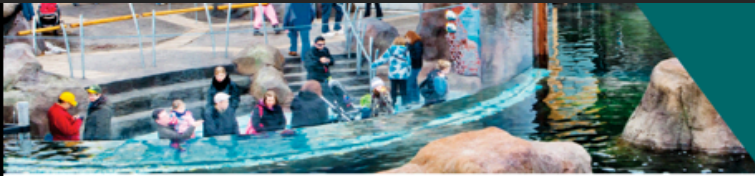City of Loveland

ACHIEVING FISCAL HEALTH and WELLNESS through PRIORITY BASED BUDGETING

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PRIORITY BASED BUDGETING**

Using a Unique Lens to Focus Community Resources on Results

Jon Johnson & Chris Fabian
April 23, 2013

Evolution of Budgeting

Line-by-Line Budgeting — Incremental Budgeting — Zero Based Budgeting — Results Based Budgeting — Priority Based Budgeting

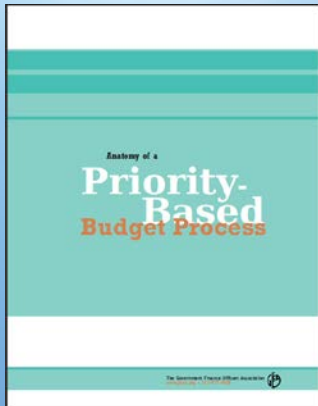# BRINGING VISION INTO FOCUS WITH A NEW "LENS"

Who is Looking through the "New Lens"

- **ARIZONA** - Chandler (2); Queen Creek; Gilbert Public Schools; Navajo County

- **CALIFORNIA** - Walnut Creek (3); San Jose (3); Sacramento (2); Monterey (3); Seaside; Fairfield; Placentia; Mission Viejo; Salinas

- **CANADA** - Edmonton; Alberta Ministry of Health;

- **COLORADO** - Boulder (3); Longmont (3); Fort Collins (2); Wheat Ridge (2); Jefferson County; Thornton; Victor; Manitou Springs; Denver International Airport

- **FLORIDA** - Lakeland (3); Delray Beach (2); Pasco County

- **IDAHO** – Post Falls

- **KANSAS** - Shawnee

- **MONTANA** - Billings (2)

- **NEBRASKA** - Grand Island (3)

- **NEVADA** - Douglas County (2)

- **NORTH CAROLINA** - Cary

- **OHIO** - Blue Ash; Cincinnati

- **OREGON** - Springfield, Tualatin

- **PENNSYLVANIA** - Lehigh County

- **TEXAS** - Plano (3), Southlake

- **VIRGINIA** - Chesapeake (2); Christiansburg (2)

- **WYOMING** - Green River

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Fiscal Health & Wellness through
Priority Based Budgeting

"Today's challenges have required local governments to work differently, looking to new and innovative approaches to service delivery, while at the same time reducing costs and increasing efficiency of operation. While "best" practices are always important for managers to follow and implement, it is those "leading" practices—creative and innovative ways to approach service delivery— that hold the greatest promise for us to truly "reinvent" government and the ways we do business…"

Robert O'Neill, Executive Director, International City/County Management Association (ICMA)

ICMA
Center for Management Strategies

Center for Management Strategies

Center for Management Strategies   About   Leading Practices   Resources   Partners   News   Events   Contact Us

ICMA Program Centers / Management Strategies / **Leading Practices**

Leading Practices
Be a part of the community of leading ideas in local government management.

HIGH PERFORMANCE ORGANIZATIONS

ICMA has identified the High Performance Organization Model as a leading practice for local governments, and is proud to partner with The Commonwealth Centers for High-Performance Organizations to deliver education and technical assistance to you on implementing these effective and proven methods in your organization. You can improve performance and make your organization the gold standard with The Commonwealth Centers for High-Performance Organizations (CCHPO).
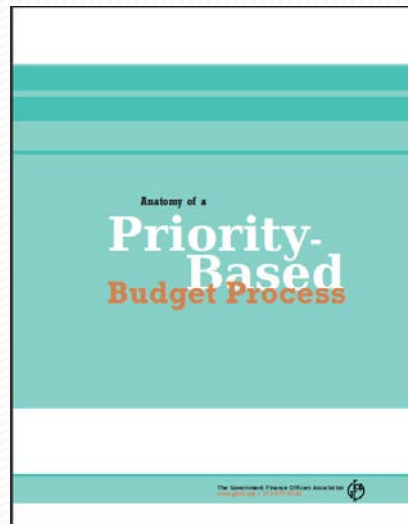
PRIORITY BASED BUDGETING

