

NEW HAVEN INDEPENDENT

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Big "IBB" Savings Promised

BY Thomas MacMillan | MAR 26, 2010 2:21 PM

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THOMAS MACMILLAN PHOTO

New Haven hopes to save \$8 million in part through a so-called "Innovation Based Budget" (IBB) system. In the view of an official from another city that pursued the same hope 15 years ago, that might be a tall order.

IBB is central to Mayor John DeStefano's proposed \$476.3 million operating budget for fiscal year 2010-2011. Officials say they're going to use it as part of an effort to produce the \$8 million in unspecified savings this coming year.

IBB is a method for crafting budgets that's elsewhere known as "Performance Based Budgeting." It begins with greater scrutiny of the ways that city dollars are spent. Expenditures will be examined in the light of individual department missions, the practicality of projects, and expected productivity and efficiency.

IBB came under discussion Monday night when city budget chief Larry Rusconi (at left in photo) briefed the aldermanic Finance Committee on the budget. Rusconi said he and his staff have already targeted 11 changes the city can make to save the money. Citizen watchdogs questioned whether it makes sense to spend new money to try to do that.

Meanwhile, in an interview, Alex Pascual, director of public works in Concord, California, had some words of advice and caution about New Haven's transition to Performance Based Budgeting.

Concord, a city north of San Francisco with a population of about 120,000, [implemented Performance Based Budgeting in 1995](#). It's been very successful for Concord and has helped the city to trim its costs and deliver services much more effectively, Pascual said.

But the benefits do not come overnight, he said. It takes time, training, and city-wide participation to make the system work. PBB could help New Haven save \$8 million in one year, but only if it's implemented quickly and decisively, he said. "It would be a tall order, in my opinion," Pascual said.

City officials John Pilger and Drew Corbett in Sunnyvale, California, and Nick Mandel, a public-sector management consultant in New Mexico, also offered advice about making the switch to PBB

John Pilger, a spokesperson for Sunnyvale, California, explained how PBB works in his town. Sunnydale instituted its Performance and Management System (PAMS) decades ago. The town received [recognition for its system in 1993 from President Clinton](#).

Sunnyvale's performance measurement system basically inverts the typical budgeting process, Pilger said. Instead of looking at what resources you have and then asking what you want to do, you identify what you want to do and then determine what resources you're going to need, Pilger said. Rusconi confirmed that this is similar to the way New Haven will be approaching its budget.

It's a way of looking at projects [the way a business would](#), said Pilger.

In Sunnyvale, the city now has very precise measurements of the costs of all of its city services, said Budget Officer Corbett. "We've got everything broken down."

When making the budget, the city first determines the level of service it's looking for, in terms of, for example, how many square feet of street it wants paved, or the average emergency medical response time it would like to see. "We then build the budget to hit that service level."

"It's really an outcome-based process," said Pascual, describing how PBB has worked in Concord. When creating a budget, Concord officials first identify the goals of a particular department. Then they identify the tasks necessary for the desired outcome. Performance indicators are decided upon, and data is gathered to measure the efficiency and success of the project.

This method contrasts with the way Concord did things before PBB, when institutional inertia was the rule, Pascual said. Previously, if you asked a city worker why they did a project a certain way, the typical response would be "Because that's the way we've always done it in the past."

Rusconi expressed a similar sentiment about New Haven. "There's a certain inertia that's built into systems," he said. That inertia generally allows only incremental changes from year to year.

Pascual gave an example of how PBB helped Concord stripe its streets more efficiently. Public works used to assign the work haphazardly to a mixture of in-house and contracted employees, based on precedent. Using PBB to analyze the work, Concord was able to pinpoint the most cost-effective way to do re-striping. Now Concord uses contractors on the biggest streets and uses its in-house crew on smaller, residential streets. The data gathered through PBB demonstrated that was the most efficient way to operate, Pascual said.

Realizing the benefits of PBB took time in Concord, he said. If New Haven hopes to make drastic savings in just one year, "I don't think you'll achieve what you're trying to achieve," he said. "It's a major change in how you deliver your services."

Successful PBB implementation requires a sincere commitment by all parties involved, warned Mandel. He's acted as an advisor to agencies making the transition in New Mexico.

PBB was a big deal in the state ten years ago, after New Mexico passed a Government Performance and Results Act. But today, "in many cases it's a paper exercise, frankly," Mandel said. It's meant to promote transparency and accountability, "but often that's not happening."

Mandel said he was part of a performance-based approach by the New Mexico department of transportation to reduce the number of DWIs in New Mexico. It was unsuccessful because other state departments, like the departments of health and public safety, were not approaching the problem with a performance-based mindset, Mandel said. The lesson: when working with PBB, one needs to determine that "there is a commitment from folks to do it."

