



WELCOME TO

Budgeting with Russ and David



The Performance of Performance Budgeting

Linking to Long
Range Financial
Planning



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Types of Government Budgets

Line Item

Zero-Based

**Priority-
Based**

**Performance
Based**

Setting the Stage

- To combat the **shortcomings of line-item budgeting** and increase understanding of how strategic goals and priorities are translated into dollars, local and state governments are implementing a more transparent budgeting system



Performance Based

Is the intersection of City goals & priorities with the numbers and tracking success, outcomes, and results.

Performance Based

OLD WAY

Starting Point: Last Year's Spending

Funding Targets: By Department

Dept. Submissions: How allocation will be spent

Debate: What to cut

NEW WAY

Starting Point: Next Year's Priorities/Goals

Funding Targets: By Priority Outcome

Dept. Submissions: Proposal to achieve results

Debate: What to keep



Performance Management

- Performance-based budgeting requires each agency and the council or board to **prioritize** every program or service from most to least effective.
- Those on the bottom of the list can be considered for possible elimination and/or being scaled back.
- Programs and services at the top of agencies' lists can still be reviewed for efficiency opportunities

Characteristics of Performance Based

- It presents the major **purpose** for which funds are allocated and sets measurable objectives.
- It tends to focus on **changes in funding** rather than on the base (the amount appropriated for the previous budget cycle).
- It identifies programs and agencies that are seeking similar outcomes, thereby drawing such **inter-relationships** to the legislature's attention.
- It offers agencies **flexibility to reallocate** money when conditions merit, rewarding achievement and possibly imposing sanctions for poor performance.

Performance Based

- Developing a budget based on the relationship between funding and expected or desired results.
- PBB improves cost-efficiency and manages effective budgeting outlays.
- Increases visibility into how policies translate into spending
- Making systematic use of performance information
- Key components: **INPUTS → OUTPUTS → OUTCOMES**
 - **Inputs – Resources (Revenues)**
 - **Outputs – Deliverables**
 - **Outcomes – Macro Goals or Priorities**

Performance Budget

- focuses on the “results”
- It asks the question that “Why the money is being spent?”

Advantages

- Set Accountability
- Clear Purpose
- Improvement in performance
- Transparency

Disadvantages

- Subjective: in nature
- Strong System of evaluation
- Manipulation of data
- Difficult for long term projects

Advantages of Performance

Performance based budgeting allows for:

- Assisting elected officials with helpful background on the **purposes of funded programs** and the results they can achieve.
- Helping explain previous adopted funding decisions.
- Aid with estimating and justifying the potential consequences of new funding decisions or programs.
- Deeper understanding of agency activities and services.
- The potential to communicate **what is received in return for the investment** of tax dollars.
- Instead of focusing on the preservation of existing programs and associated spending levels, both agency personnel and policymakers may gain understanding of **program effectiveness**.

The benefits of implementing PBB are multi-fold:

- **Compliance**
 - Linking strategic plan and community priorities to budget results
- **Accountability**
 - Agencies need to show the public visible results
- **Transparency**
 - Visibility to both internal and external stakeholders
- **Efficiency savings**
 - Ensuring funding is spend in a cost-effective manner
- **Improved services to citizens**
 - Reduce spending while aligning resources with results & improve efficiencies

WHO BENEFITS FROM A PBB SYSTEM?

- **POLICY MAKERS** - PBB provides tools to objectively evaluate and prioritize funding requests based on outcomes and service levels, as well as to justify allocating funding in support of organizational strategies and critical programs, from low performing to high performing program activities.
- **FISCAL ADMINISTRATORS** - PBB is collaborative in nature, helping to promote coordination and cooperation between agencies and departments, making inefficiencies easier to spot and correct.

WHO BENEFITS FROM A PBB SYSTEM?

- **CITIZENS** - PBB promotes transparency and increases understanding of how strategic goals are translated into dollars. Citizens can see how their money is being spent.