ICMA has identified Priority Based Budgeting as a leading practice for local governments. It is proud to partner with The Center for Priority-Based Budgeting to bring education and technical assistance to you in implementing these effective and proven methods in your organization.
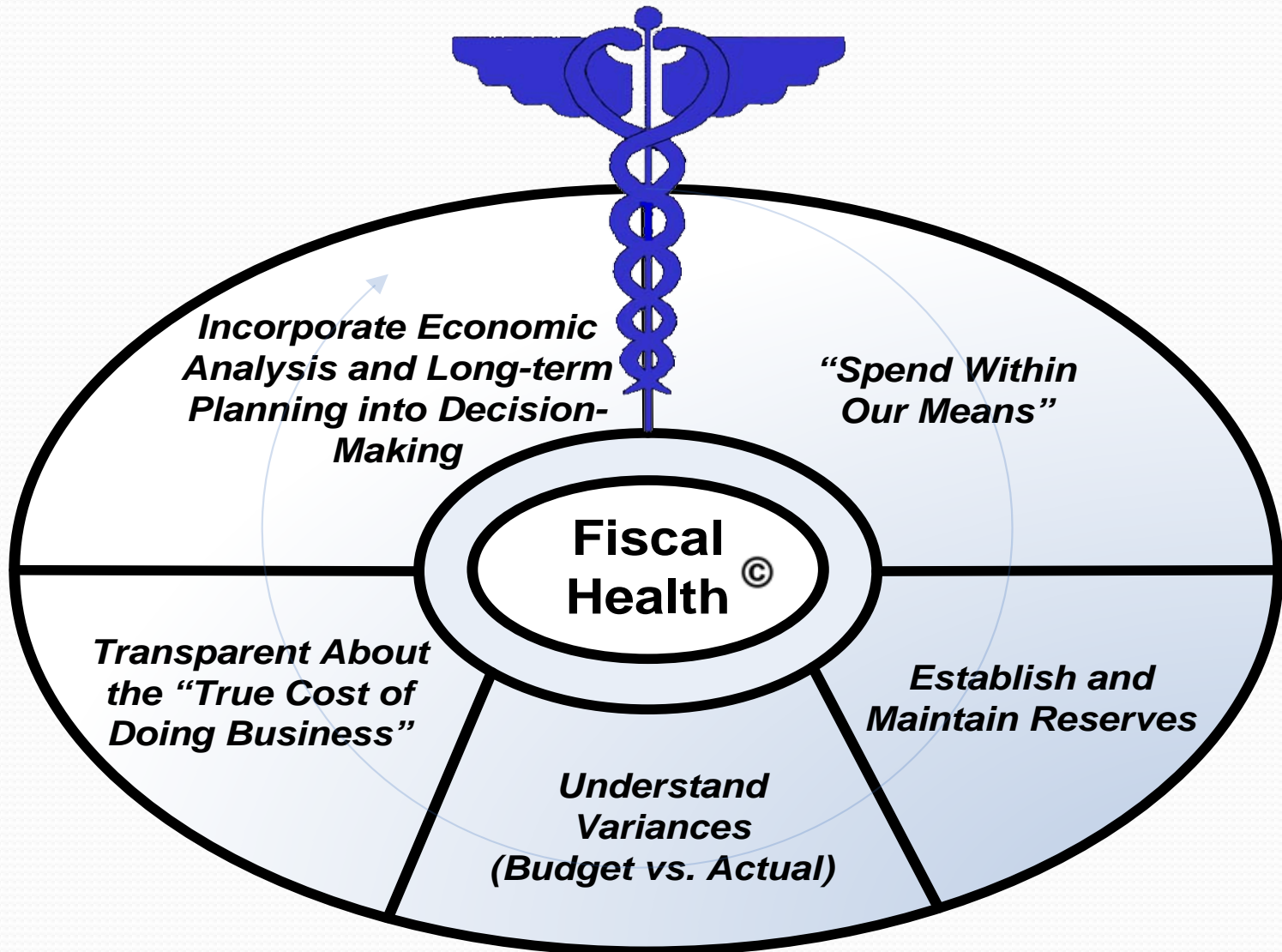
You can increase your budgeting effectiveness through The Center for Priority-Based Budgeting's creative solutions for local governments. Its mission is to share experience and technical knowledge of government financial operations and budget development with organizations that are seeking to achieve sustainable fiscal health and wellness.

CPBB Publications on
Fiscal Health & Wellness

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ACHIEVING FISCAL HEALTH

Incorporate Economic Analysis and Long-term Planning into Decision-Making

"Spend Within Our Means"

Transparent About the "True Cost of Doing Business"

Fiscal Health ©

Establish and Maintain Reserves

Understand Variances (Budget vs. Actual)

Strategic Questions

- *How much do we have available to spend? - (<u>not</u> "How much do you need"?)*
  - *"Spend Within Our Means"*

- *Why do we need to keep "money in the bank"?*
  - *Establish & Maintain Reserves*

- *What's the "difference"?*
  - *Understand Variances (Budget to Actual)*

Strategic Questions

- *"It costs how much"????????*

  Transparent About
  "True Cost of Doing Business"

- *"What's the plan and what could cause it to change?*

  Economic Analysis & Long-Term Planning

- *What does the future look like?*
- *What if..........???*

  "Fiscal Health Diagnostic Tool"

Let's Look through a Different Lens!

The Mercury News

Across the Board Cuts Address $14.5 Billion Shortfall

- *California Governor's Office:* "Across-the-board approach spreads reductions as evenly as possible so no single program gets singled out."

- *Reaction:* "the governor's approach would be like a family deciding to cuts its monthly mortgage payment, dining-out tab and Netflix subscription each by 10%, rather than eliminating the restaurant and DVD spending in order to keep up the house payments."

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According to Moody's:
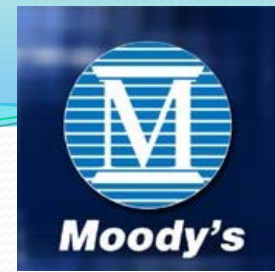
- Across-the-Board versus Targeted Budget Cuts
  - "Across-the-board cuts can be a way to avoid tough decisions"
  - "Targeted cuts require a **serious discussion of community values, relative benefits of different services, and long-term implications**"
- Moody's wants to see how local governments plan for and respond to financial challenges over the long term
  - "*Making targeted cuts can demonstrate a more strategic approach to managing the fiscal crisis*"

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ACHIEVING LONG-TERM FISCAL WELLNESS

Support Resource Allocation Decision Making with Prioritization of Programs

Achieve Fiscal Health

Fiscal Wellness ©

Value Programs Based on Evidence of their Influence on Results

Identify Programs and Services

Identify, Define and Value the Results of Government

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STEPS to SUCCESS – Priority Based Budgeting

1. Determine Results

- Accurate prioritization of programs, reflecting the organization's stated objectives, depends on the comprehensive identification of the *Results* it is in business to achieve

2. Clarify Result Definitions

- Precision in prioritization depends on the articulation of the cause and effect relationship between a program and a *Result*
- Using clearly defined "**Result Maps**", detailing the factors that influence the way *Results* are achieved, the organization can minimize subjectivity in the process of linking programs with its *Results*

3. Identify Programs and Services

- Comparing individual programs and services as opposed to comparing departments that provide those services allows for better prioritization

4. Value Programs Based on Results

- With the right *Results* that are clearly defined, the organization can more accurately "value" a program relative to its influence on achieving *Results*

5. Allocate Resources Based on Priorities

- Using "**Resource Alignment Diagnostic Tool**"

