



2021

★ AWARDS FOR EXCELLENCE ★

IN GOVERNMENT FINANCE



CITY OF
AUSTIN, TX

CITY OF
BLOOMINGTON, MN

CITY OF
BONDURANT, IA

COOK
COUNTY, IL

CITY OF
JERSEY CITY, NJ

MIAMI-DADE
COUNTY, FL

COUNTY OF
RIVERSIDE, CA

Adversity and crisis may be difficult to navigate, but they are a powerful forge for innovation. This theme of innovation, of creating bold new ways of working amid unprecedented crisis, is the common thread that binds the seven winners of the 2021 GFOA Awards for Excellence in Government Finance. They reflect the changes the pandemic era has brought to our field—and how government finance officers rose to the challenges of taking care of our communities. From a small local government that stepped confidently into a digitally transformed work process to large governments that tackled income inequality and performance measures during pandemic upheaval, these seven winners exemplify the principles of the GFOA Awards for Excellence in innovation: adherence to best practices and outstanding financial management.

Selected from entries representing a diverse set of governments, this year's winners provide inspiration, model examples, and implementation guidance for others looking to adopt GFOA's best practices or to develop creative, innovative solutions to common government challenges. Here are their stories.



CITY OF AUSTIN, TEXAS – AUSTIN WATER

Building Resilience and Ensuring Affordability with Debt Management Strategies

Many public utilities struggle to strike a balance between two competing needs: maintaining infrastructure to deliver dependable service while also ensuring that rates are affordable for customers of all income levels. Add in pressures such as the pandemic crisis, spiraling cost of living, and effects of climate change, and the complexity of this challenge soars. Austin Water has met it by implementing debt management strategies that have reduced overall debt service cost by a total of \$591.2 million since 2016, even as it works to improve infrastructure and resilience for extreme weather and a growing population.

About Austin

The capital of Texas, the City of Austin is home to more than a million residents—and it's growing fast. According to the 2020 Census, Austin's population has grown by 28 percent since 2010. Austin Water is the city's municipally owned water utility.

UNIQUE LOCAL CHALLENGES

Austin, Texas, has been one of the fastest-growing cities in the United States for nearly a decade as top tech businesses, festivals, and sun-seeking transplants from around the country flock to the state capital. Such a rapidly growing population can be both a blessing and a curse for a community, as investment in infrastructure becomes essential to delivering municipal services on an increasingly larger scale.

In addition, other pressures have contributed to the need for infrastructure investment. Extreme weather events are becoming increasingly frequent because of climate change.

Episodes like February 2021's deep freeze strain infrastructure in areas like Texas that are unaccustomed to severe temperature swings. Yet infrastructure investments come at a high cost. Utilities in general—and municipally owned utilities in particular—must address affordability and service delivery for residents.

DEVELOPING A DEBT MANAGEMENT STRATEGY

With forecasts indicating steady increases in the cost of water and wastewater service, in 2016 Austin Water's leadership determined that a recalibration was needed to develop a debt management strategy that balanced debt increases for critical infrastructure investments with affordability. Its financial services team developed and implemented a multi-year debt management strategy with four distinct components. These include:

- **Near-zero percent interest loans.** In 2016, the Texas Water Development Board approved \$266.6 million in near-zero percent interest loans for Austin Water to fund nine major infrastructure projects. These loans have enabled the utility to invest in infrastructure improvements that represent significant cost savings for its customers. Savings since 2016 total \$20.6 million.
- **Capital recovery fees.** Capital recovery fee (CRF) dollars derive from a one-time charge for new water and wastewater connections. Beginning in 2016, Austin Water increased capital recovery fees to ensure that new developments pay their fair share for water and wastewater infrastructure needed to provide new service. This allows for a significant increase in CRF collections, which have been critical to reducing debt service requirements through annual debt defeasance transactions.
- **Debt defeasances and refundings.** Over the last five years, Austin Water has used CRF dollars for annual debt defeasance transactions that reduce future debt service requirements. This helps the utility to manage debt costs through refundings at reduced interest rates, improving financial performance and mitigating rate increases. Savings since 2016 total \$270.8 million.
- **Cash financing of capital projects.** Since 2016, Austin Water has increased its cash financing of capital projects from 20 percent to between 35 and 50 percent, which limits its debt exposure for capital programs.

As part of its strategic approach to debt management, the utility conducted its first affordability benchmark study in 2018 to set benchmarks and make recommendations for affordability metrics that would be tracked and measured annually. It also developed an organizational process to balance investments in rehabilitation and new projects that fund growth and development while prioritizing funding for high-priority needs. This process entails analyzing spending, meeting with



operations staff, determining priorities, and approaching decisions through a coordinating committee that includes representatives from each of the utility's divisions.

"From a planning perspective, our challenge is prioritizing capital investments and operational needs," Assistant Director for Financial Services Joseph Gonzalez explained. "We need to prioritize projects that will improve our resilience but also consider our more immediate needs when it comes to long-term financial and capital planning."

Austin Water's approach to debt service management has helped it create future capacity. Its current debt service coverage financial policy targets 1.75 times the debt service coverage, meaning that every dollar of debt service savings reduces annual revenue requirements by \$1.75. The utility's debt management strategy has reduced overall debt service cost by a total of \$591.2 million since 2016.

BENEFITS TO RESIDENTS

Residents have benefited from the utility's debt management strategy through measures including rate reductions and freezes, assistance programs, and other improvements to affordability. For example, in the five years since changes were implemented, Austin Water has held water rates at a stable level that is less than water and wastewater industry indexes. (See Exhibit 1.)

Customers enrolled in the utility's Customer Assistance Program for low-income residents received rate reductions of between 8.4 and 11.4 percent over the last three years, making Austin Water's assistance program one of the most robust in the nation. In addition, Austin Water offered rate reductions under COVID-19 relief programs for as long as 18 months for

low-income residents. Austin Water also offered customers emergency utility bill relief initiatives when residents were affected by extreme winter weather in February 2021, when prolonged cold temperatures from Winter Storm Uri damaged private plumbing systems across the city.

As Amy Petri, Austin Water’s marketing services manager, noted, “We’ve been able to keep rates flat for more than three years. But ours is more than a story of affordability. With our investments in infrastructure, we’re also working toward water system security for our community.”

PREPARING FOR THE FUTURE

Austin Water staff plan to continue pursuing the current strategies into the foreseeable future. “The capital recovery fee dollars have been a big factor in our ability to reduce debt service by the millions,” Gonzalez noted. “Historically, we took this revenue stream and incorporated it into our funding for annual debt service payments. Now, we can maximize the impact of the savings by targeting specific future debt service through debt defeasance.” He provided an example: Austin Water has already focused on reductions in debt service for a 2028 wastewater treatment plant. “By targeting debt service for the future, we have capacity to take on some of these projects without a significant increase in rates and cost structure.”

