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It's All in the Questions: The Manager's Role in Achieving Fiscal Health

When elected officials start asking if it's time to cut services, cut staff, or raise taxes, are you confident you have the facts and analyses to profer a thoughtful recommendation? Be prepared with an approach that uses a series of basic but critical diagnostic questions that center around five measures of fiscal health.

Jon Johnson and Chris Fabian, Denver, Colorado.
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It's All in the Questions: The Manager's Role in Achieving Fiscal Health

by **Jon Johnson and Chris Fabian**

As the fiscal reality facing local governments across the nation becomes more challenging to manage and the necessary financial choices become more difficult to make, local government managers must ensure that the right questions are being asked to assess their organization's state of fiscal health. In times of economic prosperity, the manager has the luxury of focusing on issues related to growth, enhanced service delivery, and community initiatives and can rely on increasing revenues and healthy fund balances to maintain the organization's fiscal health.

Today's reality for most if not all local governments is declining revenues, slower if not stagnant growth, and depleted reserves. The manager must depend on the finance officer to perform the diagnostic analysis necessary to identify the symptoms and causes of the organization's fiscal distress, and then they must work together, using the diagnosis, to correctly prescribe and apply the most appropriate and effective treatments.

Through a series of basic diagnostic questions, the manager will gain a better assessment of not only the positive signs of the organization's fiscal health but also the root causes of the fiscal "dis-ease" impacting long-term financial sustainability. With a thorough diagnosis, the manager can effectively answer important questions posed by the elected decision makers: Is it time to raise taxes? Should we begin cutting expenses by eliminating programs or staff? What do we do to balance the budget?

To provide the best answers to the governing body, it isn't enough to ask the questions of the finance officer. The manager must follow up with another question: Can you show me? Without documented and demonstrated analysis supporting the answer, the manager may be relying on inaccurate assumptions or unsubstantiated conclusions that don't treat the real symptoms.

A diagnostic approach helps an organization achieve fiscal health, the first step leading to long-term financial sustainability. By asking the right questions in five areas and then asking for basic diagnostic tests to be performed, the manager can obtain answers that help isolate the potential cause(s) of the fiscal issues and then focus on more in-depth analysis to identify and apply the most appropriate and effective treatments.

Question 1: Are we truly spending within our means?

Seems like a simple question, but in a time when increases in costs—often fixed costs—are outpacing revenue growth, it becomes the most critical question of all. This question also requires a more detailed response than simply a yes or no.

Governments are experiencing skyrocketing expenses in almost every area of their budgets. Unfortunately, most are also seeing major revenue sources moving in the opposite direction. Few revenue forecasts predict that this trend isn't going to continue for the foreseeable future and beyond.

Spending within your means is a philosophy that should be adopted regardless of the economic crisis du jour. Understanding the sources of funding for operations, for one-time initiatives, and for investment in capital is a foundation of good fiscal health. Adhering to this philosophy is imperative for the fiscal sustainability of today's communities.

Without spending controls, some governments are looking toward bankruptcy, privatization, borrowing against future revenues, or even disincorporation as viable treatment options. Posing this first question helps the manager achieve these objectives:

- Establish alignment between ongoing revenues and ongoing expenditures.

- Establish alignment between one-time sources and one-time uses.
- Understand how services rely on general government revenues versus program revenues (user fees, grants, permits).
- Provide incentives for departments to manage and monitor program revenues.
- Shift the focus of forecasting and budgeting from expenditures to revenues.

To obtain a sufficient answer to the question of whether the community is truly spending within its means, a manager needs to review the diagnostic analysis carried out after getting answers to these questions:

1. DO WE DIFFERENTIATE BETWEEN ONE-TIME AND ONGOING REVENUES AND EXPENDITURES? IF SO, HOW ARE THEY BEING TRACKED? DOES OUR FORECAST DEMONSTRATE THIS DIFFERENTIATION?

- Develop an understanding of how revenues are classified as either one-time or ongoing in nature.
- Determine how recurring revenue streams exhibiting some degree of volatility or uncertainty are classified.
- Assess the clarity of the tool used (historically and for forecasting purposes) to demonstrate that fund balance (or any other one-time source) is not being used to support ongoing operational costs.
- Request a chart or graphic that demonstrates that ongoing revenues have historically been and are forecast to be greater than ongoing expenses.
- Ensure that multiyear forecasts consistently match ongoing revenues with ongoing expenses and one-time sources with one-time uses.

2. ARE RESOURCE ALLOCATION DECISIONS FOR BUDGETARY PURPOSES INFLUENCED BY PROGRAM REVENUES GENERATED BY EACH INDIVIDUAL DEPARTMENT, DIVISION, OR ELECTED OFFICE? IF SO, HOW ARE PROGRAM REVENUES DIFFERENTIATED FROM GENERAL GOVERNMENT REVENUES (TAXES, INVESTMENT EARNINGS, FRANCHISE FEES, AND SO FORTH)?

- Determine whether program revenues are allocated specifically to the operation responsible for generating them and whether increases or decreases in these revenue streams directly affect that operation's budget allocation.
- Assess the method by which resource allocations for operational expenses are established in the budget process: Are they based on prior year expenditure budgets for each department or are they based solely on available ongoing revenues?