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Strategic Questions

1. *What are we in "business" to do?*

What are "Results"

- *High-level and over-arching reasons the organization exists in the eyes of the community*

- *Remain consistent and unchanged over time*

- *Comprehensive*

- *Distinguished from (i.e. "Results" are not...)*
  - Vision or Mission Statements
  - Organizational Values
    - *How* we want to achieve our results
  - "*Marketing*" statements
    - Look and feel of the community
  - Specific short-term, projects, goals or initiatives

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Step 1: *Determine Results*

City of Grand Island, Nebraska

Quality of Life
Stewardship of the Environment
Safe Community
Strategic, Sustainable and Maintained Development
Effective, Efficient and Sustainable Organization
Accessible and Transparent Organization
Stewardship of Resources

Community Results

- *Used to Differentiate Programs Offered to the Community*
- *Not All Programs Achieve these Results*
- *Programs that Achieve Many Results, with a High Degree of Influence, Achieve Highly in Prioritization (demonstrate high degree of relevance)*

Quality Service Results

- *Every Program Should Achieve these Results (though potentially, not every program does)*
- *Not Used to Differentiate the Relevance of Programs in Prioritization*
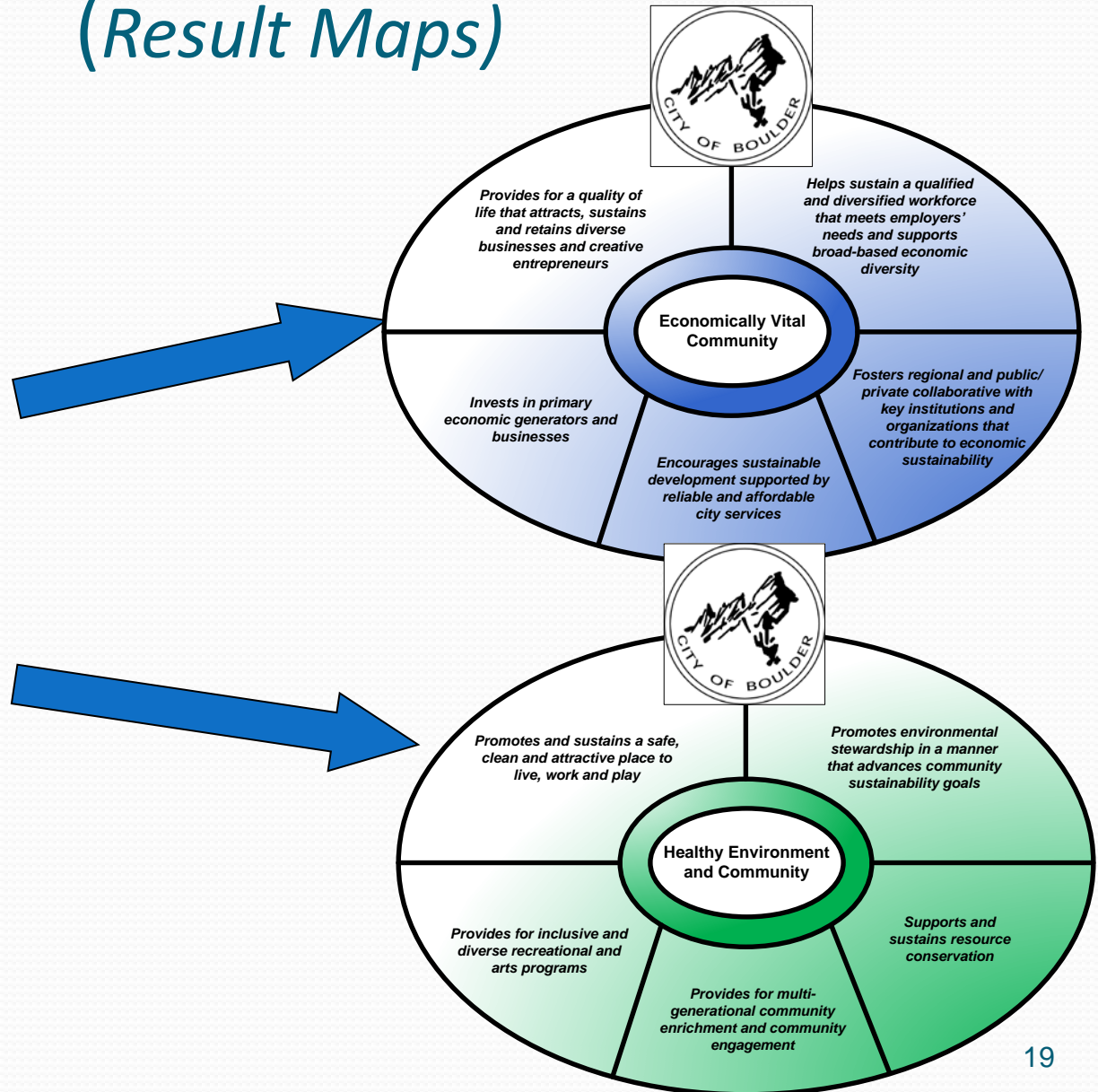
Governance Results

- *Used to Differentiate Programs Designed to Support Governance*

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Using a Unique Lens to Focus Community Resources on Results

Step 2: Clarify Result Definitions
(*Result Maps*)

City of Boulder, CO Results

❖ Accessible & Connected Community

❖ Economically Vital Community

❖ Healthy Environment & Community

❖ Inclusive & Socially Thriving Community

❖ Safe Community

Economically Vital Community

- Provides for a quality of life that attracts, sustains and retains diverse businesses and creative entrepreneurs
- Helps sustain a qualified and diversified workforce that meets employers' needs and supports broad-based economic diversity
- Invests in primary economic generators and businesses
- Encourages sustainable development supported by reliable and affordable city services
- Fosters regional and public/private collaborative with key institutions and organizations that contribute to economic sustainability

Healthy Environment and Community

- Promotes and sustains a safe, clean and attractive place to live, work and play
- Promotes environmental stewardship in a manner that advances community sustainability goals
- Provides for inclusive and diverse recreational and arts programs
- Supports and sustains resource conservation
- Provides for multi-generational community enrichment and community engagement

