Sharpening Fiscal Foresight…. Through the Lens of Priority Based Budgeting

"Seeing things differently"

CSMFO Annual Conference

February 15, 2022

Fiscal Foresight Prinicple #5.....

"Why do we do what we do?"

Determining Results
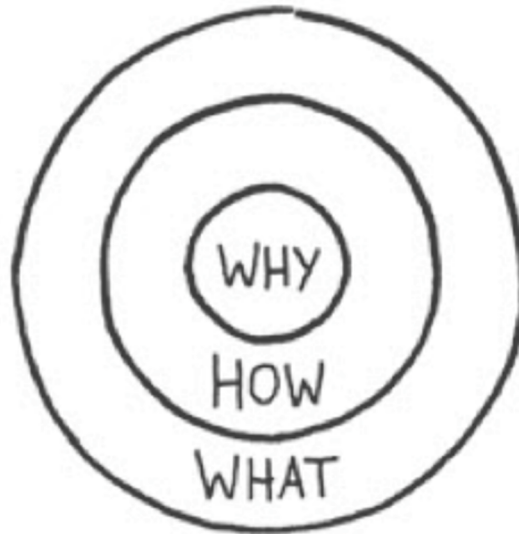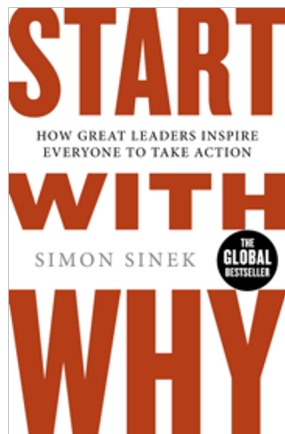
Determining Results

"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

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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.

Why Do We Do What We Do?
Identifying Results

DO YOU…

- *Have a shared vision of what your organization is expected to accomplish by the community?*

- *Ensure that your individual department's objectives are clearly aligned (and in sync) with entity-wide objectives?*

- *Create a "line of sight" for your employees between the jobs they perform and the results being accomplished?*

- *Clearly link requests for budget dollars to the results the community expects?*

- *Use the budget to "tell your story" in terms of how resources are being used to accomplish what is important in the eyes of the community?*

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**
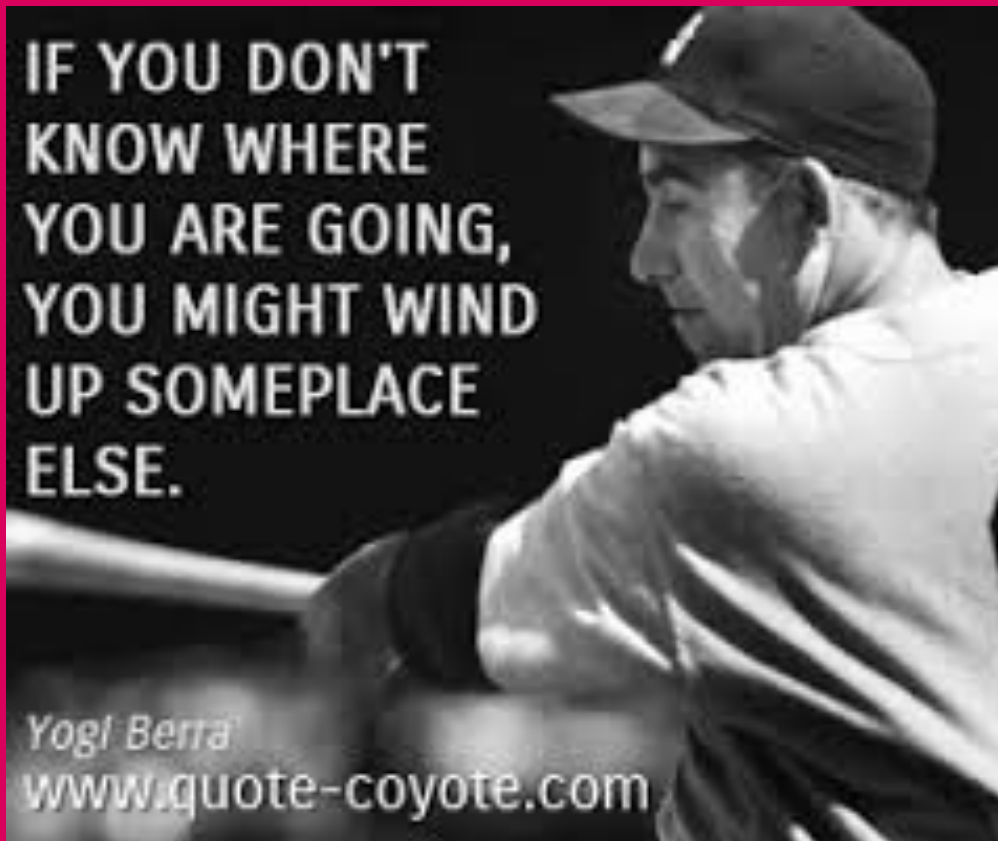   - **Descriptive of how we want the community to *"Look and Feel"***

