



POST LEARNING EVENT REPORTING TEMPLATE

As part of eThekweni Municipality's commitment to strengthen our organisation's culture of learning and sharing, this form presents information on a recent out of town trip, visit, learning exchange undertaken by an official from the municipality. This information will be posted on the MILE website (www.mile.org.za) in the interest of advancing our **KNOWLEDGE MANAGEMENT** agenda. Thank you for taking the time to complete the form.

1. What was the NAME OF THE EVENT?

Government Finance Officers Association (GFOA) Conference

2. The DATE attended:

2/06/2013 to 5/06/2013

3. VENUE

(further details on venue)

San Francisco convention centre, United States of America

4. OFFICIALS WHO ATTENDED?

Krish Kumar (CFO / Deputy City Manager: Treasury)

5. What area of expertise did the event cover?

Culture, heritage and sport	<input type="checkbox"/>	Engineering and the built environment	<input type="checkbox"/>	IT and Finance	x
Economic development and Tourism	x	Health and Safety	<input type="checkbox"/>	City strategy and planning	x
Energy and the natural environment	x	Good governance	x		

Other:

6. What was the PURPOSE OF THE EVENT, THE BROAD OBJECTIVES, AND THEMES? Why was it of importance?

The broad theme was "Bridges to Finance Sustainability". We have based our budget reforms on the GFOA guidelines, and accordingly attending the Conference gives us an opportunity to benchmark our progress against American cities that have already implemented the budget framework, templates, community participation, financial reporting, performance management, strategies and processes. In addition, there are lots of lessons to be learnt on technology, revenue management / collections, fraud and corruption, auditing, economic development, credit rating and bond issues. The conference was attended by 7 000 delegates with a large number of exhibitors.

7. What in your opinion are some of the KEY LEARNINGS that you came away with? In other words, what stood out for you? Were there any "aha!" learning moments that you can share with colleagues? What were some of the KEY OBSERVATIONS that were important or different?

1. Building a better Budget Document

The GFOA has identified 27 specific criteria for assessing the usefulness of budget documents. This includes the table of contents, strategic goal and strategies, strategic planning, priorities and issues, budget overview, performance measures, how the budget is funded, statistics, etc. The aim is to make the budget document user friendly to the public. It is noteworthy to mention that the Ethekewini Municipality has covered all 27 criteria in our budget process/publication. However, Opengor Transparency has been launched which allows for ease of navigation through the budget document on the web, where at the click of a button citizens can see exactly where money is being spent. This ground breaking tool is aimed at building further trust with citizens, boosting community engagements and improving access to data.

2. Sizing your Reserves: How Much is enough

The key outcome of this was to determine an appropriate reserve level that does not leave a municipality exposed to risk and at the same time does not result in over taxing of the community.

Various cities gave examples of exactly what they provide for based on risk, e.g. hurricanes, fires, and emergencies, drop in revenues and a general stabilization reserve. The view of rating agencies on reserves were also covered because one of the key issues in America is to ensure that municipalities are able to get AAA bond rating which allows them to borrow at best possible interest rates. There is consensus that generally a reserve of 2 months (16, 67% of budget) of operating revenue/expenditure is required as a reserve. Whilst National Treasury have set the benchmark in South Africa as 3 months (25%) they have since indicated that 2 months would be adequate for a Metro. Ethekewini currently has over 3 months in cash reserve however this includes unspent government grants.

3. Better Asset Management through GIS

80-90% of American cities are using the ESRI GIS software. This has proven to be a valuable tool in making both financial and operational assets decisions.

The key issues are for Asset Management:

- Growth and aging infrastructure
- Cost effectiveness/affordability
- Regulatory requirements
- ROI (Return on Investment)
- Justify investment
- Political and economic influence
- Retiring experienced workforce/brain drain
- Doing more with less
- Impact of recession

The key issues are no different from South Africa, the focus being on the ability to maintain assets to ensure that they are able to give us the maximum use. In addition, replacement needs to take place at the appropriate time to ensure that the asset, e.g. roads, can be rehabilitated rather than a total rebuild being undertaken.

4. America, the Real Heroes – Ben Stein

Ben Stein is an economist and lawyer. He features prominently on Fox TV. He was the speech writer for two former presidents, namely, Nixon and Ford, and has written 28 books.

Ben indicated that it is a myth that government employees are lazy, not effective and do not earn their keep. We need to look at civil servants such as soldiers, firemen and police officers that risk their lives every day in order to protect society. If all civil servants worked with the ethic of these dedicated officers that make huge sacrifices they will be equally regarded.

