04: Budgeting Basics

Trainer(s):

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BUDGETING BASICS

An Introduction to Priority Based Budgeting

Kathie Novak, Jon Johnson, Chris Fabian
March 7, 2015
Budgeting Basics

TRUE or FALSE:

“The budget is the single most important policy document a local government adopts”
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 its adopted, no one pays attention to it?
WHAT IS THE BUDGET?

- **STATEMENT of PRIORITIES** for the community that:
  - **COMMUNICATES** to 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 THE 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 THE 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 THE 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**
The Financials...

From An Elected Official’s Perspective
## Comparison of Projected Revenues, Outlays, and Deficits in CBO's March 2009 Baseline and CBO's Estimate of the President's Budget

### Table: Revenues and Outlays

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenues</th>
<th>Outlays</th>
<th>Total Deficit</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td></td>
<td></td>
<td></td>
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<td>2012</td>
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<tr>
<td>2015</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>2016</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Notes:

- **CBO’s Baseline**
- **Total**
- **2010–2019**

### Accounts:

#### Income:

- Annual Taxes
- Social Insurance
- Tobacco Taxes
- Business Taxes
- User Fees
- Property Transfer Taxes
- Interest Income
- GDP Gains
- Total Income

#### Expenditures:

- Federal Obligations
- Interest Payments
- Transfer Payments
- Interest Income
- Total Spending

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### Sources:

- Congress

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* Figures are subject to change based on the President's Budgetary Update.
“I’ll pause for a moment so you can let this information sink in.”
Failure to understand financial outcomes is more dangerous to states and localities than ever, and there’s a big gap between what public leaders know about finance and what they need to know.

Evolution of Budgeting

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

Fiscal Health
- Incorporate Economic Analysis and Long-Term Planning Into Decision Making
- “Spend Within Our Means”
- Establish and Maintain Reserves
- Understand Variances (Budget vs. Actual)
- Transparent About the “True Cost of Doing Business”

Long-term Fiscal Wellness
- Support Resource Allocation Decision Making with Prioritization of Programs
- Achieve Fiscal Health
- Identify Programs and Services
- Value Programs Based on Evidence of their Influence on Results
- Identify, Define and Value the Results of Government
BRINGING VISION INTO FOCUS
WITH A NEW “LENS”
Who is Looking through the “New Lens”
CPBB Publications on Fiscal Health & Wellness
Achieving Fiscal Health

-OR-

Confessions of a 30-year Finance Director!
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”

Establish and Maintain Reserves

Understand Variances (Budget vs. Actual)

Fiscal Health

©
1. How much do we have available to spend? - (not “How much do you need”?)
Approach to Fiscal Health #1: “Spend Within Your Means”

Apply Diagnostics – **DO YOU**…

- **Start with revenues?**
  - Know what “**drives**” each major revenue source?
  - Prepare a formal organization-wide **Revenue Manual**?

- **Distinguish one-time from ongoing sources and uses?**
  - Have a process in place to “**track**” them separately?
  - Demonstrate this differentiation in your forecasts and other financial documents?

- **Differentiate Program Revenues from General Government Revenues?**
  - Adjust budget allocations to departments for changes in associated Program Revenues?
Approach to Fiscal Health #1: “Spend Within Your Means”

<table>
<thead>
<tr>
<th>General Government</th>
<th>Ongoing</th>
<th>One-time</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
<td>2</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Program-specific</th>
<th>Ongoing</th>
<th>One-time</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>3</td>
<td>4</td>
</tr>
</tbody>
</table>

Think of an example for each zone (for extra credit, think of an example that spans a combination of zones)
Differentiate Ongoing and One-time

## EXECUTIVE SUMMARY

### GENERAL FUND

<table>
<thead>
<tr>
<th></th>
<th>2007 Actuals</th>
<th>2008 Budget</th>
<th>2009 Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Revenues</td>
<td>Ongoing</td>
<td>One-Time</td>
</tr>
<tr>
<td></td>
<td>As Amended</td>
<td>As Amended</td>
<td>As Amended</td>
</tr>
<tr>
<td><strong>SOURCES OF FUNDS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beginning Fund Balance</td>
<td>43,963,923</td>
<td>45,873,254</td>
<td>0</td>
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<tr>
<td>CAFR Adjustment</td>
<td></td>
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### General Governmental Revenues