Pilger expressed a similar notion. "You're either in it or not," he said of PBB. "You can't dabble your big toe in it."

Spend Money To Make Money

One byproduct of PBB has been a reduction in workforce, Pascual said. "Over time we've shrunk as an organization but maintained the level of services," he said. With greater efficiency, fewer employees were needed in Concord. The workforce reduction was realized not through layoffs, but through attrition, Pascual said. In the first two years of PBB, 13 positions were cut from public works, he said. "That's a lot of money."

In New Haven, next year's expanded budget is due in large part to costs associated with employment.

Next year's budget will be \$12 million, or 2.64 percent, greater than this year's. Pensions, medical benefits, and workers' compensation, along with the city's self-insurance, are "really driving the budget," Rusconi said. When those costs are combined with projected lost revenue from the state, things are looking grim.

On Monday night, however, Rusconi told aldermen that next year's budget calls for the creation of several new positions, including one tasked with implementing Innovation Based Budgeting.



That notion struck several as misguided. Citizen budget watchdog Jeffrey Kerekes (pictured) asked why the city needs to create a new position to cut costs, when pensions and benefits are already consuming a large portion of city dollars.

Rusconi's response boiled down to an old aphorism: Sometimes you've got to spend money to make money.

He told aldermen about four new positions planned: two in the budget and two in the office of corporation counsel. Kerekes and Gary Doyens, members of the [New Haven Citizen Actions Network](#), said the budget also creates many other new positions.

Rusconi outlined 11 areas of focus under the new IBB system, places where the city will be looking to find savings. Rusconi later explained that the 11 ideas were the best to emerge from a call for budget ideas sent out by the budget office to all departments. See details starting on [page 1-3 of the budget](#).

At the top of the list is electronic document management and permitting. Moving documents and permitting processes online will use fewer resources and increase clerical productivity, according to the budget.

Budget staff are also looking at ways to reduce the city's liability. The mayor's budget states that the city would owe \$17,931,695 if it lost every lawsuit it currently faces. "To reduce the long term liability associated with claims the City must increase the capabilities of the legal division," the budget reads. The budget calls for the hiring of two more attorneys to the office of corporation counsel, Rusconi said.

Other items on the list of 11 areas of focus include: the establishment of a Storm Water Authority, "Targeted

Privatization," "Strategic Partnerships," increased emergency medical services, Board of Education savings, and enhanced public safety communications.

The final item on the list is "Governmental Re-Organization." The city will be examining the performance of all departments to reduce duplicate efforts, paying particular attention to elderly and disability services, youth and recreation services, and several other areas. As part of this effort, the budget calls for the creation of two new positions: an Innovation Project Leader to oversee the IBB process, and a new grant writer position, a "Management and Policy Analyst."

Grant writing is usually available to the budget office on a part-time basis only. With money available from grants, and with all budget office employees working double shifts, a full-time grant writer is needed, Rusconi said.

The Innovation Project Leader will work with the heads of all city departments to find places where they could save money and to lead them through the new budgeting system, Rusconi said.

That news prompted budget watchdog Doyens (at right in top photo) to speak up. The city spends an average of \$100,000 in salary and benefits for each city employee, he said. "Why are we adding people to talk to these high-priced managers we already have?" he asked. Why can't the department heads cut their costs on their own?

"Each new position is in here for a reason," Rusconi said. "I feel strongly about the two people in my department."

After the meeting, Rusconi said the proposed new budget staffers are necessary for the transition to IBB. "It's a whole new initiative," he said. "We're going to have to do a lot of hand-holding in our office." The budget office staff is already pulling double duty, he said. He said he sees both the project leader position and the grantwriter position as permanent additions to the staff.

"I totally reject the notion of IBB" as a means of cost cutting, said Newhallville resident Ken Joyner (second from left in second photo) during the meeting. The city does not need new employees to help the 29 department heads do what they are already paid to do, he argued.

Jeffrey Kerekes, another citizen budget watchdog, stood to echo Joyner's sentiments. He suggested that each department head be required to come up with three ideas for saving money.

"We already did that," said Rusconi. The budget office solicited cost-saving ideas in January, he said. Staffers have selected the best work on. He promised to share the full list with aldermen and with Kerekes.

Downtown Alderwoman Bitsie Clark wanted to know why the city had been slow to jump on the Performance-Based Budgeting bandwagon, which became popular 10 years ago. "It just seems odd," she said. "How did we get so screwed up?"