Challenges of Performance Based

- Agency personnel and policymakers may have **different ideas** regarding what is important about an agency's work.
- The size of local government agency coupled with the number of performance indicators available can **distract and overwhelm staff** and policymakers when making crucial funding decisions.
- **Confidence** that performance information is accurate and valid.
- The proper use of incentives and disincentives to improve agency performance and effectiveness.

Performance Management

- Ensure all information, measures, goals, priorities, and activities are relevant to the priorities and wellbeing of the government and the community
- Confirm that all information related to performance, decisions, regulations, and processes is transparent (easy to access, use, and understand)
- Ensure decisions and processes are driven by timely, accurate, and meaningful data

Performance Management

- Verify that practices are sustainable over time and across organizational changes
- Align goals, programs, activities, and resources are with priorities and desired results
- Establish a performance management process that helps to transform the organization, its management, and the policymaking process –

A Different Mindset to Budgeting

Performance Measures

When identifying performance measurements, governments should focus on making sure that measures meet the following conditions:

- **Useful** – measures should provide information that is helpful to decision making, understanding, or accountability efforts.
- **Relevant** – measures can be clearly linked to the service delivery/program outcomes that they are intended to measure, appropriate for the outcome being measured, and are readily understandable
- **Reliable** – collection methods and measure definitions need to be understood so stakeholders can rely on the information.

Performance Measure Conditions

- **Adequate** – ensure enough and also an appropriate variety of measures are used to measure performance.
- **Collectible** – measures are readily available and do not involve excessive time/effort to collect
- **Consistent** – measures can be regularly collected to track outcomes over time and avoid need to continuously identify new measures

Performance Measure Conditions

- **Environment** – measures includes variables related to externalities that impact service delivery and program performance
- **Responsibility** – clearly identify responsibilities for collection, storage and dissemination of the data
- **Systems** – existing data collection capacities are leveraged appropriately or new systems are identified in order to ease the burden of data collection

Performance Metrics

- **Performance Management**

- Organizations identify, track, and communicate performance measures to monitor financial and budgetary status, service delivery, program outcomes, and community conditions.

- **Budgeting Monitoring**

- Establish a formal set of processes for comparing budget to actual results.


How can a software tool help with PBB?

- The traditional spreadsheet approach is no longer sufficient to deliver enterprise budgeting, reporting and performance management.
- Modern generation software tools not only automate and streamline traditional budgeting processes, but also help unite cost-based budgeting with performance-based goals.
- Software tools contain best practice frameworks that can be immediately leveraged by the organization.

How can a software tool help with PBB?

- Benefits of implementing performance-based budgeting software are multi-fold:
 - decision makers reach better long- and short-term budget decisions;
 - stakeholders see more visible performance measures, timelier information, and easier identification of actual strategic priorities;
 - and, in the process, organizations build more solid growth models, flag variances between costs and expected outcomes, improve auditability, and foster collaboration.

Performance Examples

 Performance Measures		
Home	All City Departments	Definitions
Performance Measures by Department		
To review performance measures by department, select the department and click search. Performance measures will be grouped by programs and specific activities.		
<div>-- Select a Department --</div> <div>Search</div>		
Performance Measures by Keyword		
To review performance measures for a specific category, or you are not sure which department is responsible, enter a keyword of the measure. Any measures with that word will be displayed; then click on the measures(s) to obtain the information.		
Select Department:	<div>-- All Departments --</div>	
Type in Keyword:	<div></div> <div>Search</div>	

Performance Example

ePerformance Measures
Home All City Departments Definitions

Financial Services

Approved Amount: \$ 0
Approved FTE: 0.00

Department Director: Elaine Hart - Chief Financial Officer
Department Website: <https://www.austintexas.gov/financeonline/finance/index.cfm>
Department Phone: 512-974-3344

Department Measures	FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2020 Target	FY 2021 Target
Performance Measures					
Percentage of employees who are satisfied with the organization	71.600	76.400	No Data	80	80
Percentage of participants that report they use the tools and resources introduced in strategic direction training.	New Meas.	New Meas.	New Meas.	New Meas.	No Goal

