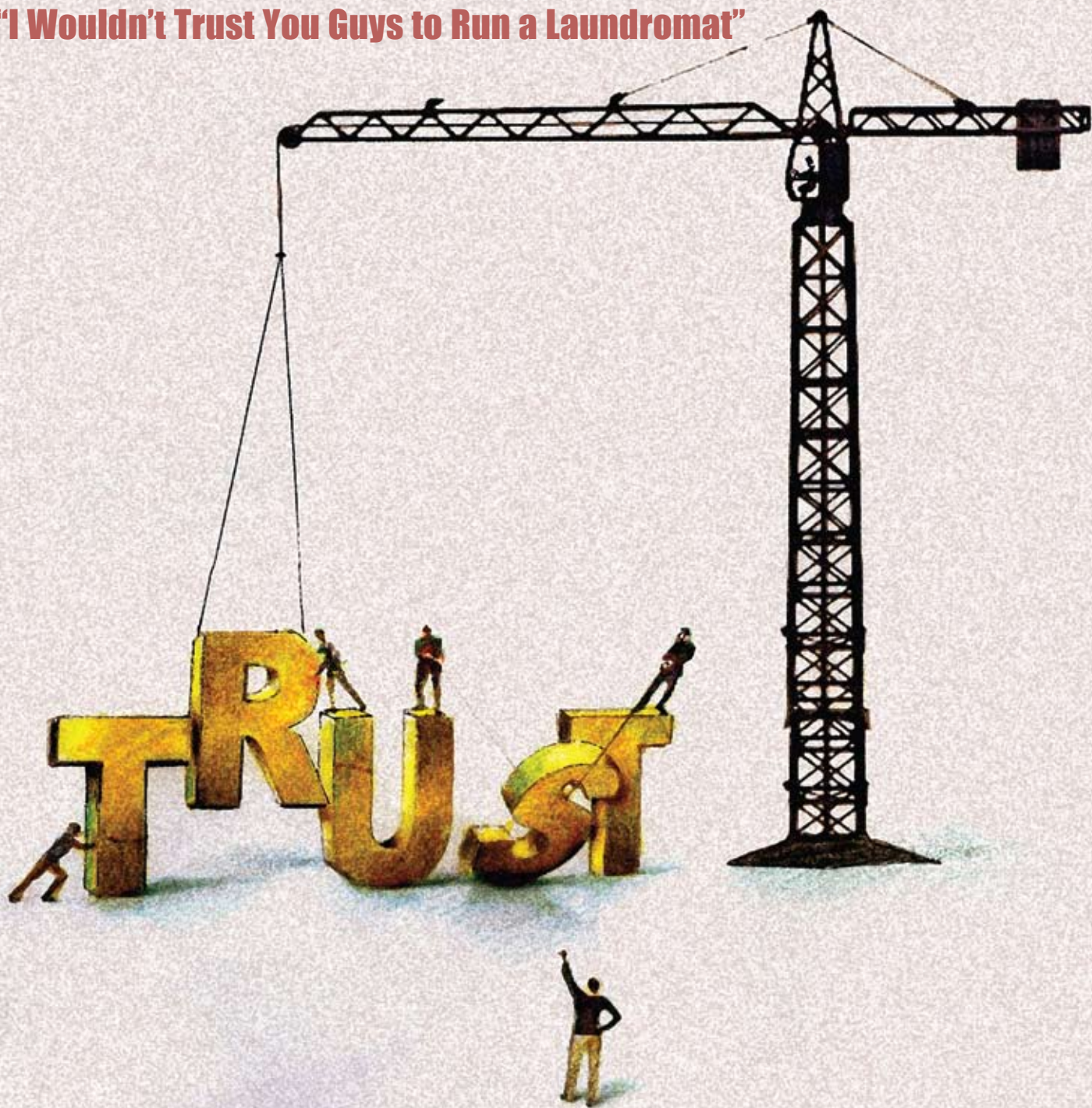


"I Wouldn't Trust You Guys to Run a Laundromat"