"I can't speak to it because I wasn't here," Rusconi said.

Clark added that aldermen may share some of the blame for not picking up on new budgeting techniques.

"It's about time that we start paying people for whether they're performing or not," she said.

Fair Haven Alderwoman Migdalia Castro spoke up to suggest that some sort of questionnaire be developed to ask taxpayers about the performance of city departments.

"Psychotic"

After the meeting, Kerekes described the briefing as "almost a psychotic experience." It doesn't make sense to be hiring more people, when the costs of pensions and benefits are out of control, he said.

"Meanwhile we're in hiring mode!" said Doyens incredulously.

"How do you reconcile those two things?" Kerekes said.

Kerekes and Doyens pulled out spreadsheets showing that the average cost of salary and benefits for a city employee is over \$100,000.

"You can see what drives this budget," Doyens said.

Kerekes and Doyens said the budget needs to change and they are organizing resistance on two fronts. First,

they're circulating a petition asking the Finance Committee to request that each department cut its budget by 10 percent.

Second, they're organizing a "city-wide brainstorm" of budget ideas. Kerekes said he has been cataloging cuts suggested in *Independent* comments and elsewhere and estimating how much money each could each save. So far, he's put together a total of \$300 million in suggested cuts, he said. That's a "non-cumulative" figure, since some of the cuts are variations on a theme, and couldn't all be implemented at the same time, he said. See his list, along with other spreadsheets, [here](#).

Kerekes and Doyens said they are also speaking regularly at community meetings. They're encouraging people to attend and speak out at City Hall budget meetings, especially the public hearing on April 28.

"We want to pack the hall," said Doyens.

Commenting has closed for this entry

Comments

posted by: cedarhillresident on March 26, 2010 2:34pm

10% cuts across the board!!! I can NOT afford another increase!!!!!!

If we don't have the money we can't spend it that simple!!! Stop taking the lint balls out of my pockets they are all I have left!

GET MAD! We have every right to!

<http://cortez44.free.fr/SD> Vs. Raw 2007 SoundTrack/09 Three Days Grace - Riot.mp3

and then come sign the petition!

http://www.petitiononline.com/mod_perl/signed.cgi?NewHaven

posted by: cedarhillresident on March 26, 2010 2:39pm

oh and I personally think the IBB saving 8 million is just a ...watch me pull a rabbit out of my hat stunt Rocky! Just to make us think they are trying to save us money. So we shut up! TOTAL JOKE!

posted by: Winslow Crubbs on March 26, 2010 3:01pm

The city should fix the broken pension first and that would stop the bleed! The mayor has already said that things will only be getting worse. When can we renegotiate with the unions?

Nothing will get better until we fix the broken pension plan...

posted by: Jeffrey Kerekes on March 26, 2010 4:28pm

Sign the petition here:

<http://www.PetitionOnline.com/NewHaven/petition.html>

posted by: hmm on March 26, 2010 6:06pm

perhaps JDS's annual calendar expense could be dispensed with immediately... unless he wants to pay for it himself of course

posted by: robn on March 26, 2010 7:00pm

Have city administrators been passing around a copy of "Budget Fad Magazine"? IBB a.k.a. PBB is very hard to track and relies on the accuracy and honesty of department heads...not something we can necessarily rely upon.

posted by: Chris O on March 26, 2010 8:44pm

Lets get innovative and do zoning enforcement, levy fines for blight, audit properties for non compliance. Good citizens pay and suffer while others disgrace and pillage the city -while government postures.

\$100/ day fine on every non compliance/ blighted property in the city adds up quick- and if the the fines decrease due to compliance, won't we all be winners?

posted by: cedarhillresident on March 27, 2010 8:17pm

Chris O That's a great idea to add to the City wide brainstorm list <http://www.nhcan.org/archives/414> . But are you looking to target absentee landlords??? Or people like me who have a few minor repairs. In this economy many seniors, single moms, or lower income families are going to be the people that you are looking to fine. But do you not fear that will be forcing even more family's out. In general they do give the offenders an allotted amount of time to do the repairs so that they can avoid the fines.

I take this a bit personally now because..

This past year I have had health issues and my house went in the dumber. I am just finally getting it back together again....but I look at the mess that one year of ill health had on my property and the helplessness I felt because there was really nothing I could do. I cried many tears over it. And the fear that one neighbor that did not have an understanding heart would complain and I would get that letter. (although my doctors would of backed me and still will). It was the helplessness that I will not forget EVER, the sadness to see my once amazing yard unkept. And although I have many cocommunitymembers that reassured me that next year you will get it back the way it was. I fear that alot of people that could be targets may be people in similar situations, Like my old neighbor that was mentally ill. I did not report her because I knew it was out of her control. I hope along with such fines comes humanity. I hate to see it turn into something like what the WCPA was doing to people not to long ago. Sorry Chris you know me I have to share and put myself out there. But in general I agree, but with a touch of humanity.

