YOLO COUNTY uses BEST PRACTICES to guide LONG-TERM PLANNING

BY HOWARD NEWENS

The Great Recession underscored the urgent need for long-term planning for many local governments, including Yolo County, California. In undertaking this planning work, the county discovered that it needed to be on firmer fiscal footing in the present before attempting to make any projections into the future. It was clear that recovery and growth would not be possible without first strengthening the county's financial infrastructure. This article describes how Yolo County used the best practices contained in the CIPFA-GFOA Financial Management Model for this purpose, particularly the best practice related to long-term planning, which turned out to be the key driver of change.

BACKGROUND

Even before the onset of the recession, the county was on a slippery slope. Public safety expenditures had steadily climbed since the aftermath of September 11, 2001. Reserves were spent with no firm plan or policy to replenish them. A number of funds incurred deficits, and the general fund came to the rescue until it could no longer bear the burden and itself went into negative territory. As general purpose funds became increasingly scarce, the county became increasingly dependent on state and federal funding. Executive management was aware of the trend, and the board was informed. Nonetheless, absent a clear direction and coordinated planning, staff continued to react to events and solve budget challenges as they arose, with scant attention to the distant future.

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Several years of austerity, however, strengthened the county's resolve to discard its short-term blinders, and a new county administration championed the search for long-term fiscal stability. Following much introspection, county officials identified three factors that destabilized the county's financial condition:

- No focus on the long-range implications of current decisions.
- No measurements county officials could use to gauge the efficacy of past decisions.
- No safety cushion to help mitigate the effect of incorrect decisions or unforeseen events.

County staff turned to the Government Finance Officers Association's long-term financial planning model (available at no charge on the GFOA's website at www.gfoa.org) to address the first and third deficiencies, and adopted the GFOA's financial management self-assessment tool, the FM Model, to correct the second deficiency. Long-term financial planning is itself one of 52 best practices contained in the FM Model, but it deserves special attention. This two-pronged approach is described below, along with useful tips the county picked up along the way.

PRACTICAL CONSIDERATIONS

If we do not set our own course, the pressure of current events will dictate our destiny. The County of Yolo chose the path to financial sustainability; the board of supervisors adopted it as a strategic goal and approved a plan to achieve it, which is being implemented. And the county is seeing a turn-around in its financial condition. As of late summer 2013, Yolo County is halfway through this effort. In the process, it has learned some lessons that are distilled in the following ten useful practices.

1. **Translate Concepts into Actions.** Achieving financial sustainability is a lofty goal, but one that turned out to be too abstract — it didn't generate enough enthusiasm to spur the county to action. Breaking the concept into familiar principles, and then into practical objectives, created greater acceptance. In turn, these objectives feed into a board-approved tactical plan, which comprises specific, measurable, time-based actions that staff intends to carry out in order to achieve the county's strategic goals. Exhibit 1 describes the county's framework for implementing financial sustainability.

2. **Get and Maintain Sponsorship at the Top.** Planning is an integral part of governance and must be initiated from the top, but it doesn't come naturally to elected officials. Long-term planning was a tough sell until the catalytic assistance of the Great Recession. County officials seized the opportunity and invited the board to launch a culture of planning throughout the organization. Board focus was maintained through frequent updates on all projects with

Exhibit 1: Framework for Implementing Financial Sustainability

Strategic Goal	Financially Sustainable County Government				
Meaning	A financially sustainable county government provides valuable services to county residents within available means while pro-actively taking measures to build and preserve its ability to continue providing services in the long run				
Key Concepts	Valuable services	Within available mean	Pro-active measures	Preserve ability	Long-run view
Principles	Ensure continuing value of services into the future	Operate within available means and with optimal debt	We are responsible for our financial health and take charge of our financial destiny	Build and preserve ability to produce	Plan to stay in business for the long-run
Policy Objectives	1. The county should periodically assess the current and future needs of its customers. 2. The county should know whether customer needs are met. 3. The county should periodically adjust the mix of services to maintain optimal usefulness.	4. Annual budgets are balanced, that is, total financing sources equal total financing uses and no past deficit exists. 5. Budgetary controls are enforced. 6. Managers are aware of the full cost of their decisions. 7. Financial responsibility is everyone's responsibility. 8. Department heads are accountable for budgetary resources under their control. 9. County debts are at healthy level.	10. The county should identify key threats to financial health and plan to address them. 11. The county should foster entrepreneurial activities that permit self-sufficiency. 12. County management should periodically assess the county's financial health and take the necessary corrective action to stay on course with the financial plan. 13. The county should take measures (reserves, succession plans) to protect core services from destabilizing events. 14. The county should identify stakeholders in the county's financial health and partner with them to chart and control the county's financial destiny.	15. The county should identify key assets, including infrastructure, financial capital and human resources and maintain their productivity. 16. Cost recovery should be based on the objective of preserving ability.	17. The county should forecast long-term trends in services and resources and adopts strategies to maintain financial health. 18. County management should consider the long-term effect of key decisions. 19. The county should develop and maintain a long-term financial plan that is consistent with the county mission and other long-term plans such as the general plan and capital improvement plans.