Key Indicators Department Mission and Goals

Program: Budget Office

Approved Amount: \$ 0
Approved FTE: 0.00

Activity: Budget

Program: Capital Contracting Office

Approved Amount: \$ 0
Approved FTE: 0.00

D

Performance Examples

Performance Measures

[Home](#)
[All City Departments](#)
[Definitions](#)

Key Performance Measures: Financial Services

Performance Measure	Activity	Program
1 Awarded Government Finance Officers Association's Certificate of Achievement for Excellence in Financial Reporting	Accounting and Reporting	Controller's Office
2 COA GO Bond Rating from Fitch Investors	Debt Management	Treasury Office
3 COA GO Bond Rating from Moody's	Debt Management	Treasury Office
4 COA GO Bond Rating from Standard & Poor's	Debt Management	Treasury Office
5 Comprehensive Annual Financial Report received a "clean" opinion from its external auditor.	Accounting and Reporting	Controller's Office
6 ICMA performance management award	Performance Management	Office of Performance Management
7 Number of construction project onsite visits conducted	Capital Contracting Services	Capital Contracting Office
8 Number of refurbished desktop, laptop, and/or tablet devices distributed to non-profits and the underserved community.	Community Technology	Telecommunications and Regulatory Affairs
9 Percent of Digital Literacy Training clients who improve their digital skills	Community Technology	Telecommunications and Regulatory Affairs
10 Percent of active credit access businesses (CABs) audited per fiscal year to determine compliance	Regulatory Affairs	Telecommunications and Regulatory Affairs

Programs

The Finance Department has four programs that have been identified and rated by the City Council and the city's executive staff. They are tied to the mission, vision, values and goals set by the City Council.

Program 1 - Accounting: Accounting policies, purchasing, payables, daily, monthly and annual transactions.

Program 2 - Revenue/Cash Management: Cash receipts, receivables, cash management and bank reconciliations.

Program 3 - Budget: Central coordination and management of the annual budget/monitoring and updating.

Program 4 - Project/Debt Management: Tracking and classification of capital improvement projects, DIF funds, CFD fund management, debt service management and reconciliation.

Program Performance Measures

Program #1 - Accounting

1. Receive GFOA Certificate of Achievement for Excellence in Financial Reporting
2. Number of payables processed

Program #2 - Revenue/Cash Management

1. Rate of return on portfolio compared to LAIF rate
2. Bank reconciliations are completed within 14 days of the end of the reporting period.

Program #3 - Budget

1. Receive the CSMFO and GFOA Distinguished Budget Presentation Award
2. Budget to actual is within 2% of each other at the end of the reporting date.

Program #4 - Project/Debt Management

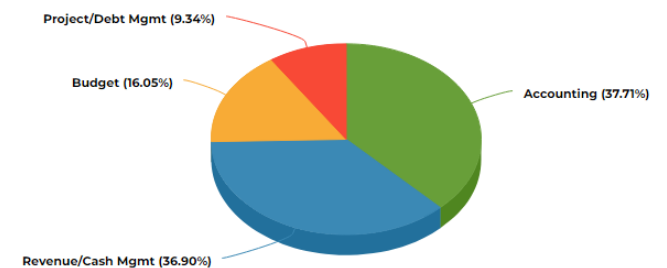
1. Percentage of capital projects spreadsheet tracked and funded monthly
2. Percentage of debt service payments made on time
3. Percentage of CDIAC and SCO reports filed on time

Examples



Expenditures by Program

Finance Department Programs



FINANCE DEPT - 1225	Program 1	Program 2	Program 3	Program 4	F22/23 Budget
	Accounting	Revenue/Cash Mgmt	Budget	Project/Debt Mgmt	Grand Total
Council Rating	9.11	9.00	8.50	8.50	
Personnel	\$ 477,859	\$ 275,088	\$ 225,487	\$ 106,605	\$ 1,085,039
Operating	\$ 92,430	\$ 282,841	\$ 14,448	\$ 30,941	\$ 420,660
Fixed Asset/ISF	\$ 4,924	\$ 4,924	\$ 4,924	\$ 0	\$ 14,772
Total	\$ 575,213	\$ 562,853	\$ 244,859	\$ 137,546	\$ 1,520,471

Performance Examples

Performance Measurement Plan

The City is implementing a Performance Measurement Program to create goals and accurately assess programs and projects put in place.