I realize that alot of city workers are really afraid this year. But they have Unions protecting them....the unions need to not divide they need to unite and help find a solution and there is one....Non union, upper management and intern and other non need positions in this city!!! The people in each and every dept. knows who should be cut every worker in those dept.s fear speaking up because they need there jobs. That fear was WHAT UNIONS where created for!!! 10% across the board is a way for department heads to decide what they can cut. I watch the news everyday and see city after city across the state doing these same cuts....what makes this city any different??? Why is it the over 100,000 citizens of this city are not being protected by the people we voted in to do just that! REALLY WHY?? Alderman that vote for this budget will be voting against the people that put them in office! Communitys and Unions need to stand up once and for all and stop this pitting communitys against communitys, unions against unions. Lets find the savings so we can all be proud to say NEW HAVEN DID IT TOGETHER!!

posted by: blue dog dem on March 28, 2010 9:42am

It's odd that the author mentions the town of Concord, CA as an example for PBB. A town not too far away, Vallejo, CA is the same size and declared bankruptcy a while back. The reason: it's onerous fiscal burden due to high pension and benefit costs of their municipal labor. Sound familiar? However, they really did nothing to correct their mistakes and will be back in Chapter 9 shortly because of it. This is a pandemic problem throughout the US and only a small portion of municipalities are starting to address it.

http://online.barrons.com/article/SB126843815871861303.html?reflink=wsj_redirect#articleTabs_panel_article=2

The only manner in which to come to grips with New Haven't debt is to go into Chapter 9 and re-write most, if not all, of the union contracts; eliminate JDS' consultants who are double-dipping with salaries and pension payments and to modify the health care benefits to make them more in line with what the private sector has to pay for office visits, prescriptions, etc. Last, the City needs to remove it's pension advisor (which will save about \$250,000 per year) and put the two City pensions 100% into fixed investments for at least the next five years so that they will have a fixed cost in funding them for the immediate future, thereby eliminating the underfunding that has been so prevalent under JDS.

By addressing the redundant positions in the Housing, Parking and Education departments, we can save over one million annually in salaries and benefits, not counting in the long-term with pensions. NYC schools do not have five assistant principals, even though they are as large, or larger, than schools here in New Haven. I know two former Assistant Corporation Counsel attorneys that have left that department because they actually did their jobs, while others weren't prodded to actually work, so they left in disgust for other city's Corporation Counsel jobs. I'm sure if that department were held accountable, they wouldn't need the new jobs being requested.

The current contracts, especially with the police union, need to be re-worked wherein the off-duty extra work at construction sites be removed from counting towards their pensions. That was a throw-in from JDS years ago when collectively bargaining a contract – keep costs low now and not care about the long-term future. Now we are seeing the pain that his fiscal mismanagement is costing all of us.

Make each current employee re-apply for their current job, or if they choose, a different position within the City. Make them all show a valid CT driver's license which should be copied and kept with their applications on file with the City. Persons residing within our town should then be placed in priority to keep their jobs. Then after all the employment matters are finished, use this information to make sure that everyone is paying property tax on their vehicles. Too many current employees live outside of New Haven and keep a family member's address

on file with the City. This helps them avoid our taxes as we pay for their lifestyles. It has to stop. There is nothing illegal or unconstitutional with a City requiring it's employees to live within it's boundaries.

Negotiating with unions about their next contract will do nothing to change the contracts from previous years. They cannot be opened or changed and therefore only filing Chapter 9 will allow those badly worded documents to be altered and removing a heavy debt burden from we taxpayers. What Jeffrey and any other interested party should be doing is finding out how we can force the City to address these problems sooner rather than later because my estimate is that next year's increase will be between 10-14%, making 8.8% wishful thinking.

posted by: KAthY on March 28, 2010 12:56pm

Build another school!!

posted by: Jeffrey Kerekes on March 29, 2010 10:15am

To Blue Dog Dem:

Please call me - 203-676-0880.

-Jeffrey Kerekes

posted by: hhurtz on March 29, 2010 10:01pm

18 years into his reign he comes up with IBB??? JD clearly takes us for a city of idiots who don't have common sense. I really hope the Board of Aldermen has the common sense to see through this double-speak, to vote no to the budget, and force the Mayor to cut expenses as the only way to reduce the budget.