3. IS THERE A FORMAL REVENUE MANUAL? IF SO, WHAT INFORMATION IS INCLUDED?

- Review the manual to see if all major revenue sources are included, if they are clearly described, if the source of authority for collecting them is clear, if historical and forecast trend data are present, if the forecasting methodology is clear, and if relevant statistical data (historical, economic, demographic) linked to forecasts are being tracked.
- Verify that fees for services, including permits and licenses, are updated regularly and that written policies support the level of cost recovery desired.

After the questions have been asked and the answers verified through a review of the appropriate diagnostic analysis, the manager should work closely with the finance officer to treat any symptoms that indicate a poor state of fiscal health. It is critical that the manager partner with the finance officer in the development of policies, procedures, and philosophies that create an environment that supports good fiscal health practices.

After the treatment is determined, the manager's leadership role is to engage and empower the organization to achieve a strong state of fiscal health. The most critical elements of fiscal health that should be in place are:

- Use only ongoing revenues to fund ongoing expenses (and one-time sources for one-time uses).
- Understand the impact of decisions affecting one-time alignment and ongoing alignment.
- Establish a distinction between general government revenues and program revenues; create incentives for self-sustaining programs by allowing departments to keep 100 percent of program revenues generated.
- Require reductions in program revenues to be offset by reductions in the associated departmental operating budgets.
- Base resource allocations strictly on available revenues and one-time sources (as opposed to historical or forecast expenditures).

Figure 1 illustrates the distinction between ongoing alignment and one-time alignment. Note the pattern of persistent inability to "spend within your means" that emerged in the 2001–2002 period. This fiscal health problem was masked because the organization continued using one-time sources to plug the ongoing gap.

Question 2: Are we maintaining required reserves? Are they adequate and appropriate?

The concept of having reserves set aside for emergencies and economic downturns is a no-brainer. But just as in the fairy tale



Goldilocks and the Three Bears, the manager must assess whether the level of reserves is too high, too low, or just right. Maintaining inadequate reserve levels puts the long-term sustainability of the organization at risk. But in times when resources are scarce, assessing the right amount of reserves to maintain will ensure that funds critical to the operation are available.

Reserves are important not only during this period of economic disaster but during natural disasters as well. Floods, wildfires, hurricanes, tornadoes, drought—few local governments have sufficient rainy-day funds to deal easily with Mother Nature's wrath. Entities without adequate reserves for emergencies have been forced to make difficult choices to address the cost impacts from natural devastation.

Working capital (or emergency) reserves are a critical element in establishing good fiscal health. The Government Finance Officers Association has set forth a best practice—Appropriate Level of Unreserved Fund Balance in the General Fund—that recommends that "general purpose governments, regardless of size, maintain unreserved fund balance in their general fund of no less than 5 to 15 percent of regular general fund operating revenues."

Similarly, ICMA recommends that the most influential guidance comes from the bond-rating firms, which use a rule-of-thumb figure of at least 5 percent of annual operating expenditures as an acceptable level of (accessible) reserves (on top of restricted reserves). Unfortunately, a brief scan of news reports reveals that local governments are experiencing lower bond ratings because they have failed to meet even these minimum requirements.

Establishing an appropriate working capital reserve is one of the most straightforward yet overlooked objectives for achieving fiscal health. Even with an adopted reserve policy, many governments have not instituted adequate monitoring mechanisms to ensure that those balances are securely maintained. In light of this practice, it's not enough to ask whether there is a formal reserve policy; the manager must verify that steps to monitor compliance with the policy are in place and being used.

In addition to working capital reserves, organizations normally have other reservations, restrictions, or designations of fund balance that may be statutory, required by bond covenant, established by the provider of a restricted revenue source, or set forth by ordinance. The manager should ensure that an up-to-date inventory of all reserves exists and that mechanisms are in place to ensure compliance with those reserve requirements—to both maintain adequate levels and ensure that the organization isn't holding too much.

In posing this second question, the manager:

- Establishes a working capital reserve policy and ensuring that there are monitoring mechanisms in place to demonstrate compliance with that policy.
- Creates an inventory of all reserves maintained across the organization to ensure that all reserve levels are adequate and appropriate—not too high, not too low.

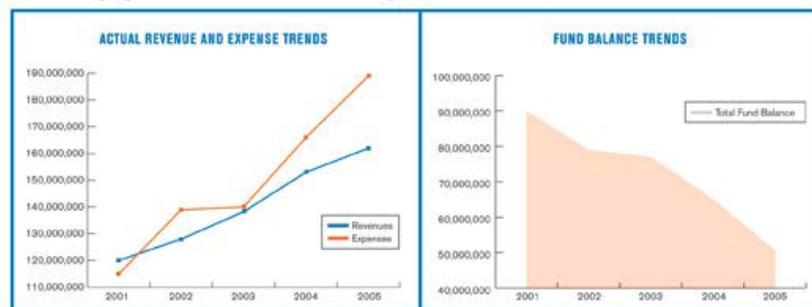
When asking whether a community is maintaining required reserves and whether the reserves are adequate and appropriate, a manager should frame the question more specifically and ask to see the analysis that supports the answer:

Do we have a written fund balance reservation policy? If so, how are we monitoring those reserves to ensure they are maintained? How do we assess the adequacy and appropriateness of all restricted, reserved, designated, and unreserved fund balance levels?

