

Priority Based Budgeting

Aligning Resources with Strategic Results



CSMFO Annual Conference
February 16, 2022

A Brief Introduction





The most dangerous phrase
in the language is **"we've
always done it this way."**

Rear Admiral Grace Hopper (1906-1992)

What is the budget...
and why is it important to me?





What is the budget?...

- *Something my organization can't wait to do each year!!!!*
- *A fun process that we all look forward to!!!!*
- *The best part of my job!!!!!!*

OR.....

What is the budget?...

- an **ACCOUNTING EXERCISE** to satisfy the needs of the finance/budget office?
- a **NECESSARY EVIL** to meet the mandates of state legislation and city code?
- a **WASTE of TIME (and paper)** since once it's adopted, no one pays attention to it?



What is the Budget?

TRUE or FALSE:

“The budget is the single-most important policy document a local government adopts.”



What is a budget?



A **STATEMENT of PRIORITIES** for the community that:

- **COMMUNICATES** to citizens and other stakeholders what services they can expect and how their tax dollars are being spent
- Defines how the local government **ALLOCATES** its **RESOURCES** to achieve what is important to the community
- Translates **POLICIES into ACTION**

What is a budget?



A critical ***CONTROL TOOL*** that:

- Provides the ***LEGAL AUTHORITY*** to conduct day-to-day operations
- Sets clear ***BOUNDARIES*** related to spending and fiscal oversight
- Ensures ***ACCOUNTABILITY, TRUST and TRANSPARENCY*** in managing “someone else’s money”
- Offers a ***MONITORING*** device to ensure compliance with “the plan”

What is a budget?



A **MANAGEMENT TOOL** that:

- Establishes a **SPENDING PLAN** for the upcoming fiscal year
- Demonstrates how services are being delivered in the most **EFFECTIVE** and **EFFICIENT** way possible
- Identifies and articulates **HOW MUCH IT COSTS** to provide services
- Offers staff a **“LINE OF SIGHT,”** connecting “what” they do with “why” they do it to benefit the community

What is a budget?



A **PLANNING TOOL** that:

- Establishes a link between **STRATEGIC OBJECTIVES** and how **RESOURCES are ALLOCATED**
- Offers a “roadmap” for carrying out elected official’s **POLICY OBJECTIVES**
- Helps decision-makers make the **BEST USE of LIMITED RESOURCES**
- Provides for long-term **FINANCIAL SUSTAINABILITY**

What is the Ultimate Goal?



TO PREPARE A BUDGET THAT:

- Reflects the *priorities* and long-term interests *of the community*
- Offers assurance that *funds are being used to achieve those priorities*
- Insures *objectivity and transparency* in decision-making



TRANSFORMING | **EDMONTON**

BRINGING OUR CITY VISION TO LIFE

Evolution of Budgeting



**Line-by-Line
Budgeting**

**Incremental
Budgeting**

**Zero Based
Budgeting**

**Results Based
Budgeting**

**Priority Based
Budgeting**

THE CITY OF
Edmonton



Evolving the Budget

- ❖ **1906** – City of New York’s Bureau of Municipal Research calls for all city agencies to use a budget
- ❖ **1960s – LINE ITEM** budgeting continues as standard (accounting driven)
 - Most traditional – builds the budget by types of expense
 - Focuses on what the organization “buys”
- ❖ **1970s – ZERO BASED** budgeting created
 - Designed by Texas Instruments
 - Base level, current service level, and enhanced level or builds from “scratch”
 - Also focuses on what the organization “buys”



Evolving the Budget

- ❖ **1980s – INCREMENTAL or TARGET-BASED** budgeting emerges
 - Meant to simplify process
 - Supported “across the board” mentality
 - Still focused on what the organization “buys”
- ❖ **1990s – PERFORMANCE** budgeting re-emerges
 - Federal government tool to control costs in 1950s
 - Measures “outputs” or what is being accomplished
 - Measures “inputs” or amount of resources required for desired output
 - Builds the budget by “how much” is done and at what level of service
- ❖ **2000s – PROGRAM** budgeting resurgence
 - Developed in 1960s to emphasize budget as “policy” not “accounting” document
 - Focus on policy questions of “program necessity”
 - How to allocate limited resources among competing needs
 - Builds the budget by “how” money is spent
 - Focuses on what the organization “does”



Evolving the Budget

- ❖ **Mid 2000s – RESULTS BASED** budgeting introduced
 - Focus on “results” and “priorities” rather than costs
 - Innovative shift from “PAYING for services to BUYING results”
 - Merging of strategic planning and the allocation of resources through the budget process
 - Builds the budget by linking resources to outcomes
 - Focuses on “why” the organization does what it does
- ❖ **2 Distinct Methodologies**
 - Budgeting for Outcomes
 - Priority Based Budgeting



Evolving the Budget

❖ PRIORITY BASED BUDGETING

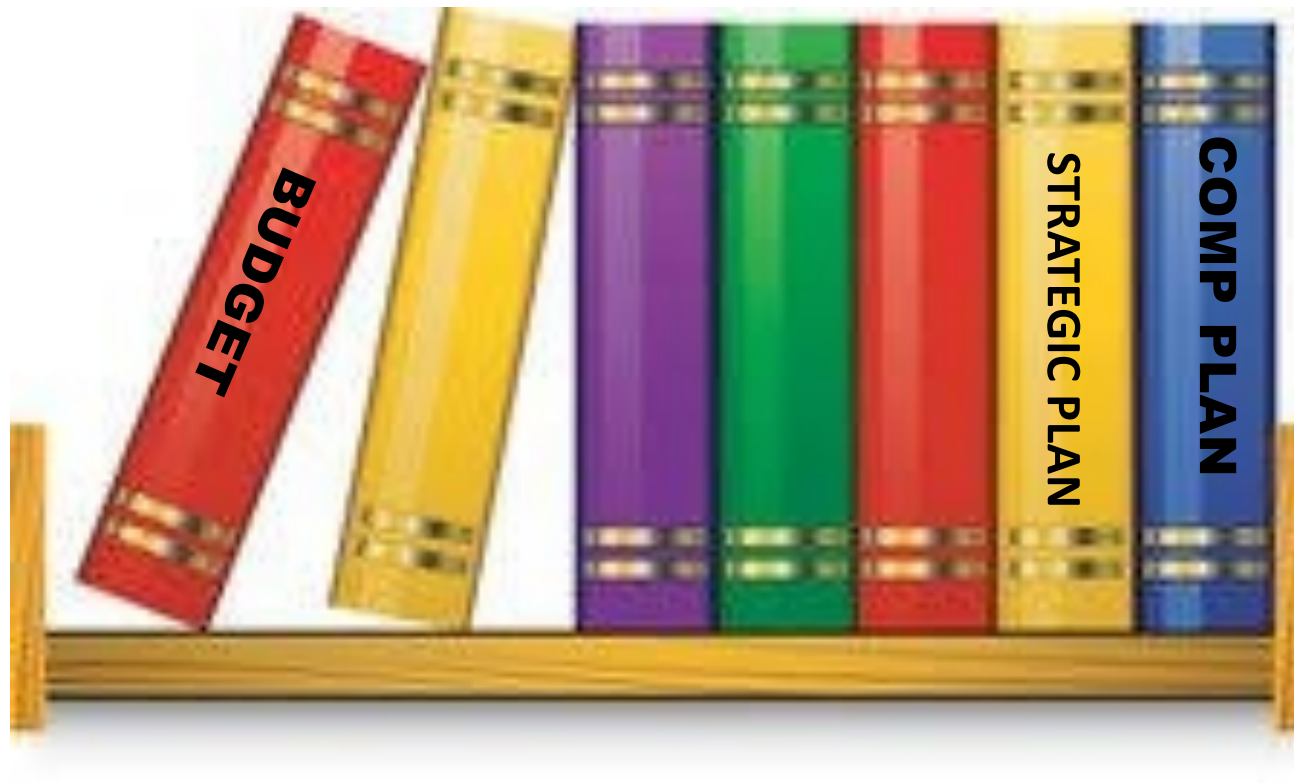
- Provides framework for allocating resources to the priorities of your community
- Combines principles of “Zero Based,” “Program Based,” “Performance Based,” and “Results Based”
- Avoids “Across-the-Board” mentality
- Focuses on “*what to keep*”, NOT “*what to cut*”
- Allows organization to “*see*” things in a different way and apply a more diagnostic approach



So.....

**WHY ADOPT PRIORITY BASED
BUDGETING ??????**

Connecting the *BUDGET* with the *STRATEGIC PLAN*



GOVERNING

CONNECTING AMERICA'S LEADERS

“Across the board cuts spreads the pain evenly and also evenly spreads the mediocrity”

- Budget Director for the State of Louisiana

The Mercury News *From 2007*

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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We Must “*See*” the Difference

GOVERNING

THE STATES AND LOCALITIES

FINANCE | HEALTH | INFRASTRUCTURE | MANAGEMENT | ELECTIONS | POLITICS | PUBLIC SAFETY | URBAN | EI

FINANCE 101

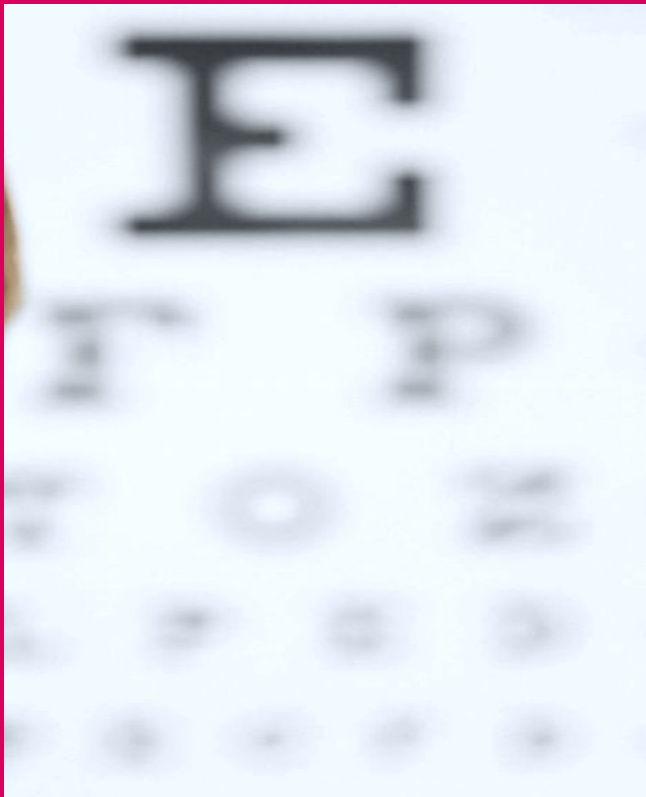
SPECIAL SERIES

The Difference Between a Sustainable Budget and a Balanced Budget

A balanced budget isn't always a healthy one.

BY LIZ FARMER | MAY 12, 2014

BRINGING VISION INTO FOCUS WITH A NEW “LENS”



afi Alliance
for Innovation



ICMA

Best Practice

Straight Ahead



Insanity



Doing the same
thing over and over
again and expecting
different results

THE STEPS TO PRIORITY BASED BUDGETING

Steps to Priority Based Budgeting

ASSESS FINANCIAL REALITY –

“What is our “picture of Fiscal Health”?”

- Being able to “*see*” and communicate more clearly the organization’s fiscal reality over the next few years allows policy makers to better understand how to plan for the financial sustainability of the organization in the long term.



