

Budgeting for Outcomes for FY2015

Creating High-Quality Offers



January 8
2014



Topics for Today

- Budgeting for Outcomes Refresher
- Creating High-Quality Offers
- Strategy for Offers
- Questions

Budgeting for Outcomes Refresher



Why Budgeting for Outcomes?

The Old Budget Game

- Pay for costs
- Play hide and go seek
- All cuts all the time
- Steal funds from other accounts
- Lie in accounting for spending/ revenue
- Borrow & bet - pay tomorrow for today
- Use reserves/ sell off assets
- Make something up
- 'Thin the soup' across the board

Budgeting for Outcomes

- Treat agency budget submissions as offers to deliver results at a price
- Measure each offer against results important to citizens - Priorities of Government
- "Buy" those offers that contribute most to the key results - leave the rest
- BUDGET = the most result for the money

Principles of BFO

- Clean slate; zero based approach
- Builds on principles of accountability and transparency
- Aligns budget with the leadership agenda
- Develops a long term perspective
- Strengthens accountability for results
- Includes the General Fund Budget, Capital Budget

The BFO Process

Step	Task	Timeline
1	Determine How Much Money is Available	12/18 to 1/31
2	Establish Prioritized Results	Complete
3	Allocate Revenues to Results	Complete
4	Conduct Analyses	1/8 to 2/21
5	Rank Budget Programs	2/21 to 3/3
6	Identify Performance Measures	After 6/24
7	Monitor Performance	After 6/24

BFO is a cycle – the performance of programs that are funded is central to determining funding for subsequent years!

Preliminary Allocations for FY2015 Budget

Result Area	Allocation (\$)	Allocation (%)
High Performing Government	\$23,000,000	11%
Safer Streets	\$106,000,000	50%
Stronger Neighborhoods	\$32,000,000	15%
Smarter Students/ Stronger Families	\$21,000,000	10%
Growing Economy	\$23,000,000	11%
Innovation Fund	\$7,000,000	3%
Total	\$212,000,000	100%

Key BFO Concepts

- **Results Maps** identify a strategy for getting to the Outcomes
- **Requests for Offers** identify the City's priorities
- **Offers** are proposals to address the priorities from the RFO/Results Maps
- **The Results Teams**
 - Develop/Review Requests for Offers
 - Review and provide feedback on Offers
 - Rank Offers
- The **Leadership Team** establishes the results and approves the Rankings

What is an Offer?

Basically a funding request for services offered



What Happens to Offers? (Feb 21 to March 3)

- Review / Preliminary Ranking
 - Using analysis conducted in Step 4 (market research, case studies, previous experience, etc.), Results Teams do a preliminary ranking all the offers they receive
- Feedback
 - Results Teams request further information
 - Provide more information on the Offer
 - Ask to identify what could be accomplished for less funding
- Final Ranking / Leadership Team Review
 - After final / revised offers are submitted and ranked by Results Teams, the Leadership Team verifies

Example of a Ranking Platform

**Total
Amount of
Programs
Funded:**

\$5,920,866

Funded Priorities

High Performing Government

- Employee Salary Increase (Civil Service Classified Pay Plan and Unclassified Staff)
- Office Budget for the Inspector General
- 311 Enhancements
- Streamlining Contracts Process
- Increase Capacity of the Risk Management Unit
- Maintenance and repair services and fuel costs for the City's fleet vehicles and units of equipment.
- Contract with Independent Benefits Consultant
- Assessment of IT Financial Systems
- Increase the Capacity of the Municipal and Traffic Unit
- Cost increase for Property Mgmt. services contracts not covered in the 2008 baseline budget

**Total Amount
of Programs
not Funded:**

\$17,282,094

Unfunded Priorities

- Recovery Project Admin. Oversight
- City Health Insurance Costs
- Legislation Advocacy
- Enhancing the Domestic Violence Unit
- Enhanced Revenue (Tax) Collections
- Maintain Civil Service Records Maintenance System
- Filing system/Inventory Management for Registrar of Voters
- Updating Fleet Management Software
- Enhancing the Federal Litigation Unit

Creating High-Quality Offers



Creating High-Quality Offers



City of Chattanooga FY15 Offers



OFFER SUMMARY

Offer Name: _____
 Lead Agency: _____
 Collaborating City Department(s): _____
 Contact Name: _____
 Primary Results Area: _____
 Offer Cost (Funding Request): _____