Year 4: Goals for 2018-2019

- Create annual performance measures for each of the programs/projects outlined in Santa Clarita 2020
- Provide timely and accurate data on performance measures to the public and include with each fiscal year budget

Year 3: Goals for 2017-2018

- Create annual performance measures for each of the programs/projects outlined in Santa Clarita 2020
- Provide timely and accurate data on performance measures to the public and include with each fiscal year budget

Year 2: Goals for 2016-2017

- ☒ Create annual performance measures for each of the programs/projects outlined in Santa Clarita 2020
- ☒ Identify and report quarterly on performance measures
- ☒ Provide timely and accurate data on performance measures to the public and include with each fiscal year budget

Year 1: Goals for 2015-2016

- ☒ Create goals/desired outcomes for programs/projects outlined in Santa Clarita 2020
- ☒ Identify and report quarterly on accurate measures
- ☒ Provide timely and accurate data to the public with each fiscal year budget



QUESTIONS, COMMENTS & CONTRIBUTIONS

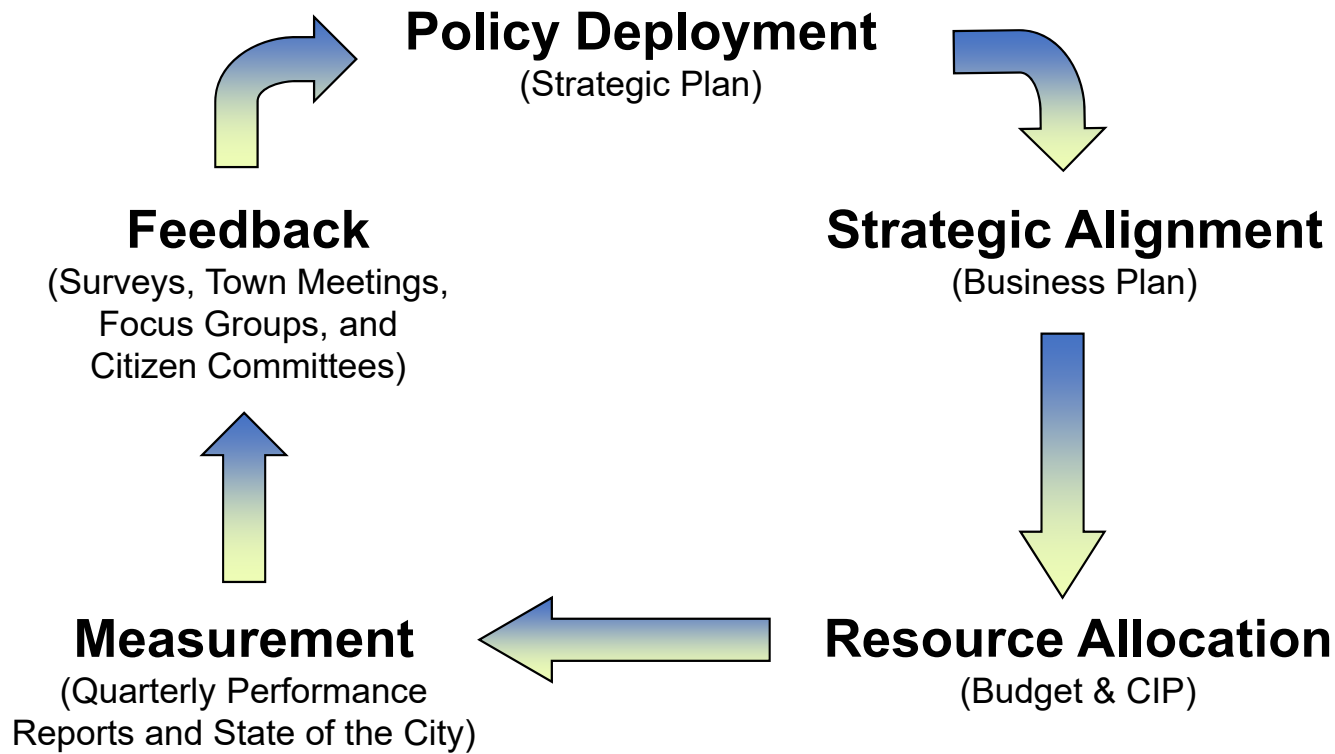


Link Performance Measures



Into Long-Term Financial Plans

Align Resources with Strategy



Long-Term Financial Planning

- Quality LTFP Elements:
 - Demographics/Economic Trends
 - Baseline and Alternative(s)
 - Supporting Data/Evidence
 - Risk Assessment
 - Focus on the major elements:
 - Major sources of revenues
 - Major uses of funds

Long-Term Financial Planning

Why develop LTFP?

- ESSENTIAL for General, Capital Project and Enterprise Funds
 - Respond to a crisis (last resort)
 - Stimulate big picture thinking
 - Highlight coming problems
 - Imposes discipline on the organization
 - Recheck future assumptions
 - **Leads to fiscal sustainability**
 - **Serves as a baseline budget**