Improvements in forecasting ability have also allowed Austin Water staff to model the impact of different infrastructure investment and debt service scenarios. “We can look at what it does to debt service five, 10, or even 20 years from now and start to plan how we stagger projects or manage their impact with defeasance strategies,” Gonzalez explained.

Christina Romero, Austin Water’s financial manager, emphasized that the utility’s staff is also focusing on addressing future impacts of climate change. “In November 2018, we created our Water Forward Plan, an integrated water resource plan for the next 100 years that evaluates how climate change affects future water supplies and demand, which we update annually.” Austin Water is also working to establish a utility-wide Climate Working Group to monitor trends, research, and analysis that might influence its resilience and infrastructure planning.

LESSONS FOR OTHER UTILITIES

To keep up with rising infrastructure costs, other utilities could look beyond rate increases and implement debt management initiatives like Austin Water’s. Doing so begins by identifying a revenue stream or reserve balance that could be used to defease debt in a targeted way. “Debt management strategies have given us greater financial flexibility,” Gonzalez said. “This has helped us be successful in spite of the complexity our community faces.”

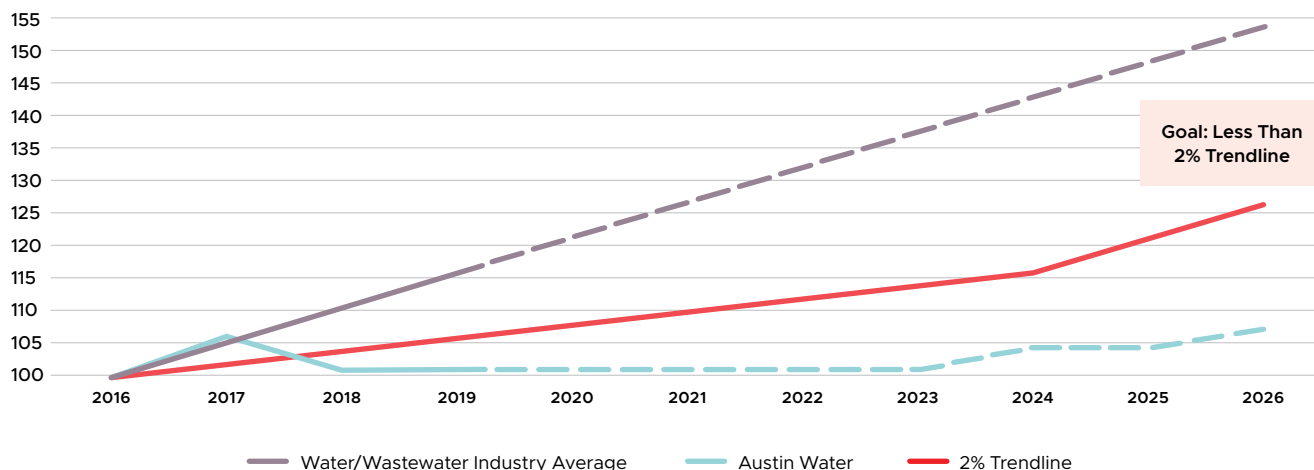
GFOA BEST PRACTICES AND RESOURCES

Austin Water followed GFOA best practices including *Debt Management Policy*, *Refunding Municipal Bonds*, and *Debt Service Payment Procedures* in implementing their debt management strategies.

View a complete summary of cost containment initiatives, debt management strategies, and the Affordability Benchmark Survey at on the City of Austin’s website.¹

¹ austintexas.gov/sites/default/files/files/Water/Rates/AW%20Affordability%20Metric%20Report%202020.pdf

EXHIBIT 1 | AUSTIN WATER VS. WATER/WASTEWATER INDUSTRY: CPI TRENDS/PROJECTIONS (2016=100)





CITY OF BLOOMINGTON, MINNESOTA

Transforming Public Engagement Amid a Budget Crisis

Crisis can provide us with opportunities to do things differently. This is what the City of Bloomington, Minnesota learned when, in mid-March 2020, the pandemic crisis unfolded, and its revenue forecasts changed dramatically. Pre-pandemic, Bloomington drew about 13 percent of its general fund revenues from its robust hospitality industry, given its strategic location near Minneapolis-St. Paul International Airport and the Mall of America. These revenues immediately declined as businesses shut down and travel plummeted. Suddenly, Bloomington was forecasting a multimillion-dollar budget shortfall for 2021—and, to add pressure, it was facing an economic environment in which the city council did not want to raise property taxes. To engage its community and understand its priorities, the city transformed its approach to public engagement in the budget process. Here's what happened.

About Bloomington

Located 12 miles south of Minneapolis, the City of Bloomington, Minnesota, has a population of 89,987 people, according to the 2020 Census. It is home to the Mall of America and strategically located near Minneapolis-St. Paul International Airport.

CHANGING THE PROCESS

Before 2020, public engagement in the budget process was mainly limited to one state-mandated truth in taxation public hearing. Held during a city council meeting in early December, this session came near the end of the budget process, right before approval of the final annual budget and tax levy.

Then March 2020 hit. Bloomington's local hospitality and entertainment industry generates lodging and admission taxes, which help fund city operations, including police, fire, and public works. When businesses were shut down and travel suddenly stopped, these tax revenues plunged. Bloomington's

mayor and city council members knew that the tax base would be slow to recover, and so they needed to make significant changes quickly.

FORMING A COMMITTEE

In this emerging crisis, Bloomington Mayor Tim Busse appointed a Community Budget Advisory Committee, made up of nine residents with knowledge of local government and finance, to meet weekly from June to October 2020. Their mission was to study the city's services and budget to prioritize potential reductions as well as to ensure budget discussions reflected community preferences.

In addition, Bloomington hosted four community engagement budget listening sessions with residents and business leaders. It also created a new Community Budget Advisory Committee website and launched a digital engagement platform, "Let's Talk Bloomington," with a dedicated section for survey questions to poll residents about city services and budgets. This data could inform potential cuts under consideration by the city council in the budget scenarios it was developing.

"We were facing a difficult situation," said Karina Carlson, Budget Manager for the City of Bloomington. "Things were changing rapidly, often overnight." As she noted, the city wanted to engage residents and businesses in its evolving budget and tax levy discussions. "There were some difficult decisions that needed to be made, and it really helped to get the community's input to make more informed decisions about cuts. In the end, the committee and our increased public engagement really opened the door to the public in a new way."