Organizational vs. Departmental

"My responsibility is to get my 25 guys playing for the name on the front of the shirt and not the one on the back."

Tommy Lasorda, Former Manager, Los Angeles Dodgers

Results Drive Direction

IF YOU DON'T KNOW WHERE YOU ARE GOING, YOU MIGHT WIND UP SOMEPLACE ELSE.

Yogi Berra
www.quote-coyote.com

Determine Results

City of Grand Island, Nebraska

Stewardship of the Environment

Safe Community

Strategic, Sustainable and Maintained Development

Mobility Options

Efficient Services

Transparent Services

Financial Stewardship

High-quality Workforce

Regulatory Compliance

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

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**

Helps sustain a qualified and diversified workforce that meets employers' needs and supports broad-based economic diversity

Provides for a quality of life that attracts, sustains and retains diverse businesses and creative entrepreneurs

Fosters regional and public/private collaborative with key institutions and organizations that contribute to economic sustainability

ECONOMICALLY VITAL COMMUNITY

Invests in primary economic generators and businesses

Encourages sustainable development supported by reliable and affordable city services

Promotes environmental stewardship in a manner that advances community sustainability goals

Promotes and sustains a safe, clean and attractive to live, work and play

Supports and sustains resource conservation

HEALTHY ENVIRONMENT and COMMUNITY

Provides for inclusive and diverse recreational and arts programs

Provides for multi-generational community enrichment and community engagement

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Defining Results:
Result Mapping Exercise

City of Chandler, Arizona

SAFE COMMUNITY

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

Provides safe traffic flow, safe roads and a well-maintained transportation system

Fosters a feeling of personal safety through a visible and approachable presence that ensures proactive prevention and responds to community concerns

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

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

City of Wheat Ridge, Colorado

SAFE COMMUNITY

Offers and supports a variety of safe activities and facilities that provide for the physical health and social well-being of the community

Fosters a feeling of personal safety throughout the community by establishing a visible, accessible presence that proactively provides for prevention, intervention, safety education, and community involvement

Offers protection, enforces the law and is well-prepared to promptly and effectively respond to emergencies and calls for service

Creates a secure, well-regulated, well-maintained community that is healthy, clean, well-lit and visually attractive

Provides for a safe transportation network that is well-maintained, accessible, enhances traffic flow and offers safe mobility to motorists, cyclists and pedestrians alike

Provides for the protection and sustainability of the environment through regulatory compliance, planning and effective stormwater management

City of Englewood, Colorado

Attracts, develops, equips, retains and values a high-quality workforce dedicated to service excellence

Fosters financial sustainability, operational excellence, trust and transparency through accountability, honesty, efficiency, innovation and best practices

Supports decision-making with timely and accurate short-term and long-range analysis that enhances vision and planning

Well-Governed & Administered City

Provides responsive, fair and accessible leadership, facilitates timely and effective two-way communication and utilizes input from all stakeholders

Protects, manages, optimizes and invests in its human, financial, physical and technology resources

Provides assurance of regulatory, policy and safety compliance to minimize an mitigate risk

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ALIGNING RESOURCES

("the Budget")

WITH

COMMUNITY PRIORITIES

So…..

WHAT DO WE KNOW SO FAR?????

Implementing 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.

Implementing Priority Based Budgeting

IDENTIFY PROGRAMS & SERVICES–

"What exactly do we do"?"

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

Implementing Priority Based Budgeting

ESTIMATE COSTS of PROGRAMS and SERVICES –

"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"

Implementing Priority Based Budgeting

IDENTIFY RESULTS –

"Why do we exist and what are we in business to do?"

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

Implementing Priority Based Budgeting

CLARIFY RESULTS DEFINITIONS –

"How will we achieve our Results"?

- 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*

Then…..

WHAT IS LEFT TO DO?????