BUILDING PUBLIC CONFIDENCE
in Lincoln, Nebraska

BY RICK HOPPE

Iwouldn't trust you guys to run a Laundromat." The Lincoln citizen who made this statement to the newly elected mayor and his chief of staff was actually a very pleasant person. He wasn't some kind of anti-government extremist, and his words didn't hold a trace of malice. He obviously loved the community and wanted the best for it; he just didn't trust City Hall. And he wasn't alone. This sentiment had been expressed time and again over the course of the 2007 election (albeit less directly, in most cases), and it wasn't forgotten when the time came to prepare the new administration's first budget.

STRUCTURAL IMBALANCE

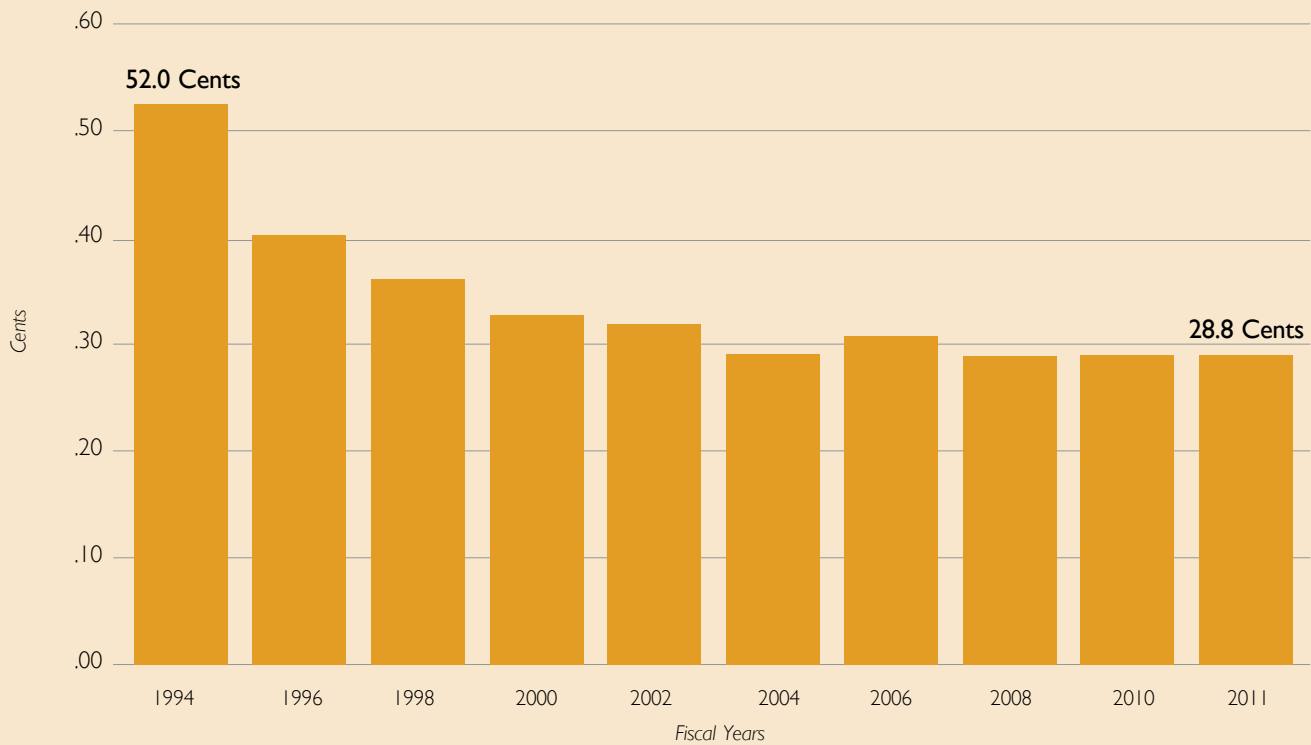
Lincoln was again facing what was becoming an annual event: a large budget deficit. The approximately \$130 million tax-funded budget was approximately \$8 million short of maintaining the previous year's service level. During his campaign, this "structural imbalance" was an area the mayor had vowed to address.