Financial Planning Addresses Future Needs

A Balanced Budget Is....

- Being able to pay your bills this year and the future
- **Avoiding Borrowing** to make ends meet
- **Funding maintenance/infrastructure needs**
- **Funding full policy reserves** after use in a crisis
- **Executing a plan to pay for long-term obligations**
- **Holding open priorities for all funding needs**



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Five Pillars of LTFP

The image features five classical columns with Corinthian capitals, standing on a light-colored base. The columns are arranged in a row, and the text of the 'Five Pillars of LTFP' is overlaid on them. The background is a blue sky with white clouds. The text is in a bold, orange, sans-serif font.

Financial Policies
Long-Term Service Vision
**Technically Sound Analysis &
Forecasting**
Collaborative & Participative Process
Connection to Other Plans

Financial Policies

- Define standards for stewardship of public's tax dollars
- Define financial future community wants
- Forms basis for accountability and increasing trust in government
- Crucial point of governing board involvement
- **Tracking progress of financial policies helps keep you on track in fulfilling these policies**

What are the Threats to Meeting Performance Goals?

No budget progress can be made without discussing real budget vulnerabilities

- Revenue volatility
- Pension Increases
- Labor Costs
- Health Costs
- Reliance on new development
- Unfunded liabilities
- IT infrastructure

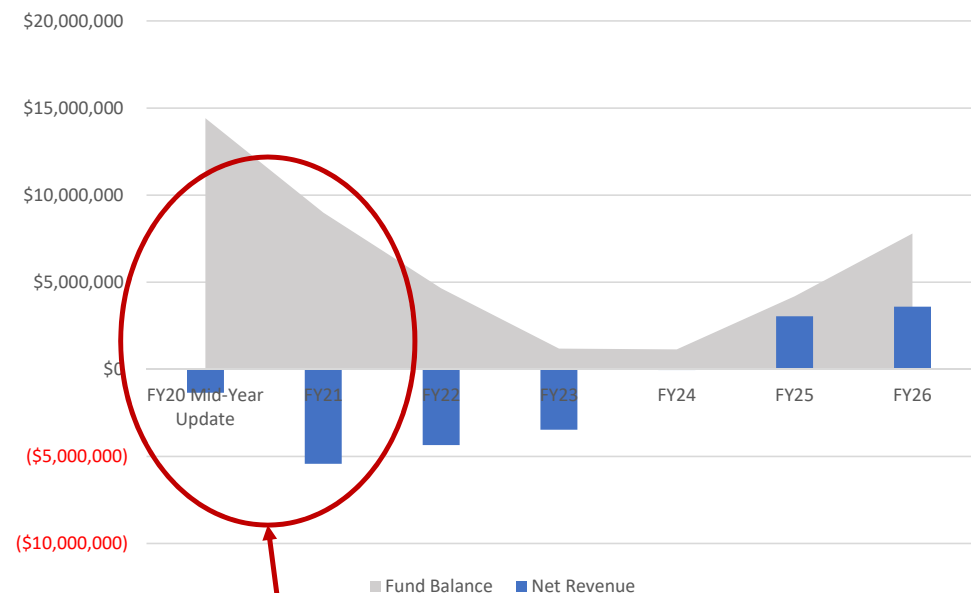


Long-Term Service Vision

- Help show a way to fund a path to meet performance goals:
 - Actions to take now
 - Impacts of expected future actions that will help keep your agency financially stable
 - Ability of your agency to fully fund all financial priorities