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

SAFE COMMUNITY

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Attracts, develops, equips, retains and values a high-quality workforce dedicated to service excellence

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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*

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 © **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**
	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; 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

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
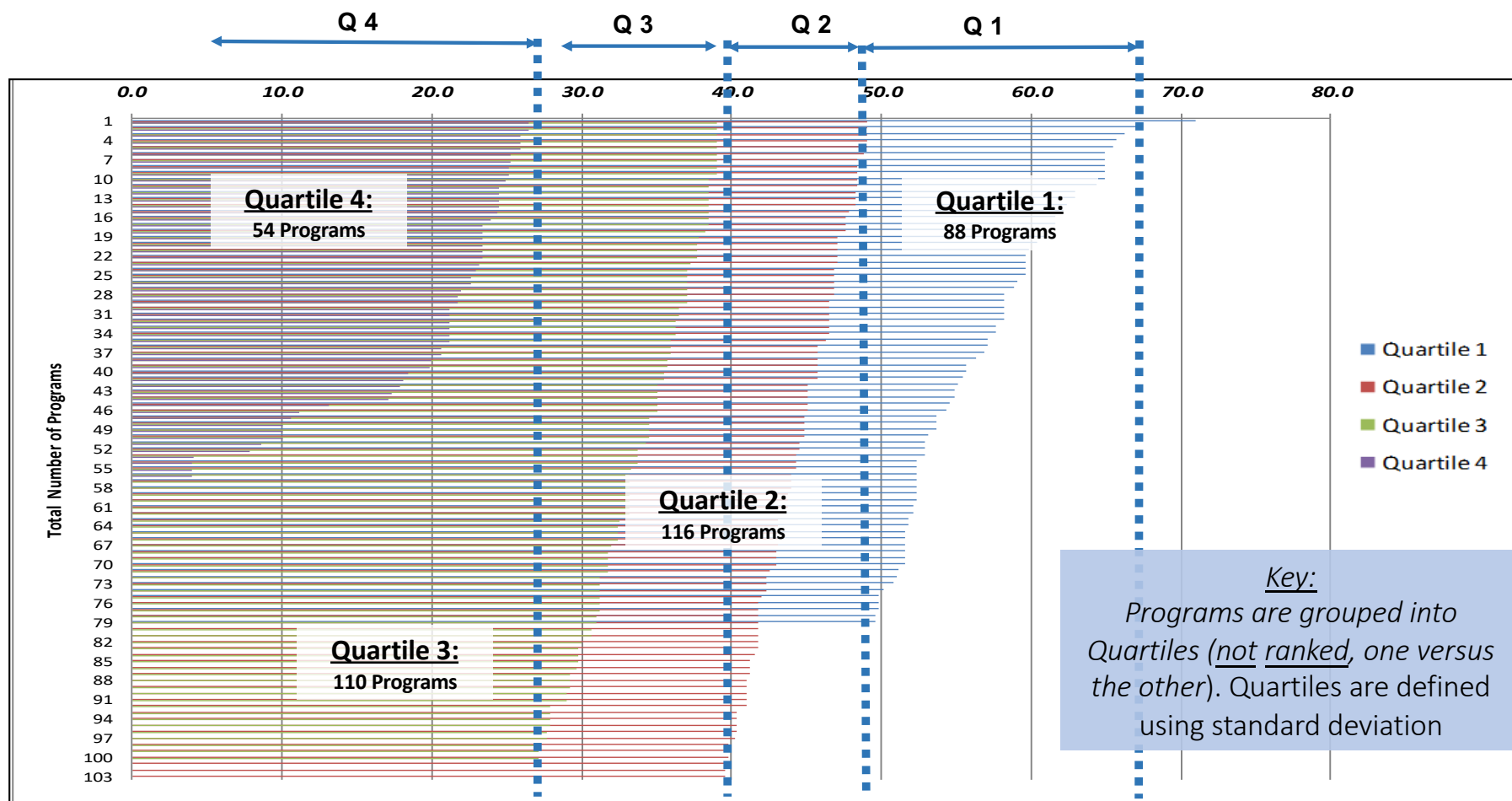
ALLOCATE RESOURCES BASED ON COMMUNITY PRIORITIES–