The deficit was caused by a combination of factors that greatly limited the new administration's options. First, Nebraska's unique system for determining the wages of public-sector employees is based on state-imposed salary and benefit comparability with other cities, many of them in other states. As a result, local government in Nebraska has little control over the salaries of its workforce. Also, like municipalities across the nation, Lincoln was facing reductions in its two main revenue sources. Sales tax growth, which had been flat, declined in 2007, a trend that would repeat itself in subsequent years as the national recession took hold. As a result of the national housing collapse, property tax valuations were lower than they'd been the year before, an unheard of occurrence. Finally, there was little consensus on how to solve the imbalance. The city had not raised its property tax levy in 14 years (see Exhibit 1), and no one was willing to make the tough cuts.

Stop-gap measures had become normal practice. One-time money took the place of new revenue, and general fund capi-

Exhibit 1: Lincoln's Declining/Flat Property Tax Rate

The city property tax rate dropped 44.6 percent since 1993-1994. All tax rate increases since the 1994-1995 fiscal year have been for voter-approved bond issues.



tal expenditures were cut. City spending on basic maintenance fell from \$2 million in 2001 to approximately \$50,000 in 2007.

Exactly one week after the election, the city's budget officer provided the new administration with an enormous budget book, at which point there was six weeks before the budget had to be finalized. Two things became immediately apparent: Despite the mayor's willingness to address the structural imbalance, there was no road map for doing so, not with the confidence and faith of the public, which would be necessary to make cuts stick.

A decision-making framework was needed for evaluating programs. The city's finance department did its usual outstanding job of providing the available options, but more data was needed to help choose among those programs that represented potential cuts.

It was also clear that the lack of public trust and confidence had affected budget decisions. One look at the local newspaper's opinions page showed that many citizens felt general government waste and high employee salaries were the culprits behind the budget deficit. They knew little about the city budget and less about state-mandated comparability. In fact, a survey showed that only 21 percent of residents knew that less than 15 percent of their property tax bill went to city government — most thought the percentage was far higher.

If citizens believe their money is being wasted, it isn't going to be possible to convince them that revenue increases or tough cuts are necessary.

Some substantial cuts were made that year, despite the challenges, and the budget was balanced without raising property taxes — but it couldn't be done without using one-time monies. It was clear that future budgets would require considerable revenue increases, major program cuts, or both. The mayor was deeply concerned about how Lincoln could maintain its quality of life and remain competitive for jobs and economic growth.

That first year provides a compelling contrast to where the city is today. An outcome-based budgeting and public engagement process known as "Taking Charge" helped the

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city convince a skeptical public to cut nearly 10 percent of the jurisdiction's civilian workforce (from about 1,487 to 1,350) and to significantly increase revenues — all with far less public outcry than one would expect. The structural imbalance is no more.

OUTCOME-BASED BUDGETING

The Price of Government, by David Osborne and Peter Hutchinson,¹ provided the answer the city was looking for, laying out the decision-making framework that had been missing.

The system described in the book seemed like the right approach to help Lincoln's residents better understand the city's budget challenges.

During the 2007 campaign, the mayor had stressed the need for greater accountability and attention to results. During a 24-year career in the state senate, he had strived to make government more rational and less political, and he was highly regarded for his meticulous attention to the facts and what they meant for policy. The idea of instituting performance indicators to help give both City Hall and the public a rational basis for decision making was very appealing to him.

Working from the *Price of Government* book, the mayor, chief of staff, and departments developed a set of outcome areas that focused on the objectives the city hoped to accomplish:

1. Safety and security.
2. Economic development.
3. Livable neighborhoods.
4. Healthy and productive people.
5. Environmental quality.
6. Effective transportation.
7. Accountable government.
8. "Identity Lincoln" (those things that make the city what it is).