Remember, a forecast is about actions to take **now** based on your understanding of how the future might unfold

Alternative #4:
Alt #3 + Critical Infrastructure



Emphasize plan to re-run projection as new information becomes available

Analysis and Forecasting

- Analyze affordability of existing policies and programs
- Provide warning of potential imbalances in the financial future
- Create a **basis for discussion** of what the fiscal future might look like...
- ...and what actions can be taken to ***create the future***

Let the facts do the work

- How fast are you going through your reserves?
- Uncertainty of future revenue levels – quick rebound vs. longer-term impacts
- Longer-term impacts from pension increases, reserve replenishment, critical infrastructure needs
- Show that uncertainty requires both caution and action—just hoping to hang on may not be the right strategy



The Council Wants YOUR INPUT

2017-19 Goal-Setting and Budget Process

What are the most important priorities facing the City of San Luis Obispo?

COMMUNITY FORUM

January 10, 2017
6:30 to 9:30 PM

Ludwick Community Center
864 Santa Rosa Street

Want more information?

Please call us at 781-7521 or visit the City's web site at www.slcity.org for more information about the Community Forum or the City's goal-setting and budget process.



The City Council invites your participation in setting goals for the 2017-19 Financial Plan as part of the budget process (including use of funds from the Local Revenue Measure - our ½-percent City sales tax).

Participants will have an opportunity to share with the Council (and each other) what they believe are the most important priorities for the City over the next two years. The Council will continue the process in a goal-setting workshop on Saturday, January 28, 2017.


This will be followed by community workshops and hearings before City Council adoption of a balanced budget in June 2017.

The City of San Luis Obispo is committed to including community members with disabilities in all of its services, programs, and activities. Telecommunications Device for the Deaf (805) 781-7410. Please speak to the City Clerk prior to the meeting if you require a hearing amplification device or other assistance.



CITY OF SAN LUIS OBISPO
www.slcity.org

Get Community Input



CITY OF
Los Alamitos
California

WE NEED YOUR INPUT

**Help Maintain the
Quality of Life in Los Alamitos**

The City of Los Alamitos ten year financial plan shows the City will have a structural deficit next year. The City of Los Alamitos will need to take extraordinary measures to fulfill the City's goal of "Fiscal Sustainability" that includes employing innovative, creative, and progressive methods to continue essential City Services.

A number of community meetings will be held to seek input from community members about what your family's priorities and suggestions are to maintain the "Quality of Life" in Los Alamitos. We invite you to attend the following community meetings.

Date	Time	Location
9/18/19	6:30 pm	① Community Center 10911 Oak Street
9/21/19	10:00 am	② Orville R. Lewis Park 3662 Kempton Drive
10/3/19	6:00 pm	③ Stansbury Park 3711 Toland Avenue
10/12/19	10:00 am	④ Little Cottonwood Park 4000 Farquhar Avenue
10/24/19	6:00 pm	⑤ St. Isidore Historical Plaza 10961 Reagan Street