long-term import such as capital improvement planning, information technology strategic planning, creation of reserve policy, and OPEB funding. The board gradually took ownership then gave directives to set the course.

3. **Plan Continuously.** As U.S. Army General George S. Patton said, "A good plan today is better than a perfect plan tomorrow." The county did not have sufficient resources to undertake the participatory and consensus-driven plan prescribed by the GFOA model, so it embarked on the planning project with the resources at its disposal. County officials broke the project into manageable segments and took immediate action, not waiting for a perfect plan to come to fruition. The county's plan is in a perpetual draft stage; it is being implemented as it is being developed and continuously amended.

4. **Build the Infrastructure before Cranking Out the Numbers.** The planning work was divided into two phases. The first phase, referred to as the financial sustainability plan, consists of activities to build the infrastructure: adopting a framework for financial sustainability, developing financial policies that support this goal, and fine-tuning the financial management structure (staff organization, processes and systems) to support the goal. The second phase, referred to as the long-term financial plan, will include developing financial analyses and forecasts, identifying gaps, and building strategies to achieve balance. Without first establishing a solid infrastructure, the county would not be able to implement even the most comprehensive and well-crafted financial plan.

5. **Keep the Plan Relevant.** Long-term plans often fail because they don't hold the continued interest of stakeholders. To maintain relevancy, the county used an intermediate-term tactical plan as a bridge between the long view and the more familiar annual perspective. The tactical plan breaks down the long-term strategies into three-year action plans that are linked to the annual budget, which remains the main attention-getter in county finance. Exhibit 2 provides a glimpse of the tactical plan related to one of the county's strategic goal.

6. **Keep a Link between Strategy and Operations.** A tactical plan is essentially a medium-term plan that advances strategic goals. Its most important role is to translate strategic thinking into activities that are funded by the budget. As such, it should contain sufficient information to show how each strategic goal is being furthered in each budget year. This information may include sub-goals, the tactical tasks that help achieve the sub-goals, the responsible executive, funding, estimated completion date, and current status. This material needs to be refreshed frequently (e.g., monthly) and reported to the governing body at regular intervals (e.g., semi-annually). Exhibit 3 provides a sample format. In addition, to further strengthen the linkage between plans, all staff reports to the board throughout the year should contain a standard section describing the way all the items presented contribute to the strategic goals via the tactical plan.

7. **Fund the Tactical Plan.** The key mechanism for allocating financial resources is the annual budget. To support the tactical plan, the board of supervisors assigns priority to budget requests that directly support approved tactical tasks. This budget principle applies when the annual budget is being developed, as approval in principle for the activities, and it is reinforced throughout the year when approval is requested for specific project-funding strategies.

8. **Assign Specific Responsibilities.** A fundamental tenet of successful project management is that tasks must be assigned to individuals. Specific assignments are particularly important when tasks aren't urgent in nature or lack immediate impact, such as those related to planning. Each tactical task has been assigned to a department head who is responsible for ensuring that the task is completed and for reporting on it.

9. **Track Progress Rigorously.** To restate Peter Drucker's famous quote, that which is not measured does not get done. The tactical plan is a new tool that is not yet fully integrated with the budget cycle or other operating cycles. It takes a conscious effort on the part of management to insert tactical tasks into routine operating plans and schedules, and to assign or request resources to complete those tasks. The county administrator leads a workgroup for department heads that includes champions for the components of the tactical plan, and the group is summoned monthly to review progress and adjust the tactical plan as necessary. This determined leadership from the top administrator has been a critical factor in the progress of the plan.

10. **Create Synergy with Concurrent Projects.** Planning for the county's long-term fiscal health represents a major engagement of staff that would seem to leave barely any resources available for other changes. However, experience proves that when changes contribute to the same goal, or similar ones, they tend to support each other, if they are put into place at roughly the same time. For example, as the county's planning work continues, a team is redesigning the full spectrum of financial services delivery, based on the best practices in the GFOA's FM Model. At the same time, another team is preparing to acquire a more capable financial and human resources information system. Synergies arise when key staff members participate in more than one of the teams driving the changes, and when a momentum for change is created throughout the organization.