After the outcomes were in place, the city started an ongoing five-year partnership with the University of Nebraska Public Policy Center. The center, which was selected to help with the public engagement portion of the city's effort, developed a random sample survey that was completed by

600 residents in spring 2008. The survey asked respondents to provide feedback on the outcomes the city had identified and to prioritize their importance. The list above is presented in the order identified by that citizen survey.

The Public Policy Center's participation provided Lincoln's public engagement efforts with a level of legitimacy that could not be replicated by other polling organizations. The university has a strong connection to the people of Lincoln, many of whom are graduates, and its level of credibility was invaluable in later stages they city's engagements.

The Public Policy Center had already developed a series of "Community Conversations" — face-to-face community discussions between the public and the court system — to help the courts determine how to better serve the public. The city decided to use that model to gather citizens and add depth and color to what it learned from the survey, and 51 citizens gave up an entire Saturday to hear the mayor and city staff members describe the city's budget situation and prioritization plan, and to provide feedback on the outcomes identified (see Exhibit 2). The proceedings were televised and repeated several times on the city's government access cable television channel. The effort was branded as "Priority Lincoln."

The city also involved the public by holding meetings with city staff and citizen/constituent groups to develop goals for each outcome area. The "Healthy & Productive People" meeting, for example, brought together human service organizations, a health foundation, senior citizen advocates, library supporters, and others. Together, they created and prioritized the goals for that outcome:

1. Maintain community's health status.
2. Support active living.
3. Support vulnerable populations.
4. Assure appropriate access to health care.
5. Support community literacy issues.
6. Promote self-sufficiency.

The same groups then undertook the most daunting task of the Priority Lincoln project: identifying and prioritizing the city's programs within the framework of its outcomes and goals.

Each program was categorized by its relevance to an outcome and goal and then given a "tier" ranking. Tier 1 status was for the programs that were most important to achieving the city's outcomes and goals. Tiers 2 and 3 denoted programs that were less critical than Tier 1. Later, Tier 0 was added to categorize programs that were state or federally mandated. Now all programs had a "number" that reflected the importance of the three elements. The administration used the program prioritization numbers to create a program ranking that could be easily grasped by the public and used by city departments when making their budget proposals.

TAKING CHARGE

In 2009 and 2010, the effort was rebranded as "Taking Charge" to emphasize the city's commitment to empowering citizens to make budget decisions. The city developed a budget survey with "forced choice" questions — which require respondents to choose a response option that indicates a definite opinion, with no "neutral" option available — that was administered both as a random sample survey and an online survey that any Lincoln resident could complete. The city hoped to create a simple tool that would allow citizens to make choices using the same information given to policymakers.

One question focused on a topic that everyone understood, and it drove a great deal of community discussion: "The level of snow removal is related to the amount of wheel tax [vehicle registration fee] dollars citizens are willing to invest. It requires far less expense to clear arterial streets, intersections, and bus routes for public safety and traffic flow than to clear neighborhood streets. The city could utilize \$250,000 to \$500,000 per year on other needs by focusing on snow removal for arterial streets, intersections, and bus routes rather than neighborhood streets. Which would you prefer?"

Exhibit 2: Lincoln Residents at the 2001 Taking Charge Community Conversation



Exhibit 3: City of Lincoln Program Prioritization, 2011-12

Program	Net General Fund Cost	Tier	Outcome	Goal	Department	Associated Performance Indicators
Educational Access TV: Channel 121	\$3,000 Other Sources: Revolving Fund, Cable Fund	3	7	2	Mayor (CIC)	Accountable Government Goal 12: Well-Informed Public
Civil Rights Education	\$7,000 Other Sources: HUD/EEOC Grants	3	7	2	Legal (Human Rights)	Accountable Government Goal 12: Well-Informed Public
Lincoln Arts Council	\$47,000	3	8	1	Mayor	Identity Lincoln Goal 1: City Culture
Star City Parade Cut in 2010-11 Budget	\$0	3	8	1	Mayor (CIC)	Identity Lincoln Goal 1: City Culture
Municipal Band Summer Concerts Financial Support Cut in 2010-11 Budget	\$0	3	8	1	Parks and Recreation	Identity Lincoln Goal 1: City Culture

- “I prefer residential streets to be plowed after four inches of snow.”
- “I prefer residential streets to be plowed after six inches of snow and shift the monies to high-priority city street needs.”
- “I need more information, and/or the question is not clear to me.”