- Review the written working capital reserve policy and compare with best practices.
- Require the appropriate degree of analysis to ensure that working capital reserves are sufficient to meet emergency needs or revenue shortfalls.
- Verify that an inventory of all reserved, restricted, or designated fund balances exists and states their purpose, the authority establishing them, and how they are to be calculated.
- Validate the presence of adequate controls and monitoring mechanisms that ensure compliance with reservations, restrictions, and designations of fund balance.
- Discuss the adequacy and appropriateness of all fund balance levels—excessive balances may be as much of an impediment to good fiscal health as insufficient levels.

After the manager has assessed the responses and the

FIGURE 2. Ongoing fiscal health versus one-time fiscal health (general funds 2001–2005)



accompanying analysis, determining the existence of these critical elements of fiscal health is possible:

- Adopt a written policy establishing working capital reserves.
- Develop appropriate monitoring mechanisms to ensure that the organization is in full compliance with all required restrictions, reservations, or designations of fund balance.
- Inventory all fund balance reserves maintained across the organization and eliminate any that are excessive, unnecessary, or duplicated.
- Assess adequacy and appropriateness of the level of unreserved fund balance across the organization—having too much may be as problematic as having too little if there is no plan for how it is to be used to benefit the community.

Question 3: Do we understand our variances—especially budget versus actual?

Like finding buried treasure, understanding the nature of significant financial variances may yield a fortune of opportunities in achieving good fiscal health. Explaining variances might be viewed only as an exercise to satisfy auditors or critique the finance department's forecasting skill, but this process is far more important than that.

Comparing last year's budget amounts with current year budget dollars provides a better understanding of what has changed from one year to the next in terms of service delivery needs, increased costs, and anticipated revenues. Looking at revenue and expenditure variances to compare prior year actuals with current year actuals provides an explanation of changes in spending patterns and revenue collections as well as helps identify emerging trends that need to be considered for forecasting purposes.

Negative variances normally garner a fair amount of attention, but positive variances should also be carefully analyzed to determine why they occurred. A primary responsibility of any manager is to ask for an explanation, supported by detailed analysis, that provides a clear understanding of why variances occurred, regardless of whether they are to the good or the not-so-good.

Another type of variance is largely overlooked by many organizations as they try to understand their fiscal health. Analyzing the reason behind budget-to-actual variances for any given fiscal period may uncover opportunities to address ongoing alignment concerns or projected budget shortfalls without looking to actual reductions in services or staffing levels.

Most organizations have controls in place that prevent negative expenditure variances from occurring, but they fail to understand the true reason for negative variances caused by revenue shortfalls. Significant negative revenue variances should be analyzed thoroughly to determine the specific reasons that they occurred and, more important, to look for emerging trends that need to be integrated into future revenue forecasts.

The manager should also require that the same level of attention, if not more, be placed on understanding positive budget-to-actual variances. Failure to understand the reason for a positive revenue variance may critically impact future forecasts if that variance was caused by a fluke or unusual circumstance rather than an upswing in economic activity or an increased demand for service.

Favorable budget-to-actual expenditure variances, especially those that recur year after year, must be analyzed carefully to ensure that permanent efficiencies are captured so the savings generated from these changes can be reallocated to other critical areas. Analysis of these positive variances may validate the need for more precise salary and benefit cost projections specifically related to vacancy savings and the timing of individual wage increases.

This analysis may also lead to the discovery of a multitude of contingency budgets spread throughout the organization that could be satisfied through a single, smaller amount budgeted in one central account or could uncover cyclical costs that are budgeted each year but are spent every three or four years.

By simply understanding the nature of these budget-to-actual variances and bringing future budget amounts more in line with actual experience, the manager may find opportunities to reduce the budget without actually having to eliminate a single employee or cut actual spending.

Asking this third question helps the manager:

- Determine the specific reasons variances have occurred and adjust the budget to be more in line with actual experience.
- Identify programs or services where resources have historically been over allocated, allowing for those resources to be reallocated to other areas of need.
- Eliminate the extras in departmental budgets for contingencies, cyclical needs, worst-case scenarios, or the proverbial "just in case we need it."

- Improve the accuracy of revenue and expenditure forecasts by better isolating and identifying emerging trends as well as eliminating the impact of recurring historical variances.

In seeking the answer to whether we understand our variances—especially budget versus actual—more specific questions will help obtain a better understanding:

1. AT YEAR END, ARE VARIANCES BETWEEN BUDGETED AND ACTUAL REVENUES AND EXPENDITURES ANALYZED AND EXPLAINED? IF SO, HOW DO THOSE VARIANCES AFFECT FUTURE BUDGET CYCLES? HOW SIGNIFICANT ARE REPORTED VARIANCES RELATED TO CAPITAL PROJECTS?

- Determine the reasons for consistent variances that seem to occur year after year.
- Obtain an explanation of significant revenue variances in order to identify important trends that will help forecast future receipts or affect the level of funds available for future allocation of resources.
- Look closely at recurring patterns of carrying forward from one year to the next significant dollar amounts appropriated for multiyear capital projects, and gain an understanding of why project dollars are not expended in the year they are appropriated.
- Isolate any resources allocated on an ongoing basis as a place holder for one-time costs or costs that are projected to occur only cyclically.

2. DO WE HAVE A FORMAL COMPENSATION PLAN THAT IS USED TO ESTABLISH EMPLOYEE SALARY OR WAGE RANGES? IF SO, HOW IS THIS PLAN DEVELOPED (FOR EXAMPLE, MARKET COMPARISONS, UNION NEGOTIATIONS, STEP AND GRADE SYSTEM), AND HOW OFTEN IS THE PLAN UPDATED?