Comparison of Projected Revenues, Outlays, and Deficits in CBO's March 2009 Baseline and CBO's Estimate of the President's Budget

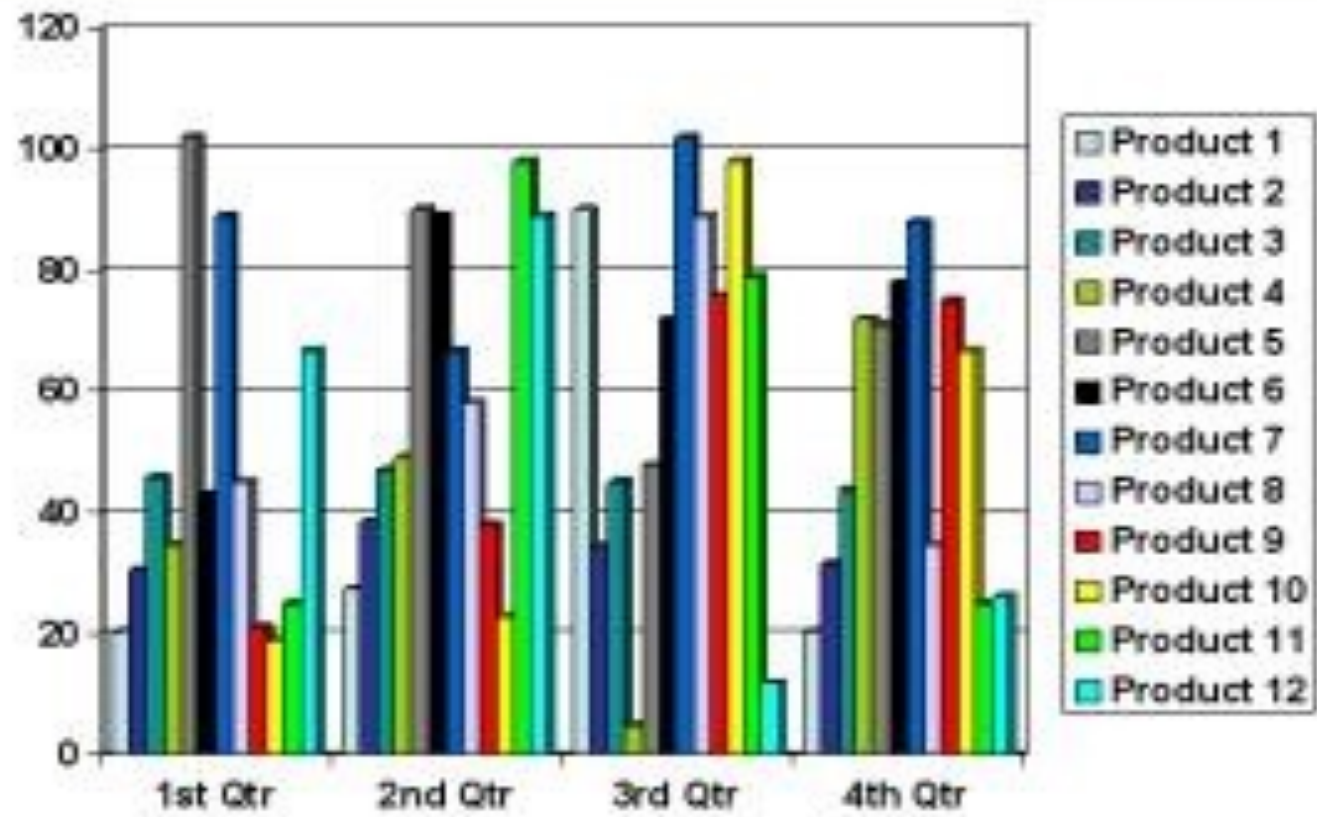
(billions of dollars)

	Actual 2008	2009	2010	21
Revenues	2,534	2,136	2,134	2
Outlays	2,983	3,852	3,879	3
Total Deficit	-449	-1,687	-1,745	-4
Revenues	2,534	2,139	2,299	2
Outlays	2,983	4,004	3,660	3
Total Deficit	-449	-1,845	-1,361	-4
		Difference		
Revenues	n.a.	-25	-45	-
Outlays	n.a.	151	190	-
Total Deficit	n.a.	-177	-241	-4
Major sources:				
Total Deficit as a Percentage of GDP				
CBO's baseline	-0.2	-11.8	-7.9	-
CBO's estimate of the President's Budget	-0.2	-12.1	-6.6	-
Debt Held by the Public as a Percentage of GDP				
CBO's baseline	61.8	54.9	60.1	-
CBO's estimate of the President's Budget	61.8	54.9	66.7	-

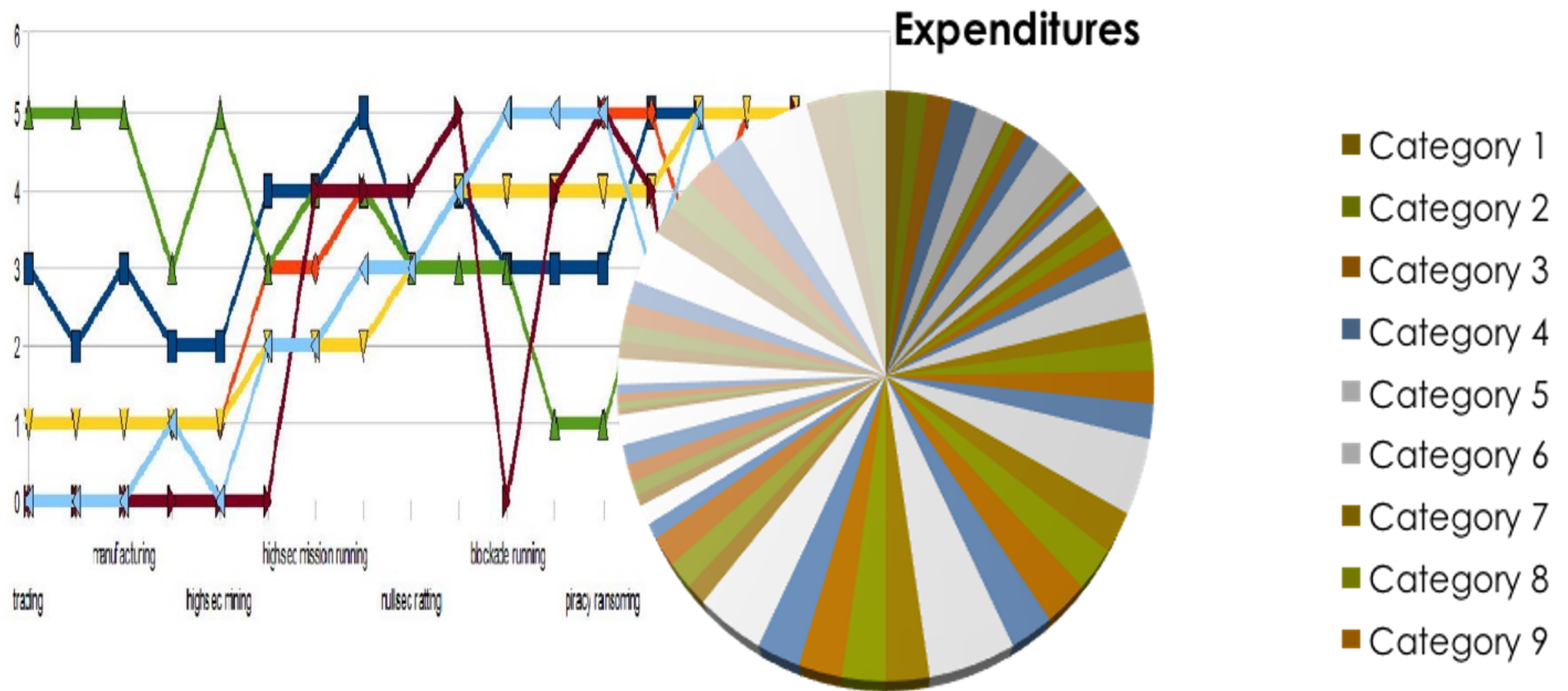
Source: Congressional Budget Office.

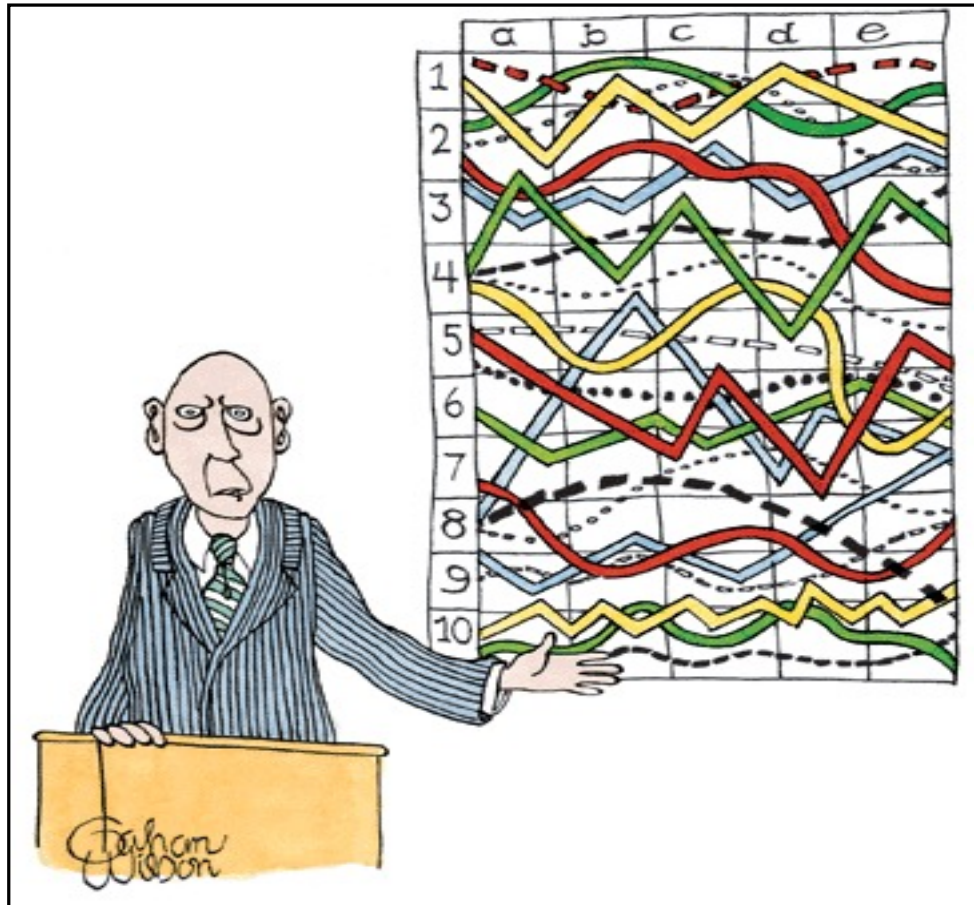
AVERMALK OWNERS ASSOCIATION - OPERATING AND CAPITOL BUDGETS									
ACCOUNTS	2008 Actual	2009 Budget	2010 Actual	2010 Budget	2008 Actual	2009 Budget	Difference		
INCOME									
Annual Dues	4000	4000	4000	50,500	51000	50201	2109		
Paid In Accounts	5019	5000	4714	4714	5024	5034	0		
Lot Fees	275	375	375	375	375	375	0		
Property Transfer Fees	225	200	200	200	200	200	0		
Finance Charges	150	850	930	930	930	930	0		
Interest Income	100	200	200	200	190	200	10		
CCR Fees	800	200	0	200	70	200	290		
Total Income	\$1,389	\$4,871	\$1,327.00	\$2,502	\$6,190	\$2,994	\$3,196		
EXPENSES									
Bad Debt Write Off	1000	1000	2043	2043	1076	1000	-76		
Accounting	3000	4000	4000	4000	4000	4000	0		
Bank Service Charges	80	0	0	0	0	0	0		
Insurance	2000	2000	2007	2007	2041	2041	0		
Lease Cars, Repairs	2000	3000	3000	3000	4000	4700	2000		
Including Snow Removal - please see bottom on page for breakdown of expenses.									
Postage & Box	700	800	800	800	700	700	0		
Legal	750	100	0	750	0	750	750		
Office Supplies	300	100	70	100	0	100	100		
Printing	405	671	831	831	700	800	200		
Snow Removal	1000	1000	800	1400	See above				
Snow Events	600	800	300	300	700	700	0		
Water	2000	2000	2000	2000	2000	2000	0		
Filing Fees	200	100	100	100	100	100	0		
Taxes - Federal	225	100	70	70	74	74	0		
Taxes - Property	275	70	62	62	0	70	70		
Power	180	200	200	200	270	270	0		
Backflow Testing		720	700	700	820	820	0		
Repairs to Parks & Equipment					100	1000	1000		
Tax Preparation		200	200	200	200	200	0		
Common Area Develop	7000	0							
Sign - Front Entrance		1000	2000	2000	1076	0	-1076		
Trail Work		1000	0	1000	0	0	0		
Total Expenses	48,389	\$1,691.00	\$1,803	\$7,763	\$7,698	\$1,694	2498		

2008 Dues Increase of \$25/year or \$1.00/month based on 177 Homeowners \$189/yearly
 *Breakdown for Lease Cars, Moving, Furniture, Waste Control, Printing, Bidding: \$20,275.26, Repairs of Facilities, etc.: \$8008.26,
 Gas Surcharge: \$7989.22 and Snow Removal: \$1401.01



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“I’ll pause for a moment so you can let this information sink in.”

Fiscal Health Principal #1

“How much does the organization have available to spend?”

(Not “How much do I need?”)

“Spend Within Your Means”



Fiscal Health Principle #1:

Spend Within Your Means



DO YOU...