RESULTS AREAS

- Safer Streets** – Safe communities, reduced crime, positive opportunities, and alternate pathways.
- Growing Economy** – Growing and supporting local businesses, workforce development, business recruitment and retention, and an environment for innovation.
- Stronger Neighborhoods** – Neighborhood leadership, connected communities, healthy residential markets, and rapid rehousing.
- Smarter Students, Stronger Families** – Parents and first teachers, community support, and community health.
- High Performing Government** – Data-driven decision making, sound operations, outstanding customer service, resource management, and exceptional talent.
- Innovation Fund** – Something different – processes, services, technologies, ideas. Shifting the way government operates.

DETAILS

Description: *(What is the service/program? How will it be provided? What innovation & sustainability practice does this leverage? What difference does this offer make and how will we know? Make a compelling case for your offer.)*

Identify Which Desired Outcomes This Offer Impacts:

- 1.
- 2.
- 3.



City of Chattanooga FY15 Offers

BUDGET REQUEST

Summary: *(Please complete based on information contained in Attachment F)*

Offer Name	Personnel Costs (Including Benefits)	Operating Costs	Total Request	FTEs required

Capital Budget Impact? Yes No \$Amount

Financial Offsets: *(Please list other revenues associated with the specific program for which funding is requested)*

Name	Amount

PERFORMANCE DATA

Measurement 1:

 Historical Comparison Data?

Measurement 2:

 Historical Comparison Data?

Measurement 3:

 Historical Comparison Data?

Return on Investment:

How do citizens benefit? _____

Does this activity leverage other financial resources? _____

How does this activity decrease costs over time for the City? _____

How can this program become sustainable without City funding? _____

Creating High-Quality Offers

- **Offer Name:** Should be reasonable in size / scope
- **Offer Number / Rank:** How much does the City need this service compared to your other services?
- **Lead Department:** Collaboration will be valued, but funds will *not* be shifted to the Lead Department
- **Administrator:** The Administrator for the Lead Department
- **Offer Cost:** The total amount (all funds) requested
- **Primary Result Area:** Be strategic but smart (an offer can only go to one area)

Offer Description

- ***The “What”...What are you actually going to do? What are the specific activities?***
- Not a writing exercise – Results Teams are looking for good ideas
- What’s needed is valued more than what’s been done

Offer Description

Strong Offer Description	Weak Offer Description
A “good idea” that focuses more on creating new value in comparison to current or historical practices	Focus on maintaining status quo rather than creating new value
Clear and concise description of the initiative or program that includes how it will be organized, how much it costs and what benefits it will produce	Lack of clarity around the purpose, organization, benefits and costs of the initiative or program
The desired outcomes and specific budget strategies laid out in the result map are integrated in the projected benefits	Description does not speak to the desired outcomes and budget strategies laid out in the result map
Supporting evidence, including outside research, internal analysis or case studies from other governments, that the initiative or program can produce meaningful results	Lack of supporting evidence or analysis that the program or initiative can produce meaningful results

Example: Strong Offer Description

What Makes this a Strong Offer?

Department: Health

Offer Title: Clinical Services

Description: As identified through the RFO and feedback from the Community and City Leaders, providing services that improve the quality of life in neighborhoods by eliminating preventable diseases is critical. Given this need, the Health Department will implement services that will ensure the improved safety and health of residents by either preventing or minimizing the impact of environmental hazards. We will accomplish this through the following activities:

- **Enforcement and Adjudication:** Enforcement of environmental ordinances, initiation of legal action (Adjudication) and performing correction activities, all toward the elimination of adverse environmental conditions. Major costs include the funding of 5 inspectors, 3 administrative staff, and a manager, along with relevant space for day-to-day work, adjudication space, and reimbursements for staff travel.
- **Blood lead testing:** Testing children with elevated levels (lead poisoning), with the anticipated result of reducing the number of 8-year olds identified as being exposed to lead. Major costs include the funding of public service announcements and 2 community outreach coordinators.
- **Risk assessments:** Identify and eliminate lead hazards by performing...