- Ensure the plan is used to prepare salary and benefit projections.
- Ensure that reasons for variances between the formal plan and actual employee compensation (whether over or under) are clearly explained.

3. WHEN ASSESSING THE ADEQUACY OF EMPLOYEE COMPENSATION, ARE EMPLOYEE BENEFIT PACKAGES INCLUDED IN THIS ASSESSMENT? DO WE BELIEVE THAT OUR TOTAL COMPENSATION PACKAGE IS ATTRACTIVE ENOUGH TO RECRUIT COMPETENT INDIVIDUALS AND RETAIN THEM?

- Determine that salary and benefit projections are being developed by separating salary projections from benefit projections and applying individual calculations for each benefit factor (some benefits are based on percentage of wages while others are calculated as a flat dollar amount).
- Understand the impact of the total compensation package on employee recruitment and retention (variances may be exacerbated by excessive turnover or long recruitment periods).

After the manager has evaluated the responses and looked at the analysis, it's easier to see whether these assumptions of fiscal health are present:

- Identify where resources have been regularly allocated for one-time or cyclical costs, and eliminate ongoing resource allocations where possible.
- Identify possible causes of revenue variances and trends that need to be monitored.
- Ensure that expenditures related to multiyear capital projects are budgeted in the years in which costs will be incurred; this prevents large unplanned appropriations (carry forwards).
- Eliminate unnecessary contingencies maintained in department budgets.
- Develop a salary-benefit projection tool that budgets employee compensation costs more accurately and aids in analyzing the impact of vacancies.

This article continues with more questions in the October issue of *PM*.

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From the Editor

Take a Look . . . We've Changed!

They say listening is at the heart of understanding and change. We think there's no better way to practice listening than to ask questions. Our online questionnaire to *PM* readers prompted a process that brings you this makeover.

With the strength of two focus groups and more than 900 online respondents (a respectable 11 percent response rate) informing our decision making, we feel confident that we're headed on the right path. Your feedback and suggestions, coupled with strategies and goals in ICMA's new strategic plan, framed the kinds of changes we're introducing with this issue and will continue to bring you in the coming months.

The research told us that three things are important to our readers: a practical message, an eye-catching design, and information relevant to readers' lives as managers. The reorganization of content; introduction of such new elements as executive summaries of articles; and new design are three ways in which we'll deliver on these directives. We still plan to bring you ethics and retirement advice, healthy communities information, quick tips, the latest on sustainability, and management profiles, but you'll also be seeing new columns and types of articles.

New columns will focus on career building, work-life balance, and innovative practices. The last page of each issue is now called Short Story, highlighting a practitioner's description of a unique on-the-job experience and its impact. Good storytelling is both entertaining and instructive; we suspect Short Story will corroborate our belief that managers are as resilient as they are creative.

Another new one-page column is called @icma.org. On this page we'll call to your attention the wealth of information available at ICMA's Web site. At times we may also use this space to remind you that *PM* Online has two special features: access to a *PM* article index that goes back to 1990 and one online-only article to accompany most issues of *PM*.

Something we're not changing is our goal of delivering to you a magazine that reflects the diverse interests, needs, and issues of local government professionals. To achieve that relevancy, we need readers like you to provide articles that reflect your unique insights about local government management around the world. Our volunteer authors have always been the backbone of *PM*, and authors' willingness to share their expertise has been invaluable. No wonder *PM* has been a special ICMA membership publication since 1919.

The magazine's updated mission statement is guiding this change process as well. It reads: *PM* aims to inspire innovation, inform decision making, connect leading-edge thinking to everyday challenges, and serve ICMA members and local governments worldwide in the pursuit of excellence in local governance.

So here you have it. We hope you like the new look and feel. We hope you'll be motivated to contribute. And we hope you'll let us know what works, or doesn't, and what else you would find important and useful. Pick up the phone or send us an e-mail. Ask us a question! We really would like to hear from you.

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Your Replies

IT and Internal Service Funds

Information technology (IT) should not be an internal service fund as the article in the June 2009 *PM* recommended ("Faltering Economy: Time to Thoughtfully Challenge the Status Quo").

Internal service funds are typically used for items characterized primarily as nonstrategic operating costs such as printing, copying, telecommunications services, fleet maintenance, and insurance.

This is not what IT is about in 2009. If ICMA members' view of IT is this narrow, local government and the profession are in trouble. IT must be recognized as a tactical and strategic asset, and the use of it should be encouraged throughout the enterprise.

An internal service fund by definition sets up an immediate barrier to the use of IT-related assets by the local government's user agencies. As in a ride in a taxi, the meter runs from the first instant and doesn't stop until the end of the ride—and, in local government, there is no end.

What's more, making IT an internal service fund does not lower the cost of IT's services to the local government's taxpayers. Establishing chargebacks to departments like police, fire, or public works—or even the city or county manager's office—does not change the net cost to the taxpayer.

The only exception to this is those services paid by users of enterprises, whose cost-based calculations should already include IT any way. Otherwise, in the case of IT, the internal service fund represents nothing more to taxpayers than legerdemain.

Is this really what local governments should be adopting as policy in 2009 and future years?

The brief answer is no.

Fiscal constraints can sometimes lead to decisions that don't take a sufficiently broad and deep view of the world of local government—who we are, what we do, why, and how. This includes the role of IT.