- *Understand the organization's financial situation?*
- *Understand where revenues come from?*
- *Distinguish one-time from ongoing sources and uses?*
- *Differentiate general government revenues from program revenues?*

Differentiate **ONGOING** and **ONE-TIME**

EXECUTIVE SUMMARY									
GENERAL FUND									
			2018 Actuals	2019 Budget			2020 Budget		
				Revenues	Ongoing	One-Time	Revenues	Ongoing	One-Time
				As Amended	As Amended	As Amended			
SOURCES OF FUNDS									
Beginning Fund Balance			43,963,923	45,873,254	0	45,873,254	41,577,385	0	41,577,385
CAFR Adjustment						~			
General Governmental Revenues									
Taxes & Special Assessments			110,359,249	117,935,085	117,935,085	0	118,251,318	118,251,318	0
Licenses & Permits			53,545	56,500	56,500	0	49,000	49,000	0
Charges for Services			5,667,608	6,213,000	5,765,000	448,000	5,419,000	5,379,000	40,000
Intergovernmental Assistance			475,647	1,356,070	513,620	842,450	464,000	464,000	0
Fines & Forfeitures			131,056	246,000	46,000	200,000	261,500	61,500	200,000
Investment Income			4,262,577	2,500,000	0	2,500,000	3,300,000	400,000	2,900,000
Other Income			528,244	50,000	0	50,000	100,000	0	100,000
Intra-County Transactions (Transfers)									
Indirect Cost Allocation			4,502,535	3,549,984	3,549,984	0	4,668,096	3,846,477	821,619
Treasurer's Fees			2,426,922	2,669,600	2,669,600	0	2,692,000	2,692,000	0
Interfund Transfers									
Employee Benefits Fund			4,000,000	2,000,000	0	2,000,000	3,000,000	0	3,000,000
Social Services HVAC			1,742,688	0	0	0	0	0	0
Patrol Fund (for Emergency Mgmt)			1,982	0	0	0	0	0	0
Public Trustee Fund (net revenues)			916,259	0	0	0	250,855	100,000	150,855
Total General Governmental Revenues			135,068,312	136,576,239	130,535,789	6,040,450	138,455,769	131,243,295	7,212,474
Departmental/Program Revenues									
Intergovernmental Assistance			5,018,614	4,214,427	4,214,427	0	4,397,766	4,397,766	0
Fines & Forfeitures			30,814	0	0	0	25,000	25,000	0
Licenses & Permits			2,610,640	2,892,000	2,892,000	0	2,154,000	2,154,000	0
Charges for Services			15,399,233	16,724,024	14,809,624	1,914,400	15,319,225	15,010,432	308,793

Fiscal Health Principal #2

“Why Do We Need to Keep Money in the Bank?”

Establish and Maintain Reserves
(“Preserve the Reserves”)



Fiscal Health Principle #2:

Establish and Maintain Reserves



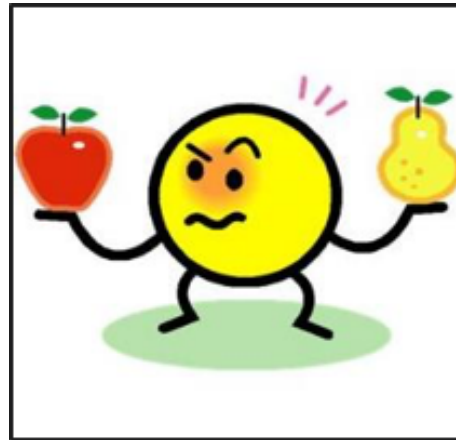
DO YOU...

- *Understand what makes up Fund Balance(s) and why you hold reserves?*
- *Maintain a Working Capital and/or Emergency Fund reserve*
- *Have written fund balance reservation policies that are monitored?*

Fiscal Health Principal #3

“What’s the Difference?”

Understanding Variances (Budget to Actual)

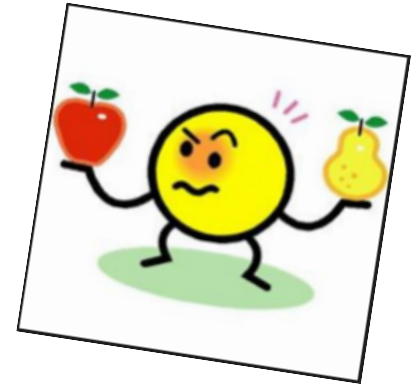


Fiscal Health Principle #3:

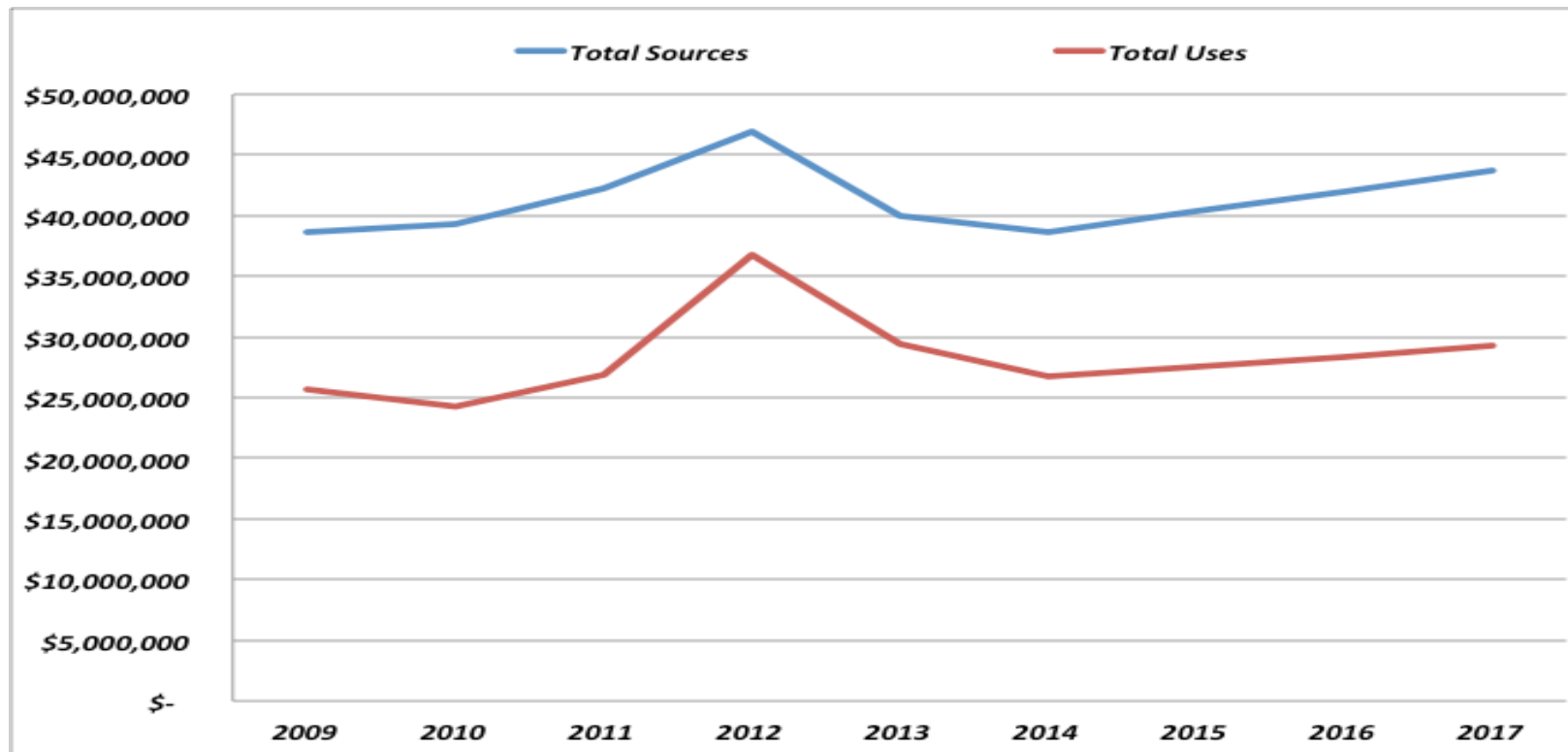
Understanding Variances

DO YOU...

- *Analyze and explain annual “budget to actual” variances? (a source of “hidden treasure”)*
- *Strive to align operating budget with actuals?*
- *Monitor “budget to actual” differences regularly during the year?*
- *Practice multi-year capital budgeting?*



