

Ohio Auditor of State Mary Taylor's

Best Practices

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Strategic Budgeting and Planning



Mary Taylor, CPA
Ohio Auditor of State



Mary Taylor, CPA Ohio Auditor of State

Dear Colleague,

In this issue of Best Practices we define strategic budgeting and planning for communities. Private sector businesses could potentially face bankruptcy and closure if they fail to follow a strategic plan outlining goals and initiatives for the future. Should government entities operate any differently?

Gone are the days of budgeting for today, or at least they should be. Instead, many communities are looking to the future and planning for five, ten or even 15 years down the road. More importantly, they are examining the services they currently provide, the services they want to provide and ultimately how much it will cost taxpayers to provide these services.

Once again, we highlight a community that sets the standard when it comes to strategic budgeting and planning. In our spotlight of Mecklenburg County, North Carolina, the home of the state's largest city, Charlotte, we take a look at a business plan that caters to the needs of the county's "customers and stakeholders." It is noted in this issue that in public service "customers and stakeholders" are the citizens and taxpayers in a community.

Public officials should take pride in the job they were elected or appointed to perform. I know I do. That is why we must take the necessary steps to improve government accountability and transparency and outline strategic budgeting plans that incorporate the views and opinions of the community.

The Auditor of State's office provides public officials with many resources to assist with budgeting, incorporating a strategic plan and improving the efficiency and effectiveness of government operations. If you would like more information, please contact my office at (800) 282-0370 or bestpractices@auditor.state.oh.us.

Sincerely,

A handwritten signature in blue ink that reads "Mary Taylor".

Mary Taylor, CPA
Ohio Auditor of State

What is Strategic Budgeting and Planning?

By Emily Frazee, *Public Affairs Staff Writer*

While traveling through Ohio's 88 counties, Auditor of State Mary Taylor is able to observe the diversity of the different communities throughout the state. Whether rural or urban, each community is working to make their neighborhood an attractive place to live and work. To improve the quality of life, citizens and community leaders are utilizing cutting edge strategies and techniques to improve the programs and services they offer.

When local government officials work with citizens to develop goals and strategies for their community,

the results are noticeable. Strategic planning is one of the many ways that Ohio public entities are moving toward positive change. The city of Delaware, Ohio, has experienced rapid growth due to the expansion of the Columbus area. The work of government officials is made easier due to

an extensive strategic plan that addresses the current and future priorities of the community. The entire plan is located on the city's Web site, www.delawareohio.net.

Not only can strategic planning help groups better utilize funding sources, it also improves efficiency and accountability. Put simply, strategic planning

is the practice of identifying the goals a community would like to achieve and then developing a process to best meet those goals. According to Chief Performance

strategic goals and objectives are met."

Government entities of all shapes and sizes can benefit from strategic planning. The smallest village, the largest county and even local governments that have fallen on hard financial times are perfect candidates for the strategic planning process. In fact, goal setting is highly encouraged for entities suffering from financial problems. Assistant Chief Performance Auditor Betsy Bashore at the Ohio Auditor of State's office, points out that government entities in fiscal distress should actively engage in strategic planning to help resolve their financial difficulties. Penning agrees that, "A strategic plan can guide the effective allocation of resources. This is particularly important when resources are scarce and choices have to be made among competing priorities." Recently, the Cleveland Metropolitan School District was released from fiscal watch due to the priorities established through strategic planning. A copy of the district's strategic plan is located at www.cmsdnet.com.

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“ A strategic plan can guide the effective allocation of resources. This is particularly important when resources are scarce and choices have to be made among competing priorities. ”

- James Penning, Chief Auditor, Performance Audit, Ohio Auditor of State's office

Auditor James Penning at the Ohio Auditor of State's office, strategic planning provides direction and purpose for an entity. "Once developed, a strategic plan provides a framework for decision making. It helps ensure that organizational resources are allocated appropriately so that

No matter what your financial situation may be, now is the time to begin strategic planning. There are many approaches to the strategic planning process. However, regardless of the approach, a strategic plan will help an entity develop goals, objectives and actions. A goal is a broad statement of what will be achieved. An objective is specific and results in measurable outcomes. An action is work performed in order to achieve each objective.