"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"
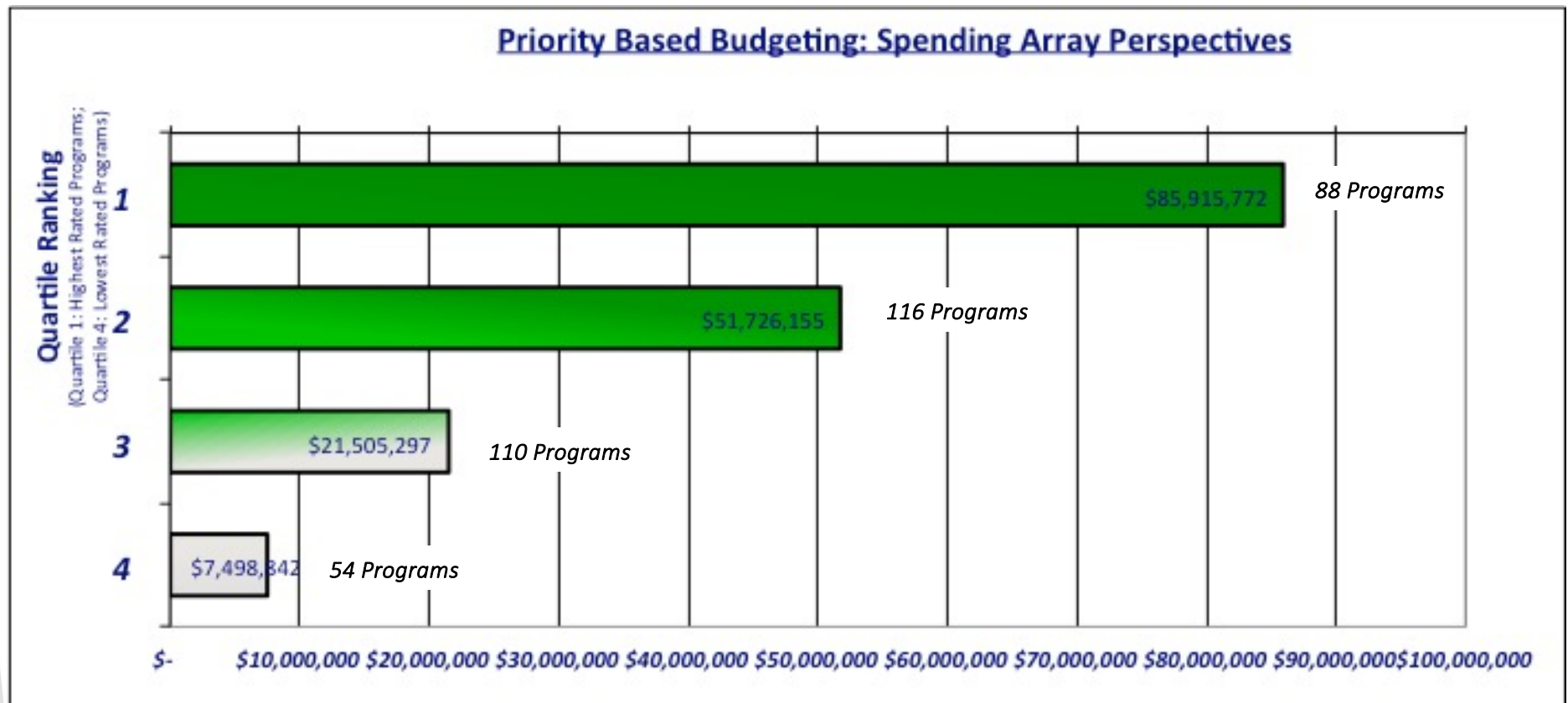