ENGAGING THE PUBLIC

All the committee's meetings were held publicly and were televised and streamed live on the website. Minutes were recorded and all detailed materials were published via the city's public agenda software, so residents could follow along. The city also held Zoom meetings for community members beyond the committee.

In addition, committee members were encouraged to reach out to their networks to let them know about the public sessions and encourage involvement. The city's new Community Outreach and Engagement division also championed maximizing inclusivity under the circumstances through regular meetings with community groups throughout Bloomington. This helped to bring in perspectives from residents who hadn't attended the previous December meetings.

BUDGET SCENARIOS

The Community Budget Advisory Committee was tasked with presenting three budget scenarios to the city council in early November 2020. They analyzed 2021 revenue forecasts,

especially considering lodging and admission tax revenue to create a worst-case revenue scenario based on a slow recovery for the hospitality industry. They also focused on lowering the tax levy through, for example, keeping the debt service amount relatively flat and freezing cost-of-living increases for non-union employees, among others.

Yet it wasn't enough. The city faced nearly \$5 million in reductions to balance the budget if there was to be no increase in the tax levy. To address this, the committee developed three scenarios:

- Budget reduction of \$1.57 million with 5 percent tax levy increase
- Budget reduction of \$2.87 million with 3 percent tax levy increase
- Budget reduction of \$4.81 million with no tax levy increase

The committee prioritized more than 100 budget reduction options, which were shared with the public, as well as details on property tax increases for each proposal. Through the community listening sessions, the committee and city council heard community support expressed for the police and fire departments—and ultimately for the proposal that involved the fewest cuts. In the end, the city council selected this proposal, which involved minimal impact to city services. A combination of budget cuts, fund reserves, and a modest tax increase were used to balance the 2021 budget.

As Carlson noted, "Because we were very public and transparent about why cuts needed to happen, the public was very understanding. This carried over to understanding why in the end we needed to have a tax levy increase of 2.75 percent—smaller than other years, but still an increase."

Some of the budget reductions incorporated in the 2021 budget include:

- Eliminating 23 full-time positions
- Closing one motor vehicle office
- Reducing travel and training budgets
- Canceling right-of-way mowing contracts
- Increasing fees, including for parks and recreation programs
- Reducing overtime budgets
- Postponing upgrades to the city website

LESSONS LEARNED

Carlson noted that public interest was high, measured by web traffic on the dedicated Community Budget Advisory Committee site. As a result of the initial public engagement, the city has now created a city budget page on its website, where it shares information on the budgeting process to make it easy for residents to access at any time in the process.

Initially, staff expressed some concern with the transparency public discussions would bring. Ultimately, though, both the staff and the public had positive reactions to the increased engagement. “Many staff members, especially those who don’t typically work closely with the budget, learned a lot about how the city operates and how services are funded. The public had a sense of deeper engagement in budget discussions, which came from seeing what goes into decisions,” Carlson said.

GOING FORWARD

With the 2022 budget process, the city isn’t facing the financial strain of 2020. In fact, it is restoring about \$450,000 of the 2021 cuts now that the hospitality industry has recovered.

Bloomington is still embracing public engagement through community sessions and continued process transparency on its new city budget page. Efforts also include newsletters, social media channels, and outreach to residents and community

groups. The city is in the process of deciding whether to make the Community Budget Advisory Committee a permanent standing committee, which would follow established processes for applications and communications. In addition, the city is using its newfound public engagement strategies to explain funding increases and to keep citizens dialed in.

GFOA BEST PRACTICE

Carlson noted that other governments could form committees and make all budget decision information public and easily accessible online. Using digital engagement software to obtain feedback, like Bloomington did, makes the process of engaging the public easier.

The City of Bloomington followed GFOA’s Best Practice on *Public Engagement in the Budget Process*, which provides guidance on good public participation practices to help governments be more accountable and responsive to their communities.

To view the dedicated Community Budget Advisory Committee webpage, visit the City of Bloomington’s website.¹ The group’s charter, videos of community listening sessions, and detailed budget reduction options are available here, among other resources.

¹ bloomingtonmn.gov/cob/community-budget-advisory-committee



Bloomington Civic Plaza



CITY OF BONDURANT, IOWA

Establishing a Strong Internal Audit Function, Strategic Evaluation, and Internal Controls

Small governments can face key challenges including a lack of administrative staff. For several years, the City of Bondurant's annual independent audit report had found that the city's internal controls were weak and did not provide appropriate segregation of duties. A new management team took the helm, bringing experience in and passion for strategic evaluation and control to transform the city's policies, procedures, and workflows—as well as its culture. This new way of working was put to the test in 2020, when the pandemic upended life in Bondurant.

About Bondurant

Founded in 1884, the City of Bondurant is just northeast of Des Moines and a part of its larger metropolitan area. Home to 7,300 people, according to the 2020 Census, Bondurant is the second fastest-growing city in Polk County.

CHANGING THE PROCESS

Bondurant's path to establishing stronger internal controls and gaining more strategic perspective led to a new, team-based approach that incorporates technology and automation. This shift would allow the city's small staff to maximize scarce resources while reducing errors and decreasing duplicate or unproductive tasks.

With previous independent audit findings in hand, Bondurant's new management team established an internal audit function—systematic evaluation, analysis, and communication of operation execution, resource allocation, and policy and procedure compliance. It's a perpetual cycle that focuses on individual

facets of the organization at regular intervals, as well as a mechanism that staff use during daily tasks and procedures.

The first step was to adopt a policy of internal auditing with strategic evaluation and a focus on internal controls. Then, measures of performance were established, along with recommendations for workflow and audit schedule cycles in a perpetual process keyed to strategic objectives.

“The approach recognizes that not everything can be audited all the time,” said Jene Jess, the city’s finance director. “It’s perfect for a small administrative staff, because you can take a piece of the puzzle, dissect it, run it through this process, and follow up.”

The city took a team-based approach in which its central administration guides the process, and all departments implement it. This model recognizes that each department provides different services and has distinct obligations and responsibilities to the public. Delegating ownership to key individuals in each department has been an important element of the program’s success, along with strong supervisory oversight and follow-up.

In Bondurant, processes and communication can look very different by department. Each director is responsible for the processes in their respective department, with each one implementing changes and procedures directed by the council.

CHANGING THE CULTURE

Establishing new processes is one piece of the initiative, but overcoming resistance to change is fundamental to its success. “It is important first to create an organizational culture that is nourished by new ideas—and is not afraid to try them,” Jess emphasized. “We worked to create a safe place where everyone was able to express concerns or ask for clarification.”