Indeed, a common issue we see in local governments is the limited deployment of IT that the governmental unit already has procured. In many instances, for example, we find leading local government software packages deployed only to about 50 percent or less of their capability.

Managers should be doing everything possible to encourage the effective and efficient use of IT wherever this benefits the local government. Indeed, the critical role of IT as a key element in achieving both enhanced productivity and improved service in local government has been established for several decades.

Also, the notion that the internal service fund will cause departments to look to outsourcing of functions is not fully considered. If anything, local governments should have learned over the past 40 years that balkanization of IT is counterproductive. Although this notion of competition may work at the level of the U.S. government or large firms, the overwhelming majority of local governments simply do not present the scale of operations where this becomes feasible.

These faltering economic times call for thoughtful challenges to the status quo. The internal service fund applied to IT, however, is not one of them.

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Author's response to Sheldon Cohen's letter

Many of Mr. Cohen's points regarding the strategic role of IT are well taken. He is correct in saying that "IT must be recognized as a tactical and strategic asset, and the use of it should be encouraged throughout the enterprise." There is also no question, as he points out, that "managers should be doing everything possible to encourage the effective and efficient use of IT wherever this benefits the local government."

The question, then, is how to achieve both objectives: ensuring that IT is a tactical and strategic asset, and ensuring that IT is used effectively and efficiently in support of the benefits of the local government. Whether or not IT functions as an internal service fund—if costs of IT are distributed with a cost-allocation methodology or if those costs are simply funded like any department in an organization's general fund—the challenge at hand still remains how to achieve both objectives.

The article's three authors, myself included, believe that IT will be successful if it meets the fundamental objectives of achieving transparency about the true cost of IT services, increasing accountability for services, determining that services provided by IT are competitive and value-added, and ensuring that services provided are relevant (as Cohen pointed out, relevant in the context of the benefits of the local government as a whole).

We believe, based on experience, that an internal service fund model can be an effective model for facilitating the identification of programs, determining accurate program costs, and evaluating those programs based on the objectives described—including transparency, accountability, and customer choice.

Cohen, describing a taxicab driver with the meter running, argues that this model could lead to less use of the service. Taxicabs, however, still provide an effective solution for people looking to achieve their transportation objectives.

Moreover, by the nature of the economic forces of competition, the taxicab offers a service that comes with a cost that the consumer is willing to accept. There is transparency and accountability in the transaction.

On top of this, the customer has a choice in the matter. The customer can compare the taxicab with other modes of transportation available to meet the objectives—walking, buying a car, public transportation, airplane. The taxi has its place as a strategic solution, when needed. And yet government does not pay taxicab operators, to ensure that the use of taxicabs does not go down.

Cohen is rightfully concerned about the final objective—access—and we now climb back into that taxicab: although government does not subsidize the cost of taxicabs to the public, when it comes to public transportation, sometimes those costs are indeed subsidized to encourage the use.

Why does government encourage the use of public transportation? Public transportation can lead to reduced environmental threats, better efficiency in overall fuel and energy consumption, economic gains as all citizens have increased access to jobs, and less traffic congestion, all of which improve transportation and mobility objectives.

Central to Cohen's point, access to IT, just like access to public transportation, makes sense when the provision of such access leads to the overall objectives of the local government. In an internal service fund model, or any model, access to basic, core, enterprisewide services should be provided within the context of the local government's enterprise objectives.

For transparency, accountability, efficiency and cost-effectiveness, value-added services, and access to services, the thoughtfully implemented internal service fund model appears to be the superior model most suited to meet all of the objectives.

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Ethics Matter!

The Profession's Foundation:

CELEBRATING 85 YEARS OF THE ICMA CODE OF ETHICS

O. E. Carr, city manager of Dubuque, Iowa, addressed 100 of his colleagues gathered in Montreal in 1924 at the ICMA annual conference to present them with a code of ethics for the profession. Quite a remarkable milestone for the "city management profession" entering just its second decade and still very much a work in progress.

The significance of this contribution to the profession can be measured in two ways. First, Carr and his committee had the foresight and wisdom to recognize that a true profession is more than a body of knowledge implemented by experienced practitioners. A true profession is anchored in and guided by a set of commonly held core principles.

Those principles not only guide the individual's conduct but create a set of expectations and a bond with society. Professionals act with integrity in the conduct of their personal and professional lives in order to merit the trust of those they serve.

Writing about the recent failures of the private sector management profession in an article published in *Harvard Business Review* last fall, authors Rakesh Khurana and Nitin Nohria reflected that "True professions have codes of conduct, and the meaning and consequences of those codes are taught as part of the formal education of their members. A governing body . . . oversees members' compliance. Through these codes, professional institutions forge an implicit social contract . . . Trust us to control and exercise jurisdiction over this important occupational category. In return, the profession promises, we will ensure that our members are worthy of your trust . . . On balance we believe that a profession, with well-functioning institutions of discipline, will curb misconduct because moral behavior is an integral part of the identity of professionals—a self-image most are motivated to maintain."

Taking that first step to create a core set of principles so early in its infancy was fundamental to the success of the local government management profession. Today, those core principles are taught in MPA programs, reflected in local government management practices, and enforced in a peer review process governed by ICMA.