*Looks like a financially “healthy” organization –
RIGHT?*

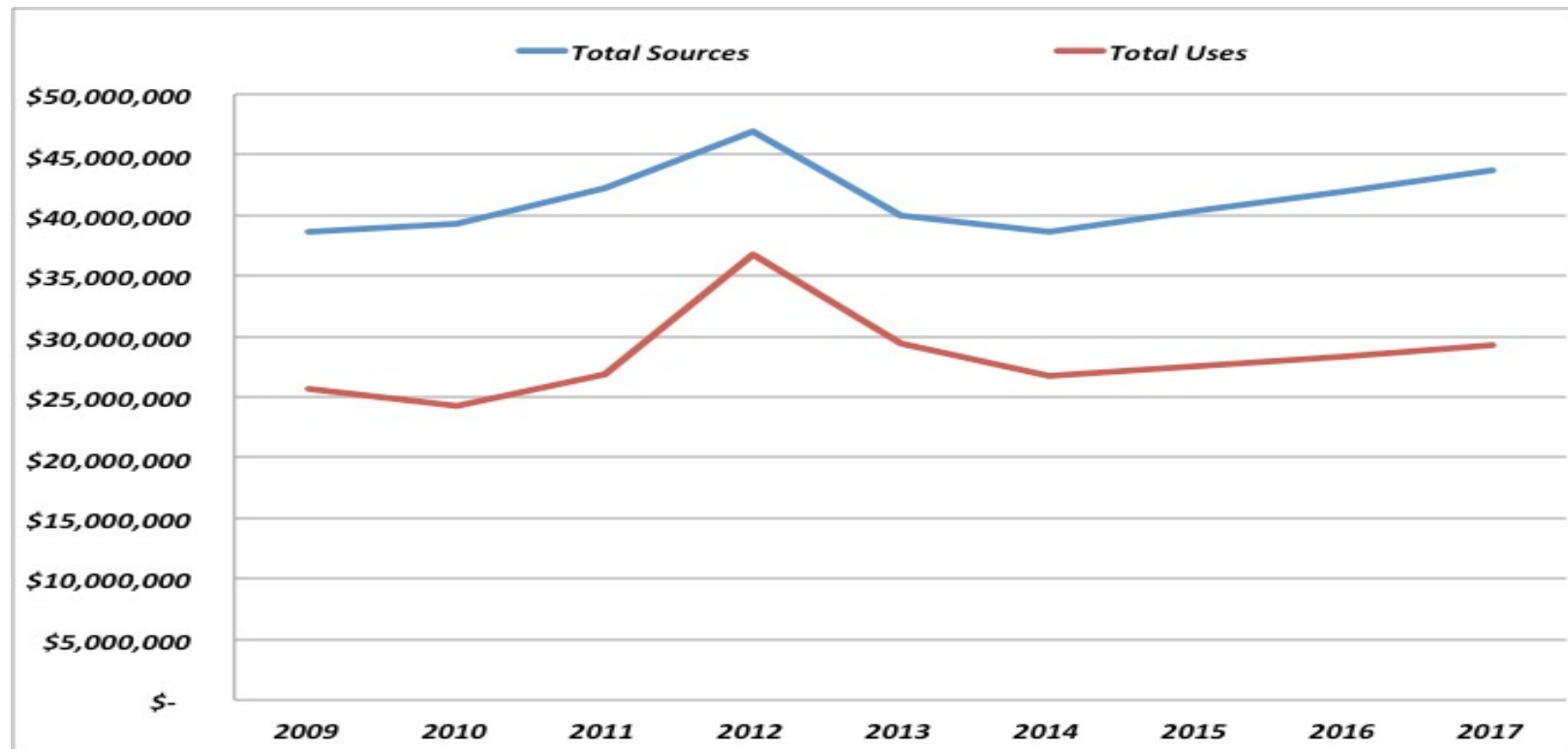


Historical

Current

Projected

Let's separate ONE-TIME from ONGOING

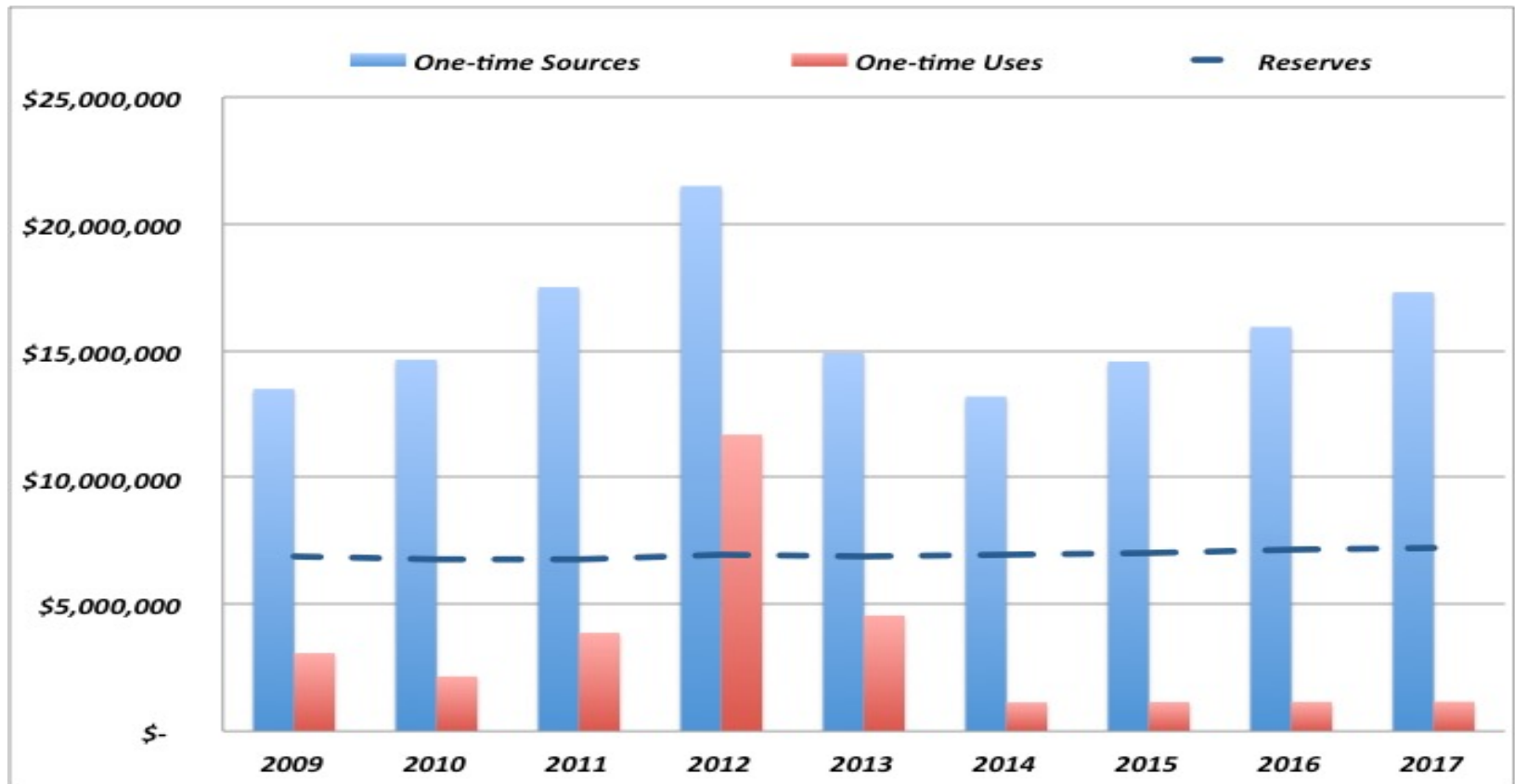


Historical

Current

Projected

Here's the ONE-TIME side of the world.....

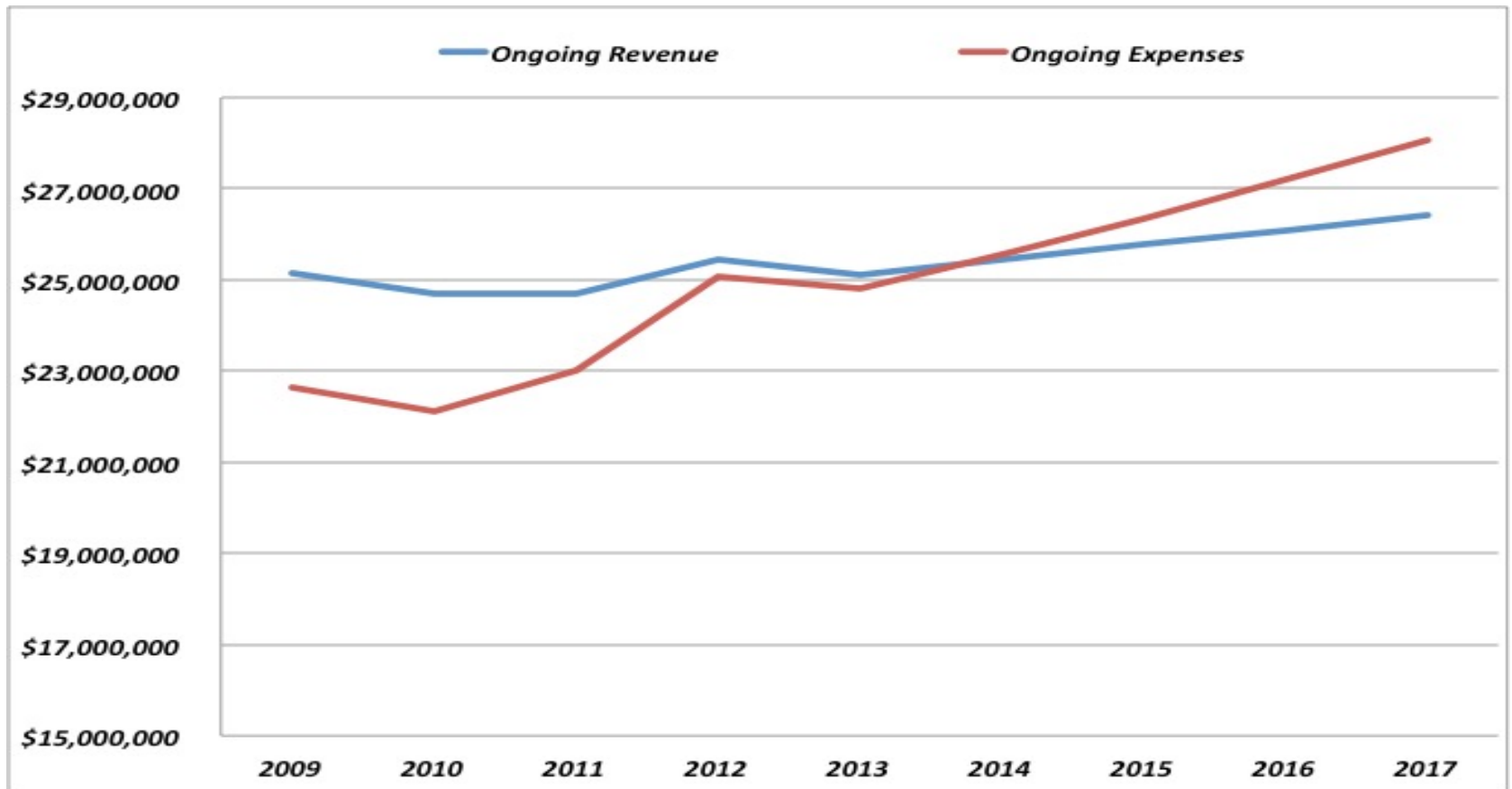


Historical

Current

Projected

And here's the ONGOING side of the world.....

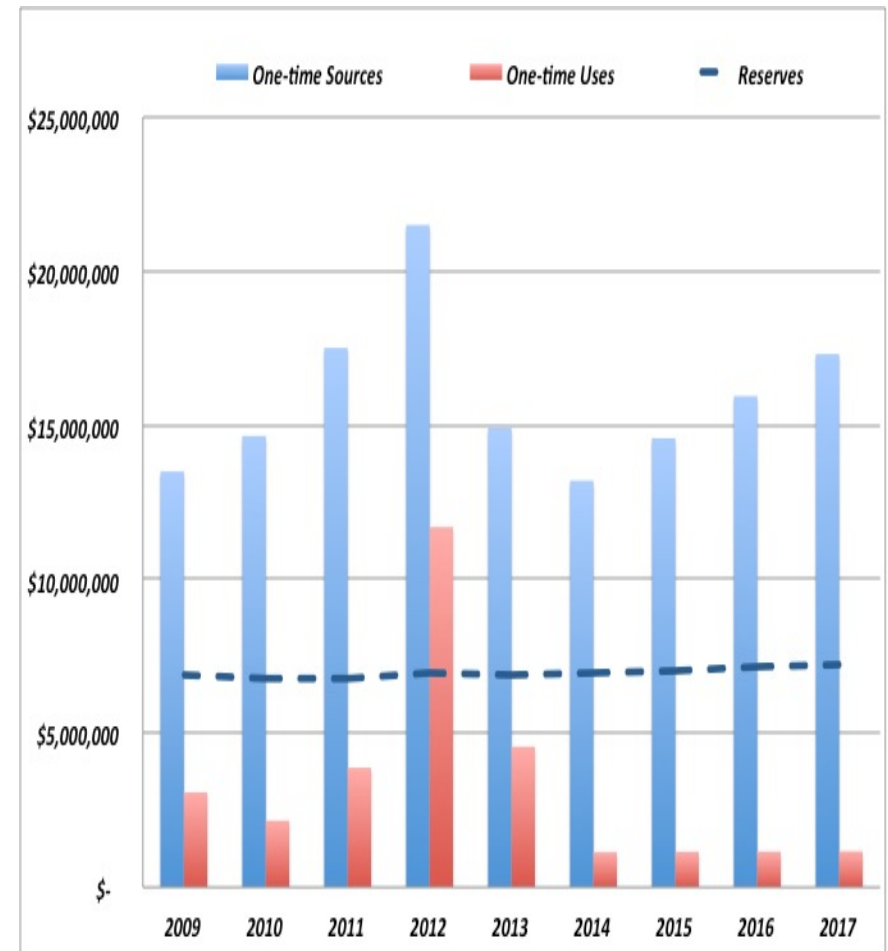
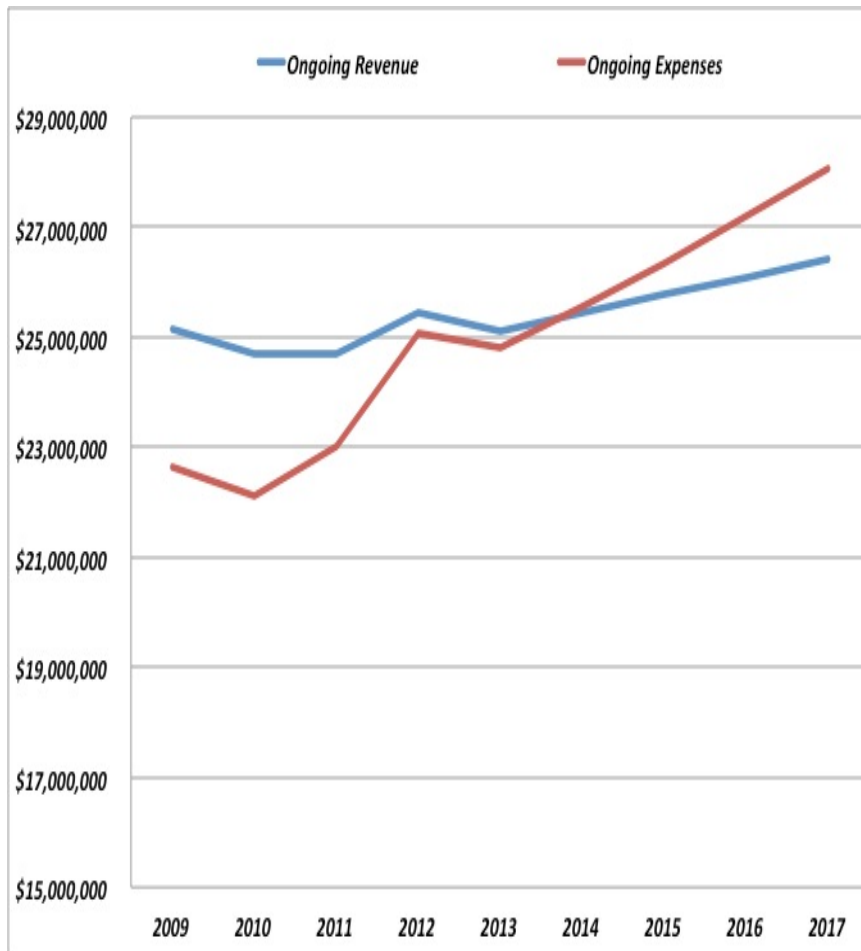


Historical

Current

Projected

Both worlds side by side....



Steps to Priority Based Budgeting

“What exactly do we do... and how much does it cost to do it?”