This change was rooted in getting input from stakeholders and staff early in the process, making sure they felt involved. In addition, as part of each department’s strategic evaluation process, leaders identified individuals who displayed signs of resistance or self-doubt. Department heads and administrative management then worked together on strategies that reduced struggle and removed barriers to success.

The implementation of new technologies like accounting software can be daunting. Jess stressed that budgeting for all necessary tools and resources helps reduce frustration and delay. “Keep an eye, too, on the desired outcomes,” she said. “Ultimately it doesn’t matter how slow the train goes or how many stops it makes, as long as it reaches the station in the end.”

WORKING THROUGH THE PANDEMIC

The city had established its new approach before the pandemic hit, but the crisis highlighted the benefits it provides. Because the city was in a constant cycle of internal auditing and had already invested in and implemented technology and automation, there was no lag time in its reaction.

City staff swiftly transitioned to online services and work-from-home platforms. Staff members were also able to quickly establish health and safety policies for internal and external users. As a result, Bondurant was nimble in adapting and expanding services during the pandemic.

Jess explained that part of the central administration’s mission is to display fiscally responsible behaviors. “Analyzing cash flows was already a regularly scheduled audit we focus on. We were able to quickly analyze data and produce a recommendation for social safety nets, budget amendments, and grant applications while keeping an eye on projected revenues.” This was important because Bondurant’s budget policy includes a 25 percent reserve requirement, so it was critical to ensure that expenditures matched up with projected revenues in making adjustments to the original budget. “We created policy and procedures within recommendations that have been internally audited. This is how the cycle goes.”

LESSONS LEARNED

Other local governments can adopt this process by following a few key steps. The first is to adopt a policy of internal auditing, with strategic evaluation and focus on internal controls. A designated staff lead begins the process by evaluating, analyzing, and creating a measure of performance. This person then makes recommendations for workflow and operational audit schedule cycles and delegates the performance of internal auditing procedures on specific tasks to establish strong internal controls. Ultimately, this staff member is responsible for maintaining the process through measuring performance and evaluating if inputs and outputs are achieving the community’s vision. Regular communication of audit and analysis results should be easy to understand. The final component of the infinite cycle is using data insights to make recommendations on how to improve the process.

Investing in infrastructure and implementation is essential to success. Budgeting for the necessary tools and training can help overcome resistance and avoid derailing or delaying the process. “Be patient with yourself and your team,” Jess said. “Recognize that it’s a marathon and not a sprint—and it won’t be perfect the first time.”

The City of Bondurant followed GFOA best practices on *Internal Controls* in assuming responsibility for internal controls and developing organizational structures and accountability.



COOK COUNTY, ILLINOIS

Equitable Distribution Model for CARES Act Funding

When the CARES Act was passed on March 27, 2020, it allocated \$2 trillion in stimulus funds to soften the economic effects of the COVID-19 crisis. But it also created complex logistical and ethical challenges for some governments tasked with distributing these funds to other units of government within their jurisdiction. For Cook County, home to Chicago as well as 133 suburban municipalities, the challenge of distributing \$51 million in federal funding offered an opportunity to do things differently. Here's what happened when Cook County embraced an equitable distribution model.

About Cook County

Home to the City of Chicago and a population of nearly 5.3 million people, Cook County is the nation's second-most populous county. Its 134 municipalities span affluence to poverty: the county's Gini Index coefficient is 0.5074, meaning it ranks high for income inequality, or the degree of difference in income among households within its borders.

TAKING A DIFFERENT APPROACH

The onset of COVID-19 cut across Cook County as it did in communities across the United States, posing a clear and present public health danger as well as a long-term threat to economic vitality, as stay-at-home orders and changes in consumer behavior took effect. These changes had the potential to make a dramatic impact on the county's revenue sources, including sales tax, hotel occupancy, and amusement taxes.



Cicero, IL

“The equity scores give us a new framework with which to prioritize investment in our communities that considers historic disinvestment—all through a relatively simple and cost-effective approach.”

**DEAN CONSTANTINOU, COOK COUNTY MANAGER
OF FINANCIAL PLANNING AND ANALYSIS**

While facing a common threat, Cook County also faced unique challenges in allocating the funds. A decades-long history of financial challenges for certain municipalities meant that communities had varying capacity and reserves to respond to the pandemic and economic challenges. This meant that where some suburban communities would have the reserves to navigate the crisis with minimal changes to service levels or tax rates, others would struggle. County government also realized there were no short-term solutions: In addition to offsetting the effects of reduced revenues, the CARES Act funding was intended to reimburse municipalities for direct COVID-related costs like PPE purchases, public testing, and operational initiatives to eventually facilitate return-to-work initiatives.

Cook County’s Bureau of Finance confronted a crossroads. Should it pursue a population- and proportion-based allocation model, or should it forge a new approach?

As Dean Constantinou, Cook County Manager of Financial Planning and Analysis, put it, “We know that certain communities in our county have greater needs than others. A population-based approach wasn’t going to address the effects of systemic disinvestment over the preceding decades. We needed to really look at income inequality for funds allocation.”

BUILDING A NEW MODEL

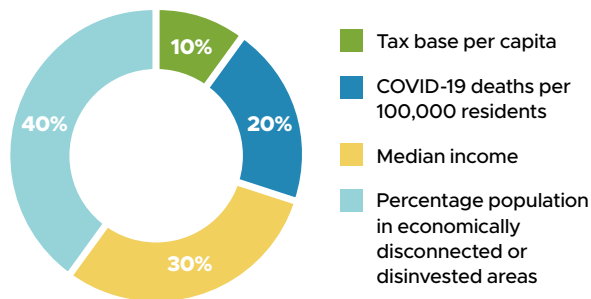
In March and early April 2020, the county solicited feedback from its commissioners on the challenges their local municipalities were experiencing. It also quickly developed and distributed a survey to local government leaders, asking them to identify emerging financial challenges.

In addition, and seeking a data-driven approach, the Cook County Bureau of Finance team was introduced to members of the Chicago Metropolitan Agency for Planning (CMAP), the county’s regional planning body. Together the county and CMAP embarked on building a model with the goal of preventing a widening disparity gap resulting from the pandemic crisis. As Constantinou noted about recovery from the 2008 recession, “We saw recovery for some but not for all—those with lower incomes generally didn’t see the level of increase that those with higher incomes saw. With CARES Act and ARPA funds, we had an opportunity to apply lessons from the past to our future and ask, ‘What do we want for our community—to exacerbate unequal income distribution or develop a model rooted in an equitable approach?’”