Identify Which Desired Outcomes This Offer Impacts

- Make sure that your offers support achieving the budget strategies that are laid out in the results maps
 - EX: Outstanding Customer Service
 - Focus on providing high-quality customer service
 - Quick responses to citizen input
 - One-stop centers
 - Efficient service delivery
 - Feedback solicited from employees
 - Citizens connected across multiple communications channels
- Researching national best practices and recent trends in other local governments can help you find evidence and analysis that what you're describing in your offer has worked in other places
- This research can also help you identify performance measures

DESIRED OUTCOME
aka "the end result the City wants to achieve"

BUDGET STRATEGIES
aka "ways that the City can achieve its desired end result"

Identify Potential Activities that Reflect Best/Promising Practice

- Results Maps
- Budget Strategies
- Colleagues from other Departments
- Colleagues from other Cities
- Research / Best Practice
 - International City / County Managers Association (www.icma.org)
 - Government Finance Officers Association (www.gfoa.org)
 - National League of Cities (www.nlc.org)
 - Ash Center for Democratic Governance and Innovation (www.ash.harvard.edu)
 - Alliance for Innovation (<http://transformgov.org>)
 - U.S Conference of Mayors (www.usmayors.org)

Budget Request

- Use information provided by Finance/Budget
- Focus on enhancing efficiency and/or effectiveness
- Offers should be for activities of a *reasonable* size – not too big and not too small (must be larger than \$25,000)
 - Activities may be combined if there are tied together

Performance Data

- ***How are we going to know you've done it? What are you going to accomplish?***
- The purpose of identifying performance measures for your budget offers is to demonstrate results achieved from new initiatives...
- Most – if not all – departments currently track some type of data that is already used to analyze performance
- Look for performance measures that let your audience know whether performance has or has not improved

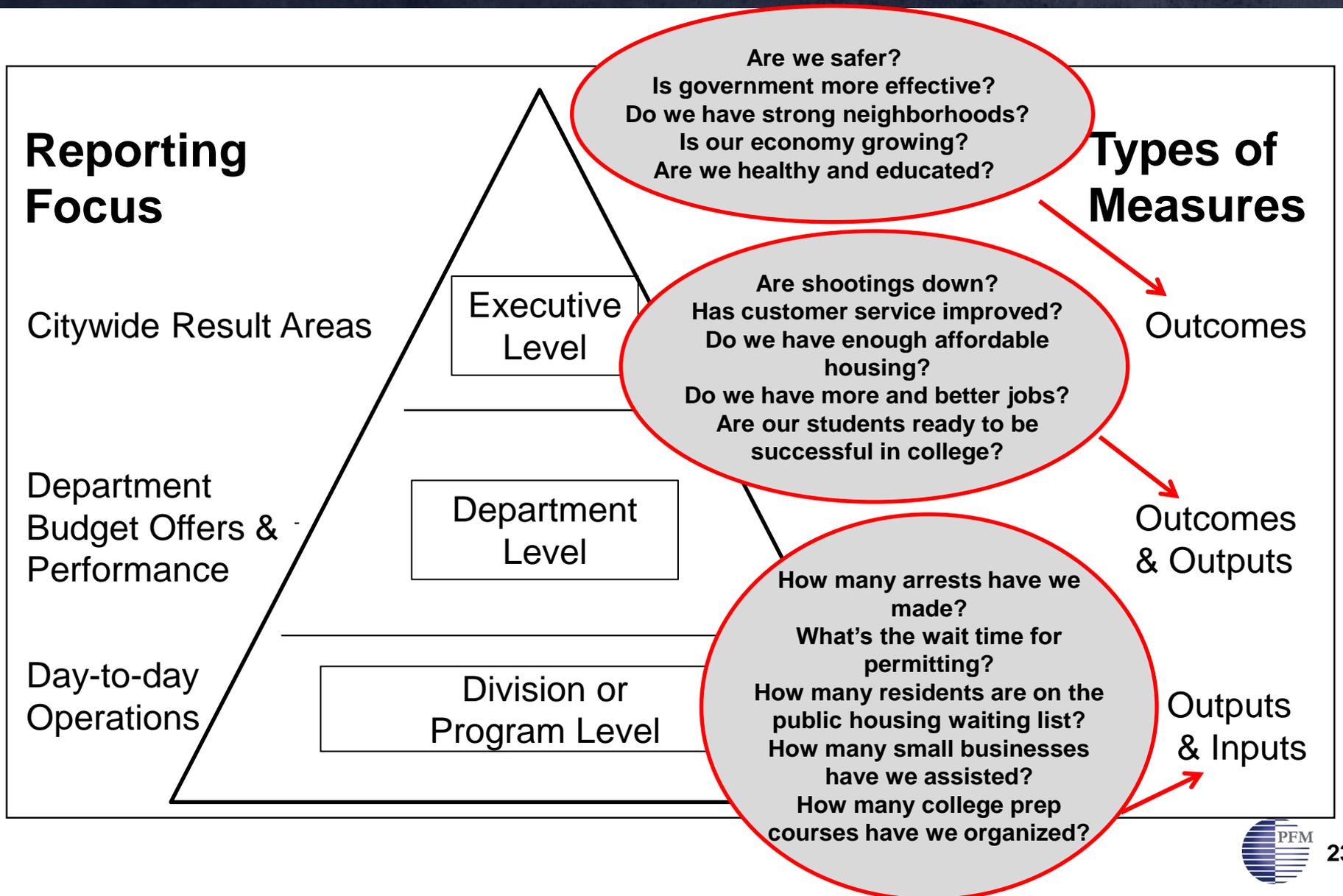
Department	Area	Performance Measure A	Performance Measure B
Code Enforcement	Inspections	# of building inspections	% of building inspections completed within 1 week
Fire	Prevention	# of community programs attended	% of residences in high risk areas with smoke alarms
Youth and Family Services	Recreation	# of programs offered	Program utilization rate (%)