Mr Stein was scathing about students who have become lazy and that the crime knowledge base was poor. Human capital in his opinion was losing its edge. Innovation, creativity and work ethic was lacking. In America 50% of children are raised by single mothers which exposes them a greater risk of committing a crime. 8 million people in America are in prison or in the criminal justice system. Although the American economy was recovering there is a need to get citizens to work like their ancestors to ensure that America can sustain their quality of life. Ben honoured again police officers, fire fighters and marine officers and requested that all follow their example to ensure a better future

5. Best Practice for Community Involvement in Planning and Budget

This reflects on the great strides made in budget transparency, moving away from 11th hour budget hearings to involving the community in the early stages of budget planning and keeping the public engaged throughout the process, e.g. additional funding for capital expenditure through a bond issue is voted upon prior to budget approval. Detailed reasons for the expenditure are provided as well as the impact on property tax.

Involving the community in the prioritization process was very refreshing. Consultation is deepened through focus groups, neighborhood association meetings (similar to Ward Committees) and NPO's. The City of Vallejo came up with an innovative game on budget decision making using the monopoly theory.

This involved ideas and input on the budget and how to achieve/take care of the goals and constraints. In addition, a way had to be found to fund the budget by raising taxes, cutting programs, or increasing effectiveness. Prioritization was then done using "monopoly" money and trade-off of additional taxes, etc. There were 10 people per table with one facilitator and subject matter experts also on hand to ensure that appropriate advice was given. The focus group appreciated the different priorities and the impact and this really helped ease decision making in an informed manner. The key learning outcome of citizen participation is that politicians give up some power but become more popular. It builds greater accountability and decision making in the hands of the people and municipalities become more responsible. It creates stronger communities as they get to learn and know the process and it creates new leaders for the future. Also results in more efficient spending as a lot of volunteers spend time getting to know the priorities.

6. Developing Policies to Contain Health Care Cost

Health care in America constitutes 25% – 28% of the State budget, and is thus a major contributory factor to the deficit in Federal Government. In addition, 60% of the bankruptcy in the USA is due to health care costs. Poor health care impacts on economic growth, productivity, cost of labour, etc. The cost drivers and challenges are similar to USA. Health insurance companies cannot have a margin of more than 15% on administration, including profits. Any increase of more than 10% in the premium is not accepted. Integration of hospitals and physicians in medical facilities could create monopolies but in the short term considered to be the most effective way to reduce costs. Medical students leave college with a debt of \$200 000, this is creating a major strain on them being cost effective.

7. Telling your Story to the Rating Agency - Montgomery Country

- Monitoring AAA – major priority of leadership
- Not a once a year effort – ensure all priorities are viewed from the impact of the credit rating agency
- Review write up from the last rating:
 - Where were the soft spots, weaknesses, narrowing of fiscal flexibility?
 - Reliance on economically sensitive revenue sources
 - What were the lessons learnt from the previous rating - anything needs to be changed?
- Anticipate any questions – any news worthy issues
- Share ideas with other cities – which issues impacting on their rating?

Key Observation

- Debt outstanding
- Operating costs/revenue projections and planned coverage ratio
- Costs controlled/ sustainable
- Have the appropriate line department available to respond to key issues
- Spatial land use management policy
- Not going for 3 ratings anymore

Preparations Area

(i) Economic Development Strategy

- Accomplishment
- Planned development
- Assets diversity
- Current states and trends

- Employment
- BASE
- Housing market
- Building and Permits
- Activity- residential and construction

(ii) Financial Management

- Policies
- Reserve Policy
- Debt
- Multi-year Fiscal Planning
- Political Consensus
- Flexibility
- Engagement with other level of government
- Expenditure and Capabilities

(iii) Financial Conditions, Status, Projections, Trend

- Reserves
- Reserve Trends
- Expenditure Changes
- Head Count
- Collective Bargaining Accomplishments

8. Citizenville: It's not a game GFOA for June Article

California Lt. Governor, Gavin Newsom, was the former Mayor of San Francisco and has a long history of public service. He launched his new book at the Conference, "Citizenville", which explores the many ways in which technology can transform government and empower citizens to play a more active role in all facets of government.

His focus is on tackling issues that are too big and expensive for government to procure a solution. He suggests ways to innovate our way out with the need for leadership from public officials, public employees and citizens to have a role in this endeavor. Attached is an article regarding the book from the GFOA journal.

9. Lean Process Improvement

Lean techniques have been rapidly gaining popularity in State and local government due to their potential to reduce costs, increase quality and improve response times. This process is similar to our BPI (Business Improvement Initiative) as well as CPI (Continuous Process Improvement). The goal is to provide a more effective service to customers. It must be leadership driven, however, human resources performance management integral to the success. Finance is a good pilot to lead by example. Mayor's Office buy-in essential to ensure effectiveness. Outcomes-based budgeting key to the process. Involvement of staff and buy-in is essential. They must see improved delivery. Any process that has broken down or needs improvement must be reviewed on an ongoing basis. Data is essential in managing the process. Performance management must drive the change; integrated planning, resources allocation, implementation, accountability and evaluation. SLA for every service must be established and performance measured. Process can be driven by internal capacity. Leadership support essential and benefits for employees, customers and service delivery must be clearly articulated.