<table>
<thead>
<tr>
<th>Revenue Description</th>
<th>2007 Actuals</th>
<th>2008 Budget</th>
<th>2009 Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taxes &amp; Special Assessments</td>
<td>110,359,249</td>
<td>117,935,085</td>
<td>118,251,318</td>
</tr>
<tr>
<td>Licenses &amp; Permits</td>
<td>53,545</td>
<td>56,500</td>
<td>49,000</td>
</tr>
<tr>
<td>Charges for Services</td>
<td>5,667,608</td>
<td>6,213,000</td>
<td>5,419,000</td>
</tr>
<tr>
<td>Intergovernmental Assistance</td>
<td>475,647</td>
<td>513,620</td>
<td>464,000</td>
</tr>
<tr>
<td>Fines &amp; Forfeitures</td>
<td>131,056</td>
<td>46,000</td>
<td>261,500</td>
</tr>
<tr>
<td>Investment Income</td>
<td>4,262,577</td>
<td>2,500,000</td>
<td>3,300,000</td>
</tr>
<tr>
<td>Other Income</td>
<td>528,244</td>
<td>50,000</td>
<td>100,000</td>
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</table>

### Intra-County Transactions (Transfers)

<table>
<thead>
<tr>
<th>Transfer Description</th>
<th>2007 Actuals</th>
<th>2008 Budget</th>
<th>2009 Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indirect Cost Allocation</td>
<td>4,502,535</td>
<td>3,549,984</td>
<td>4,668,096</td>
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<tr>
<td>Treasurer's Fees</td>
<td>2,426,922</td>
<td>2,669,600</td>
<td>2,692,000</td>
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</table>

### Interfund Transfers

<table>
<thead>
<tr>
<th>Fund Description</th>
<th>2007 Actuals</th>
<th>2008 Budget</th>
<th>2009 Budget</th>
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</thead>
<tbody>
<tr>
<td>Employee Benefits Fund</td>
<td>4,000,000</td>
<td>2,000,000</td>
<td>3,000,000</td>
</tr>
<tr>
<td>Social Services HVAC</td>
<td>1,742,688</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Patrol Fund (for Emergency Mgmt)</td>
<td>1,982</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Public Trustee Fund (net revenues)</td>
<td>916,259</td>
<td>0</td>
<td>250,855</td>
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</tbody>
</table>

### Total General Governmental Revenues

<table>
<thead>
<tr>
<th></th>
<th>2007 Actuals</th>
<th>2008 Budget</th>
<th>2009 Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>135,068,312</td>
<td>136,576,239</td>
<td>138,455,769</td>
</tr>
</tbody>
</table>

### Departmental/Program Revenues

<table>
<thead>
<tr>
<th>Revenue Description</th>
<th>2007 Actuals</th>
<th>2008 Budget</th>
<th>2009 Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intergovernmental Assistance</td>
<td>5,018,614</td>
<td>4,214,427</td>
<td>4,397,766</td>
</tr>
<tr>
<td>Fines &amp; Forfeitures</td>
<td>30,814</td>
<td>0</td>
<td>25,000</td>
</tr>
<tr>
<td>Licenses &amp; Permits</td>
<td>2,610,640</td>
<td>2,892,000</td>
<td>2,154,000</td>
</tr>
<tr>
<td>Charges for Services</td>
<td>15,399,233</td>
<td>16,724,024</td>
<td>15,319,225</td>
</tr>
</tbody>
</table>

**Total: 2007 Actuals** 135,068,312  **2008 Budget** 136,576,239  **2009 Budget** 138,455,769
Approach to Fiscal Health #1:
“Spend Within Your Means”

Available Treatments:

- **Achieve ongoing alignment**
  - Fund operating expenditures with reliable ongoing revenues
  - Prevent reliance on volatile revenues *(that might not come in!)*

- **Achieve one-time alignment**
  - Fund one-time costs with one-time sources
  - Ensure reserves aren’t used for ongoing expenses

- **Promote revenue diversification and enhancement**
Strategic Questions

1. How much do we have available to spend? - (not “How much do you need”?)

2. Why do we need to keep “money in the bank”??
Approach to Fiscal Health #2: Establish and Maintain Reserves

Apply Diagnostics – **DO YOU**…

- **Understand what makes up Fund Balance(s) and why you hold reserves?**
  - Have a formal “**inventory**” of all restricted or designated fund balance reserves, stating their purpose, the authority establishing them and how they are to be calculated?

- **Have a written fund balance reservation policy?**
  - Monitor fund balances to ensure that reserves are maintained?
  - Ensure established working capital reserves are sufficient to meet emergency needs or short-term revenue shortfalls?

- **Monitor Fund Balance levels to ensure they “aren’t too little” OR “too much”, but “just right”?**
Approach to Fiscal Health #2: Establish and Maintain Reserves

Available Treatments

- **Establish a written Working Capital/Emergency Reserve policy**
  - Provides back-up plan for emergencies, revenue shortfalls, or other unforeseen changes

- **Identify, document and understand all reserves**

- **Review adequacy of Fund Balance levels**
  - Hold only appropriate amount in reserve to establish credibility with internal and external stakeholders

- **Set aside funding for long-range plans, major maintenance and asset replacement**
Strategic Questions

1. How much do we have available to spend? - (not “How much do you need”?)
2. Why do we need to keep “money in the bank”?
3. What’s the “difference”? 
Approach to Fiscal Health #3: Understand Variances