Performance Measures are often more useful if they can be used for historical comparisons and are tied to producing better outcomes

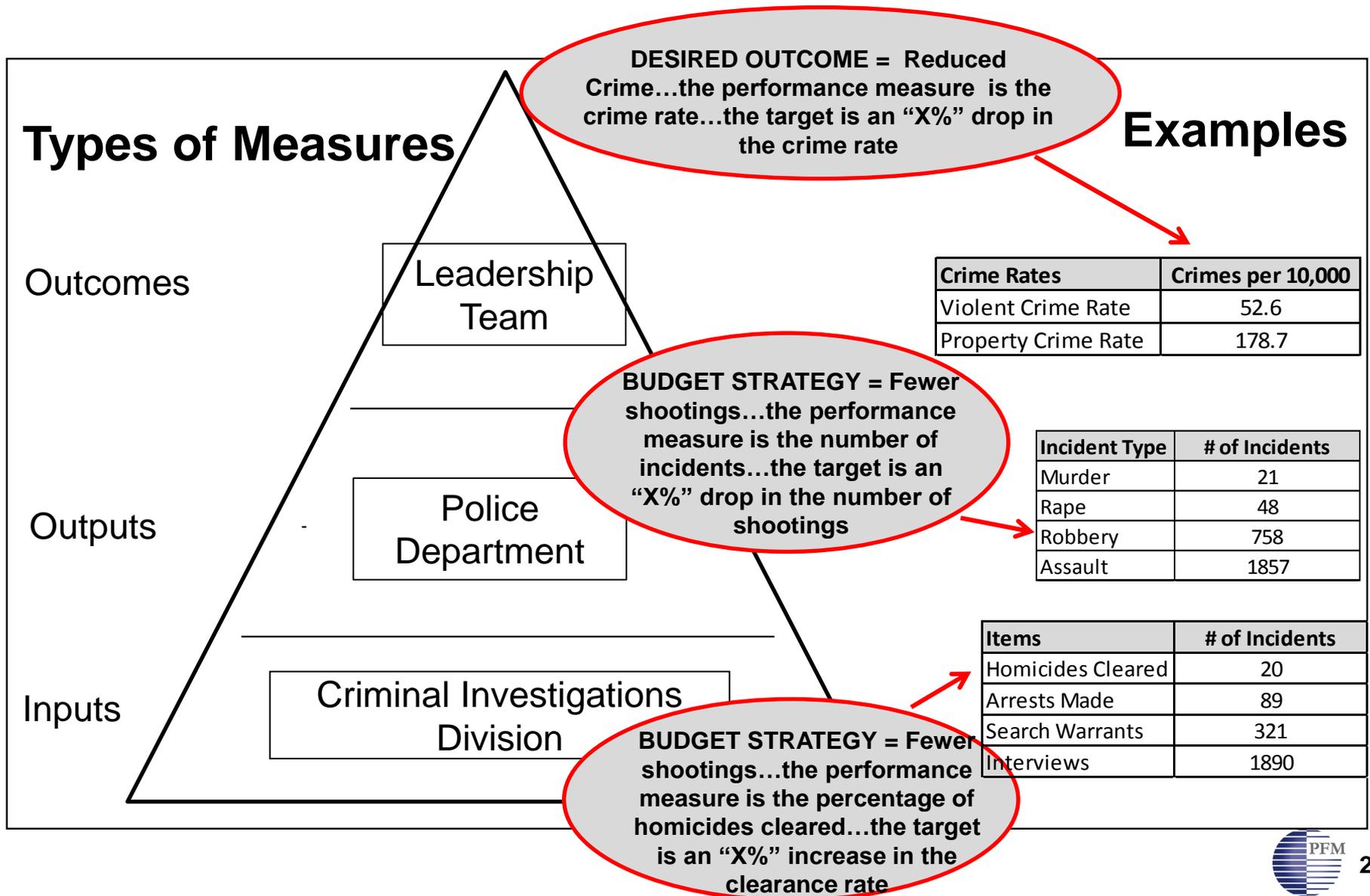
Types of Performance Measures

- **Inputs:** The amount of resources invested, used or spent for services, products or activities.
 - Examples: FTE employees, equipment, supplies, hours worked.
- **Outputs:** The number of services, products or activities produced or provided.
 - Examples include permits issued, potholes filled, arrests made, cases managed, documents processed.
- **Outcomes:** The impact of all efforts.
 - Examples include recidivism rates, traffic fatalities, school test scores.

Performance Measure Hierarchy



Performance Measure Hierarchy



Sample Performance Measures – City of Boston

Department	Performance Measure
Fire	% Calls responded to under 4 minutes
Fire	Firefighters per tour who are absent due to injury
Fire	% Fires in which cause is determined
Human Resources	% New hires that are women
Human Resources	% New hires that are minorities
Human Resources	% Active employees enrolled in HMOs
Innovation and Technology	% IT service desk work orders completed on time
Innovation and Technology	% Availability of database environments
Neighborhood Development	Affordable units permitted
Neighborhood Development	Businesses assisted with financial or technical assistance
Neighborhood Development	Homeless households served
Parks	% Park maintenance requests completed
Parks	Street trees removed
Police	Shootings
Police	Homicides
Police	Part 1 crime clearance rate
Property Management	% Graffiti removal calls responded to within 36 hours
Property Management	Requests for graffiti removal
Public Works	% Streetlight outages addressed in 10 business days
Public Works	% Pothole cases closed in 2 days
Public Works	Recycling diversion rate
Transportation	% Traffic signals on-line
Transportation	% Meters in operation
Treasury	Annual property tax collection rate