As is the case for many municipalities, snow removal generates more citizen feedback than any other issue. If contact with the mayor’s office after a snow storm determined the city’s level of spending, Lincoln would be spending considerably more on snow removal.

At the Community Conversation that followed the survey, 111 attendees debated the snow question for two hours. City staff members were surprised by the level of discourse among residents, and even more surprised by their conclusions. The majority of attendees — 56 percent — chose the option that

would reduce the level of snow removal in favor of shifting funds to higher priorities.

The public conversation about the budget was gradually starting to change. People became less focused on their general stereotypes of government and more focused on the program and revenue choices confronting the jurisdiction.

In 2010, the city unveiled its first “Program Prioritization” on the Taking Charge portion of the city website (lincoln.ne.gov/Mayor/Taking_Charge). All of the city’s 219 programs were listed in order, with their general fund cost and associated performance indicators (see Exhibit 3). The public was asked to provide its thoughts about the prioritization.

At this point, Lincoln had made considerable progress on achieving the consensus needed for a more permanent fix to its structural imbalance. This progress allowed the city to cut some “sacred cows” from the budget, programs that simply could not have been cut prior to Taking Charge. For

example, Lincoln had four police officers serving its eight middle schools. The police chief had said for years that the city's police force was stretched thin and that while middle school resource officers were valuable, the city's police should be moved to higher-priority duties. The department had garnered national recognition for its use of data to determine its priorities and strategies, but each time the cut was discussed, the mayor and/or council refused to deal with such a politically sensitive issue. In the 2010-11 budget, that cut was finally accepted by the public, in large part because Taking Charge had helped citizens better understand the budget situation.

TOUGH CHOICES

The real test of Taking Charge came with the 2011-12 budget. The sins of the city's past (some of them belonging to the current administration) and the remnants of the national recession came together in a perfect fiscal storm, and \$9.3 million needed to be cut from a \$140 million budget. This was a watershed moment in Lincoln history — the city had already made deep service cuts in its previous four budgets, and the mayor strongly believed that further reductions would threaten the city's ability to handle even its fundamental responsibilities.

Public engagement was going to be crucial to achieving the consensus needed to tackle such a large deficit. The Public Policy Center developed an online survey that gave Lincoln residents an even more realistic view of the budgeting process. Respondents had nine budget items that represented potential budget cuts, and an amount of money to spend that was significantly less than the costs of the programs. For each program, participants could access additional information about the service, its performance indicators, and the impact of cuts. After citizens chose the items they wanted to fund or cut, the survey calculated the total cost of their choices and determined how much property taxes would have to increase or decrease on a \$150,000 home to pay for those budget choices, giving citizens a clear look at the real dollar impact of their choices. Interest was intense, and nearly 2,700 people participated in the survey (compared to 1,200 to 1,500 responses for previous surveys).

If citizens believe their money is being wasted, it isn't going to be possible to convince them that revenue increases or tough cuts are necessary.

Several consecutive years of focused budget discussion had significantly changed people's perceptions about the trustworthiness of City Hall. The Public Policy Center had been studying the impact of the Taking Charge initiative on trust and confidence in government, and several of their studies showed that the city's public engagement efforts seemed to be especially effective, resulting in increased citizen satisfaction with decisions and greater faith in the city's choices. This increased trust seemed to be supported by the surprising results of the 2011 survey itself: 84 percent of respondents were willing to raise property taxes in order to save the programs that were in jeopardy.