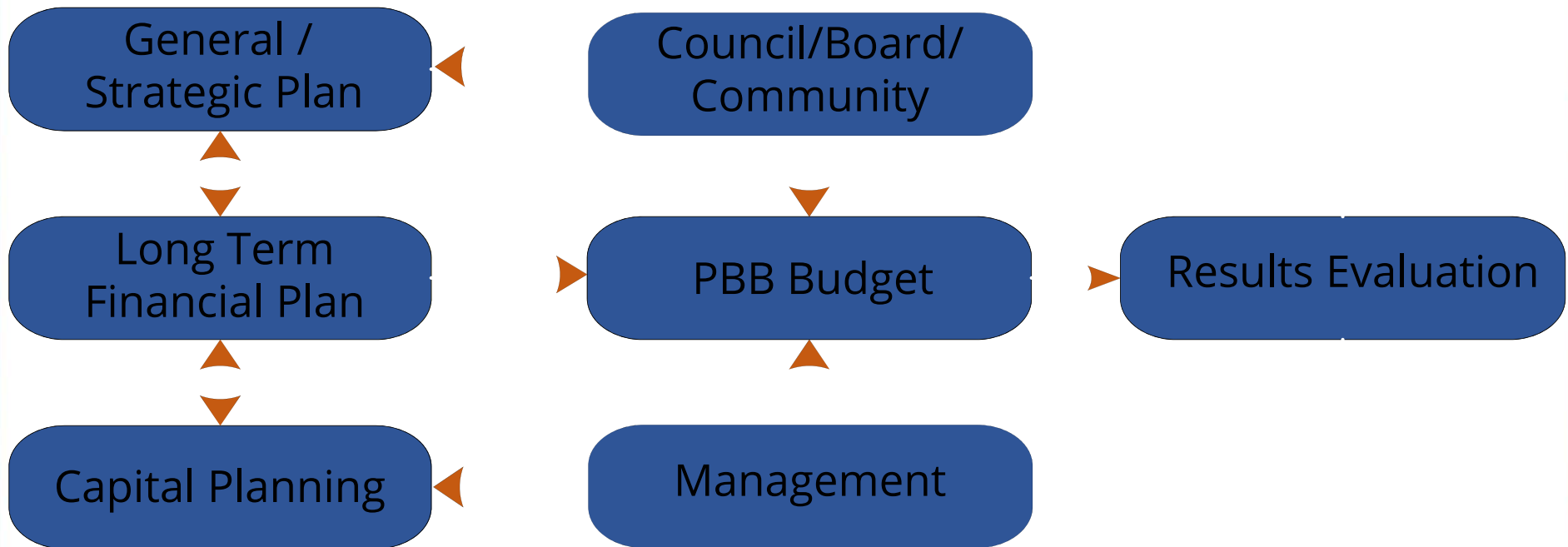
www.cityoflosalamitos.org



JOIN THE CONVERSATION

**COMMUNITY
BUDGET
WORKSHOP**

Connection to Other Plans





Lessons Learned about LTFP

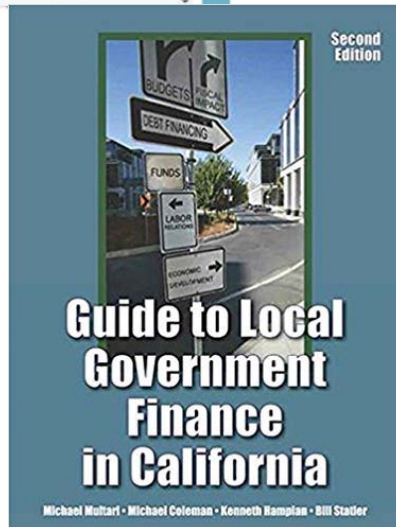
- The number of years covered in your LTFP will vary by agency
- Don't circulate ***draft*** versions of any LTFP
- Call versions of your LTFP "Scenarios" – They are a planning tool
- Spreadsheet versions circulating via email or handed out at a meeting often delay or misstate key results
- Updated public released LTFP versions (scenarios) should only be done after the completed ACFR and Budgets have been presented and approved by CC



Tools and resources



- Michael Coleman - <http://www.californiacityfinance.com/>



An essential resource for anyone involved in local government finance in California.

Up-to-date information on local fees, taxes, charges and intergovernmental revenue for local governments including laws, court decisions, state tax rates and allocation formulas.

<https://www.cacities.org/publications>





Latest Discussions



Welcome to CSMFO's Knowledge Base! ✨

By: [Melissa Manchester](#), 10 months ago

Posted in: [Members](#)

CSMFO is pleased to introduce you to the new Knowledge Base! The Knowledge Base has replaced the CSMFO listserv as the place to network, connect and collaborate with thousands of your fellow CSMFO members. This members-only tool is a way ...