Apply Diagnostics – **DO YOU**…

- Include cyclical (one-time) expenditures in ongoing operating budgets?
- Allow Departments to budget for contingencies?
- Consistently have revenue/expenditure variances at year-end?
  - Overlook thorough analysis of budget-to-actual variances?
- Count on “savings” resulting from budget-to-actual variances?
- Have large capital project “carry-forwards” at year end?
Approach to Fiscal Health #3: Understand Variances

Available Treatments:

- Strive to align budget with actuals (a source of “hidden treasure”)
  - Refine salary and benefit projections, to align with actual costs incurred
  - Provide more effective budget monitoring and management to eliminate variances
- Identify and eliminate the “fluff”
- Fund cyclical expenditures with one-time funding sources
- Consolidate contingencies maintained in department budgets
- Analyze and understand revenue variances
- Promote multi-year budgeting for capital projects
Strategic Questions

1. How much do we have available to spend? - (not “How much do you need”?)
2. Why do we need to keep “money in the bank”? 
3. What’s the “difference”? 
4. “It costs how much”??
Approach to Fiscal Health #4:
Transparent About “True Cost of Doing Business”

Apply Diagnostics – **DO YOU…**

- **Allocate overhead and administrative costs to Funds and/or Departments that benefit from those services?**
- **Utilize Internal Service Funds to align delivery and cost of internal services with customer demand?**
  - Know what services are best adapted to an Internal Service Fund approach?
  - Understand how internal charges are established and distributed?
  - Ensure that internal customers perceive that costs are transparent and there is an ability to influence those costs by altering their own demand?
Approach to Fiscal Health #4: Transparent About "True Cost of Doing Business"

Apply Diagnostics – **DO YOU**…

- **Identify total cost (direct AND indirect) for all programs?**
  - Prepare a **Full Cost Allocation** plan in addition to an **OMB A-87 Cost Allocation Plan**?
  - How is this **Plan** incorporated into the budget process?

- **Establish fees for service that recapture appropriate level of total costs of providing that service?**
Approach to Fiscal Health #4:
Transparent About “True Cost of Doing Business”

Available Treatments:

- **Establish Internal Service Funds** and engage Departments in assessing demands for these services

- **Promote enhancement of cost recovery** for programs where appropriate

- **Diversify cost burden** from General Fund by appropriately sharing costs among other dedicated revenue streams

- **Inventory and cost all programs**
  - Utilize Full Cost Plans to better determine the true cost (direct and indirect) of offering programs/services
Strategic Questions

1. How much do we have available to spend? - (not “How much do you need”?)
2. Why do we need to keep “money in the bank”?
3. What’s the “difference”?
4. “It costs how much”?
5. “What’s the plan” and what could cause it to change?
6. What does the future look like?
7. “What if ……….”?
Approach to Fiscal Health #5: Economic Analysis & Long-term Planning

Apply Diagnostics – **DO YOU**…

- Incorporate ALL long-term plans developed within the organization into your financial forecasts?

- Prepare comprehensive, multi-year Capital Improvement Plan, and clearly identify associated ongoing operating costs?
  - Understand how the CIP impacts the budget process and your long-term financial forecasts?

- Identify only relevant economic indicators to monitor?

- Effectively utilize appropriate “tools” to communicate financial position to all stakeholders (elected officials, citizens and staff)?
Approach to Fiscal Health #5: Economic Analysis & Long-term Planning

Available Treatments:

- Prepare a 5 to 10 year financial forecast
  - Use relevant key indicators and trend analysis to improve decision-making
  - Update and present on regular basis throughout the year
  - Identify potential points of failure and plan for needed changes

- Utilize simple, graphic communication tool to illustrate fiscal health position to all stakeholders
  - Keep decision makers focused on high-level stewardship role
  - Access impact of “today’s” decisions on future financial sustainability
  - Allow scenario-planning which encourages flexible and adaptive decision-making
Looks like a Financially “Healthy” Organization – Right?
Let’s Look through a Different Lens!

CITY OF WHEAT RIDGE, COLORADO
COMBINED GENERAL and CAPITAL FUNDS
Wednesday, May 15, 13

Fiscal Health Diagnostic (Are objectives met?)