The city held a press conference in May 2011 and gave a straight-forward, no-holds-barred assessment of the budget situation, based on the program prioritization it had been building for four years. If the city followed the Taking Charge program prioritization and initiated an "all cuts budget" to cover the \$9.3 million deficit, it would have to:

- Close more than 90 parks.
- Cut 12 firefighter and 6 police officer positions.
- Close seven swimming pools.
- Close three libraries and eliminate a day of service.
- End Saturday and mid-day bus service.
- Eliminate Aging Partners programs that serve the health and well being of Lincoln's senior citizens
- Delay building new roads and rehabilitating older streets.

The circumstances were tough, and so was the city's proposed solution:

- Increase the city's property tax by 10 percent (the first hike in 18 years).
- Add a \$6 million surcharge on the Lincoln Electric System.
- Institute a three-year increase in the wheel tax that funds the city's streets.

- Make \$2.2 million in cuts to reduce the workforce by 35 jobs.

Then, perhaps the most surprising thing of all happened: nothing. At least, not as much as one might expect. No one was recalled. The city did not spend weeks fighting with an outraged public. While no one is ever excited about tax increases or program cuts,

Lincoln residents appeared to understand and accept the situation, and the Taking Charge process seems to have played a vital role.

LESSONS LEARNED

The city has learned a number of valuable lessons from this experience.

Trust and confidence will increase if the public is engaged in a meaningful way.

Five years of Public Policy Center research demonstrates that Lincoln residents have a higher level of confidence in city government after going through the public engagement process than they did before. Seeking real input from citizens can affect their faith in government decision making, allowing policymakers to make less political, more responsible, and better choices. Other public engagement strategies might produce a similar result, but only if officials are willing to give the public meaningful choices.

Engage the public only on issues the jurisdiction is prepared to act on. Public engagement for its own sake will leave the public even more frustrated than they would be if they hadn't been included at all. Nothing is worse than being asked for your opinion and then having that opinion ignored. If you aren't willing to act on the answer, don't ask the question. The success of the Taking Charge process is in how the parameters were set. Instead of asking broad questions without boundaries, the city asked very specific questions on budget actions that it was prepared to take.

Make sure the public engagement effort has legitimacy.

The Public Policy Center brought a level of credibility to the table that the city could never have achieved on its own. The fact that a well-regarded, impartial outside authority was brought in legitimized an effort that some might have seen as just political smoke and mirrors. Legitimacy is also a function of exposure; people need to feel that they have the information they need to judge for themselves.

Make sure they see it. Lincoln residents were able to judge for themselves by watching the issues debated in the Community Conversations on the city's government access TV channel and by accessing the information provided by the indicators, program prioritization, and outcomes shared on

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the city website. Being able to see and replicate the city's decision-making process helped build trust.

Don't uproot the budget structure. Lincoln's finance director and budget officer and his staff do their jobs extremely well. Their stewardship of the budget is why Lincoln has consistently achieved AAA bond ratings. It wouldn't have made sense to uproot

their accounting structure and re-categorize all the spending and revenues in the outcome-based budgeting framework the city had created. Using outcome-based budgeting as a decision-making structure, not as an accounting structure, has served the city well.

Take it slow and learn from your mistakes. Because the city didn't hire a consultant to manage its process, it moved at a slower pace than it might have otherwise. This turned out to be a blessing because it allowed the city to learn from its missteps, incrementally adjust its program, and give the public time to become comfortable with the process.

CONCLUSIONS

Neither Lincoln's mayor nor its chief of staff have had the pleasure of running into the gentleman who made the Laundromat comment in 2007, but both have often wondered what he thinks of City Hall today and whether the city's new budgeting process has changed his outlook. It has definitely changed the outlook of many of his fellow citizens and those that serve them at City Hall. ■

Note

1. David Osborne and Peter Hutchinson, *The Price of Government* (New York: Basic Books), 2006.

RICK HOPPE is in his seventh year as the chief of staff for the mayor of Lincoln, Nebraska. He is responsible for and leads the city's outcome-based budgeting and public engagement initiative, known as "Taking Charge." Hoppe was a political consultant, and before that, an aide to the Nebraska Unicameral and a research analyst to the Legislature's Health and Human Services Committee.

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