The strategic planning process is especially rewarding when a variety of community stakeholders are involved because priorities can be set. An initiative for one sector of the population may not be as

important to another group. When everyone has a voice, the most significant community priorities will come to the surface. Penning offers that effective strategic planning requires the active participation of key organizational stakeholders, both internal and external. Participants should include the governing body, administrators, employees, community leaders, as well as individuals served by the organization.

Strategic planning and budgeting and your organization should work hand in hand. In order to successfully implement a strategic plan, proper funding is needed to make the priorities you have

established a reality. Bashore states that, "Your organization's budget should be developed to allocate resources to the goals and objectives in order of importance." She also states that if your budget does not support the goals in the strategic plan, the likelihood of success is diminished. When the budget is insufficient and does not meet the actions associated with the goals and objectives, entities must prioritize.

Developing a strategic plan is not a one-time event. According to Penning, "It is an ongoing process that requires periodic review and revision to ensure that goals and objectives remain relevant." An up-to-date strategic plan is an asset to the community. Not only will the details help the group remain accountable to the goals listed in the plan, but over time it serves as a point of reference for how far the organization has come.



Ohio Auditor of State Performance Audit

Recommended Resources for Strategic Planning

Baldrige National Quality Program

<http://baldrige.nist.gov>

United States Department of Agriculture

<http://www.usda.gov/wps/portal/usdahome>

Harvard Family Research Program

<http://www.gse.harvard.edu/hfrp/index.html>

National Council of Nonprofits

<http://www.ncna.org>

State of Ohio Library

<http://www.winslo.state.oh.us>

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Spotlight: Mecklenburg Co., North Carolina

By Steve Faulkner, *Public Affairs Staff Writer*

Mecklenburg County, North Carolina budget officials kicked off their fiscal year 2009 budget process back in January, a good six months before the start of the county's fiscal year. Getting an early start helps county budget director Michael Bryant plan, prioritize and execute critical budget decisions sooner, rather than later.

"Laying out our budget priorities months in advance allows for more transparency in the process," Bryant said. "It also allows our [county] manager to make more informed decisions along the way."

Mecklenburg County is home to North Carolina's largest city, Charlotte. It has a population of nearly 830,000 and an annual operating budget of approximately \$1.45 billion. The size of Mecklenburg County's budget is larger than that of

most Ohio communities but county officials still manage to incorporate a strategic budgeting and planning element into an annual budgeting plan.

The county's Strategic Business Plan is just one component of the overall budget process. It was developed by county officials in 2001 to establish a 15-year vision for the entire

“For years, we've been pumping money into the jail system over and over again to address the same problem and the problem has persisted. Now we're seeing the progress.”

- Michael Bryant, Budget Director
Mecklenburg County, North Carolina

community. In fact, the county's business plan indicates that it provides "short-term direction for achieving long-term goals" by 2015. Mecklenburg County's strategic plan uses much of the same terminology one might see in most corporate budget documents. For instance, the document is a "business plan" that outlines a "business process" for "customers and stakeholders." In this case, the organizations' customers and stakeholders equate to

the citizens and taxpayers of Mecklenburg County.

The county's Strategic Business Plan includes a corporate scorecard outlining 25 measurable goals. The scorecard includes strategies and performance measures needed to advance toward and attain desired goals.

One unique component to the business plan is that it incorporates traffic light symbols to monitor the progress of certain topics. Green lights indicate improved performance, yellow lights indicate mixed results and red lights indicate reasons for concern.

For instance, the county struggles with jail overcrowding issues which is denoted by a red light in the business plan. A high arrest rate, combined with lengthy jail stays for those awaiting a pre-trial hearing, contributes to the problem. At the end of fiscal year 2006, the county had an arrest rate of 3.75 percent. The percentage of the jail population awaiting a pre-trial hearing was 12.12 percent. These numbers contribute to higher costs in the jail's annual budget.

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Characteristics of a Useful Strategic Plan

A useful strategic plan should exhibit the following characteristics:

1. A set of priorities

Setting priorities allows for the plan to be adjusted according to changing needs and resources.