Setting Performance Targets

- All Offers should identify targets for what they will accomplish during FY2015
- Targets establish a threshold of acceptable performance and provide a standard against which to compare actual results
- Targets are generally thought to be useful because they have motivational value, they hold people accountable, and without targets performance is too ambiguous...but be careful!
 - An arbitrary or unrealistic target can minimize the usefulness of performance measurement and if the current target is set beyond current performance, the manager could redesign the work, distort priorities and the process, or “game the numbers” if not outright cheat
 - A Performance Measure is *not* a yes or no question
- Using historical data for your department can help you set aggressive but achievable performance targets

	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015 Goal A	FY2015 Goal B
Street miles paved	100	110	125	130	140	165	225
Change (Value)	-	10	15	5	10	25	60
Change (%)	-	10%	14%	4%	8%	18%	36%

Goal A is aggressive but seems realistic compared to recent performance. Goal B is probably a stretch.

Cities with Strong Performance Measurement/Management Tools

- City of Baltimore (MD) – CitiStat
 - <http://www.baltimorecity.gov/Government/AgenciesDepartments/CitiStat.aspx>
- City of Austin (TX) – Performance Measures Database
 - <http://www.austintexas.gov/budget/eperf/index.cfm?fuseaction=home.MAIN>
- City of Boston (MA) – Boston About Results
 - <http://www.cityofboston.gov/bar/>
- City of San Francisco (CA) – San Francisco Performs!
 - <http://sfcontroller.org/index.aspx?page=75>
- City of Philadelphia (PA) – PhillyStat
 - <http://www.phila.gov/MDO/PHILLYSTAT/Pages/default.aspx>
- City of Charlotte & Mecklenburg County (NC) – Performance Management and Strategic Planning
 - <http://charmec.org/city/charlotte/budget/pages/performance%20management%20and%20strategic%20planning.aspx>

What Happens with Performance Measures?