Second, the principles outlined in 1924 are timeless. Our commitment today—to integrity; public service; seek no favor; exemplary conduct in both personal and professional matters; respect the role and contributions of elected officials; exercise the independence to do what is right; political neutrality; serve the public equitably and governing body members equally; keep the community informed about local government matters; and support and lead our employees—comes from that first code.

Even the inspiration for the new focus on sustainability has its very roots in the last tenet of the 1924 code:

A City Manager will be known by his works, many of which may outlast him, and regardless of personal popularity or unpopularity, he should not curry favor or temporize but should in a far-sighted way aim to benefit the community of today and of posterity.

Over the past 85 years, the Code of Ethics has been revised seven times to make it more relevant to the conditions of the day as well as to strengthen principles that perhaps were losing meaning and visibility to the profession. There is little doubt that the code—debated, challenged, and amended over time—has been, along with the implementation of a strong enforcement mechanism, a crucial element in defining and sustaining the profession.

It's a source of inspiration for leaders. As ICMA's current president, David Limardi, ICMA-CM, noted "The ICMA Code of Ethics has provided a profound foundational framework for leadership with character for the past 85 years. The 100-year legacy of professional local government management, a legacy of ethical, transparent, efficient, and innovative leadership, has relied upon the Code of Ethics to provide a moral leadership compass. The code hangs in my office as a reminder to me and all who enter there of the ideals upon which our democracy was built. We owe a debt of gratitude to those who had the foresight and courage to author this historic statement of ideals."

As the profession returns to Montreal this month to launch a year-long recognition and celebration of the code, we have an opportunity to share and learn from our experiences. We all face those defining moments in time—do I do what is easy or do I do what is right? When you reflect upon such a moment in your career, how do the values expressed in the ICMA Code of Ethics support your decision?

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Ethics advice is a popular service provided to ICMA members. The ICMA Executive Board members who serve on the Committee on Professional Conduct review the inquiries and advice published in PM magazine. ICMA members who have questions about their obligations under the ICMA Code of Ethics are encouraged to call Martha Perego at 202/962-3668.

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Recycle Your Old Computer and Broken Toaster

Household e-waste, including computers, CRT monitors, and televisions, can be recycled if you live in the city of Olathe, Kansas. The city of Olathe created a flier that tells residents why and how to use the recycling program and lists the fees (from \$3 to \$10) that cover the costs of running the program with a nonprofit group that collects and recycles the waste.

- <http://icma.org/olathe>

Social Media Policy

Need some ideas about how to construct your local government's policy regarding employees' use of social media outlets like Youtube, Facebook, and other Web 2.0 media? Check out the policy of Roanoke County, which acknowledges the value of using social media to communicate with residents while also meeting county goals.

- <http://icma.org/roanokecounty>



"Economic development success today is measured less by the number of new jobs created and more by the creation and retention of value-added, high-wage jobs and overall income growth."
 –Rebecca Steffenson and James Banovetz,
 "Globalizing Local Economies: Making It Happen Through Local Action," PMplus.

- <http://icma.org/pmplus9106>

Putting the "I" in ICMA

Learn about the memorandum of understanding ICMA has signed with the city of Changsha, Hunan Province, China. The intent is to help build the city's municipal management capacity in the areas of environmental management, urban planning, and technology applications. City administrator Bob Agee (Annapolis, Maryland) started the ball rolling by hosting the Changsha mayor, Jianfei Zhang, and other Chinese visitors in Annapolis last year.

- <http://icma.org/hunan>

Take It to the Next Level

Join the ranks of the more than 1,150 credentialed managers and candidates. The next new application deadline for ICMA's voluntary credentialing program is October 1, 2009, and you can apply online.

- <http://icma.org/applycredential>

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DEPARTMENTS

Balancing Act

Got Work-Family Balance?

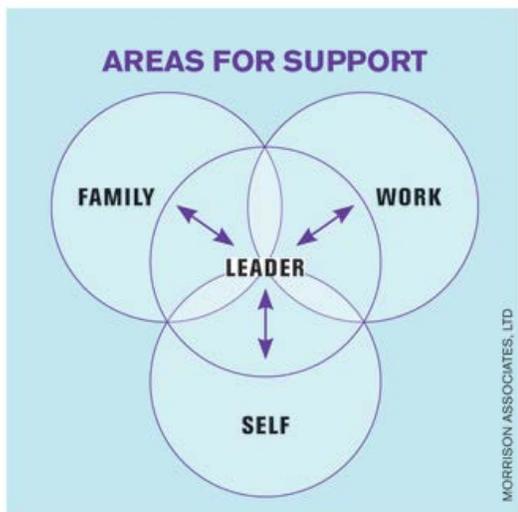
Imagine Kathy, a local government manager whose cholesterol, weight, and blood sugar are perfect, and Sharon, another manager whose same health factors are not where they need to be. In addition, Sharon smokes. Bad news for Sharon? Is there anything Sharon can do to level the playing field? Actually there is, and it relates to work-family balance.

As a psychiatrist who works with public managers (as does my father), the difficulty your profession has finding balance is significant. In the 1970s, when my father first began listening to managers share their frustrations about work, the loss of private time was significant. Like the only family doctor for the village, you as a professional manager live a life that exists in a fishbowl.