By designing a sustainable and defensible equity methodology rooted in data, the county also envisioned laying the foundation for future allocation strategies grounded in statistical analysis, current demographic data, public health information, and regional cooperation, all ultimately informed by the concept of equity.

Working together with CMAP and a group of Cook County staff members from multiple disciplines, including the Director of Equity and Inclusion, the CFO, County Auditor, and Chief Legal Counsel, the Bureau of Finance determined which factors should be considered and what weights assigned to them. Ultimately the model was developed based on four weighted factors:

A New Model Based on Weighted Factors



All model inputs were independently verifiable third-party data, and all model outputs were generated in R, a free, open-source statistical analysis software program powered by publicly available code.

The equity score formula grouped each municipality into deciles along a normal distribution of these categories, and the resulting equity scores ranged from 1 to 100. According to the model, municipalities with higher equity scores would receive a greater allocation of CARES Act funding. In all, two-thirds of the \$51 million in funding allocated to Cook County would be distributed in decisions informed by this model, which would ensure that the most vulnerable communities could continue providing services in a period of immense social, economic, and political upheaval.

While about 12 percent of funds were allocated directly to communities, funds were also distributed through business grants and other CARES Act programs—informed by the model, with scoring weighted for businesses located in the hardest-hit communities.

Constantinou marveled at how well data and analytics could address the challenge with effective solutions: “There is something beautiful about having a mathematical equation that represents the interests of your community,” he said.

IMPLEMENTATION AND RESULTS

After the model was built, the team shifted to implementation. “In many ways,” Constantinou explained, “building the model was the easy part. After that, the hard work of administration began.” Recognizing the importance of educating all municipalities about the program and the model, Cook County staff members from across departments worked together on communications informed by allocation scores. These included outreach to municipalities, official meetings with local leaders, press conferences, and periodic calls to legislative personnel from across the county to raise awareness of the program, its eligibility requirements, and the necessary information to provide for reimbursement of costs under the program.

Implementing the allocation distributions was a complex task, partly because of the required intergovernmental agreements under Illinois state law and partly because of disparities in resources among communities. To determine which eligible municipalities would receive funding, and in what amounts, staff evaluated applications and supporting documentation using an internally developed review process. This was largely facilitated by the county’s consultants, but applications were co-reviewed internally by finance staff and internal auditors.

A STEP FORWARD

The model can be easily adapted for other uses—and by other communities—by changing out input factors or weights to fit different needs and policy considerations. As Constantinou explained, “A background in statistics and an understanding of the local community are the primary requirements for producing equity scores,” along with the publicly available R application and public-source data.

In meeting the pandemic and economic challenges, Cook County took a step forward as a leader in equitable public policy formulation with the development of the equity scores. As Constantinou explained, “These scores have shifted the narrative about how we think about our community and provide resources. The equity scores give us a new framework with which to prioritize investment in our communities that considers historic disinvestment—all through a relatively simple and cost-effective approach.” County staff is planning to use the equity scores in the creation of future economic development programs. In addition, the implementation process advanced intergovernmental cooperation and coordination between Cook County and its municipalities.

MORE ON THE MODEL

The Cook County CARES Act Equitable Distribution Model is available on the Cook County Open Data Website.¹

¹ datacatalog.cookcountyil.gov/stories/s/yf8h-y2mv



CITY OF JERSEY CITY, NEW JERSEY

Forecast and Management through Economic Uncertainty

Just across the Hudson River from Lower Manhattan, Jersey City has enjoyed its strategic proximity to New York City for the vibrant economic, financial, and cultural benefits. But in March 2020, this closeness began to seem anything but strategic when New York emerged as the United States' pandemic epicenter. Facing a \$70 million shortfall and with the economy in distress, the City of New Jersey administration recognized the need to create economic stability for residents and mitigate the financial impacts of the crisis.

About Jersey City

Located just six miles from New York City, Jersey City is the second-largest municipality in New Jersey. Home to 292,449 residents, it's a densely populated melting pot of people and cultures, home to a financial district known as "Wall Street West" as well as service, shipping, logistics, and retail centers.

CREATING THE POLICIES

The Department of Finance had been reviewing GFOA best practices before the pandemic hit. In an economic downturn, though, the need to evaluate current and future fiscal decisions and to ensure cash liquidity emerged as high priorities. This urgency stemmed from estimates in April 2020 that Jersey City faced a projected \$50 million revenue loss and \$20 million in added expenses in response to the public health crisis. "We looked at the GFOA model together and collaborated to implement it throughout our organization," said John Metro, Jersey City's finance director.

To develop its financial forecast model, the city relied on a combination of internal and external resources. These included historical budget figures as well as guidance from credit rating agencies and federal regulatory bodies. Although it already had access to data on its own organization, the finance team explored how it could analyze and deploy this data more effectively.

Incorporating hyperlocal trends was key, too. With nearly 10,000 units under construction, Jersey City is currently one of the largest centers of economic development in the Northeast. A halt to construction created instant uncertainty. The area's ports—Port Jersey and the Port of New York and New Jersey—are essential drivers of the economy; shutdowns affected the flow of goods and passengers at some of the busiest facilities on the East Coast. In addition, tourism is fundamental to Jersey City's economy, and with hotels shuttered, its hotel tax revenues would be affected.

And, with the sudden shift to remote work, small businesses and restaurants faced drastic decreases in revenues, which would affect their ability to pay workers and ultimately affect Jersey City's tax base. "We understood that the domino effects of small business closures and empty storefronts would contribute to a continuous downgrade of the local economy," Metro noted.

Developing the financial forecast included defining assumptions, which was a challenge. "The nature of the crisis created uncertainty for recovery," Metro said. "When would travel restrictions get lifted? When does construction come back? These were questions we asked that we didn't know the answers to." In its modeling, the team looked at the 2008 recession to understand the sectors and revenues that were most vulnerable, but its assumptions had to differ. "Ultimately, the effort was a balancing act between our revenues and expenses to address the essential needs of our residents, stabilize taxes, and predict where revenues would land." The city took a conservative approach toward revenues, which affected its approach to spending.

These revenues come in weekly, monthly, and quarterly, so the team had to back into where they thought each revenue source would land. "We were conservative and had to consider what we could live without, which was a challenge," Metro stated.

Policy creation followed an established process. Typically, the Department of Finance creates a working group, which then pitches a draft to the mayor and the city council. The team presented these forecasts and other items at a budget hearing, and city administration was satisfied with the proactive approach the city was taking to protect residents.

MONITORING AND UPDATING

Both forecasts were quickly incorporated into Jersey City's processes. The financial forecast is monitored by the budget director and updated monthly to inform the city's budgeting process. The Treasury Department performs a cashflow analysis once a week to provide a better understanding of the city's cash position.