Exhibit 2: Tactical Plan for Goal 8

Meaning	**Key Concepts** *(Actionable items reflected in meaning)*		
(expanded definition of goal) County employees are enthusiastically engaged in providing the services that customers need, in a financially responsible manner.	**Fiscally Sound Services** Services provided financially sustainable	**Dynamic Services** Services adapted to changing conditions while remaining consistent with best practices	**Responsive Services** Empowered and valued employees pro-actively serve customers
	Objectives *(Described as outcomes)*		
	A. The cost of providing current and future services is recognized and fully recovered or funded with reliable revenue sources B. Operating resources and assets are organized in such a way as to optimize their performance C. The management structure reinforces fiscal accountability, provides transparency and supports performance-based management	D. Service outcomes measured and shared with other agencies to ensure coordinated progress toward achieving county strategic goals E. The ability and readiness to continue services and adapt is maintained through regular assessment and mitigation of short-term threats and long-term trends F. The types, levels, and quality of services are periodically evaluated and realigned to address long-term needs and conform with best practices	G. The value of county services is regularly monitored, maintained and communicated to customers and the public H. Employees are empowered and valued I. Employees proactively work to find solutions for customers

Objectives & Implementation Tactics (expected completion date)	**Measures of Success**	**Champions**
A. The cost of providing current and future services is recognized and fully recovered or funded with reliable sources revenue • Develop procedures/guidelines to ensure correct costs of providing services are calculated and used in decision making, rate setting and financial planning (Summer 2013) • Develop revenue strategy to increase revenue sources and maximize collection in concert with economic development and shared services effort (2013) • Project costs and revenues over ten-year horizon based on financial environment analysis and devise strategies to address financing gaps (2013) • Update and implement financial policies to support financial sustainability (2013) • Assess and restructure financial management to support financial sustainability using the GFOA Financial Management Model (2014)	• There is no deficit in the county annual baseline budget	Auditor County Administration Departments
B. Operating resources and assets are organized in such a way as to optimize their performance • Develop capital improvement plan to ensure that infrastructure is optimally maintained (2014-15) • Develop succession plans for key functions to minimize disruptions following separation and retirement (2014-15) • Assess performance of core information systems that support financial accountability and sustainability and plan to upgrade to maintain high performance (2013) • Develop long-term human resources plan to ensure that positions are staffed with qualified personnel (2014-15) • Develop training plan requirement for positions to keep staff knowledge and skills up to date (2013) • Explore ways to engage finance staff in support of operational decision making (2013-14)	• The capital improvement plan is maintained and up to date • Users of core county information systems are satisfied • County employees feel engaged	General Services County Administration Human Resources Department Auditor Information Technology

Exhibit 3: Tactical Plan Tracking

Objectives (SMART-based outcomes that advance the goals and can be achieved in the next three years)

A The cost of providing current and future services is recognized and fully recovered or funded with reliable revenue sources

B Operating resources and assets are organized in such a way as to optimize their performance

C The management structure reinforces fiscal accountability, provides transparency and supports performance-based management

D Service outcomes measured and shared with other agencies to ensure coordinated progress toward achieving county strategic goals

E The ability and readiness to continue services and adapt is maintained through regular assessment and mitigation of short-term threats and long-term trends

F The types, levels, and quality of services are periodically evaluated and realigned to address long-term needs and conform with best practices

G The value of county services is regularly monitored, maintained, and communicated to customers and the public

H Employees are empowered and valued

I Employees proactively work to find solutions for customers

Progress Indicator

Initiative Stalled Unexpected Hurdles Proceeding as Anticipated Upcoming Initiative

ID	Implementation Tactic	Associated Plan/ Program	Lead	Estimated Cost	Expected Complete in FY	Progress Indicator	Complete Date	Status	Change from Adopted Plan
A	The cost of providing current and future services is recognized and fully recovered or funded with reliable revenue sources								
8A1	Develop procedures/guidelines to ensure correct costs of providing services are calculated and used in decision making, rate setting and financial planning (Summer 2013)	Long-term Financial Plan	AUD	$0	2013-14			On track for completion in late summer 2013	
8A2	Develop revenue strategy to increase revenue sources and maximize collection in concert with economic development and shared services effort 2013)	Long-term Financial Plan	AUD	$39,000	2013-14			Staff hired 8/24/12. Revenue strategy to be developed by fall 2013.	