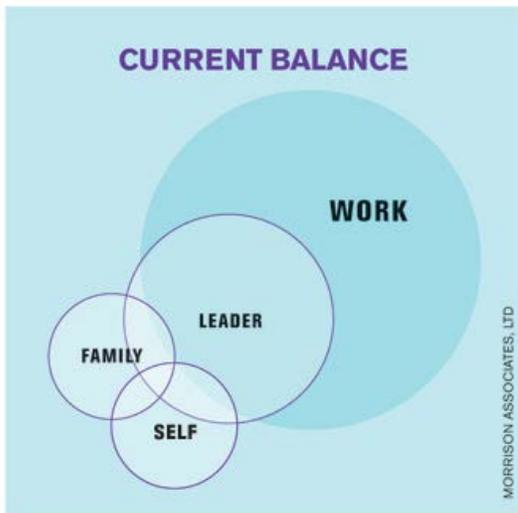
Today, the fishbowl has become an open shooting gallery where time is voraciously consumed to please too many invested and intrusive parties. During the past 30 years, the work of the public manager has become more challenging with the advent of the around-the-clock work cycle, the council's need for just-in-time information, the changing roles of family, and the aggressive entrance of processes designed for private industry.

Perhaps most frustrating of all has been the advent of blogs.¹ Broad-brush accusations of impropriety and inclusion of personal family matters have created a Wild West of information about the work of managers for anyone who has an ax to grind and a rumor. As you likely know, full-time staff commonly devote a large proportion of their work to managing the communications and public relations work of blogs.

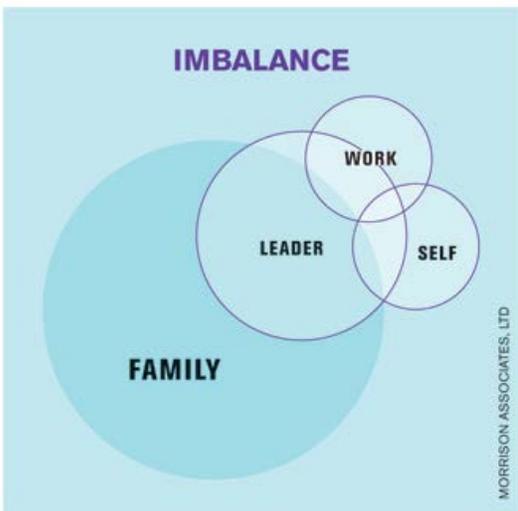
This public relations problem, the relative needs of work and family, plus the manager's own personal needs have been a subject for dialogue within your profession as well as in private industry. The situation has led to this model:



Given the demands on professionals in midlife, sometimes it can feel like this:



When there is illness, dual careers in a marriage, or children in crisis (perhaps teenagers or toddlers), it can look more like this:



How do you find balance? Have you heard of the metaphor of rocks and sand: just do both? Most public managers find that type of recommendation unusable. Life does not often unfold in a way that allows us to do both. Consultants can say this if they are not responsible for change.² Our motivation has always been to do what works.

For those of you who want something more, we've found boundaries are essential. One of the most important boundaries for understanding and supporting human beings is the requirement to define what it is you are working on. Therefore, self, work, and family must be defined. Let's start with work.

Work is defined by task completion. Work is defined in physics or engineering as power exerted over time, or $W = P/T$. When you go to work, you exert your power over the course of a day, a week, and a career. Above all else, your workplace expects you to get tasks done. As you know, it was the absence of the basic community tasks that is the legacy of your profession—as the profession began when cities and counties failed to have needed services for their citizens. How does one define family?

Family is defined by relationships. Family is not defined by task completion. It is less rational and more emotional, and the family itself defines its members. Everyone reading this belongs to a family. Unless you are a cyborg, you had enough food, shelter, and love as a child. In our experience, Ward and June Cleaver have never existed, but even in the worst of stories I have heard, every manager has had a collection of people who were there to cajole, correct, encourage, and be present to be a family. What is less well known is what child psychiatry has discovered: the absence of enough love is as lethal as the absence of food and water.

Which brings us back to Sharon and Kathy. Public health professionals have recognized there are elements of living a life that allow a person to live longer and be more satisfied. Although Kathy does well in her pursuit of personal health, it is possible that she has not done as well in tending to personal friendships and with her family.

The health problems she has may be as dangerous as Sharon's,³ especially if as she pursues her career she does it at the expense of nurturing meaningful relationships outside of work with friends and family. With the ends in mind, it makes sense to plan now, as you would for retirement, for those deep and meaningful relationships. How a public manager can proactively plan for that stage of life will be the subject of our next column.

¹ The challenge of this intrusion will be a specific focus in an upcoming Balancing Act column.

² See Chris Argyris, *Flawed Advice and the Management Trap* (New York: Oxford University Press, 2000) for an excellent overview on how to assess any consultant's capacity to give actionable advice.

³ Joan Arehart-Treichel, "Loneliness but Not Depression Linked to Alzheimer's," *Psychiatric News*, March 16, 2007; Joan Arehart-Treichel, "Depression Can Break Heart in Unexpected Way," *Psychiatric News*, March 16, 2007; and "A Reason to Keep on Going," Stephanie Clifford, June 2, 2009, *New York Times* Online.

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Retirement Strategies

Getting Financially Fit

Joan McCallen, president and CEO of ICMA-RC, a nonprofit organization that provides financial education, tools, and services to help public employees build retirement security, speaks with Kathryn Kurre, one of ICMA-RC's certified financial planners,[™] about measures public employers and employees can take as they save for retirement.

McCallen: In today's financial market environment, our participants are seeking more information and education on saving. As a financial planner, what are you reminding public employees to keep in mind as they plan for retirement?