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Defining Results
Result Mapping Exercise

Creating Result Maps

Identify and Define Results

Chandler · Arizona
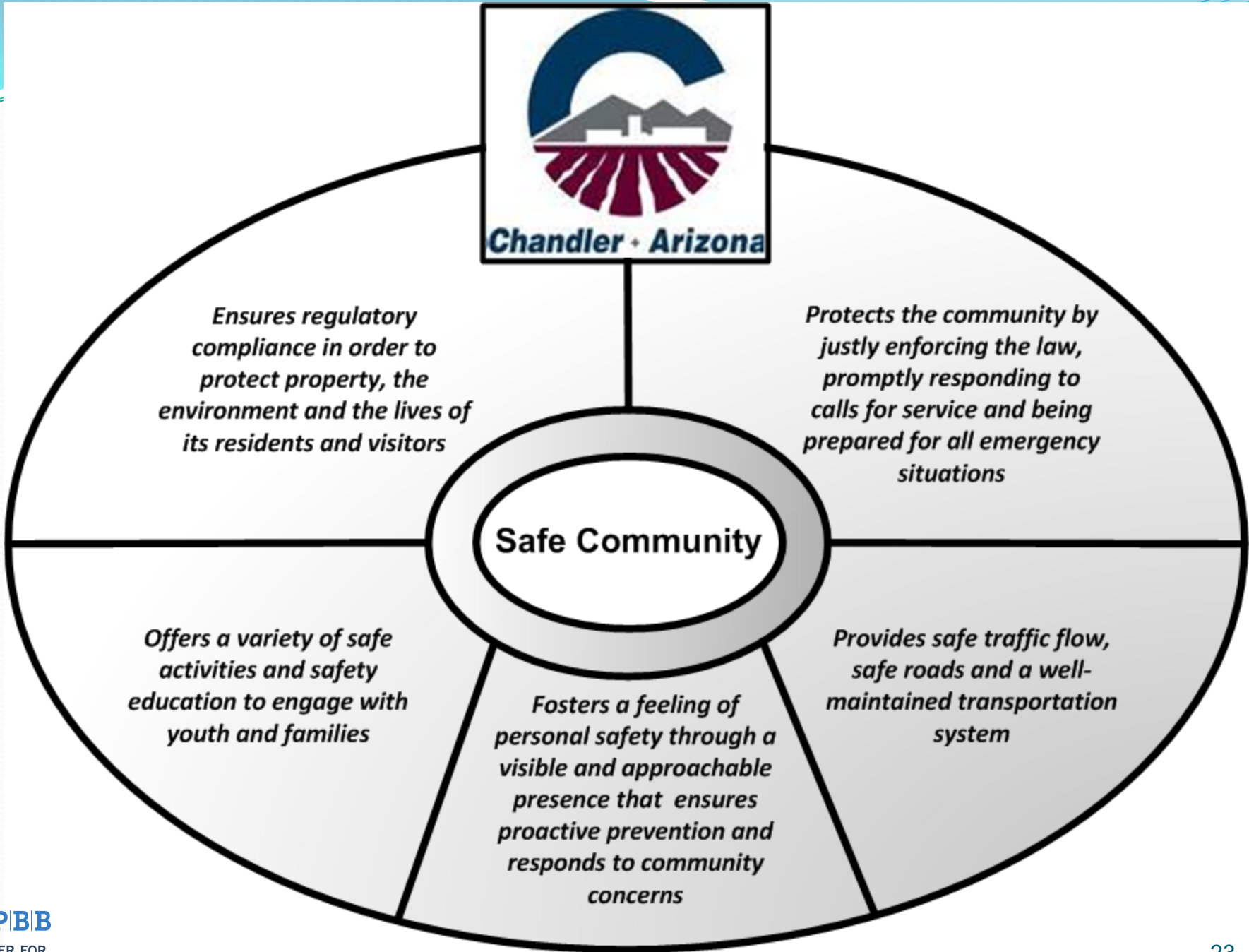
Safe Community

Ensures regulatory compliance in order to protect property, the environment and the lives of its residents and visitors

Protects the community by justly enforcing the law, promptly responding to calls for service and being prepared for all emergency situations

Offers a variety of safe activities and safety education to engage with youth and families