The forecasting has been highly accurate. Jersey City was able to reduce both revenues and expenditures to a variance of less than 2 percent of year-end actual results. This created stability for the local tax base, as the adopted budget didn't include a residential tax increase. Additionally, accurate forecasting provided stability for the 2021 budget, with operations from the prior year closing out as expected and no material deficit to carry over. In fact, the 2021 budget, which was adopted in June, included an average tax reduction of \$967 per household.

By using conservative assumptions about both the cash receipts and disbursement portions of the cashflow analysis, the city was able to ensure liquidity—notable in an economic downturn when many municipalities had to borrow money to cover tax shortfalls. Without the cashflow forecast, Jersey City may have been forced to issue tax anticipation notes for near-term liquidity, resulting in interest payments for taxpayers.

The forecasts also allow the city a broader look forward as well as provide the ability to monitor year-over-year patterns. "Once we

built it," Metro explained, "we went back three to four years to compare. This helps us anticipate with more accuracy where we will be in the coming two to three years during recovery."

A PROACTIVE APPROACH TO SUCCESS

Jersey City's proactive approach to meeting the challenges of the economic crisis has helped the administration and finance team improve internal controls and meet residents' needs during the last 20 months. "Early on, we were predicted to be among the hardest-hit areas in the United States," Metro said. "Instead, we've been on the cutting edge of each stage of the pandemic, and finance has been a part of that in helping the city pay for our emergency and ongoing expenses."

Metro pointed to larger initiatives, like providing \$9 million* in small business loans, and smaller efforts, like suspending parking meter fees and offsetting water rates, as examples of ways in which Jersey City has been able to address residents' needs. In addition, Mayor Steven M. Fulop has been closely involved in ensuring that Jersey City's finances were stable, from weekly credit rating agency calls to monitoring updated forecasts. Moody's Investors Service recognized the current administration's efforts to put Jersey City's finances on a positive trajectory: The city earned a stable credit rating in 2020, when many others saw credit downgrades and negative reviews. According to the Moody's report, "The city government is taking strong action to address both the public health needs of the city and the budgetary implications thereof. The city also has extensive plans to address the substantial expected losses of revenue."

Jersey City's finance team continues to monitor key municipal indicators and data, like rent relief programs, to understand how the ongoing pandemic and economic recovery is affecting residents.

GFOA BEST PRACTICES

As Metro noted, Jersey City's best practices can be easily implemented in every governmental agency to guide policy and programmatic decisions and ensure sufficient cash liquidity.

Jersey City's team followed two GFOA Best Practices in creating its policies: *Financial Forecasting in the Budget Preparation Process* and *Using Cash Forecasts for Treasury and Operations Liquidity*. For improved decision-making, GFOA recommends that governments at all levels forecast revenue and expenditures by developing a tool through several steps, including defining assumptions, gathering information, undertaking analysis, selecting a forecasting method, and linking it to decisions. The *Using Cash Forecasts for Treasury and Operations Liquidity* Best Practice is intended to improve performance of ongoing cash forecasting to ensure a government can meet its cash liquidity needs, limit idle cash, and recognize risks to their cash positions.

*The December 2021 print edition of Government Finance Review noted that the City of Jersey City had distributed \$720,000 in small business assistance during 2020. The actual figure is \$9 million and the web version of the article has been updated to reflect this amount.



MIAMI-DADE COUNTY, FLORIDA – OFFICE OF THE COMMISSION AUDITOR

Elevating OCA's Performance Measures Report through Technology

Since it was established in 2002, Miami-Dade's Office of the Commission Auditor (OCA) has provided financial, legislative, research analyses, and independent audits to assist the Board of County Commissioners' decision-making process. OCA's annual Performance Measures Report informs resource allocation to communities and ensures governmental accountability and transparency. In 2019, under new leadership, OCA transformed its reporting approach through technology, data visualization, and an enhanced focus on service delivery. These changes came just in time to provide greater insight and transparency during the pandemic, as residents looked to government for guidance in an unprecedented time. Here's how Miami-Dade County's OCA tackles the common challenge of measuring performance for informed service delivery, managerial and legislative decision-making, and public trust in county government.

About Miami-Dade County

Located in southeast Florida, Miami-Dade is home to the City of Miami and has a population of 2.7 million people, according to the 2020 Census. It is the most populous county in Florida and ranks seventh among the most populous counties in the United States.

GOVERNING FOR RESULTS

Miami-Dade County's governing for results framework dates to 2005, when its Board of County Commissioners established this approach through ordinance. In the 16 years since, the county's framework has evolved to deliver the needs of the times, including establishing the annual Performance Measures Report in 2015—and the appointment of the commission auditor to oversee the report's creation and communication of its key insights back to the Board of County Commissioners.

In 2019, to ease the challenge of data gathering, the county passed legislation allowing OCA to access digital information maintained or owned by the county. This ordinance helped

OCA revamped its approach to performance measures research by automating the data gathering process and centralizing and standardizing all compiled data. The result enabled OCA to move from standard data tables to a narrative- and visually driven presentation. This new level of insight and presentation helps the county board understand how and where resources are allocated, and which areas might benefit from additional resources.

This expanded data visualization also helps OCA create a report geared to a more diverse audience. As Commission Auditor Yinka Majekodunmi noted, “We can now use creative ways to convey the financial information in a more clear and appealing way—meaning it can be used for multiple purposes, including to inform legislation, communicate with the public, and guide decisions.” The 2020 Performance Measures Report also included measures shown in a multi-year and geographic presentation. This provided additional visibility to guide policy and action on fiscal priorities set by the Board of County Commissioners.

The 2020 report focused on selected service changes the county had implemented in response to the pandemic. Since March 2020, county departments have increased direct community services and pivoted into roles outside normal operations to meet the community’s needs. As Majekodunmi explained, “During the pandemic, residents were trying to find information, and we saw a significant increase in our web traffic and on our social media channels. As the government put information out via these channels and our dashboard, we could measure the usefulness of this information through data. The measure itself gave us an opportunity to gauge