<table>
<thead>
<tr>
<th>Objectives</th>
<th>Status</th>
<th>1st Year Missed</th>
<th>1st Year Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Set Aside Reserves</td>
<td>Meets</td>
<td>-</td>
<td>$0</td>
</tr>
<tr>
<td>Achieve “Ongoing” Alignment</td>
<td>Does Not Meet</td>
<td>2014</td>
<td>($137,866)</td>
</tr>
<tr>
<td>Achieve “One-time” Alignment</td>
<td>Meets</td>
<td>-</td>
<td>$0</td>
</tr>
</tbody>
</table>

Note: Items in “Blue” can be modified; items in “Black” can not

Additional Ideas for Revenue Enhancement

<table>
<thead>
<tr>
<th>Description</th>
<th>R</th>
<th>Ongoing</th>
<th>Year 1</th>
<th>Year n</th>
<th>One-time</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase Sales Taxes</td>
<td>R</td>
<td>$0</td>
<td>2014</td>
<td>2017</td>
<td>$0</td>
<td>2013</td>
</tr>
<tr>
<td>Sell City Hall (sell assets)</td>
<td>R</td>
<td>$0</td>
<td>2014</td>
<td>2017</td>
<td>$0</td>
<td>2014</td>
</tr>
<tr>
<td>ULTIMATE ELECTRONICS CLOSES</td>
<td>R</td>
<td>$0</td>
<td>2014</td>
<td>2017</td>
<td>$0</td>
<td>2012</td>
</tr>
<tr>
<td>Anticipated Increase in Sales Tax Revs</td>
<td>R</td>
<td>$0</td>
<td>2015</td>
<td>2017</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Fill Gap</td>
<td>N</td>
<td></td>
<td>2014</td>
<td>2015</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjust Reserve Policy</td>
<td>N</td>
<td>10%</td>
<td>2013</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Ongoing Alignment

<table>
<thead>
<tr>
<th>Ongoing Revenues</th>
<th>Ongoing Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>$31,000,000</td>
<td>$29,000,000</td>
</tr>
<tr>
<td>$29,000,000</td>
<td>$27,000,000</td>
</tr>
<tr>
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<td>$17,000,000</td>
<td>$15,000,000</td>
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</table>

<table>
<thead>
<tr>
<th>Ongoing Initiatives</th>
<th>Y/N</th>
<th>Approval Year</th>
<th>First Year $</th>
</tr>
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<tbody>
<tr>
<td>CIP - 32nd Ave. Reconstruction - Wadsworth to Kipling</td>
<td>N</td>
<td>2013</td>
<td>$</td>
</tr>
<tr>
<td>CIP - Wadsworth Reconstruction - 35th to 46th</td>
<td>N</td>
<td>2014</td>
<td>$</td>
</tr>
<tr>
<td>CIP - Pedestrian &amp; Bike Master Plan</td>
<td>N</td>
<td>2015</td>
<td>$</td>
</tr>
<tr>
<td>CIP - Dispatch Center</td>
<td>N</td>
<td>2016</td>
<td>$</td>
</tr>
</tbody>
</table>

One-time Alignment (as of year-end)

<table>
<thead>
<tr>
<th>Fund Balance &amp; One-time Revenue</th>
<th>One-time Expenditures</th>
<th>Reserve Policy</th>
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</thead>
<tbody>
<tr>
<td>$17,500,000</td>
<td>$12,500,000</td>
<td>$7,500,000</td>
</tr>
<tr>
<td>$15,000,000</td>
<td>$10,000,000</td>
<td>$5,000,000</td>
</tr>
<tr>
<td>$12,500,000</td>
<td>$7,500,000</td>
<td>$5,000,000</td>
</tr>
<tr>
<td>$10,000,000</td>
<td>$5,000,000</td>
<td>$5,000,000</td>
</tr>
<tr>
<td>$7,500,000</td>
<td>$2,500,000</td>
<td>$5,000,000</td>
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<table>
<thead>
<tr>
<th>One-time Projects</th>
<th>Y/N</th>
<th>Approval Year</th>
<th>First Year $</th>
</tr>
</thead>
<tbody>
<tr>
<td>CIP - 32nd Ave. Reconstruction - Wadsworth to Kipling</td>
<td>N</td>
<td>2012</td>
<td>$</td>
</tr>
<tr>
<td>CIP - Wadsworth Reconstruction - 35th to 46th</td>
<td>N</td>
<td>2013</td>
<td>$</td>
</tr>
<tr>
<td>CIP - Pedestrian &amp; Bike Master Plan</td>
<td>N</td>
<td>2014</td>
<td>$</td>
</tr>
<tr>
<td>CIP - Dispatch Center</td>
<td>N</td>
<td>2015</td>
<td>$</td>
</tr>
</tbody>
</table>

CENTER FOR PRIORITY BASED BUDGETING
Using a Centered Lens to Prioritize Resources for Results
"States and cities have deep structural problems that will not go away just because the country is coming out of the recession that started in 2008."

-Volcker-Ravitch Report
"FISCAL HEALTH DIAGNOSTIC TOOL" – Tell the Story with a “Picture"
Live Demonstration of

“Fiscal Health Diagnostic Tool”
Diagnostic Questions to Ask

? Does your organization differentiate between ONE-TIME and ONGOING revenues and expenditures?

? If yes, how are they tracked? Does your forecast demonstrate this differentiation?

? How does your organization differentiate “program” revenues from “enterprise” revenues such as taxes, earnings on investments, franchise fees, etc.?