[1 person](#) recommends this.



Looking for a Consultant to Prepare a Cost of Service/Rate ...

By: [Robert Housley](#), 13 hours ago

Posted in: [Members](#)

Hello everyone, The Midway City Sanitary District is looking for a consultant to prepare a cost of service/rate study for sewer and solid waste services. We would appreciate any recommendations and for consultants that are on this list and interested, ...



RE: Payroll Tax Deferral

By: [Erick Cheung](#), 14 hours ago

Posted in: [Members](#)

Here is the response I gave my boss just yesterday on the topic: "You asked that we look into this and it is still an emerging topic since the IRS just released their guidelines last Friday (August 28th) even though it is

Recent Shared Files



Looking for a Consultant to Prepare a Cost of Service/Rate ...

By: [Robert Housley](#), 13 hours ago

Posted in: [Members](#)



Payroll Tax Deferral

By: [Carolina Camacho](#), 2 days ago

Posted in: [Members](#)



A Municipal Finance Survival Guide to the Pandemic ...

By: [Mike Whitehead](#), 7 days ago

Posted in: [Members](#)

[More](#)

CSMFO Resources:

<https://www.csmfo.org/training/webinars/>

Upcoming Events

Sacramento Valley Chapter Meeting

Sep 9, 10:00 AM - 12:00 PM (PT)

South San Joaquin Valley Virtual Chapter Meeting

Sep 10, 10:00 AM - 12:00 PM (PT)

Intermediate Governmental Accounting/Financial Reporting

Sep 15, 8:30 AM - 4:30 PM (PT)

Desert Mountain Virtual Chapter Meeting

Sep 16, 1:00 PM - 3:00 PM (PT)

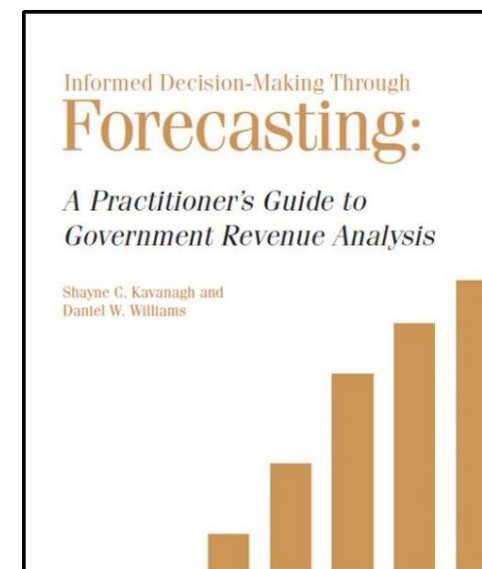
Inland Empire Chapter Meeting

Sep 17, 11:30 AM - 1:30 PM (PT)

Tools and resources

GFOA Forecasting -

<https://www.gfoa.org/informed-decision-making-through-forecasting-practitioner-s-guide>



Tools and resources



BEST PRACTICES

- GFOA Budget Award - <https://www.gfoa.org/award-programs/distinguished-budget-presentation-award-program-budget-awards-program>
- CSMFO Budget Award - <http://www.csmfo.org/about/pr-ograms/budget-awards/>
- GFOA Best Practices - <https://www.gfoa.org/best-practices>

Tools and resources



- ICMA - <https://icma.org/topic-search/finance-%26-budgeting>
- Center for Priority Based Budgeting - https://www.nlc.org/sites/default/files/2017-04/Priority%20Based%20Budgeting_Center%20for%20Priority%20Based%20Budgeting.pdf
- Alliance for Innovation - <https://www.transformgov.org/>



CSMFO Core Budget Training

2023

Modules 1 & 2
Feb. 15 - 16
Sept. 27 - 28

Modules 3 & 4
March 22 - 23
Oct. 25 - 26

Module	Description
Module 1	Foundations of Budget Management
Module 2	Building the Budget
Module 3	Budget Documents and Reporting
Module 4	Advanced Budget Concepts for Managers and Directors

Contact Information

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916-747-7834

Thank
You!