborhoods, and, in some cases, lend themselves to criminal activity. A concerted effort is ongoing to reduce the number of violators who fall into this long-term category.
- **Improve Response - Tall Grass and Weed Violations (Code Compliance Division):** Work is ongoing to reduce the amount of time it takes to have a lot mowed once it has been cited for a tall grass and weed violation.
- **Improve Response – Junk Vehicle Violations (Code Compliance Division):** Work is ongoing to decrease the amount of time it takes to have a junk vehicle case resolved.

Fire

- **Improve Emergency Response Time:** Fire Department emergency response, defined as the time the responding vehicle leaves the station to the time it arrives on scene, is a vital life safety service in which continual improvement is always the goal.
- **Expand Staff Training:** The quality of service is reliant in large part on having a properly trained staff. This effort relates to developing and implementing a comprehensive training program, beyond regular certification hours.

- **Reduce Plan Review Turnaround Time:** The Fire Inspection Division is working within the development process to review submitted plans in a timely manner, thereby improving customer service and relations.
- **Inspect Target Hazards Annually:** Target hazards are various types of occupancies that include such entities as schools, hospitals, assembly buildings, hotels, and multi-family dwellings. Efforts are ongoing to inspect priority target hazards on an annual basis, to insure code compliance and safety standards are being met.
- **Pre-Planning Training System:** This new initiative will support both the staff training and target hazard inspection efforts mentioned above. Staff will achieve training goals by engaging in pre-planning inspection and staged response activities at specifically identified target hazards.
- **Increase Paramedic Certification:** In an effort to enhance service delivery to the community, work is underway to have as many firefighters as possible achieve paramedic certification.

Public Works

- **Street Sign Replacement Program:** Efforts are underway to complete a seven year cycle street sign replacement program.
- **Expand Road Program:** As funding becomes available, road paving improvement efforts are conducted in accordance with a priority schedule.
- **Failed Stormwater Infrastructure Inventory:** A current and up-to-date inventory of all stormwater structures has been created. This initiative is important in that it identifies areas in need of repair and allows for the development of a priority replacement schedule and focused the Department's efforts on addressing failed stormwater infrastructure. Through this work, the Public Works Department will identify projects, obtain permits for planned work, and use the information gathered to apply for grant opportunities where local funding is unavailable.
- **Exceed NPDES Permit Requirements:** Federal Requirements are established to ensure water bodies are suitable for recreation and wildlife. Efforts are underway to exceed these requirements through public outreach and education about stormwater.
- **Meet State Requirements for Total Maximum Daily Loads (TMDLs):** State requirements are mandated to provide a greater water quality for the enjoyment of the community. Plans are in place to make continuous improvements.
- **Fuel Consumption:** Due to the rising costs of gas and the overall importance of making wise environmental choices, each department's fuel consumption patterns are examined and methods for reducing consumption are identified.

Utilities

- **Improve Connection Absorption Rate:** As water and sewer services are offered to new units, specific strategies have been identified to communicate the availability to residents, as well as to provide information regarding the various options for paying for the costs associated with connecting.
- **Expand Use of Reclaimed Water:** In order to comply with mandatory regulations, the City must utilize reuse water at a rate equal to 50% of the total wastewater taken into the system. Efforts are ongoing to expand the availability of the reuse system, as well as to encourage new customers to utilize the service.
- **Efficient Water Treatment:** Past expenditures for water production have been increasing. Work is underway to identify methods to reduce electrical and chemical consumption.
- **Efficient Wastewater Treatment:** Past expenditures for wastewater production have been increasing. Work is underway to identify methods to reduce electrical and chemical consumption.

PalmStat Performance Deficit Linkage

Goal 1: Stronger Local Economy

Goal 1 - PalmStat Performance Deficit Linkage by Department

Objectives:	Leg.	OCM	OCA	Fin.	I2D	HR	BCRA	GM	Parks	Police	Fire	PW	Utilities
1.1 More job opportunities within Palm Bay - Do not have to leave to work		1						2					
1.2 Have strong well-defined relationship with economic development (chamber, EDC, etc.)								1					
1.3 Attract major businesses to locate in Palm Bay								1					
1.4 Actively pursue realistic, doable economic development opportunities								1					
1.5 Facilitate opportunities to start and to grow a business in Palm Bay		1						1					

Goal 2: City Government: Financially Sound, Top Quality Services

Goal 2 - PalmStat Performance Deficit Linkage by Department

Objectives:	Leg.	OCM	OCA	Fin.	I2D	HR	BCRA	GM	Parks	Police	Fire	PW	Utilities
2.1 Well-maintained City infrastructure and facilities					1				2				3
2.2 Align services and programs with city resources									1				1
2.3 Adequate resources to support quality services				2	3				2		1		2
2.4 Develop new alternate revenue sources for City				1									
2.5 Top quality, motivated workforce committed to serving the Palm Bay community				2						1		4	
2.6 Maintain "Rapid Service Response"				1							2		
2.7 Develop city investment fund to reduce long-term costs													

Goal 3: Improved Roads/Highway System and Traffic Flow

Goal 3 - PalmStat Performance Deficit Linkage by Department

Objectives:	Leg.	OCM	OCA	Fin.	I2D	HR	BCRA	GM	Parks	Police	Fire	PW	Utilities
3.1 Major highway improvements: Parkway and I-95 Interchange South													
3.2 Expansion of major corridors: Babcock, Malabar Road, Minton Road, Emerson Drive, Palm Bay Road													
3.3 More attractive and beautiful streetscapes and ROW													
3.4 Expansion of local road system with additional new roads													
3.5 Safe streets with minimal congestion													
3.6 Improve maintenance level of local roads												1	

Note on department abbreviations: Leg.(Legislative), OCM(Office of the City Manager), OCA(Office of the City Attorney), Fin.(Finance), I2D(Information & Innovation), HR(Human Resources), ED/BCRD (Economic Development Division and Bayfront Community Redevelopment District), GM(Growth Management), Parks(Parks & Recreation), PW(Public Works).

Goal 4: Quality Development and Redevelopment

Goal 4 - PalmStat Performance Deficit Linkage by Department

Objectives:	Leg.	OCM	OCA	Fin.	I2D	HR	BCRA	GM	Parks	Police	Fire	PW	Utilities
4.1 Maintain and increase property values in Palm Bay									1	3			
4.2 Redevelop old commercial areas (Malabar Road, Babcock, etc.)													
4.3 Redevelop U.S. 1 corridor and Riverfront developments as Palm Bay's downtown and a destination for residents								1					
4.4 Palm Bay - the preferred place to live in Brevard County		1							1				

Note on department abbreviations: Leg.(Legislative), OCM(Office of the City Manager), OCA(Office of the City Attorney), Fin.(Finance), I2D(Information & Innovation), HR(Human Resources), ED/BCRD (Economic Development Division and Bayfront Community Redevelopment District), GM(Growth Management), Parks(Parks & Recreation), PW(Public Works).

Each of the initiatives described in this section play a vital role in helping the leadership of the City gauge where we are and where we are going. From the foundation created through the Strategic Plan and the resultant linkage to the budget process, to the development of budget performance measures, internal capacity for short and long-term planning has been significantly increasing. These strategic initiatives, in combination with the PALMSTAT system, have truly positioned Palm Bay to chart a future course toward even greater success.



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