Kurre: One important thing to remember is that every little bit helps. Save what you can. For those who have a long-time horizon, even though the market is volatile right now, this is great time to save. People with shorter horizons, however, should make sure that they are allocated properly and that their portfolios match their retirement timeframes.

McCallen: Traditional pension plans and Social Security have long been the backbone of most public employees' incomes in retirement. However, longer life spans and rising costs, especially for health care, have changed the retirement outlook for many people. In your experience as a financial planner, what tools are most often used by public employees as supplemental savings vehicles?

Kurre: Individuals looking for a supplemental retirement savings vehicle should consider their employer-sponsored 457 deferred compensation plan. A 457 plan is beneficial for a number of reasons, such as: 1) the ability to reduce your taxable income while investing for retirement; 2) the earnings accumulate tax deferred; 3) if you change jobs, you have the flexibility to move your account into your new employer's retirement plan; and 4) if you retire or leave service early, there is no penalty for withdrawals. Retirement health savings plans and Individual Retirement Accounts (IRAs) are two other useful savings options.

McCallen: In the past year, we have all felt the changes in the economy and a resulting need to tighten our belts. Can you talk about the new program ICMA-RC has put in place to help public employees who are just starting out in their career fields, or who are simply uncertain about having the extra money to save?

Kurre: The Saver's Initiative was designed to provide plan sponsors with practical and relevant messaging tools that provide helpful and specific ways workers can save—even if they are on a tight budget. More detailed information about the Saver's Initiative, including a short video, can be found at www.icmarc.org/savers.

McCallen: National Save for Retirement Week is an annual event held in October that also promotes saving for retirement. ICMA-RC has proudly sponsored it since its inception in 2006. Can you walk us through the ways that plan sponsors can get involved?

Kurre: Visiting www.retirementweek.org is a good place to start. From the Web site, plan sponsors can download a number of promotional materials, such as posters, flyers, brochures, trivia questions, and press kit. They will also find a calendar full of ideas for programs they can hold each day of the week. There is also a sample resolution municipalities can use to officially mandate National Save for Retirement Week in their city or county.

—Joan McCallen
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Healthy Communities

Health as a Cornerstone of Sustainability

For much of the decade, the city of Casper, Wyoming (population 53,000), has seen strong growth as its energy-driven economy benefitted from a boom in natural gas production. And for much of that time, Tom Forslund, the ICMA-credentialed city manager, has been integrating walkability into a big-picture effort to shape the city's growth to achieve sustainability and encourage healthier lifestyles.

Healthy living is one of several fundamental goals guiding development decisions in Casper. The idea is to create the most livable community possible—with neighborhoods that attract residents as great places to live, work, *and* play. Education has been the key to building support for these efforts. In 2006, the city worked with the Local Government Commission to develop a smart growth workshop that drew about 100 developers, citizens, planning commissioners, and others. Forslund has since addressed a number of community groups on smart growth, and he typically highlights the importance of walkability in creating a healthy community, with a particular emphasis on enabling kids to walk or ride a bicycle to school.

That health message pervades Casper's overall sustainability efforts. In an era when most Americans rely more on their cars than their feet to navigate daily life, Forslund constantly looks for ways to make it easier and more appealing for residents to walk in their daily routines. He began to target the issue several years ago, when he joined ICMA's Healthy Communities Ambassadors network.

In addition to developing a master plan for trails, promoting better connectivity, improving sidewalks, and enhancing downtown streets, Forslund says the city is emphasizing the "the value of streets to move not just cars but also pedestrians and bikes" in an update of its comprehensive plan this year. The city also is working to strengthen relations with the school district so it can weigh in on school siting decisions. Forslund has long promoted the health benefits of locating schools in pedestrian-friendly neighborhoods, enabling children to be more physically active.

He also has connected school siting decisions to other sustainability factors when addressing diverse groups in Casper, from faith-based audiences and the Rotary Club to a forum in June 2009 titled "Building the Wyoming We Want." The forum was the second such event under a statewide initiative launched by Gov. Dave Freudenthal to promote better planning.

Several years ago, the state assumed responsibility for all school construction and operating costs, and the school district in Casper laid out long-term plans to build or rebuild a few dozen schools. Forslund began urging school leaders to choose locations in walkable neighborhoods with multiple access routes, rather than distant parcels on the edge of town that were accessible only by car or school bus.

In one early success, the city convinced state legislators to change a law that prohibited the city from deeding municipal parkland to the school district. This change meant that the district could rebuild Park Elementary, an older school, using adjacent land at its current location in a walkable city neighborhood. Forslund is confident that the school he passes on his walk to work will remain at the heart of the neighborhood when the district moves to modernize and expand it.

Initially, getting school leaders to consider broad community and health impacts was challenging. Over time, Forslund and his team conveyed the benefits of locating schools in places where kids can walk or ride a bike, and the school district gave the city a seat



For more information on ICMA's Healthy Communities Ambassadors

on its site selection panel. "They think about it differently now," Forslund explained, adding that he has come to better understand the challenge of finding appropriate property for a school as well.

program and related initiatives, go to <http://icma.org/activeliving>.

What has proved most important, Forslund said, is building relationships over time. For Casper, the fact that city administrative staff and elected officials have long had regular meetings with their school system counterparts made the difference. "We really promote this getting together on a regular basis, even when there are no pressing issues," Forslund said.

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