10. San Francisco Park – SFMTA

The San Francisco Park deals with all parking in the City- both parking garage and off-street parking. The focus is on accessibility to parking rather than profiting from same. All parking garages and off-street parking are allocated upon an application and a motorist driving in can access same on his phone to determine where he can find convenient parking. The parking bays have sensors indicating whether they are occupied. Parking garages are cheaper than off-street parking to encourage use of same. Off-street parking varies during peak hours and rather than hourly, one car parks for 3 hours at a time. This also reduces enforcement. Garages charge on an hourly basis.

Key Lessons

Data issue took a long time to get on GIS. Participation of chamber of commerce to ensure impact on business appreciated. Parking made user friendly and focus on availability and not revenue generation. No official business permits for State Departments – all pay incentive to drive off peak.

11. A Perennial Challenge: Preventing Fraud

Need to be aware of fraudulent bills with wrong banking details, need to create customers awareness and encourage use of direct debits and on-line emailing of bills. Ensure that the municipality covers itself from liability for wrong bills being sent.

Need to have tight internal controls around cash handling. Rolling of cheques and cheque fraud is a major problem. Accordingly, a decision to stop cheque payment is appropriate. Standing Operating Procedures (SOP) for all cash functions are essential. Human resources recruitment does little to minimize risk as 95% are first time offenders. The greatest theft and fraud are from people over 60, Finance and Accounting account for 87%, women 58%, Executive Manager - highest value and most. Surprise audits a good tool. Also need to publicize fraudulent behavior. Zero tolerance is supported - need to set the right tone.

12. More than Compliance – Accountability for Results in PM

Montgomery Country – next to Washington DC – over 1million people. Unless there is accountability there will not be an effective system.

“If there are no consequences there will be no commitment.” - Al Shanker

Data is key to be able to manage performance. Clear measurable goals required. Caution on the use of incentives. Individuals goals linked to accountability. Have a “311” number for public to report. Performance dashboard is published. All council decisions on website. Any outstanding issues followed up on. All information is shared with citizens to ensure better accountability.

13. AUSTIN – 11TH largest City in the USA

Population of 800 000 citizens very vocal with high expectations. Managing for results. Show the public what we do with money and how we account for same. Clearly reflect what we do and how much it costs. Austin has been publishing budget and performance data since 1970. Strategic Planning to Budget to Results/Performance Management fully integrated within the City.

Vision : Most livable City in the Country

Mission : Best Managed City in the Country

Department Mission : linked to the City.

Include performance measures in individual plans. Performance reporting based on performance management. SMART principles applied. Need to shift from what we do to what the customer receives.

Community Participation essential

“There is no point in doing something that there is no need for”. Due to increase in population, increase in services requires – citizens will vote on the need for a bond issue of \$345m to provide additional services.

14. Performance Accountability – BT Group

Politicians and officials equally accountable, to hold staff accountable, need to have buy-in which should be negotiated. Also expectations must be reasonable based on resource allocation. 99% of people are trusted and competent. Less than 1% is corrupt and incompetent. Accordingly need to give staff accountability.

“Consensus is good, leadership is essential”

Process improvement must be continuous which requires engagement at all levels. Individuals must be empowered to improve processes. Attention must be given to organizational learning. Need to adapt processes to changes. Also review on accountability, look at process improvement from top down and bottom up.

Performance management is a change in the way we do business.

8. As a result of this event, what is the ONE CHANGE that you may consider making backing back at work, if any? What follow ups are envisaged?

1. Community participation: we need to deepen community participation and ensure that our website is more interactive.
2. BPI : we must get Management Services to integrate processes similar to the lean strategy.
3. Performance management: better accountability required and also need to integrate with Council's strategic plans, as well as individual performance plans.
4. Improved preparation for credit rating agency

9. Please indicate details of useful CONTACTS AND NETWORKS that were established during the event?

1. New President of GFOA, Timothy L. Firestone, will be attending IMFO Conference in Durban from 30 September 2013 to 2 October 2013.
2. CEO of GFOA, Jeffrey L. Esser
3. Federal Liaison Director of GFOA, Susan Gaffney
4. Several members of the GFOA Board
5. Met with about 8 GFOA members that previously worked in South Africa for National Treasury

10. One of the key functions of our MILE website is to serve as a repository of LEARNING DOCUMENTATION, VIDEOS, PHOTOGRAPHS AND OTHER RESOURCE MATERIAL. Please can send such material to mile@durban.gov.za so that it can be uploaded onto our website.

THANK YOU FOR HELPING TO BUILD A LEARNING ORGANISATION