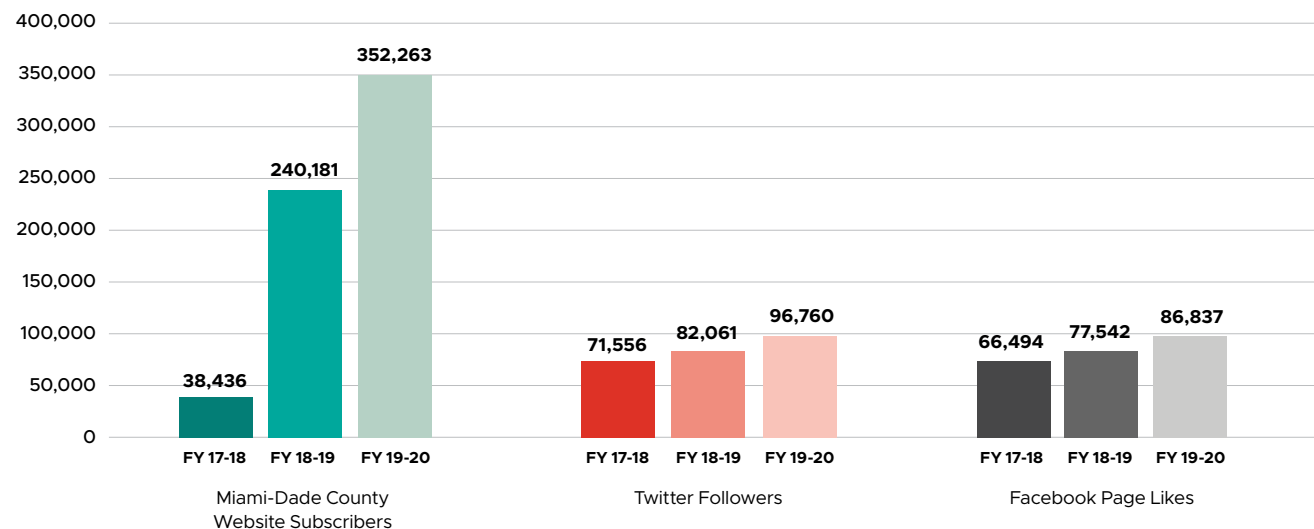
effective communication during the pandemic.” Performance measures bear this out, showing a 47 percent increase in web traffic, an 18 percent increase in Twitter followers, and a 12 percent increase in OCA’s Facebook audience.

A COLLABORATIVE PROCESS

The process of determining performance measures begins with identifying the activities, key performance indicators, and corresponding targets that will allow the organization to assess what is being accomplished. Each performance indicator includes a unit of measurement, evaluation of actual performance, and frequency with which information is reported. Decisions are then made on what data will be collected and how, who will analyze and report the performance, and how to compare the goals and performance. Status update meetings track progress, including data collection; address challenges; and, if necessary, take corrective action. OCA staff also attend public meetings held by the county, including county-run town halls and County Commission meetings, to ensure that they’re staying in touch with public sentiment and input.

Working closely with other departments is a foundational part of creating a useful report that informs decision-making. Majekodunmi emphasized that success depends on alignment. “Collaboration is everything. We’ve made the report’s value proposition something that other departments can relate to by turning the ‘why’ into a resource conversation.” He also noted that OCA staff have focused on building collaborative relationships across county government.

EXHIBIT 1 | MIAMI-DADE COUNTY SOCIAL MEDIA AND WEBSITE



Over the course of the year, as agenda items come before the Board, OCA staff draw on the report to help inform decisions that are aligned with specific performance measures. Data on the performance measures is presented to board members, ensuring that the report is used as an ongoing tool for day-to-day decisions.

INNOVATION—PRESENT AND FUTURE

OCA has made technology central to producing the report. The department has implemented Microsoft PowerBI to access county departmental information and create detailed reports. This has helped centralize information and slice data so it can be translated into narratives that are accessible and relevant to legislators and the public.

OCA has also worked with other departments on GIS platforms to geocode data and translate it into geographic views. This data presentation has become vital to communicate results to decision makers and the public. Majekodunmi shared an example of how mapping mobile bookstop locations or increases in animal bite incidents can help determine how resources should be pushed to certain locations or reallocated to others—usage or incidents are easier to see and interpret in a map-based format. He said, “Our use of technology has really been focused on answering the question, how do we simplify the digestion of the information?”

In addition, OCA has integrated the Social Progress Imperative framework, an international index that measures how well a society provides its community with the things they need—education, access to public health, safety, and more. As Majekodunmi noted, this framework has been especially important during the pandemic.

OCA staff are planning an ambitious next step for the performance measures report. They are putting the finishing touches on the foundations of an informational dashboard that will transform the report from an annual effort into a real-time, day-to-day decision-making resource that can be accessed at any time.

LESSONS FOR OTHER COMMUNITIES

Other organizations can create a performance measures report by focusing on team building, innovation, decision-making, regular status updates, and problem-solving. Majekodunmi emphasized the importance of building relationships across departments that are aligned to the goal of more informed resource allocation.

He added that a focus on internal resources is critical for harnessing the power of data and translating it into useful insights. “Our departmental strategic plan dictates what resources we need to be effective—not just the quantity of resources, but also the specific job types and competencies. This is where we’ve focused on bringing in professionals trained in analytics as well as incorporating the use of specific analytics and data visualization software.”

All staff also stay focused on the business case for the performance measures report process, understanding that it is integral to identifying potential savings for the county and for paying attention to areas that need improvement. It’s also key to helping residents understand how county resources are being used—and to creating greater trust in their government through transparency and accountability.

GFOA BEST PRACTICES AND RESOURCES

OCA followed GFOA’s *Performances Measures* best practice in creating its process and annual report. GFOA recommends all organizations identify, track, and communicate performance measures to monitor financial and budgetary status, service delivery, program outcomes, and community conditions.

Find the 2020 Performance Measures Report on the Miami-Dade County website.¹

¹ miamidade.gov/auditor/library/2020-performance-measures-report.pdf



“We can now use creative ways to convey the financial information in a more clear and appealing way—meaning it can be used for multiple purposes, including to inform legislation, communicate with the public, and guide decisions.”

COMMISSION AUDITOR YINKA MAJEKODUNMI



COUNTY OF RIVERSIDE, CALIFORNIA

Transforming an Internal Services Rate Debate into a Culture of Collaboration

As the way we work rapidly changes, the role of human resources is also transforming from a transactional background function to a frontline strategic partner. This was certainly the case in California's County of Riverside (RivCo). Under new leadership, RivCo HR made great strides in restructuring the function and contributing to a collaborative culture that values creativity and innovation. Perhaps nowhere was this more evident than in HR's Internal Service Rates, a process that was transformed from an annual "rate debate" to one that embraces a shared vision for the future. Here's how RivCo HR did it.

About Riverside County

Riverside County is the fourth largest county in California and the 10th largest in the United States. It covers more than 7,300 square miles, is home to 2.4 million residents, and stretches from the Santa Ana Mountains in the west to the Nevada border in the east.