Performance Management

- Performance management can be defined as a systematic approach to improving results through:
 - evidence-based decision making
 - continuous organizational learning, and
 - a focus on accountability for performance
- This way of thinking is integrated into all aspects of an organization's management and policy-making processes
- Organization's focus on achieving improved results for the public



Source: National Performance Management Advisory Commission, "A Performance Management Framework for State & Local Government," 2010

Defining the Return on Investment

- ***Why is this important? What do the people of Chattanooga get out of it?***
- How are the citizens of Chattanooga are going to benefit from your proposal and why are the benefits valuable?
 - Increased level of efficiency for service delivery?
 - More effective service delivery that is customer-focused?
 - Cost savings that result in additional revenue for high-priority programs?
 - Increased revenues that can reduce the overall tax burden?
 - Targets an issue that is a high priority for citizens?
 - Mandated by local or state law?
 - Leverages non-General Fund revenues?
- How will you prove that the ROI has been achieved?
 - Compare internally collected data to performance targets?
 - Conduct a survey of primary constituency?
 - Use of outside data sources, such as the Census Bureau?

Strong Description of Return on Investment

Department: Health

Offer Name: Clinical Services

Return on Investment:

This Offer meets not just the relevant legal requirements, but is vital to creating safe, viable neighborhoods, a key budget strategy described in the RFO. The success realized is in direct correlation the reduction of blight, enhanced mental health and the return of displaced citizen who possibly would not have returned. In particular, the Offer:

- Meets the legal requirements set forth in section 4-1202 subsections 1-5 and the corresponding sections of the City Code.
- Will yield an improvement in environmental conditions, specifically by decreasing properties found to be in violation of code by 15%. As a result, citizens will benefit by realizing a reduction in health threats and an overall improved quality of life.
- The Centers for Disease Control provides funding, through a contractual MOU to staff program management and Health education (Lead). The Lead Program receives no general funds. As a result of this work, we expect a 25% reduction in children exposed to lead.

Strategy for Offers



Developing Offers for “Base” Programs

- You’ve been doing this forever, but need to revisit why it’s valuable – What’s the ROI?
- Creating offers that cost “the right amount”
 - Should describe complementary activities, not broad departmental programs
 - Must be larger than \$25,000
 - Examples
 - Separate Offers for Street Cleaning and Trash Pickup
 - One offer for Internal Audit

Reflecting Community Priorities

- There are many ways to ensure that the priorities of your constituents – primary partners and stakeholders that are central to your department’s service mission – are reflected in your offers:
 - Meetings to discuss the City’s overall priorities and your department’s or organization’s approach for the BFO process
 - A free online survey to provide feedback on your department’s or organization’s internal priorities
 - Review of draft offers to ensure that to constituent’s goals are integrated

The Times-Picayune

Mayor Landrieu to hold five community meetings to discuss 2014 budget priorities

By BRUCE EGGLER
August 8, 2013

As he has done each year since becoming mayor of New Orleans in 2010, Mayor Mitch Landrieu will hold a series of community meetings in each City Council district this month to discuss budget priorities for the coming year. . .

“We’re committed to producing results for our citizens and sticking to our budgeting principles: cut smart, reorganize and invest in the future,” Landrieu said. “The community meetings allow citizens to tell us their priorities for the budget.”

Making your Offer more Appealing

- Which Result Area should you submit to?
- Should you submit an enhancement to the Innovation Result?
- How do you make your offer more attractive?
 - Leverage non-City funds
 - Collaborate
 - Be Innovative
 - Show your math – why should the City make this investment?

Know your Audience

- Many of you will be on Results Teams, so think about what *you* would want to read
 - Clear and concise
 - Evidence Based
- How would you respond if someone phones in most of their proposals and then asks for \$5 million in new money?

Logistics

Step	Task	Timeline
1	Determine how much money is available	12/18 to 1/31
2	Establish Prioritized Results	Complete
3	Allocate Revenues to Results	Complete
4	Conduct Analyses <i>[Develop Offers]</i>	1/8 to 2/21
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Questions

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