Fosters a feeling of personal safety through a visible and approachable presence that ensures proactive prevention and responds to community concerns
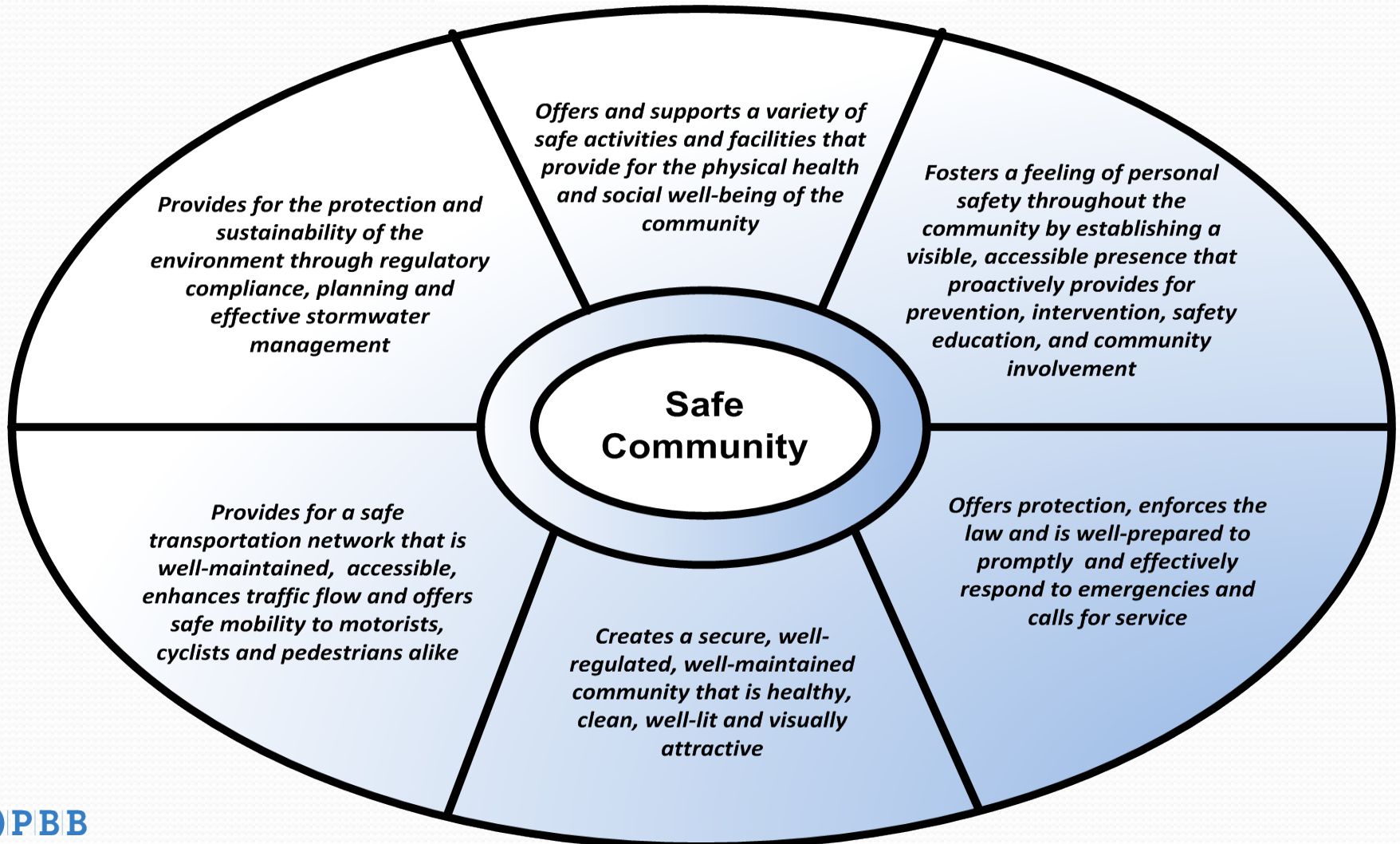
Provides safe traffic flow, safe roads and a well-maintained transportation system

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Strategic Questions

1. *What are we in "business" to do?*
2. **What exactly do we do?**

Step 3: Identify "Programs"

➢ Departments develop their own "*program*" inventories – only **ongoing**; exclude capital & one-time

➢ Comprehensive list of "**what we do**"

➢ Comparing relative value of programs, not relative value of departments

➢ **Goldilocks & the Three Bears:**
Not too big, not too small, just right!

- *TOO BIG* = Departments/Divisions
- *TOO SMALL* = Tasks
- *JUST RIGHT* = Measure relative size based on costs/people associated with program to more discretely demonstrate how resources are used

CITY OF BOULDER, COLORADO
Department Program Inventory
Monday, July 26, 2010

Directions: For all of the programs and services in your department, identify the program name. When completed, please e-mail the Program Inventory back to Jim Reasor

Fund No.	Department Providing Program	Program Name
010	Community Planning & Sustainability	General Business Assistance
010	Community Planning & Sustainability	Business Retention and Expansion
010	Community Planning & Sustainability	Business Incentive Programs
010	Community Planning & Sustainability	Business Partnerships and Sponsorships
140	Community Planning & Sustainability	Energy Decarbonization
140	Community Planning & Sustainability	Green Job Creation
140	Community Planning & Sustainability	Climate Adaptation Planning
112	Community Planning & Sustainability	Comprehensive Planning
112	Community Planning & Sustainability	Intergovernmental Relations
112	Community Planning & Sustainability	Historic Preservation
112	Community Planning & Sustainability	Ecological Planning

City of Boulder, Colorado

Strategic Questions

1. *What are we in "business" to do?*
2. *What exactly do we do?*
3. ***How do we figure out what is "core" OR What is of the highest importance?***

Step 4:   Score Programs against Results & Attributes

City of Boulder's Results

- Accessible & Connected Community
- Economically Vital Community
- Healthy Environment & Community
- Inclusive & Socially Thriving Community
- Safe Community

Basic Program Attributes

- Mandated to Provide the Program
- Reliance on the City to Provide the Program
- Cost Recovery of the Program
- Change in Demand for the Program
- Portion of Community Served by the Program
- *And/or any other criteria that is relevant to your community*

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Simple Scoring Scale – *"Degree"* of Relevance to a Result

4 = Program has an ***essential*** or ***critical*** role in achieving Result

3 = Program has a ***strong*** influence on achieving Result

"High Degree" of Relevance

2 = Program has ***some*** degree of influence on achieving Result

1 = Program has ***minimal*** *(but some)* influence on achieving Result

"Lower Degree" of Relevance (still a clear connection)

0 = Program has ***no*** influence on achieving Result

No Clear Connection

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Basic Program Attributes:
Mandated to Provide Program

- *Programs that are mandated by another level of government (i.e. federal, state or county) will receive a higher score for this attribute compared to programs that are mandated solely by the City or have no mandate whatsoever.*

- The grading criterion established to score programs, on a 0 to 4 scale is as follows:
  - 4 = Required by Federal, State or County legislation
  - 3 = Required by Charter or other incorporation documents **OR** to comply with regulatory agency standards
  - 2 = Required by Code, ordinance, resolution or policy **OR** to fulfill franchise or contractual agreement
  - 1 = Recommended by national professional organization to meet published standards or as a best practice
  - 0 = No requirement or mandate exists

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Basic Program Attributes:
Reliance on City to Provide Program

- *Programs for which residents, businesses and visitors can look only to the City to obtain the service will receive a higher score for this attribute compared to programs that may be similarly obtained from another intergovernmental agency or a private business.*

- The grading criterion established to score programs, on a 0 to 4 scale is as follows:

  - 4 = City is the sole provider of the service
  - 3 = Program is only offered by another governmental, non-profit or civic agency
  - 2 = Program is offered by only one other private business in the immediate area
  - 1 = Program is offered by other private businesses but none are located within the City limits
  - 0 = Program is offered by other private businesses located within the City limits