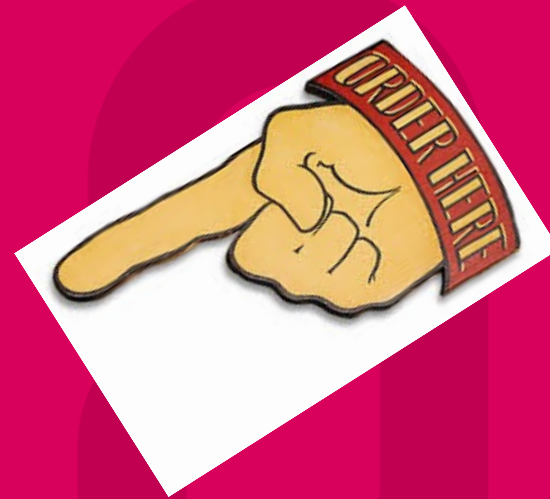
Identifying Programs and What They Cost

Comparing individual programs and services as opposed to comparing departments that provide those services allows for a better understanding of what the organization “does”



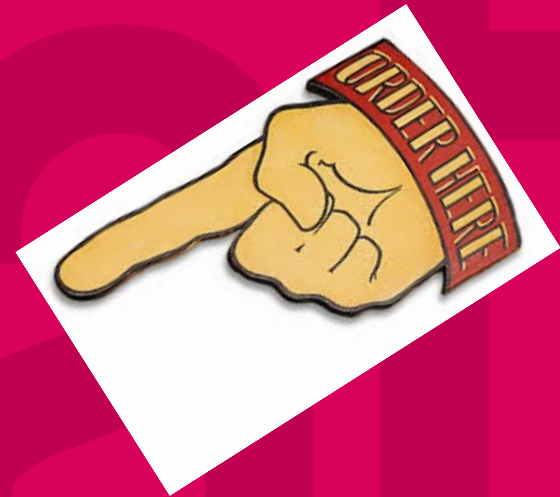
Alice's Restaurant Menu Selections

- *Entree*
- *Side Dish*
- *Beverage*



Alice's Restaurant Menu Selections

- *Entree*
 - *Chicken*
 - *Beef*
- *Side Dish*
 - *Starch*
 - *Vegetable*
- *Beverage*
 - *Something in a Cup*
 - *Something in a Glass*



Alice's Restaurant Menu Selections

Chicken

Chicken Marsala
Fried Chicken
Chicken Teriyaki

Beef

Filet Mignon
Pot Roast
Ground Sirloin

Seafood/Fish

Lobster
Trout
Catfish



• *Side Dish*

- *Baked Potato*
- *Sweet Potato*
- *Rice Pilaf*
- *Caesar Salad*
- *Green Beans*
- *Squash*

• *Beverage*

- *Coffee*
- *Tea*
- *Wine*
- *Beer*



OBJECTIVES for Developing Program Inventories

- Create a comprehensive listing of all services offered by each operating division (*to both “external” and “internal” users*)
- Provide a better understanding of **“what we do”** to staff, administration, elected officials and citizens
- Provide a framework to better understand how resources are used to support **“what we do”**
- Provide a valuable tool for staff, management and elected officials to use when faced with budgetary *“choices”* about how funds are distributed.
- Allow for the preparation and discussion of a **“program budget”** rather than a **“line-item budget”**

Defining Programs

- To determine “*just right*”, look for “**differences**” that might help determine if an service can be defined as a “**stand-alone**” program
 - “**Who**” are you offering the service to?
 - Does it benefit a specific demographic group or population?
 - “**Where**” are you offering the service?
 - Does it impact a specific area, location or environment
 - “**What**” are you doing the service to?
 - Does it affect a specific property or asset (infrastructure, facility, etc.)
 - “**How**” is it funded? – Is there someone paying for it?
 - Are there revenue sources associated directly with the program (“**Program Revenues**”)

Defining Programs

- Has someone told us we “*have to do it*”?
 - Are there statutes, ordinances, resolutions, or other legislative documents that require us to provide the service?
- What “*type*” of service are you providing?
 - Preventative, Replacement; Repair/Maintenance; Instruction; Protection; Informative; etc.
- “Is there someone outside the organization that “*does the same thing*”?
 - Does a private business offer a similar service (“*Yellow Pages test*”)
- Do we “*advertise*” that we do it?
 - Is there a separate phone directory or website reference to the service?



Program Examples

THESE ARE PROGRAMS...

- Adult Swimming Lessons
- Patrol Response to Emergency Calls
- Commercial Building Permitting
- Fire Suppression
- Payroll Processing
- Storm Drain Cleaning
- Graffiti Removal
- Traffic Sign Maintenance
- Desktop Support / Help Desk
- Household Hazardous Waste Drop-Off
- Sidewalk Maintenance
- Trail Development
- Median Mowing & Landscaping

THESE ARE NOT...

- Aquatic Center
- Police Patrol
- Utilities
- Professional Development
- Fire Station
- Human Resources
- Contracted Services
- Storm Drainage
- Code Enforcement
- Trash Trucks
- Open Space
- Time Sheet Review
- Staff Supervision



Common Program Attributes or Characteristics

- *Mandated to Provide Program*
- *Reliance on City/County to Provide Program*
 - *Change in Demand for Program*
 - *Cost Recovery of Program*
- *Portion of Community Served by Program*

Basic Program Attributes: Mandated to Provide Program

- *Programs that are mandated by another level of government (i.e. federal, state or county) can be differentiated from programs that are mandated solely by the City/County or have no mandate whatsoever.*

4 = Required by Federal, State or County legislation

3 = Required by Charter or incorporation documents **OR** to comply with regulatory agency standards

2 = Required by Code, ordinance, resolution or policy **OR** to fulfill executed franchise or contractual agreement

1 = Recommended by national professional organization to meet published standards, other best practice

0 = No requirement or mandate exists

Basic Program Attributes: Cost Recovery of Program

- *Programs that demonstrate the ability to “pay for themselves” through user fees, intergovernmental grants or other user-based charges for services can be differentiated from programs that generate limited or no funding to cover their cost.*

4 = Fees generated cover 75% to 100% of the cost to provide the program

3 = Fees generated cover 50% to 74% of the cost to provide the program

2 = Fees generated cover 25% to 49% of the cost to provide the program

1 = Fees generated cover 1% to 24% of the cost to provide the program

0 = No fees are generated that cover the cost to provide the program

Basic Program Attributes:

Portion of Community/Organization Served by Program

- *Programs that benefit or serve a larger segment of City/County residents, businesses and/or visitors can be differentiated from programs that benefit or serve only a small segment of these populations.*
 - 4** = Program benefits/serves the **ENTIRE** community (100%)
 - 3** = Program benefits/serves a **SUBSTANTIAL** portion of the community (at least 75%)
 - 2** = Program benefits/serves a **SIGNIFICANT** portion of the community (at least 50%)
 - 1** = Program benefits/serves **SOME** portion of the community (at least 10%)
 - 0** = Program benefits/serves only a **SMALL** portion of the community (less than 10%)

Basic Program Attributes:

Reliance on City/County to Provide Program

- Programs for which residents, businesses and visitors can look only to the City/County to obtain the service can be differentiated from programs that may be similarly obtained from another intergovernmental agency or a private business.*

4 = City/County is the sole provider of the program and there are **no** other public or private entities that provide this type of service

3 = City/County is currently the sole provider of the program but there are other public or private entities that could be contracted to provide a similar service

2 = Program is also offered by another governmental, non-profit or civic agency

1 = Program is offered by other private businesses but none are located within the City/County limits

0 = Program is also offered by other private businesses located within the City/County limits

Basic Program Attributes: Change in Demand for Program

- *Programs demonstrating an increase in demand or utilization can be differentiated from programs that show no growth in demand for the program or a decrease in demand or utilization.*

4 = Program experiencing a **SUBSTANTIAL** increase in demand of 25% or more

3 = Program experiencing a **SIGNIFICANT** increase in demand of 15% to 24%

2 = Program experiencing a **MODEST** increase in demand of 5% to 14%

1 = Program experiencing a **MINIMAL** increase in demand of 1% to 4%

0 = Program experiencing **NO** change in demand

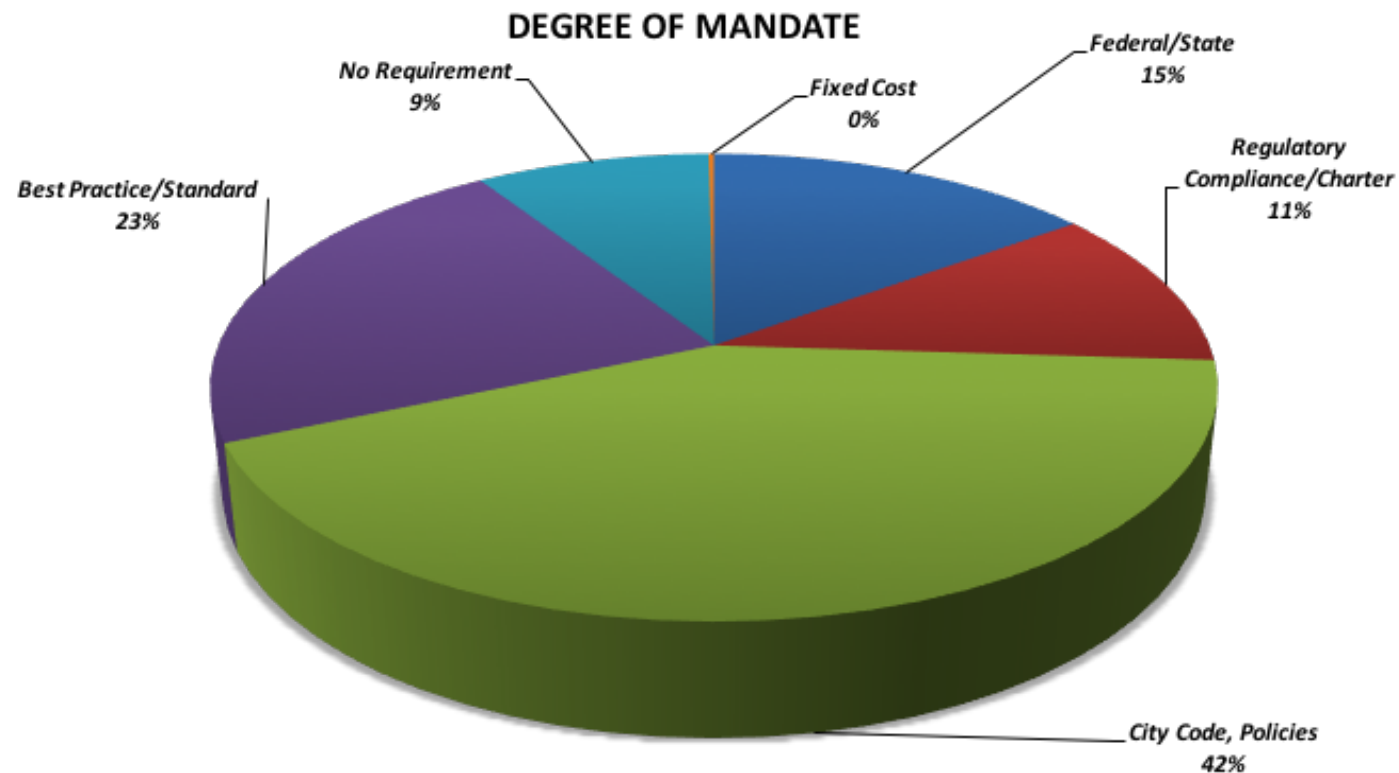
-1 = Program experiencing a **MINIMAL** decrease in demand of 1% to 4%

-2 = Program experiencing a **MODEST** decrease in demand of 5% to 14%

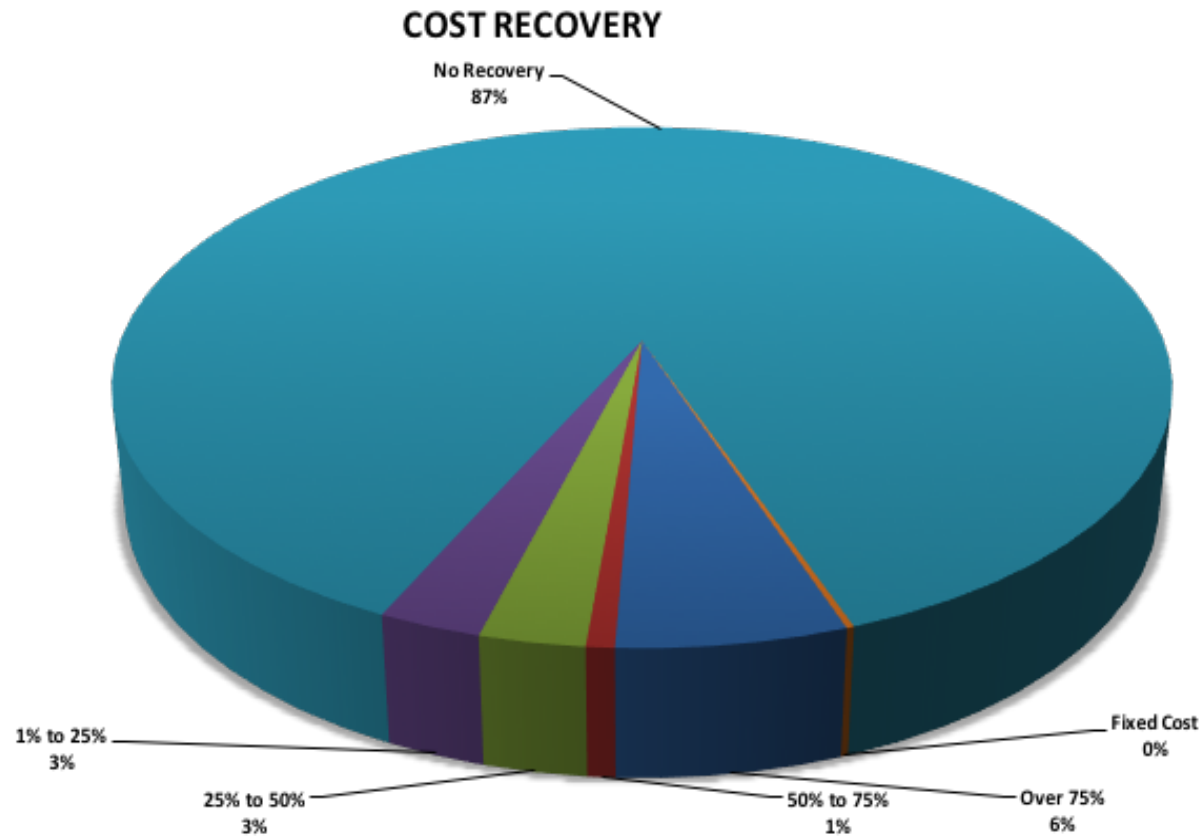
-3 = Program experiencing a **SIGNIFICANT** decrease in demand of 15% to 24%

-4 = Program experiencing a **SUBSTANTIAL** decrease in demand of 25% or more

Basic Program Attributes: Mandated to Provide Program



Basic Program Attributes: Cost Recovery of Program



Identifying Program Costs

“How much does it cost to do what we do?”