? Does your organization prepare a formal Revenue Manual?

? If yes, what type of information is included?
Diagnostic Questions to Ask

? Does your organization have a written fund balance reservation policy?

? If yes, how are you monitoring those reserves to ensure that they are properly and adequately maintained?

? Are established working capital reserves sufficient to meet emergency needs or short-term revenue shortfalls?

? Does your organization have an inventory of all restricted or designated fund balance (reserves)?

? If yes, does it indicate the purpose for the reserve, cite the authority for its establishment and show how it is calculated?
Diagnostic Questions to Ask

? Are variances between budgeted and actual revenues and expenditures analyzed and explained?

? If yes, how do those variances impact future budget cycles?

? Does your organization utilize a formal Compensation Plan to establish employee salary/wage ranges?

? If yes, how often is the plan updated?

? When assessing the adequacy of employee compensation, are employee benefit packages included in this assessment?
Diagnostic Questions to Ask

Does your organization utilize *Internal Service Funds*?

If yes, what are the services provided by each fund and how are internal charges established and distributed?

Are appropriate demand metrics evaluated when determining how internal charges are to be assessed or distributed?

Do internal customers perceive that the calculation and assessment of those internal charges is transparent and that they can influence those charges by altering their own demand?

Does your organization prepare a Full Cost Allocation plan in addition to an OMB A-87 Cost Allocation Plan?

If yes, how is this plan incorporated into the budget process?
Diagnostic Questions to Ask

? Does your Five-Year forecast incorporate *ALL* other long-term plans developed by your organization?

? Does your organization prepare a Capital Improvement Plan (CIP) ?

? *If yes, what information is included and how is it utilized in your budget process and your financial forecasts?*

? What tools does your organization use to communicate financial information to its elected decision-makers?
Aligning Resources with Priorities through PRIORITY BASED BUDGETING
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.”
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”
“Across the board cuts spreads the pain evenly and also evenly spreads the mediocrity”

- Budget Director for the State of Louisiana
“For generations, we held the view that the feds and states are the adults in the system, setting direction; the cities and the metropolitan areas are the children, waiting for their allowance. The metropolitan revolution is exploding this tired construct. Cities and metropolitan areas are becoming the leaders in the nation: experimenting, taking risks, making hard choices. We are seeing “the inversion of the hierarchy of power in the United States.”

- The Metropolitan Revolution, by Bruce Katz and Jennifer Bradley
ACHIEVING FISCAL WELLNESS

- Identify and Define the Role of Government (Results)
- Value the Results of Government
- Support Resource Allocation Decision Making with Prioritization of Programs
- Identify Programs and Services
- Value Programs Based on Evidence of their Influence on Results

Fiscal Wellness
STEPS to SUCCESS – Priority Based Budgeting

1. **Determine Results**  
   - “Why are we in business?”

2. **Clarify Result Definitions**  
   - “What do those Results mean to us?”

3. **Identify Programs and Services**  
   - “What exactly do we do & what does it cost”?

4. **Value Programs Based on Results**  
   - “What is of the highest importance?”

5. **Allocate Resources Based on Priorities**  
   - “What can we “see” differently?”
Priority Based Budgeting Steps

1. **DETERMINE RESULTS** –

   “Why are we in “business”?”
   *(i.e. What are we “here 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
Start with “Why”

The Golden Circle

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 or Mission Statements
- Specific short-term, projects, goals or initiatives
- Organizational Values
  - How we want to achieve our results
- “Marketing” statements
  - Look and feel of the community
Step 1: Determine Results
City of Grand Island, Nebraska

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

2. **CLARIFY RESULTS DEFINITIONS** –

“*What do those Results mean to us*”?

- 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*. 

---

*Image: Objectives and Goals*
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
# Creating Result Maps

## CITY of SPRINGFIELD, OREGON

**Result:** ENCOURAGE ECONOMIC DEVELOPMENT through COMMUNITY PARTNERSHIPS

<table>
<thead>
<tr>
<th>If the CITY of SPRINGFIELD</th>
<th>then it will have successfully achieved the result of providing ENCOURAGE ECONOMIC DEVELOPMENT through COMMUNITY PARTNERSHIPS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Markets itself as a safe, attractive, thriving and desirable place to live and work; promoting its location, amenities and livability</td>
<td>Enables and encourages opportunities for local businesses to be successful</td>
</tr>
</tbody>
</table>