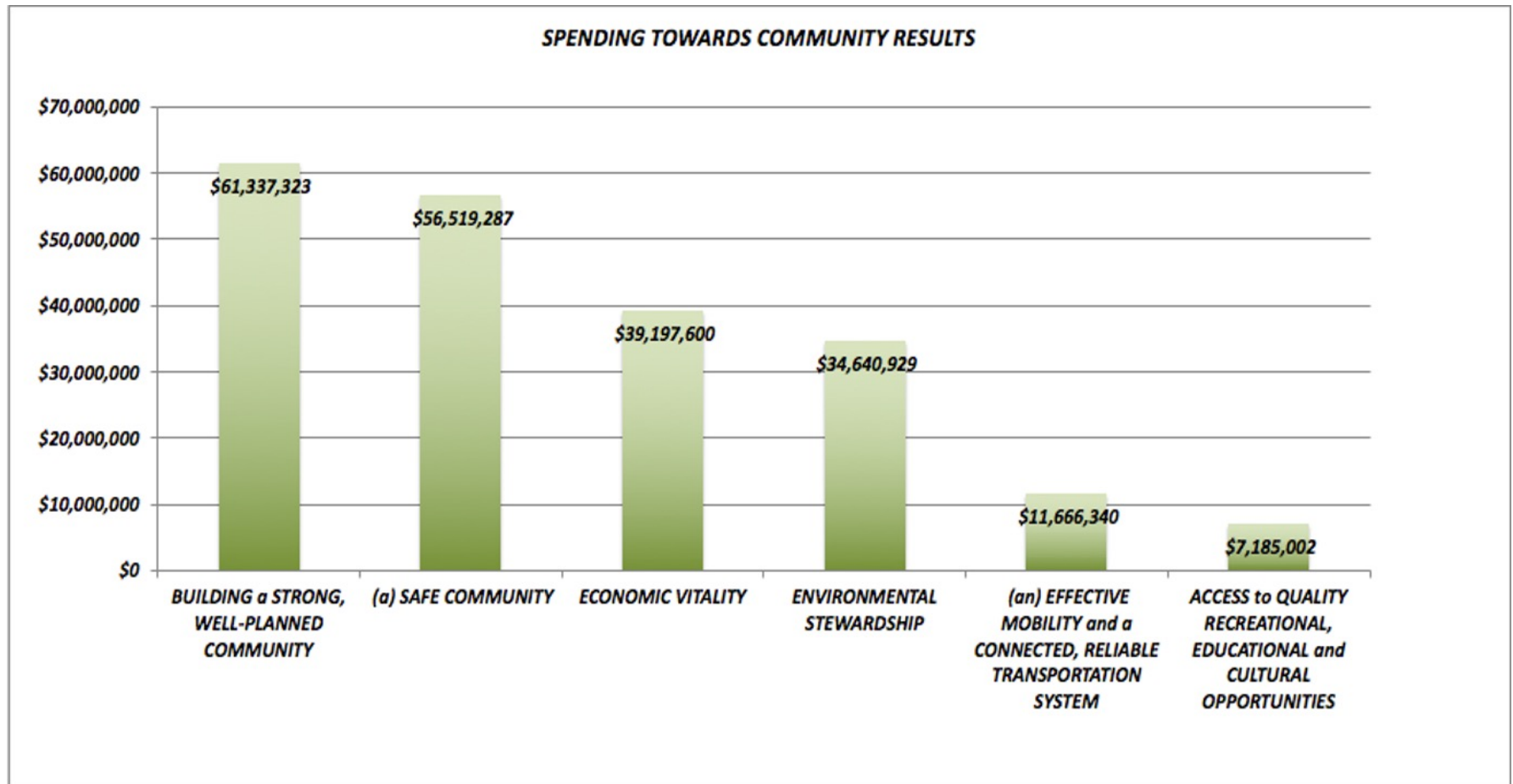
Defining Quartile Groupings