- Developing reasonable estimates of what it costs to provide individual programs and services as opposed to only looking at total department budgets or individual line items provides a more transparent perspective of “where the money goes”



Alice's Restaurant Menu Selections

- *Chicken*
 - *Chicken Marsala*
 - *Fried Chicken*
 - *Chicken Teriyaki*
- *Beef*
 - *Filet Mignon*
 - *Pot Roast*
 - *Ground Sirloin*
- *Seafood/Fish*
 - *Lobster*
 - *Trout*
 - *Catfish*



- *Side Dish –*
 - *Baked Potato – Plain*
 - *Baked Potato – Loaded*
 - *Rice Pilaf*
 - *Caesar Salad*
 - *Green Beans*
 - *Squash*
- *Beverage*
 - *Water*
 - *Coffee or Tea*
 - *Wine*
 - *Beer*

But how much do these items cost? Do they all cost the same amount?

Will my budget let me have Filet or Hamburger?, a Plain or Loaded Potato?

The logo consists of the letters 'a' and 'f' in a white, stylized, sans-serif font. The 'a' is lowercase and the 'f' is lowercase. They are positioned on a magenta background that has a diagonal cut on the right side.

How to Identify Program Costs

- 1) Associate *Salary and Benefit Costs* with your *Personnel*
- 2) Assign *Personnel* to the *Programs* they provide
- 3) Associate *Non-Personnel Costs* with *Programs*
- 4) *Line item* Budget is now expressed as a *Program* Budget!



Developing Program Costs:

- ***Associate Total Compensation (Salary and Benefits) with Personnel/Positions***
 - Create listing of every position/person that reconciles to approved FTE count
 - Reconcile with total personnel line items in the budget
 - Identify ***Total Compensation*** for each position/person that includes:
 - *Salaries and wages*
 - *Employer-paid taxes*
 - *Employer-paid insurance*
 - *Employer-paid retirement/pension contributions*
 - *Stipends and allowances*

Developing Program Costs:

- **Assign Personnel to the Programs they Provide**
 - Allocate % of time staff person spends providing each identified program on an annual basis
 - *Not a “time study” – need “reasonably accurate” estimates rather than “precise” calculations*
 - *Allocate 100% of the employees’ time (even if they believe they are “overworked”!)*
 - May “discover” new programs when allocating staff’s time
 - Double check that each staff member’s time has been 100% allocated - no more no less

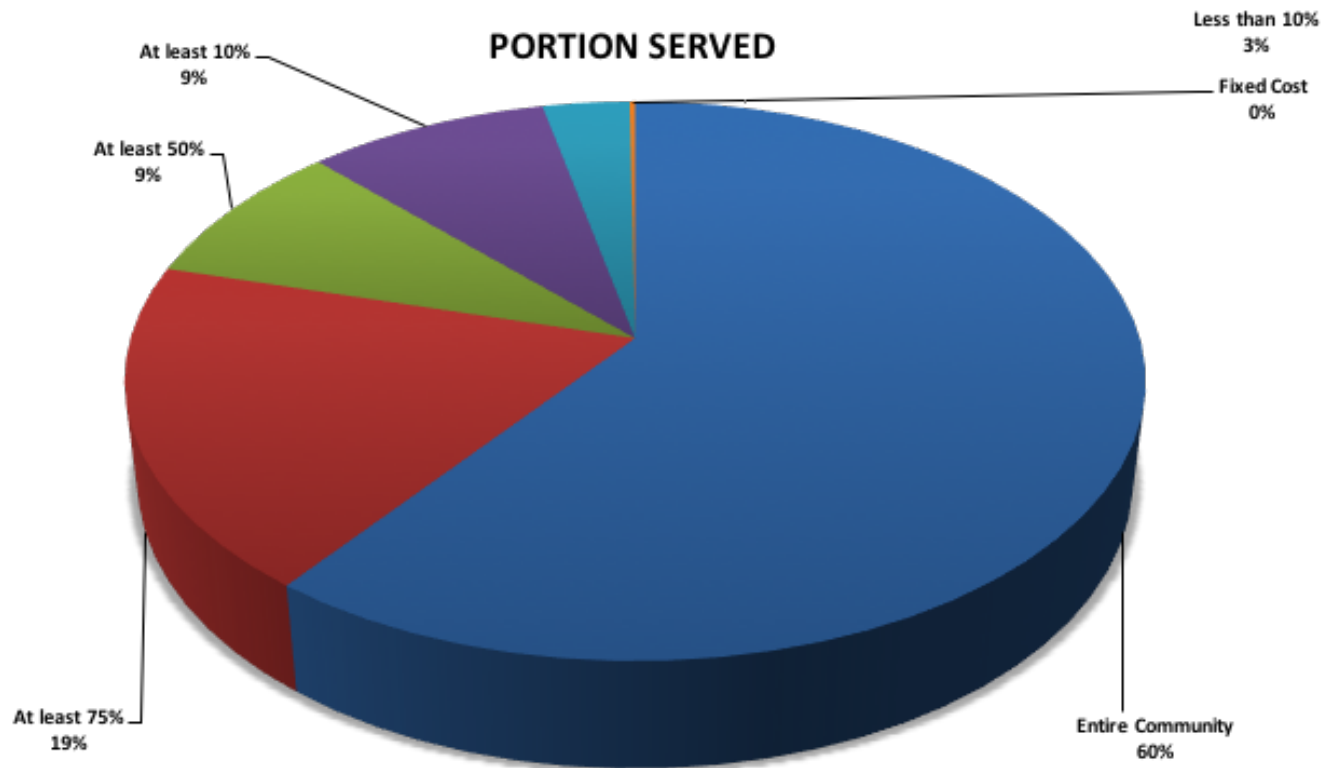
Developing Program Costs:

- ***Allocate Non-Personnel Costs to Programs***
 - Allocate each “non-personnel” line item in your budget to the programs you offer
 - *i.e. Supplies, Services, Repairs & Maintenance; Professional Development, Utilities & Phone, etc.*
 - *Exclude Capital Expenditures; One-Time Expenditures; Debt Service; Insurance Claims, Interfund Transfers, etc.*
 - Choice between 2 reasonable allocation methodologies
 - *Allocate using FTE allocation percentages (i.e. supplies)*
 - *Allocate directly to programs (i.e. contracted services)*

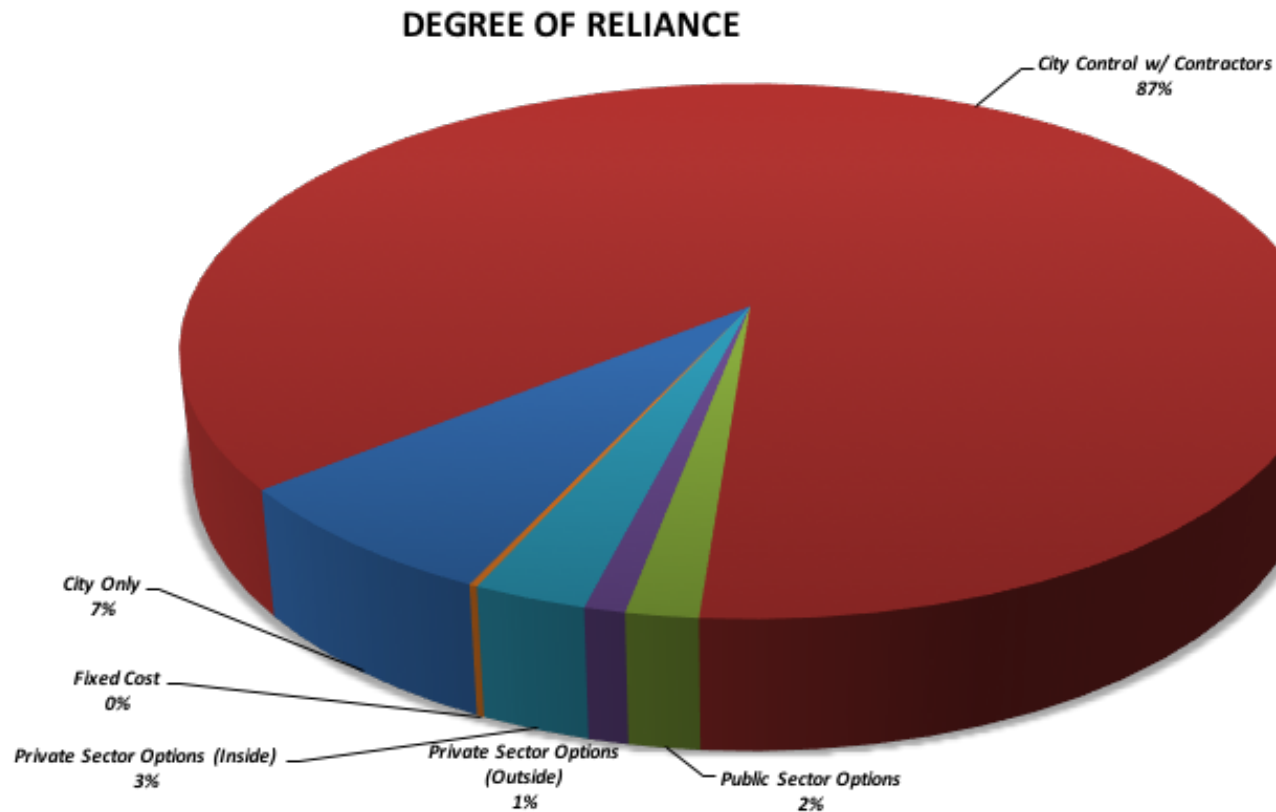
Developing Program Costs:

- **Associate “Program Revenues” Programs**
 - Revenues collected from end user that are meant to “offset” the cost of providing the program
 - *i.e. Fees; Charges for Services; Grants*
 - *Exclude Designated Taxes; Fines & Forfeitures, Interfund Transfers; Interdepartmental Cost Allocations; Insurance Claims or Settlements*
 - Rules of Thumb –
 - *The revenue “goes away” if the program is discontinued*
 - *Designated revenues are not program revenues – can choose which program they offset*
 - *End user understands they are “paying for” the program*

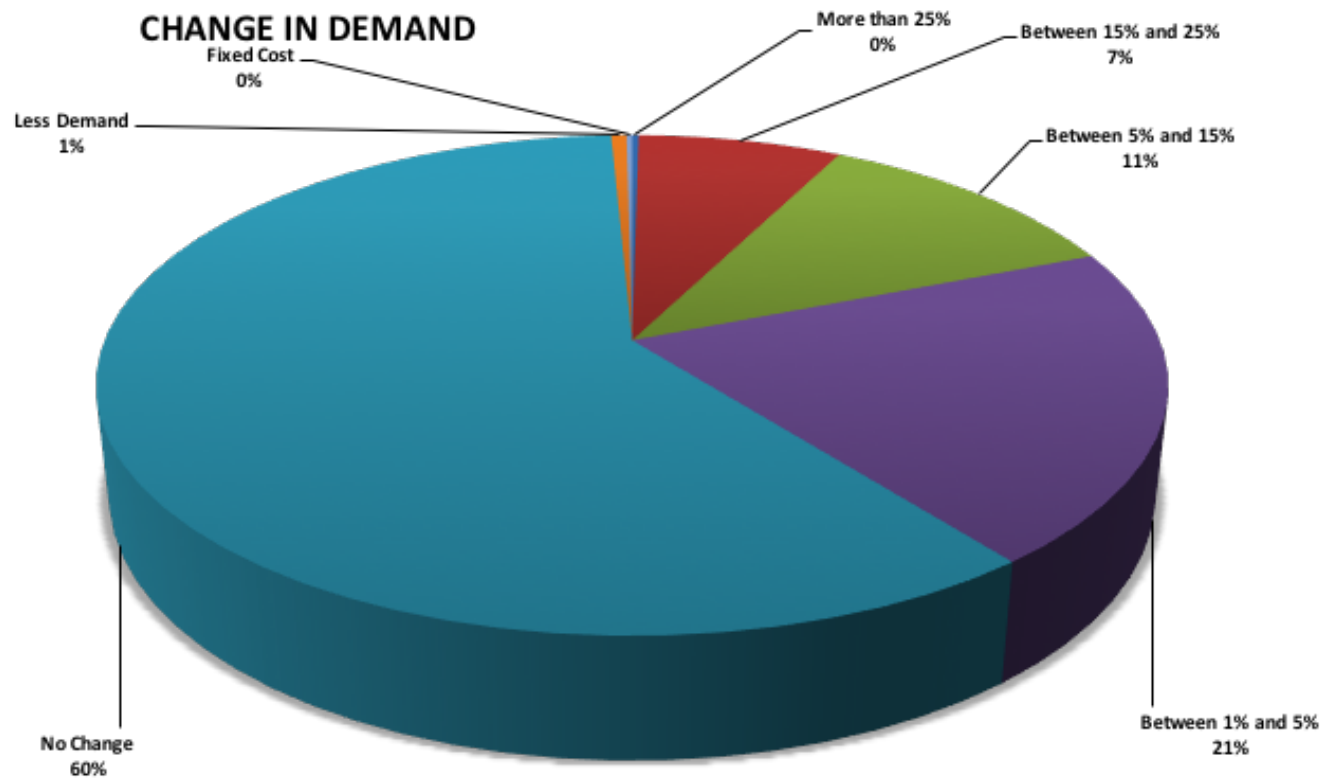
Basic Program Attributes:
Portion of Community Served by Program



Basic Program Attributes: Reliance on City to Provide Program



Basic Program Attributes: Change in Demand for Program



Fiscal Foresight Principle #5.....