**Visible presence in the region to push our value**

<table>
<thead>
<tr>
<th>City seen as an attractive place to work and live</th>
<th>Healthy community</th>
</tr>
</thead>
<tbody>
<tr>
<td>New methods of marketing Springfield are being used to draw in people (best place to retire, etc.)</td>
<td>High quality of life</td>
</tr>
<tr>
<td>Explore new methods of marketing Springfield to draw more people to the area</td>
<td>Neighborhoods that show pride of ownership</td>
</tr>
<tr>
<td>Develop E3 website</td>
<td>Pedestrian friendly (2)</td>
</tr>
<tr>
<td>Increase economic development outreach and promotions</td>
<td>Police bike satrol keeps police more in touch with citizens (2)</td>
</tr>
<tr>
<td>Identify values that make area attractive to employees/employers and promote them with a visible regional presence (2)</td>
<td>Police presence—safety/perception of safety</td>
</tr>
<tr>
<td>Develops a brand for attracting certain types of commercial activities (e.g. health industry supplies)</td>
<td>Open banner program</td>
</tr>
</tbody>
</table>

**ENCOURAGE ECONOMIC DEVELOPMENT through COMMUNITY PARTNERSHIPS**

- Promotes the availability of quality and diverse employment opportunities, job creation and housing options; working collaboratively to provide a skilled and educated workforce that meets the needs of community employers
- Supports and encourages the development of vibrant, safe, accessible and re-invigorated business centers focused on making thriving, attractive destination points
- Stimulates economic growth by encouraging investment in well-planned development, redevelopment, revitalization, preservation and beautification of commercial properties, supported by efficient City services and infrastructure
- Facilitates business development and growth through effective incentives, assistance with resources, community partnerships and efficient “business-friendly” processes
- Enables and encourages opportunities for local businesses to be successful
- Markets itself as a safe, attractive, thriving and desirable place to live and work; promoting its location, amenities and livability
Identify and Define Results

**STEWARDSHIP of the ENVIRONMENT**

- Manages and mitigates factors that impact environmental quality and sustainability
- Encourages energy conservation and efficiency through education, incentives and the provision of alternative solutions
- Controls and abates threats to the environment caused by nature
- Promotes and regulates a clean, orderly and ecologically balanced community
- Provides for the renewal of the environment through recycling and reuse

City of Grand Island, Nebraska
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
- Ensures regulatory compliance in order to protect property, the environment and the lives of its residents and visitors
- 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

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

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

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

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
Town of Christiansburg, Virginia

GOOD GOVERNANCE (Sound Financial Entity)

Provides assurance of regulatory and policy compliance to minimize and mitigate risk

Attracts, motivates and develops a high-quality workforce, dedicated to public service

Supports decision-making with timely and accurate short-term and long-range analysis

Responsive, accessible and courteous to its customers

Protects and prudently manages its financial, human, physical and technology resources

Enables and enhances transparency, accountability, integrity, efficiency and innovation in all operations

Supports decision-making with timely and accurate short-term and long-range analysis

Attracts, motivates and develops a high-quality workforce, dedicated to public service

Responsive, accessible and courteous to its customers

Protects and prudently manages its financial, human, physical and technology resources

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Enables and enhances transparency, accountability, integrity, efficiency and innovation in all operations
Priority Based Budgeting Steps

3. IDENTIFY PROGRAMS and SERVICES –

“What exactly do we do and what does it cost?”

- Comparing individual programs and services as opposed to comparing departments that provide those services allows for better prioritization.
### Identify “Programs” within Departments/Divisions

- Departments develop their own “program” inventories
- 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

<table>
<thead>
<tr>
<th>Fund No.</th>
<th>Department Providing Program</th>
<th>Program Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>010</td>
<td>Community Planning &amp; Sustainability</td>
<td>General Business Assistance</td>
</tr>
<tr>
<td>010</td>
<td>Community Planning &amp; Sustainability</td>
<td>Business Retention and Expansion</td>
</tr>
<tr>
<td>010</td>
<td>Community Planning &amp; Sustainability</td>
<td>Business Incentive Programs</td>
</tr>
<tr>
<td>010</td>
<td>Community Planning &amp; Sustainability</td>
<td>Business Partnerships and Sponsorships</td>
</tr>
<tr>
<td>140</td>
<td>Community Planning &amp; Sustainability</td>
<td>Energy Decarbonization</td>
</tr>
<tr>
<td>140</td>
<td>Community Planning &amp; Sustainability</td>
<td>Green Job Creation</td>
</tr>
<tr>
<td>140</td>
<td>Community Planning &amp; Sustainability</td>
<td>Climate Adaptation Planning</td>
</tr>
<tr>
<td>112</td>
<td>Community Planning &amp; Sustainability</td>
<td>Comprehensive Planning</td>
</tr>
<tr>
<td>112</td>
<td>Community Planning &amp; Sustainability</td>
<td>Intergovernmental Relations</td>
</tr>
<tr>
<td>112</td>
<td>Community Planning &amp; Sustainability</td>
<td>Historic Preservation</td>
</tr>
<tr>
<td>112</td>
<td>Community Planning &amp; Sustainability</td>
<td>Ecological Planning</td>
</tr>
</tbody>
</table>

City of Boulder, Colorado
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”
How to Identify Program Costs

1) Associate *Salary & 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!
1) Associate Salary & Benefit Costs with your Personnel