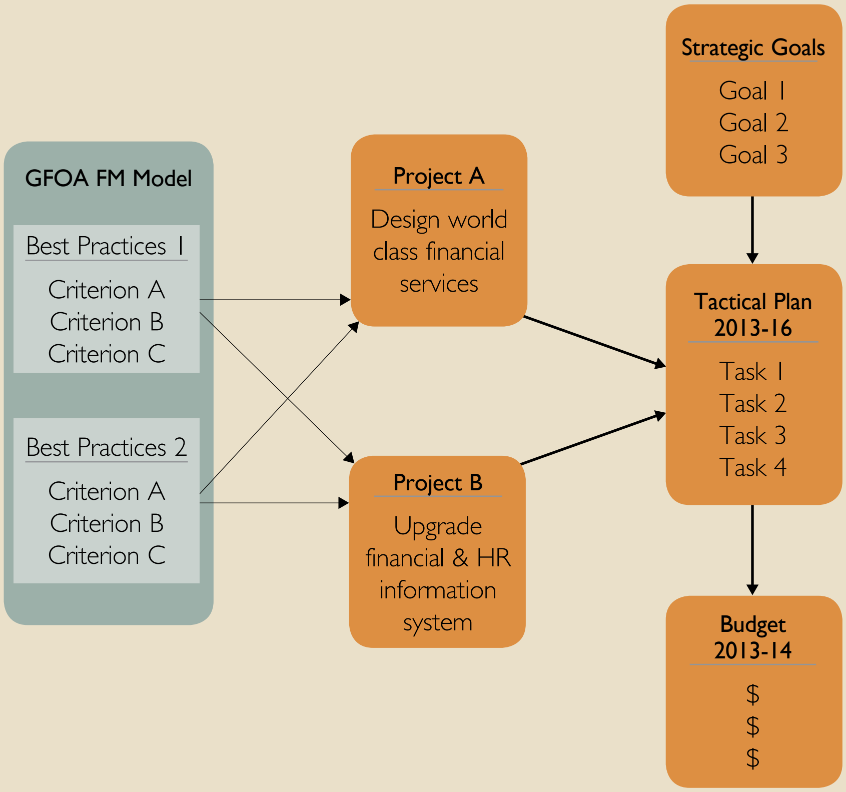
MINING THE MODEL

A critical goal of the financial plan is to ensure that the financial management structure is adequate to implement the plan. Yolo County subscribed to the GFOA's financial management self-assessment model (the FM model) and used its survey tool to assess the structure.

The results indicated that the county was barely effective in ensuring stewardship of public resources, the first level, or baseline, in the GFOA's three-stage model. County officials found that efficiency and effectiveness were hampered by the cumbersome patchwork of fixes and improvements laid over several decades — a situation that may exist in many long-lived institutions. This was the case for the organizational structure, policies, and processes as well as the information systems.

The FM Model also comprises four dimensions of financial management — leadership, people, process, and stakeholders — and the county had low scores throughout. This told county officials that piecemeal improvement was clearly not the solution; the entire structure had to be revamped. Of course, scarce resources dictated a prioritized approach, and fortunately, the FM Model scoring system provided an indication of what the priorities should be. The county initially focused on the areas with the lowest scores, with

Exhibit 4: Importing Best Practices into Financial Planning



the idea of eventually bringing up all areas to a normalized level. The practices that had received low scores were analyzed and put into synergistic groups for the purpose of designing the improvement plan. The model also provided suggestions for improvement in the guise of criteria supporting each best practice. In effect, each criterion question in the FM Model represents one aspect of the best practice.

The county scored low in the people and process dimensions; so officials formulated an improvement plan that included a wholesale reorganization of staff. Yolo County redesigned its financial services delivery and acquired an upgraded financial and human resources information system. As mentioned earlier, the tactical plan — which is derived from the county's strategic goals and links to its annual budgets — is the county's means of orchestrating this vast amount of change in the medium term. Exhibit 4 illustrates how the county imported the best practices into the planning process through these two projects.

CONCLUSIONS

The Great Recession forced the County of Yolo and other local governments to face structural problems that had been buried beneath superficial fixes. It clearly pointed out the need for shoring up the existing financial infrastructure and paving the path toward financial health. The county's experience showed that a plan for recovery does not need to be perfect before it is implemented; start now, and continuously monitor and refine it. Also, the linkage between planned actions and strategic goals must be constantly reinforced. For these purposes, the GFOA has provided a wealth of tools local governments can use to recover from distress and rebuild long-term health. Organizations can use the best practices contained in the FM Model to build a solid base for their long-term financial plan for achieving financial sustainability.

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