Identify "*Value*" of Program Based on their Influence on Results

Individual Department Program Scorecard © Thursday, January 28, 2010 **Directions:** For all the programs in your department, please rate how these programs score in the four Basic Attributes and they influence the City's ability to achieve its Priority Results. When completed, please email the Program Scorecard back to *mariah.dabel@sanjoseca.gov*	Evaluation Criteria								
	Basic Program Attributes				*Priority Results*				
	Mandated to Provide Program	**Cost Recovery of Program**	**Change in Demand for Service**	**Reliance on City to Provide Service**	**Safe City**	**Prosperous Economy**	**Green, Sustainable City**	**Attractive, Vibrant Community**	**Reliable, Well-Maintained Infrastructur**
CITY OF SAN JOSE CAPITAL OF SILICON VALLEY	**0-4 Scale** (4=State/Federal Mandate; 2=Charter; 1=Ordinance/Resolut ion; 0=No Mandate)	**0-4 Scale** based on Percentage (4=75-100%; 3=50-74%; 2=25-49%; 1=1-24%)	**-4 to 4 Scale** ('-4=demand significantly decreasing; 4=demand significantly increasing)'	**0 to 4 Scale** (4=Only City can provide service; 2=Only public entities can provide service; '0=other entities can provide service)'	On a scale of 0 to 4 points, **0** = program has no influence on achieving the Result; **1** = program has some influence, though minimal; **2** = program influences the Result; **3** = program has a strong influence on the Result; **4** = program is essential to achieving the Results				
Department / **Program**	Enter Score Below	Enter Score Below	Enter Score Below	Enter Score Below	Enter Score Below	Enter Score Below	Enter Score Below	Enter Score Below	Enter Score Below
Office of Economic Development — Business Attraction/ Expansion Assistance	4	2	4	4	2	4	3	2	0
Office of Economic Development — International Business Relations/Sister City	0	1	2	2	0	2	1	1	0
Office of Economic Development — Economic Strategy, Policy and Analysis	1	2	4	2	0	3	3	2	0
Office of Economic Development — Downtown Management	1	2	4	4	3	2	0	3	4
Office of Economic Development — Arts / Festival Grants and Assistance	1	1	3	0	1	3	1	4	1
Office of Economic Development — K-12 Arts Education	0	0	2	0	1	2	0	4	0
Office of Economic Development — Cultural Planning, Policy and Initiatives / Arts	1	0	2	4	1	3	1	4	1
Office of Economic Development — Public Art Project Management	1	1	2	0	1	2	2	4	3
Office of Economic Development — Public Art Master Plan Implementation and	1	1	3	0	1	2	1	4	2

Strategic Questions

1. *What are we in "business" to do?*

2. *What exactly do we do?*

3. *How do we figure out what is "core" __OR __ What is of the highest importance?*

4. ***How do we know we are successful?***

Peer Review (Quality Control) Process

City of Boulder, CO

Program Prioritization

Peer Review of Departmental Program Scoring

Community Result: ECONOMICALLY VITAL COMMUNITY

Each department has scored its programs using a two-step process: (1) determine the relevance of a program in respect to the Priority Result and (2) determine the influence of the program t... programs were scored within a range of between "0" and "4". For details on the scoring, please refer to the departmental scoring instructions in your packet. As part of the validation proces... which departments scored with a "3" or "4." The task of the Peer Review team is to review the information provided regarding these programs within the context of the Priority Result definitio...

1. review the program descriptions and determine whether you agree with the departmental score based on how well the program aligns with the Priority Result (does the program achieve...
2. request additional information to understand the departmental score, if necessary; and
3. after receiving additional information and discussion, recommend a different score to the City Manager, if necessary.

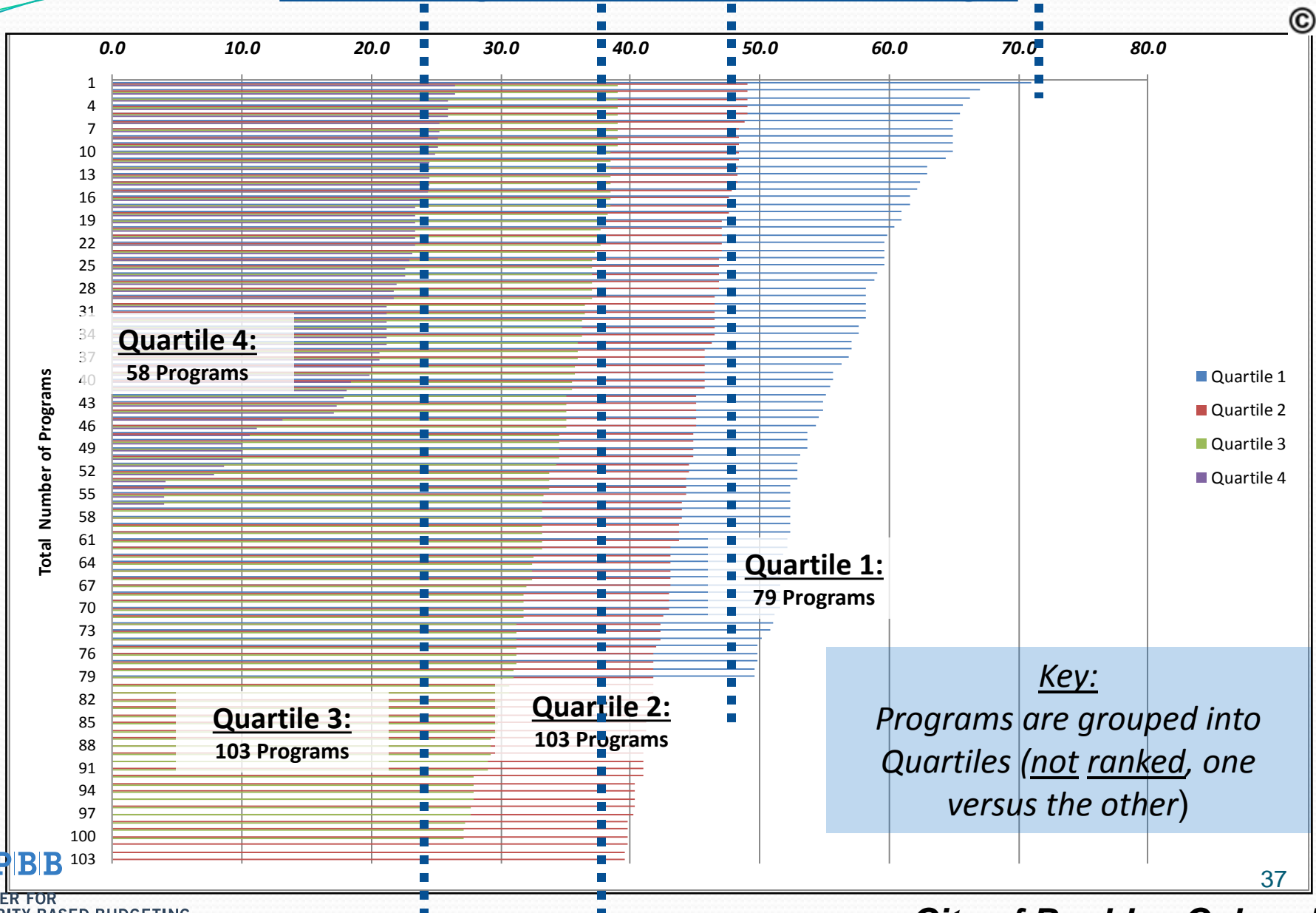*The following Programs are Listed in Order of Score, From High to Low, Relative to this Result*