2. Achievable, measurable and time sensitive

Remember, it's better to do a few things well than many things poorly. The plan should contain goals that are measurable and have deadlines.

3. Flexible and responsive to changing conditions

The plan is a road map that may contain unforeseen detours such as an unexpected crises, new opportunities or changes in resources.

4. Short and simple

Plans that are more like a book will sit on a shelf. Keep it focused on the most important things to accomplish.

5. A unit, not a menu

A useful plan is not a wish book. Everything in the plans needs to be accomplished.

6. The means to an end, not an end in itself

The plan is the process by which it reaches its destination; it is not the destination.

7. Based on a three to five-year period

The strategic plan should be a living document that has a one-year drop off and a new year added so that it always covers the same time period.

Source: Strategic Planning, Published by the Foundation for Community Association Research, 2001. Cited from - Professional Practices in Association Management, John B. Cox, CAE, Editor, American Society of Association Executives, 1997.

The county's Strategic Business Plan includes an entire page devoted to methods for reducing the number of inmates and the amount spent on jail services. After researching the problem, county officials concluded that a significant portion of the jail population could potentially suffer from mental health or substance abuse issues.

By addressing those issues, the business plan proposes different methods the county could use to reduce the number of repeat offenders in the future. Strategies for reaching their goal include developing rehabilitation services, expanding mental health and substance abuse programs and seeking additional funding from the state legislature. So far, Bryant says their plan seems to be working.

"For years, we've been pumping money into the jail system over and over again to address the same problem and the problem has persisted," said Bryant. "Now we're seeing some progress."

By the end of fiscal year 2007, the county's arrest rate had dropped to 2.03 percent. And while the percentage of the population awaiting a pre-trial hearing had increased from 12.12 percent to 13.09 percent, Bryant is still happy with the progress and hopes to see more improvement in the coming years.

The county's success addressing jail overcrowding issues was facilitated by identifying goals and laying out a

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strategic plan to achieve those goals. A well-executed annual budgeting plan was also critical to the process.

During the county's budget kick-off at the beginning of the year, Bryant unveiled an extensive calendar outlining the highlights of the budget season. The process starts with county department heads submitting funding requests that meet current budget priorities at prior year funding levels. The only exceptions are employee benefit and salary increases due to contractual obligations.

By March 4, department managers are required to submit individual department "wish lists" or any changes they would like to request for their budget. The change orders outline newly proposed policy initiatives that include increases in funding and additional staffing requests. The change orders provide detailed explanations demonstrating why the change is needed and how it will help improve services to county residents.

"All change orders submitted by department managers must include sound business policies and statistical information proving that their request is aligned with best practices and other relevant standards," Bryant said.

On March 31, all final budget requests are due. Mecklenburg

County manager Harry Jones then takes nearly two months to review and produce a comprehensive budget document and present a final version to the county commissioners. Throughout the process, Bryant says Jones keeps his office door open to constituent ideas, questions and concerns.

"I think our county manager does a great job of keeping the community highly involved," said Bryant. "He holds a series of public hearings where the community responds to proposed priority funding levels and is given the opportunity to express their views and opinions."

By June 17, Mecklenburg County's fiscal year 2009 budget is adopted and by July 1 it is enacted. The process seems simple enough but the initial planning is the cornerstone to success for the project. The early start gives Mecklenburg County budget officials time to incorporate a strategic vision for where they want the county to be in the future, how they are

going to get there and how they are going to pay for it.

While Mecklenburg County has been successful incorporating a strategic plan into their budget process, it is a process that any community, large or small, can achieve. Bryant says all it takes is a governing body committed to the strategic budgeting and planning process and an ability to embrace change. But he admits that even though he makes the process sound easy, it's not.

"We face hurdles just like any community would. We have technology restraints and still have issues getting some of our department heads to embrace the concept," said Bryant.

Regardless of some of the budget challenges the county faces, their approach appears to be working. Bryant says the county has seen tremendous progress improving services to county residents at an affordable cost.



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Mary Taylor, CPA
Ohio Auditor of State

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www.auditor.state.oh.us

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