“Why do we do what we do?”

Determining Results



Determining Results

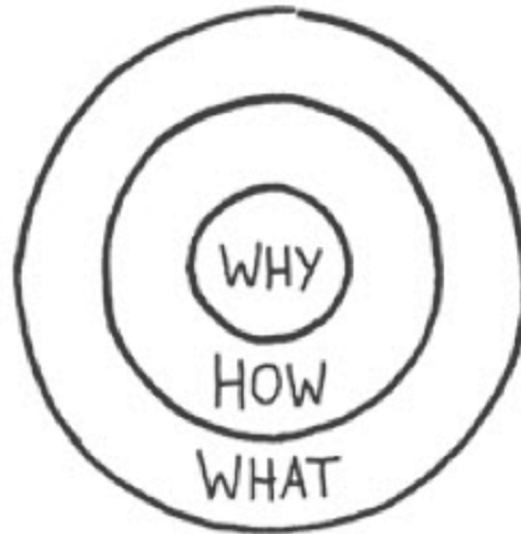
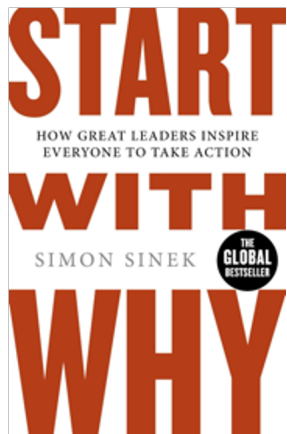
“What are we in “business” to do?”

- A better understanding of the organization’s stated objectives, depends on the comprehensive identification of the **Results** it is in business to achieve



Start with “Why”

The Golden Circle



© 2013 Simon Sinek, Inc.

What

Every organization on the planet knows **WHAT** they do. These are Products they sell or the services they offer.

How

Some Organizations know **HOW** they do it. These are things that make them special or set them apart from their competition

Why

Very few Organizations know **WHY** they do what they do. **WHY** is not about making money. That's a result. It's a purpose, cause or belief. It's the very reason your organization exists.

What are “Results”

- High-level and over-arching reasons the organization exists in the eyes of the community
- Identifies the *“Role of Local Government”* in your Community
- Remain consistent and unchanged over time
- Comprehensive
- Distinguished from (*i.e. “Results” are not...*)
 - Vision, Mission or Value Statements
 - Specific short-term, projects, goals or initiatives
 - Organizational Values
 - *Descriptive of how we want to deliver services*
 - “Marketing” statements
 - *Descriptive of how we want the community to “Look and Feel”*



City of Kalamazoo, Michigan *Community Results*

- *Building a Strong, Well-Planned Community*
 - *Economic Vitality*
- *Effective Mobility and a Connected, Reliable Transportation System*
 - *Environmental Stewardship*
- *Quality Recreational, Educational and Cultural Opportunities*
 - *Safe Community*

SUMMARY of RESULTS by COMMUNITY

BILLINGS, MT	CARY, NC	BLUE ASH, OH	LEHIGH COUNTY, PA	CHESAPEAKE, VA
Safe Community	Safe Community	Safe Community	Safe Community	Safe Community
Preservation of Community Resources	Quality Cultural, Recreational & Leisure Opportunities	Attractive and Well-Maintained Community	Quality Recreation, Leisure and Lifestyle Opportunities	Ecological Stewardship
Leisure, Cultural and Learning Opportunities	Economic Vitality & Development	Quality and Diverse Leisure-time Activities	Healthy Nurturing & Social Responsible Environment	Healthy, Nurturing and Secure Community
Involved, Engaged and United Community	Attractive, Well-Planned & Livable Community	Quality and Desirable Neighborhoods	Economic Health & Vitality	Economic Vitality
Sustainable Economic Development	Effective Transportation & Mobility	Strong and Vibrant Economic Environment	Quality Infrastructure & Transportation Systems	Quality Infrastructure and Transportation Systems
Comprehensive, Orderly Growth and Development	Reliable, Sustainable Infrastructure	Connected, Accessible and Reliable Transportation Network	Managed, Well-Planned Growth	Good Governance
Effective and Connected Transportation Systems	Good Governance	Governance	Good Governance	
Honest, Responsive Government (Governance)				

Examples of “Results”

- “Good” Examples
 - *Safe and Secure Community*
 - *Effective Mobility and Reliable Infrastructure*
 - *Well-Managed Growth and Development*
 - *Environmental Sustainability*
 - *Thriving Local Economy*
 - *Access to Culture, Recreation and Life-Long Learning*
- “Not-so-Good” Examples
 - *Quality of Life* (too broad - the “kitchen sink” of results)
 - *Public Safety* (a “department”, not a result)
 - *Deliver Core Services* (what is “core”?)
 - *Good Customer Service* (should apply to everything we do)

Clarify Results Definitions

“What do those Results mean to us”?

- Need to articulate what success looks like in achieving the **Results**
- 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 **Results**

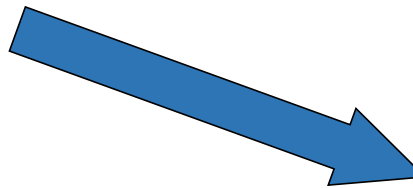
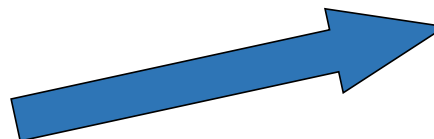


Clarify Result Definitions: *RESULT MAPS*



City of Boulder, CO Results

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



Defining Results: Result Mapping Exercise





City of Chandler, Arizona



City of Wheat Ridge, Colorado





City of Englewood, Colorado



ALIGNING RESOURCES (“the Budget”) **WITH** **COMMUNITY PRIORITIES**



Implementing Priority Based Budgeting

EVALUATE PROGRAMS BASED ON RESULTS –

“What is of the highest importance?”

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





Score Programs against Results and Attributes

City of Boulder's Results

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

Basic Program Attributes

- *Mandated* to Provide the Program
- *Reliance* on City/County to Provide the Program
- *Cost Recovery* of the Program
- *Change in Demand* for the Program
- *Portion of the Community Served* by the Program

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

2 = Program has some degree of influence on achieving Result

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

0 = Program has no influence on achieving Result

***“High Degree”
of Relevance***

***“Lower Degree” of
Relevance (still a
clear connection)***

***No Clear
Connection***


The logo consists of the letters 'a' and 'f' in a white, stylized, sans-serif font. The 'a' is lowercase and the 'f' is lowercase. They are positioned on a magenta background that has a diagonal cut on the right side.

Program Attributes or Characteristics – *other reasons “why we do what we do”*

- **Mandated to Provide Program**
- **Reliance on City/County to Provide Program**
 - *Change in Demand for Program*
 - **Cost Recovery of Program**
- **Portion of Community Served by Program**



Identify “Value” of Program Based on its Influence on Results

Individual Department Program Scorecard		Evaluation Criteria								
<p>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</p>		Basic Program Attributes				Priority Results				
Department	Program	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 Infrastructure
		0-4 Scale (4=State/Federal Mandate; 2=Charter; 1=Ordinance/Resolution; 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; 0=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				
		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

Peer Review Process

(Quality Control)

- *Cross-functional teams (“jury of your peers”) each assigned one Result*
- *Team reviews program scores for only that Result*
- *Team determines if it “agrees” or “disagrees” with the department score*
 - *If disagrees, seeks additional information from department*
- *Team recommends final score*
 - *Recommends using department score*
 - *Recommends a higher or lower score*



Implementing Priority Based Budgeting

ALLOCATE RESOURCES BASED ON COMMUNITY PRIORITIES—

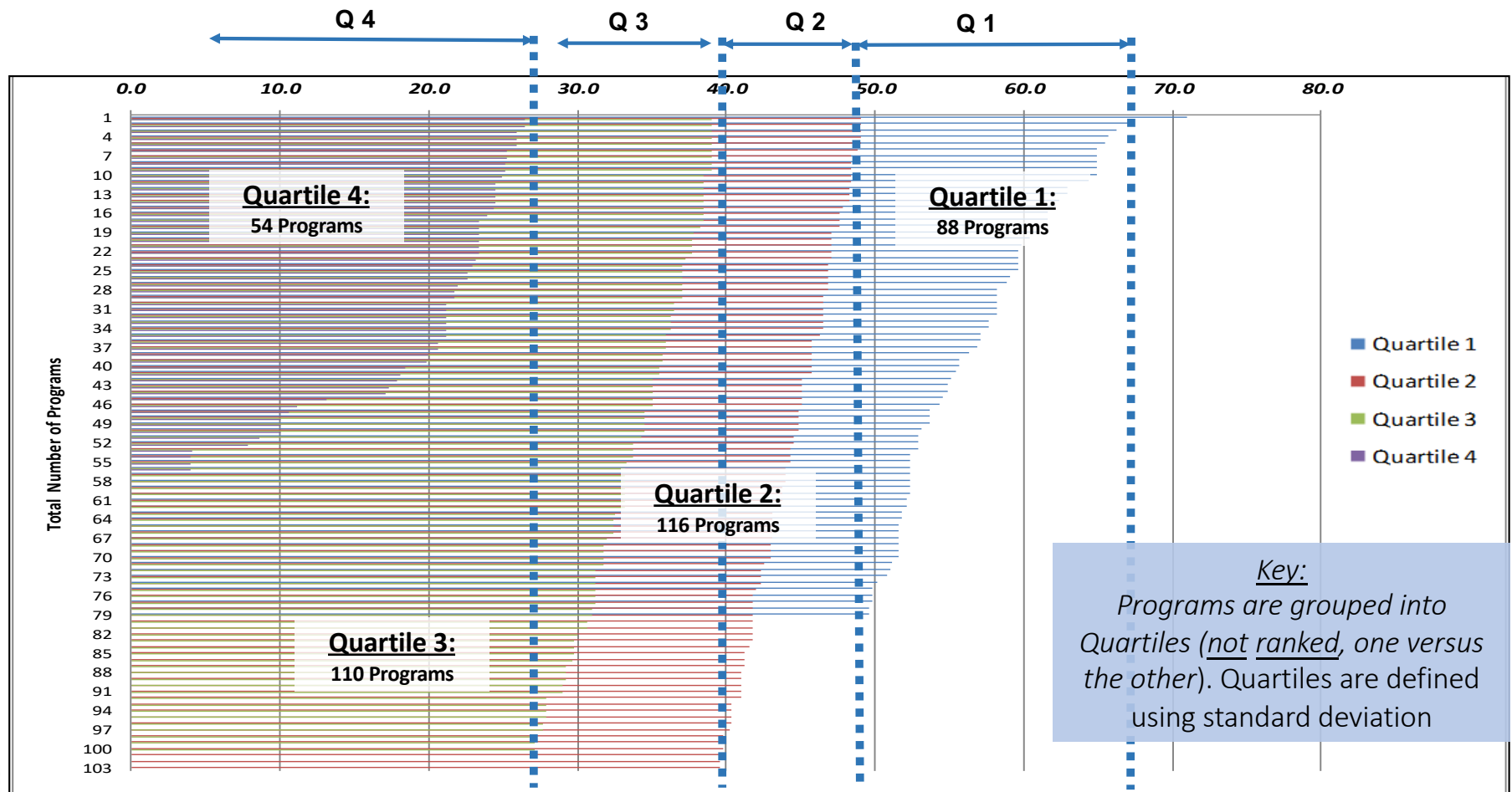


“How can we look at things in a different way?”