City of Wheat Ridge, Colorado

211 - Patrol
Personnel Costing Development Worksheet
June 26, 2012

Directions: For all of the programs and services in your Department / Division, answer the following questions:

- Total Number of FTE: $46,500
- Section Total: $3,959,282.00

### ACCOUNTING FUND

<table>
<thead>
<tr>
<th>DEPARTMENT</th>
<th>DIVISION</th>
<th>POSITION TITLE</th>
<th>POSITION NUMBER</th>
<th>NUMBER OF FTEs in POSITION</th>
<th>ACCOUNTING NUMBER</th>
<th>Allocated 100%</th>
<th>Allocated 100%</th>
<th>Allocated 100%</th>
<th>Allocated 100%</th>
<th>Allocated 100%</th>
</tr>
</thead>
<tbody>
<tr>
<td>General</td>
<td>Police Department</td>
<td>Patrol</td>
<td>Police Lieutenant</td>
<td>2</td>
<td>1</td>
<td>211</td>
<td>$3,129,141.00</td>
<td>$6,955.00</td>
<td>$38,807.00</td>
<td>$301,696.00</td>
</tr>
<tr>
<td>General</td>
<td>Police Department</td>
<td>Patrol</td>
<td>Police Lieutenant</td>
<td>3</td>
<td>1</td>
<td>211</td>
<td>$3,129,141.00</td>
<td>$6,955.00</td>
<td>$38,807.00</td>
<td>$301,696.00</td>
</tr>
<tr>
<td>General</td>
<td>Police Department</td>
<td>Patrol</td>
<td>Police Support Technician</td>
<td>6</td>
<td>0.5</td>
<td>211</td>
<td>$3,129,141.00</td>
<td>$6,955.00</td>
<td>$38,807.00</td>
<td>$301,696.00</td>
</tr>
<tr>
<td>General</td>
<td>Police Department</td>
<td>Patrol</td>
<td>Police Support Clerk</td>
<td>7</td>
<td>1</td>
<td>211</td>
<td>$3,129,141.00</td>
<td>$6,955.00</td>
<td>$38,807.00</td>
<td>$301,696.00</td>
</tr>
<tr>
<td>General</td>
<td>Police Department</td>
<td>Patrol</td>
<td>Police Support Clerk</td>
<td>7</td>
<td>1</td>
<td>211</td>
<td>$3,129,141.00</td>
<td>$6,955.00</td>
<td>$38,807.00</td>
<td>$301,696.00</td>
</tr>
<tr>
<td>General</td>
<td>Police Department</td>
<td>Patrol</td>
<td>Police Officer</td>
<td>5</td>
<td>1</td>
<td>211</td>
<td>$3,129,141.00</td>
<td>$6,955.00</td>
<td>$38,807.00</td>
<td>$301,696.00</td>
</tr>
</tbody>
</table>

- Key is understanding how personnel line items are distributed (per FTE, on a percentage of salary basis, etc.)
2) Assign Personnel to the Programs they Provide

City of Wheat Ridge, Colorado

211 - Patrol Operations
Program Costing Development Worksheet
June 26, 2012

Directions: For all of the programs and services in your Department / Division, answer the following questions

<table>
<thead>
<tr>
<th>ACCOUNTING FUND</th>
<th>DEPARTMENT</th>
<th>DIVISION</th>
<th>PROGRAM NAME</th>
<th>PROGRAM NUMBER</th>
<th>ACCOUNTING NUMBER</th>
</tr>
</thead>
<tbody>
<tr>
<td>General</td>
<td>Police</td>
<td>Patrol Operations</td>
<td>School Resource Officers Program</td>
<td>338</td>
<td>205</td>
</tr>
<tr>
<td>General</td>
<td>Police</td>
<td>Patrol</td>
<td>Boyd’s Crossing Community Policing</td>
<td>321</td>
<td>211</td>
</tr>
<tr>
<td>General</td>
<td>Police</td>
<td>Patrol</td>
<td>Crime Analysis Program</td>
<td>322</td>
<td>211</td>
</tr>
<tr>
<td>General</td>
<td>Police</td>
<td>Patrol</td>
<td>East Wheat Ridge Community Policing</td>
<td>323</td>
<td>211</td>
</tr>
<tr>
<td>General</td>
<td>Police</td>
<td>Patrol</td>
<td>Greenbelt Patrol Program</td>
<td>324</td>
<td>211</td>
</tr>
<tr>
<td>General</td>
<td>Police</td>
<td>Patrol</td>
<td>Patrol Operations Emergency Calls for</td>
<td>325</td>
<td>211</td>
</tr>
<tr>
<td>General</td>
<td>Police</td>
<td>Patrol</td>
<td>Patrol Operations Field Training Program</td>
<td>326</td>
<td>211</td>
</tr>
<tr>
<td>General</td>
<td>Police</td>
<td>Patrol</td>
<td>Patrol Operations Non-</td>
<td>327</td>
<td>211</td>
</tr>
</tbody>
</table>

TOTAL NUMBER OF FTE: 45.5

How are Programs Supported?