STARTING THE JOURNEY

RivCo HR's transformation journey began in 2018, when the county partnered with KPMG to assess HR's structure and operations, identify opportunities for improvement in processes, systems, and services, and develop key performance indicators to measure progress. And progress within the first two years was encouraging, as HR improved service support to all county departments and adapted to broader organizational culture change. Yet one area remained untouched—HR's internal service rates. In 2020, the RivCo HR executive team took a hard look at the department's budget, accounting structure, and rates charged to other departments for HR services.

SQUARING UP TO ‘DO BATTLE’

Riverside County has four internal service departments: RivCo HR, Purchasing and Fleet Services, Information Technology, and Facilities Management. At \$250 million, HR’s budget is the largest of the four and includes not only a rate for core HR services but also rates for risk management, insurance, benefit plans, and individual department service contracts. Before each fiscal year’s budget season, these internal service departments would square up to do battle against all the other departments to defend their budget and rate proposals, but they had very little to offer in support of their arguments. There was growing demand for increased visibility into budget building, cost pool structure, and allocation basis, but it was not met.

It was time for a change. As part of its transformation, RivCo HR hired a new deputy HR director to spearhead this undertaking. Megan Gomez had watched the annual “rate debate” from the sidelines for 13 years during her tenure with the county in different roles before joining RivCo HR. She had seen firsthand how an apparent lack of structure, information, and communication had injected rancor into the annual rate-setting process.

BUILDING A NEW PROCESS

Gomez’s first step was to perform a full fiscal review of RivCo HR’s current and historical budgets, rates, and financial statements. She concluded that the existing accounting system severely lacked structure and, over a period of 10 years, had

devolved into what she called a “mush-pot.” There were numerous problems, among them no clear divisions between activities and cost centers, unapproved “admin fees” tacked on to payroll transfers, and payment from different internal service rates than associated operational areas, among others. Gomez’s analysis also determined that \$30 million of the mush-pot was related to core HR services, but the way in which it was being allocated wasn’t logical. This contributed to murkiness as well as under- and overcharging. Worse still, a false subsidy on per-person-filled rates for the largest departments and budgets had created inaccurate cost allocations.

Correcting these problems and building budget rates that were fair and equitable required multiple phases. As a first step, the HR executive team broke down the mush-pot and rebuilt it into a clear cost structure supported by a more detailed chart of accounts. The team also developed a new program-based budget structure that would better support an accurate costing system and result in fair and equitable rates for internal services. Under this new structure, the mush-pot became eight distinct programs: Business Services, Recruiting, Benefits, Departmental Services, Contract Services, Benefits Maintenance, Risk Management, and Insurance. Specific activities were designated for each of the eight programs, and these activities served as individual cost centers. After these steps, the HR team then reviewed all 370 county positions to assign each to the program and activity that best represented its work function, with associated accounting codes. Under this new financial system, all recorded payroll costs could be reported to the correct cost pools.



As Gomez said of the overhaul, “For this process, creativity and collaboration became the path to true innovation.”

Once the technical elements of turning the mush-pot into a structured budget, cost plan, and rate were complete, the most difficult part of the process was sharing the new methodology with all stakeholders: all other departments, the Executive Office, the Auditor-Controller’s Office, the State Controller, and the Board of Supervisors. This was done via a series of easy-to-read, informative reports and high-level visual materials dubbed the “HR Rate Roadshow.” As the pandemic made collaboration virtual, the HR Rate Roadshow was rolled out in a 20-minute presentation incorporating the history of the core HR services rate and the proposed new structure and methodology. Continuing open and clear communication was important, as the budget and rate process is a collaboration between the Executive Office, which manages the budget; the Auditor-Controller’s office, which oversees finance; and RivCo HR.

As Sarah Franco, assistant director of Human Resources, noted of the roadshow, “During this process, we’ve really changed how we market ourselves and communicate with our colleagues and the departments we serve. This has been an area of tremendous growth for us.”

OUTCOMES

Gomez pointed to several key outcomes resulting from RivCo HR’s complete overhaul of its budget and accounting structure and the implementation of the new rate methodology. These include:

- 16 percent reduction in the core HR services rate, representing ongoing savings for departments and the county budget as a whole.
- 200 percent increase in the number of recruitments RivCo HR can manage.
- Expanded benefits for county staff, including employee assistance programs and health and wellness benefits during the pandemic.
- Transformation of staff medical benefit plan from a net cost to net zero.

In addition, Gomez shared that RivCo HR has been able to achieve full cost recovery in its own department. Previously, HR had been using discretionary fund revenue to supplement operations. “This is no longer the case,” she explained. “We can now put these funds toward helping other departments achieve their missions.”

Brenda Diederichs, the county’s assistant chief executive officer/ Human Resources, emphasized the huge leap the process had enabled the department to take. “When we understood our own budget properly, we could align our resources and our needs.

Now staff members who manage each area have command of the budget for their areas, and they can make informed decisions on the services we deliver. It’s really changed how we execute.”

Assistant Human Resources Director Mike Bowers added, “This recalibration has helped us collaborate more effectively in our department and with our colleagues throughout the county, helping us be better stewards of the public’s tax dollars.”

CULTURE CHANGE

The culture change has been an important outcome, too. When the time came to develop internal service rates for FY2021/22, the mood surrounding the task was very different. Gone was dread of the old “rate debate”; in its place was a growing sense of cooperation.

As Diederichs explained, “When colleagues understood that they could budget for a number based on our service rate, and it would be reliable for the whole year, they were very pleased. They felt a lot more confident in what HR was charging them—and understood what went into it.”

The county’s other internal service function—Facilities Management—has signaled its intent to embark on its own transformation journey. The staff’s first step was to ask for a meeting with Gomez to learn more about setting rates and establishing a budget methodology.

Ultimately, a culture of creativity and innovation isn’t something that’s normally found in many county HR departments—but fostering it is transformative. Gomez shared her advice: “Don’t let the past drive your future. Be present and stand in a sense of possibility. Commit to open and positive communication. All of this creates the space for ideas about doing things differently.”

GFOA BEST PRACTICE

Gomez shared that any organization not currently using a program- or zero-based budgeting approach can benefit from transforming its ability to develop more accurate cost allocations and rates for services.

RivCo HR followed GFOA’s best practice in *Pricing Internal Services*. GFOA recommends that governments follow steps including identifying goals, developing an allocation strategy, defining the level of costing detail, deciding the basis of allocation, and considering potential drawbacks. In addition, RivCo HR’s complete overhaul required understanding and expertise in such areas as budgeting, operational analysis, indirect costs, activity-based costing, organizational development, cost/benefit analysis, revenue analysis and forecasting, priority-setting, and interpreting state and federal laws and guidelines. ■