- Through this “new lens”, an organization can ask different questions that lead to more informed, data-driven decisions about “what we do” and “why we do it”

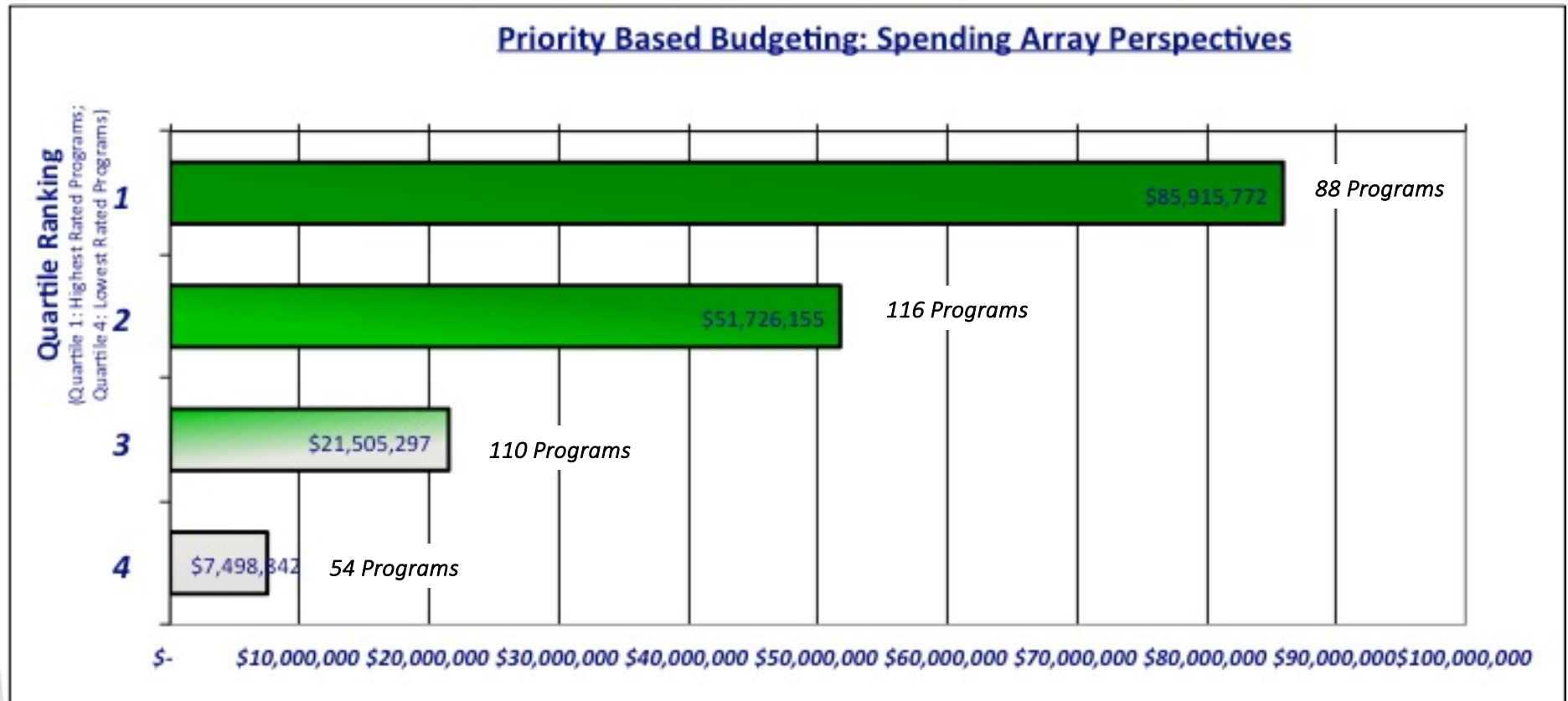


Defining Quartile Groupings



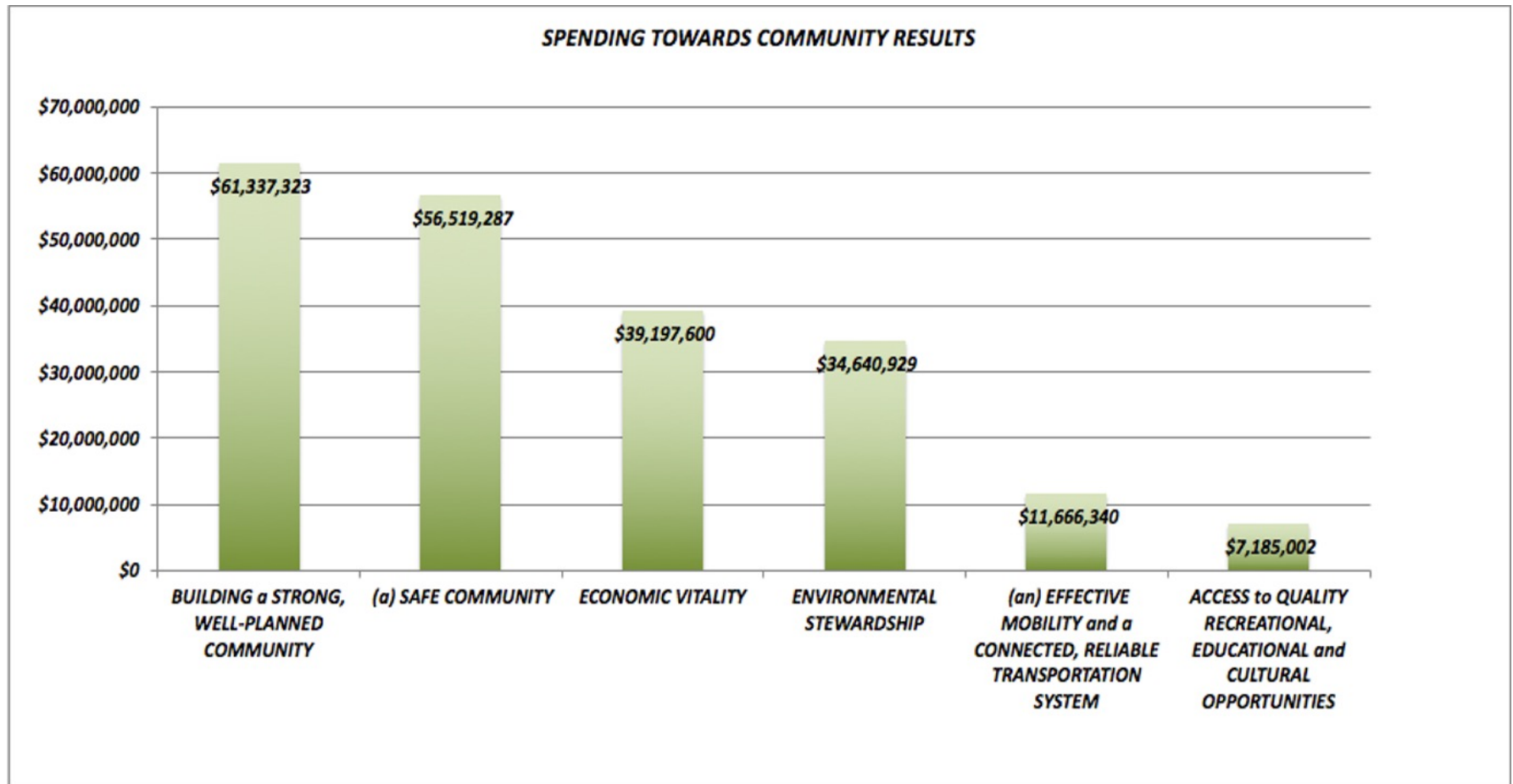
City of Boulder, Colorado

Allocate Resources Based on Prioritization

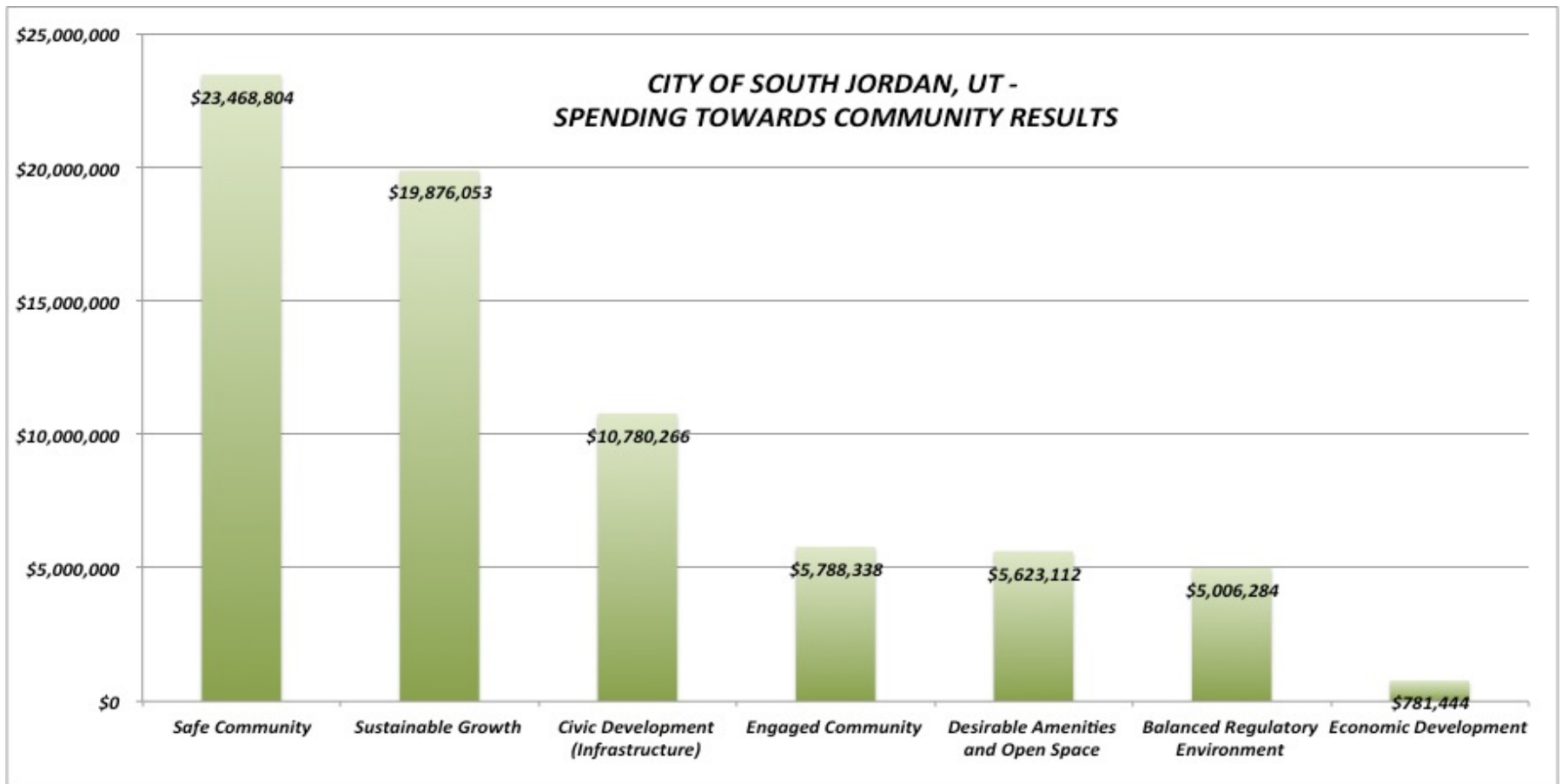


City of Boulder, Colorado

Align the Budget with Community Results



Align the Budget with Community Results



Looking Through the “New Lens”



- Which programs are of the highest priority in terms of achieving what is expected by the community?
 - *And which are of lesser importance?*
- Which programs are truly mandated for us to provide?
 - *And how much does it cost to provide them?*
- Which programs are offered because they are “self-imposed” ?
- Which programs are offered for which there are no other service providers?
- Are there programs might lend themselves to public/private partnerships?

Looking Through the “New Lens”



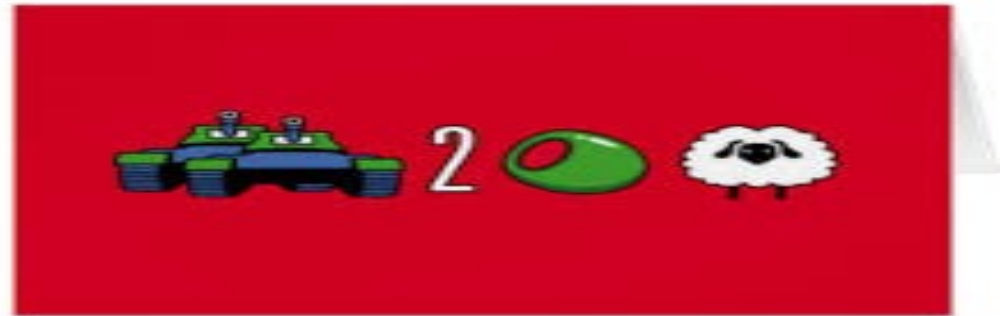
- Who in the private sector is offering programs that are similar in nature?
 - *And should we consider “getting out of that business”?*
- Which programs are experiencing an increasing level of demand from the community?
 - *And which are experiencing a decreasing need?*
- Are there programs offered that are not helping us achieve our intended “Results”?
- What are we spending to achieve our “Results”?



The most dangerous phrase
in the language is **"we've
always done it this way."**

Rear Admiral Grace Hopper (1906-1992)

QUESTIONS?



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