DEPARTMENT OFFERING PROGRAM	Division	PROGRAM NAME	PROGRAM DESCRIPTION	Program Number	Program Notes	Dept. Score	Agree with Dept. Score? (Yes/No)	Need More Information? (Yes/No)	Notes for Review Team Member	Revised Score
Community Planning & Sustainability	Economic Vitality	Economic Vitality Program & Sponsorships	Wide range of assistance to new & existing, small & large businesses; retention/expansion critical to the city's economic health and revenues (sales & use taxes/permit fees); sponsorships supports service to small and independent businesses.	29		4				4
Community Planning & Sustainability	LEAD	City Organization Sustainability	New City Sustainability Plan; Economically vital=could not ask the same of businesses in the community if we as a city organization are not doing our part; Safe=ranked for environmental health.	39		4				4
DUHMD/PS	04	Downtown & Community Improvements-streetscape	Mall Infrastrure improvements and FFR replacement for items such as PopJet fountain, weeping rock, benches, etc	49		4				4
Fire	Fire Safety	Inspections/Code Enforcement	Provides inspection and enforcement services to ensure existing buildings and new construction meet fire and safety code requirements prescribed in the Boulder Revised Code.	76		4				4
Open Space & Mountain Parks	Land & Visitor Services	Trail Program Maintenance and Construction	Desc: Annual maintenance of existing trail system. New trail construction and large scale maintenance projects to make existing trails more sustainable Mandated: Charter Section 176c & 176h Provide for passive recreation such as hiking, equestrians and biking Change: As surrounding communittees continue to grow, more people visit the OSMP trail system. Reliance: The City would not allow a private citizen to construct a new trail on public land nor would we expect the private citizen to pay for it. Access: OSMP constructs and maintains ADA accessible trails, this is a unique opportunity for mobility impaired people to recreate outside. OSMP also plans, constructs and maintains a trail infrastructure system that provides an opportunity to bring people closer. Econ: The opportunity to recreate on OSMP, via the trail system, is essential to the economic viatlity	168		4				4

...essible & Connected   **Economically Vital**   Healthy Envioronment   Inclusive & Socially Thriving   Safe Comm...

Strategic Questions

1. *What are we in "business" to do?*

2. *What exactly do we do?*

3. *How do we figure out what is "core" __OR__ What is of the highest importance?*

4. *How do we know we are successful?*

5. **How do we ask "better" questions that lead to "better" decisions about "what we do" and "why we do it"?**

Defining Quartile Groupings

Quartile 4: 58 Programs

Quartile 3: 103 Programs

Quartile 2: 103 Programs

Quartile 1: 79 Programs

Legend:
- Quartile 1
- Quartile 2
- Quartile 3
- Quartile 4

Y-axis: Total Number of Programs

Key:
Programs are grouped into Quartiles (not ranked, one versus the other)

City of Boulder, Colorado

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Step 5: Allocate Resources Based on Prioritization

Prioritization Array: Combined City-wide Programs

©

Quartile Ranking
(Quartile 1: Highest Rated Programs;
Quartile 4: Lowest Rated Programs)

Quartile	Amount	Programs
1	$85,915,772	79 Programs
2	$51,726,155	103 Programs
3	$21,505,297	103 Programs
4	$7,498,842	58 Programs

$- | $10,000,000 | $20,000,000 | $30,000,000 | $40,000,000 | $50,000,000 | $60,000,000 | $70,000,000 | $80,000,000 | $90,000,000 | $100,000,000