Quartile 4: 54 Programs

Quartile 1: 88 Programs

Quartile 2: 116 Programs

Quartile 3: 110 Programs

Key:
Programs are grouped into Quartiles (not ranked, one versus the other). Quartiles are defined using standard deviation

City of Boulder, Colorado

Allocate Resources Based on Prioritization

Priority Based Budgeting: Spending Array Perspectives

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

- 1: $85,915,772 — *88 Programs*
- 2: $51,726,155 — *116 Programs*
- 3: $21,505,297 — *110 Programs*
- 4: $7,498,842 — *54 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

Align the Budget with Community Results

SPENDING TOWARDS COMMUNITY RESULTS

Align the Budget with Community Results

CITY OF SOUTH JORDAN, UT –
SPENDING TOWARDS COMMUNITY RESULTS

- $23,468,804 — Safe Community
- $19,876,053 — Sustainable Growth
- $10,780,266 — Civic Development (Infrastructure)
- $5,788,338 — Engaged Community
- $5,623,112 — Desirable Amenities and Open Space
- $5,006,284 — Balanced Regulatory Environment
- $781,444 — Economic Development
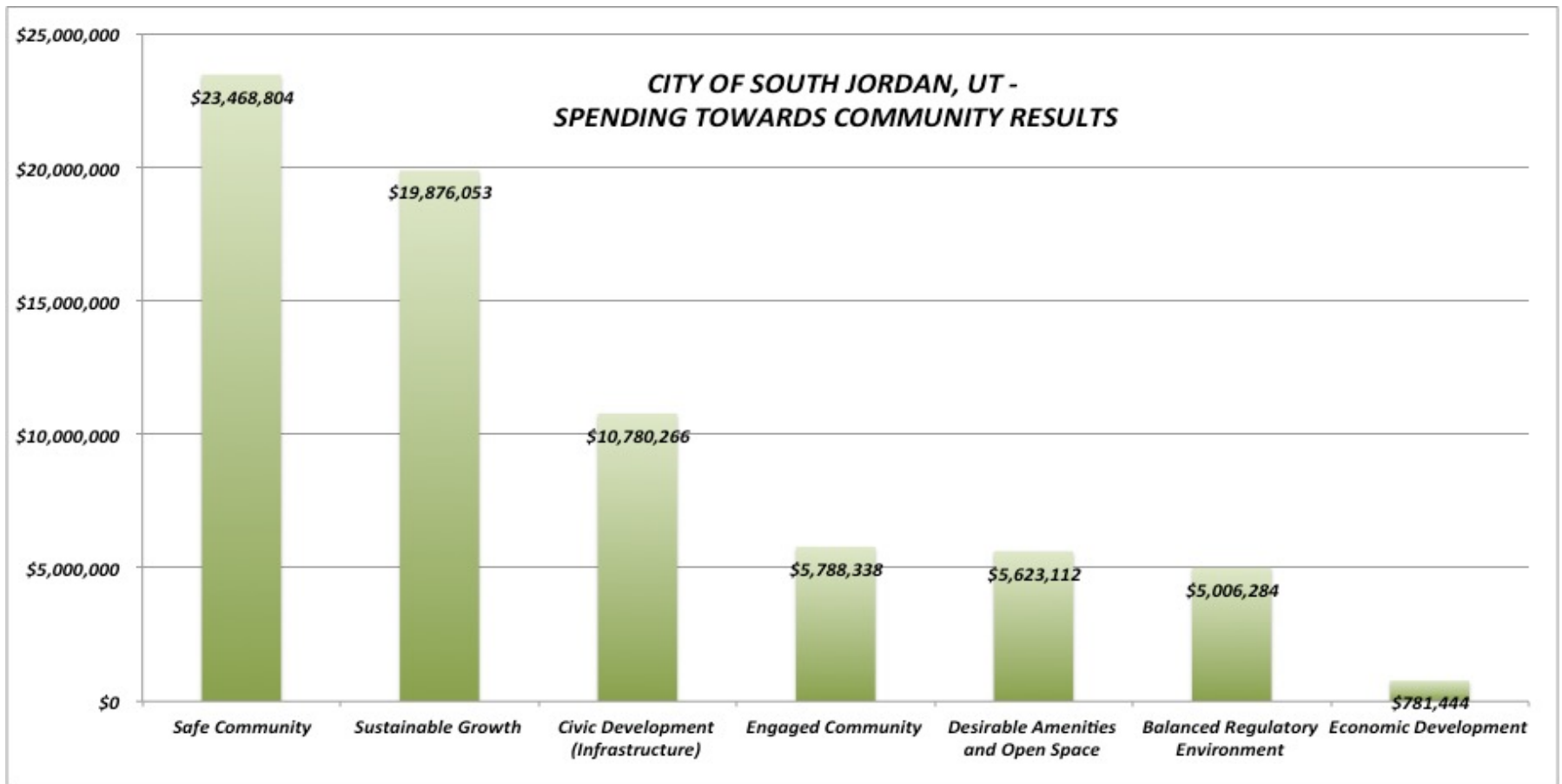
Looking Through the "New Lens"

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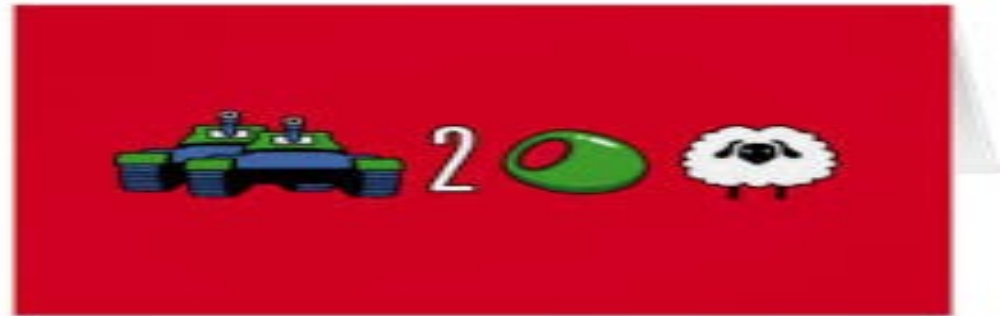
The most dangerous phrase in the language is "we've always done it this way."

Rear Admiral Grace Hopper (1906-1992)

QUESTIONS?

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