<table>
<thead>
<tr>
<th></th>
<th>Allocated 100%</th>
<th>Allocated 100%</th>
<th>Allocated 100%</th>
<th>Allocated 100%</th>
<th>Allocated 100%</th>
<th>Allocated 100%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Police Commander</td>
<td>1.0</td>
<td>1.0</td>
<td>1.0</td>
<td>6.0</td>
<td>34.0</td>
<td>0.5</td>
</tr>
<tr>
<td>Police Lieutenant</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Police Sergeant</td>
<td></td>
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<tr>
<td>Police Officer</td>
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<tr>
<td>Police Support Technician</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Police Support Clerk</td>
<td>2.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Estimate for a given year (this is not a time study!)
- Accuracy, not precision, is the goal
- Can’t allocate an FTE over 100% (no matter how overworked they think they are)
3) Associate Non-Personnel Costs with Programs

Choose a reasonable allocation methodology:
- Divide costs by FTE (i.e. supplies line item)
- Assign costs directly to program (i.e. annual audit)
Priority Based Budgeting Steps

4. VALUE 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*
**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 the Community Served by the Program
- *And/or any other criteria that is relevant to your community*
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
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 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: 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 program and there are no other public or private entities that provide this type of service
  - 3 = City 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 also offered by other private businesses but none are located within the City limits
  - 0 = Program is also 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

#### Basic Program Attributes

<table>
<thead>
<tr>
<th>Mandated to Provide Program</th>
<th>Cost Recovery of Program</th>
<th>Change in Demand for Service</th>
<th>Reliance on City to Provide Service</th>
<th>Safe City</th>
<th>Prosperous Economy</th>
<th>Green, Sustainable City</th>
<th>Attractive, Vibrant Community</th>
<th>Reliable, Well-Maintained Infrastructure</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-4 Scale (4-State/Federal Mandate; 2-Charter; 1-Ordinance/Resolution; 0-No Mandate)</td>
<td>0-4 Scale (4-Demand Significant; 3-Decreasing; 2-No Change; 1-Increasing; 0-No Service)</td>
<td>4-4 Scale (4-Very High; 3-Moderate; 2-Minor; 1-Low; 0-No Influence)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**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 Result.**
5. ALLOCATE RESOURCES BASED ON COMMUNITY PRIORITIES –

“What can we see “differently?”

• Through the “new lens” of the “Resource Alignment Diagnostic Tool”, the 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 1: 79 Programs
Quartile 2: 103 Programs
Quartile 3: 103 Programs
Quartile 4: 58 Programs

Key:
Programs are grouped into Quartiles (not ranked, one versus the other). Quartiles are defined using standard deviation.
Step 5: Allocate Resources Based on Prioritization

City of Boulder, Colorado

88 Programs

116 Programs

110 Programs

54 Programs

Priority Based Budgeting: Spending Array Perspectives

Quartile Ranking:
1. Highest Rated Programs
2. Second-Highest Rated Programs
3. Mid-Ranked Programs
4. Lowest Ranked Programs

Costs:
- Quartile 1: $85,915,772
- Quartile 2: $51,726,155
- Quartile 3: $21,505,297
- Quartile 4: $7,498,842
“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”?
**Priority Based Budgeting: Spending Array Perspectives**

<table>
<thead>
<tr>
<th>Quartile Ranking</th>
<th>2011 Budget</th>
<th>2012-13 Proposed Budget</th>
<th>Increase (Reduce) %</th>
<th>Impact</th>
<th>2012-13 Target Budget</th>
<th>Programs in Array</th>
</tr>
</thead>
<tbody>
<tr>
<td>Qt 1</td>
<td>$0</td>
<td>$85,915,772</td>
<td>0.00%</td>
<td>$0</td>
<td>$85,915,772</td>
<td>88</td>
</tr>
<tr>
<td>Qt 2</td>
<td>$0</td>
<td>$51,726,155</td>
<td>0.00%</td>
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<td>Qt 3</td>
<td>$0</td>
<td>$21,505,297</td>
<td>0.00%</td>
<td>$0</td>
<td>$21,505,297</td>
<td>110</td>
</tr>
<tr>
<td>Qt 4</td>
<td>$0</td>
<td>$7,498,842</td>
<td>0.00%</td>
<td>$0</td>
<td>$7,498,842</td>
<td>54</td>
</tr>
<tr>
<td><strong>TOTALS</strong></td>
<td>$0</td>
<td><strong>$166,646,067</strong></td>
<td>0.00%</td>
<td>$0</td>
<td><strong>$166,646,067</strong></td>
<td>368</td>
</tr>
</tbody>
</table>
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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