City of Boulder, Colorado
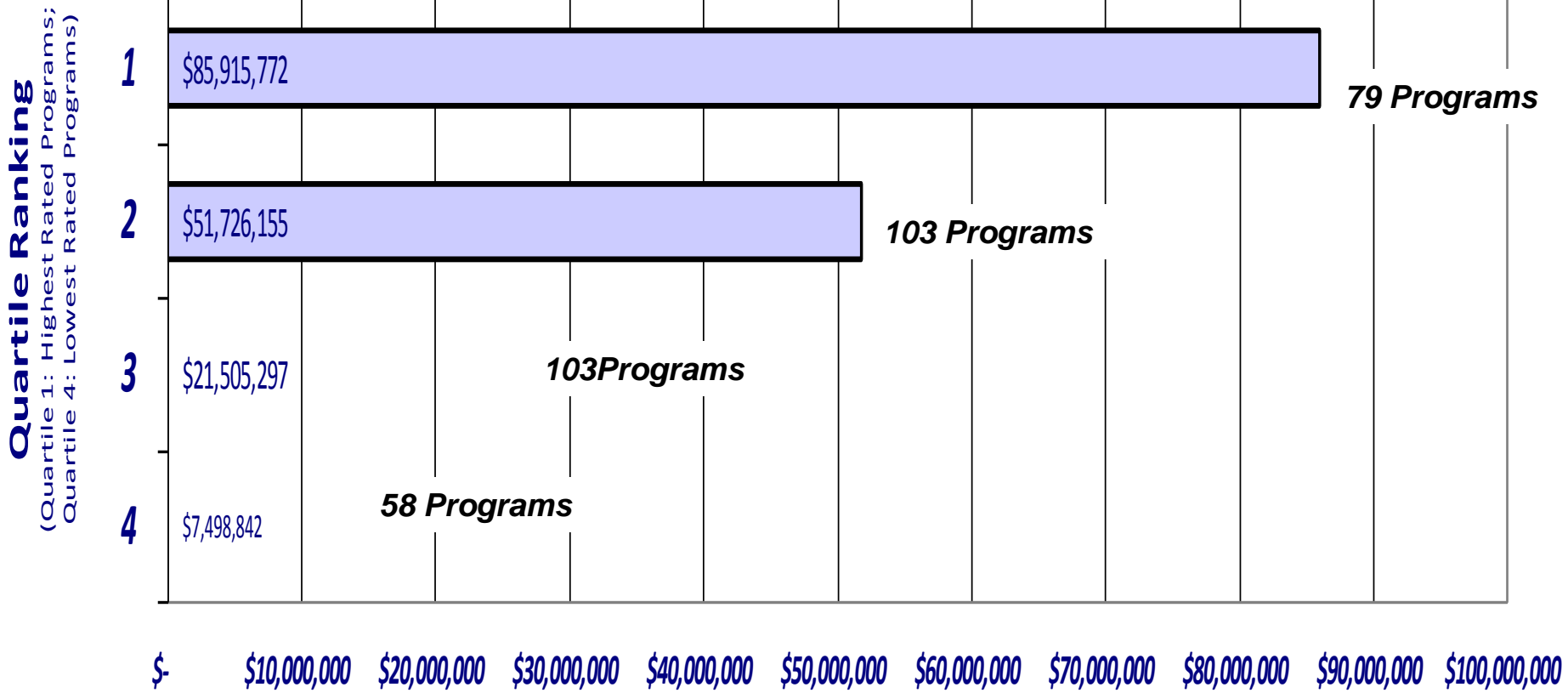
"Resource Alignment Diagnostic Tool"

City of Boulder, CO

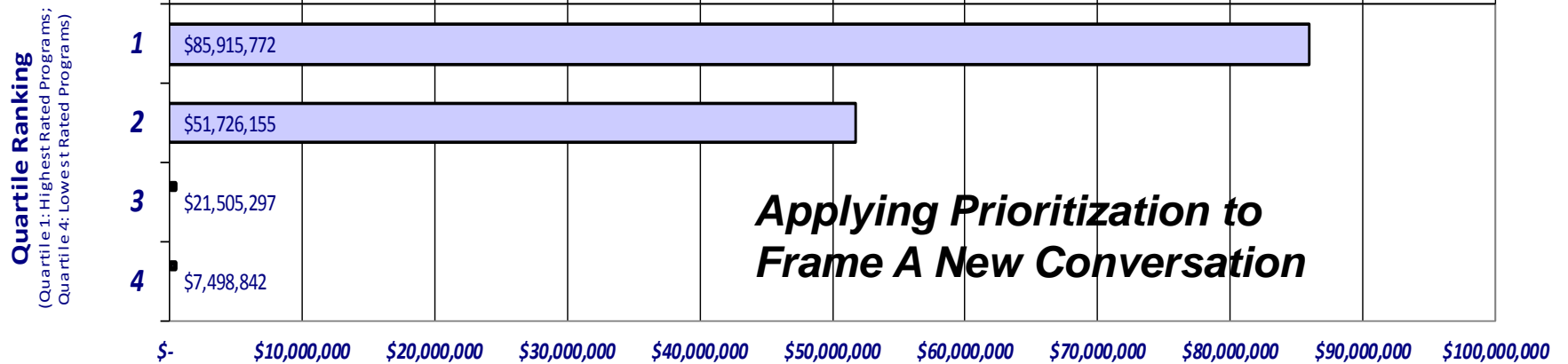| Program Type: (All Programs, Governance, Community-oriented)	Prioritization Perspective: (City-wide, Fund, Funds)	Choose Department: (All Departments, Specific)	Funding Source: (Est. Budget, Gen Gov Revenue, Program Revenues)
Community-Oriented Programs	City-wide	All Departments	Total Estimated Budget

October 30, 2012

Priority Based Budgeting: Spending Array Perspectives

Quartile Ranking
(Quartile 1: Highest Rated Programs; Quartile 4: Lowest Rated Programs)

- 1 — $85,915,772
- 2 — $51,726,155
- 3 — $21,505,297
- 4 — $7,498,842

Applying Prioritization to Frame A New Conversation

$- $10,000,000 $20,000,000 $30,000,000 $40,000,000 $50,000,000 $60,000,000 $70,000,000 $80,000,000 $90,000,000 $100,000,000

Quartile Ranking	2011 Budget	2012-13 Proposed Budget	Increase (Reduce) %	Impact	2012-13 Target Budget	Programs in Array
Qrt 1	$0	$85,915,772	0.00%	$0	$85,915,772	88
Qrt 2	$0	$51,726,155	0.00%	$0	$51,726,155	116
Qrt 3	$0	$21,505,297	0.00%	$0	$21,505,297	110
Qrt 4	$0	$7,498,842	0.00%	$0	$7,498,842	54
TOTALS	$0	$166,646,067	0.00%	$0	$166,646,067	368

Live Demonstration of

"Resource Alignment Diagnostic Tool"©

Thank You !

CENTER FOR
PRIORITY BASED BUDGETING

Using a Unique Lens to Focus Community Resources on Results

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www.pbbcenter.org