

PRIORITY BASED BUDGETING

PURPOSE

The traditional approach to budgeting has always been incremental, with last year's budget serving as the basis for the budget of the following year. This has typically been done in concert with a zero-based approach, where accounts for certain line items essentially start with zero and every planned purchase is detailed. Unfortunately, these budgeting methods do not adequately address priorities, and do not directly link to strategic goals or performance measurement. As part of the solution to this dilemma, our organization has partnered with ResourceX toward establishing a framework and providing a "new lens" through which the organization can clearly see where opportunities exist - therefore making more effective use of finite resources and continuing to serve in the most effective, efficient and fiscally responsible manner possible.

The Priority Based Budgeting (PBB) model provides a comprehensive review of the entire organization's operating budget, identifying and ranking services (programs) offered on the basis of the community's priorities. The diagnostic process enables policy makers to link funding decisions to priorities in the strategic plan. The PBB philosophy involves "Results", which are the fundamental reason an organization exists, and what the organization is in business to provide. Result definitions detail and expand on the factors influencing the results our organization aims to achieve - and for which all services/programs would then be gauged by and ranked on.

PROCESS OVERVIEW

The methodology involved in implementation of Priority Based Budgeting process can be broken out into five distinct steps:

Step 1 - Determine and Clarify Vision/Results

The first step is to determine the results used in Priority Based Budgeting. These results are based on best practices and align with other initiatives (for example, a Strategic Plan) that have defined an organizations goals. Two sets of results were created to distinguish between *community-oriented* and *governance-oriented* results. These "Result" areas are further supported by Result definitions. At a high level, "Results" are the fundamental reason that an organization exists, and what an organization is in the business to provide.

Step 2 - Identify Programs and Services

Each department then set out to develop a comprehensive list of programs and services offered by that department (what exactly we do). These 'Program Inventories' build a common understanding of what the organization is offering to the community and in support of internal operations and procedures. The inventories include a description of the program including services provided, and identify the program as either community or governance-centered. Community programs are those providing direct service to residents and businesses, while governance programs are those providing support services within the city to other departments

Step 3 - Allocate Costs/Resources to Programs

After program identification, departments then provided comprehensive and detailed cost information for each individual program. Through this process, departments estimated the level of

staff time and other department budget expenditures/costs dedicated to each program, as well as identifying any revenues generated from these services. These were each labeled as personnel or non-personnel costs.

Step 4 - Score Programs Based on Results

In this step, departments then evaluated each program on how much every program contributes to achieving each result. Departments also scored other attributes of each program, such as the level of mandate to provide the program, the amount of cost recovery of the program, change in demand for the program, and the portion of the community served by the program. Once departments scored their programs based on these criteria/results, multi-departmental teams conducted follow-up review, validation, and cross-checking of these scores through a formalized objective peer review authentication process.

Step 5 -Resource Alignment Diagnostic Tool

In the final step, program costs and scores are combined into a comprehensive Resource Alignment Diagnostic Tool. This tool allows for multiple methods of sorting the information, gives a visual representation of how the organization allocates money to each program, and how those programs rank relative to each other in order of highest priority (those programs most relevant to achieving results - Quartile 1) to lowest priority (those programs least relevant to achieving results - Quartile 4).

RESULTS AND DEFINITIONS

Community Safety	Economic Vitality	Public Infrastructure	Quality of Life	Good Governance
fosters communication and education about public safety	invests resources into the community	connects with the community to address issues and concerns	continues to develop water conservation efforts and measures	enhances data driven decision making
implements innovative technology, polices and procedures to promote safety	pursues economic base job creators	develops new infrastructure and facilities	cultivates a rich cultural vibe and strengthen neighborhood vibrancy	invests in public servants
maintains an excellent level of public safety	recruits and retains large and small retail businesses	improves infrastructure and facility effectiveness.	endorses a diverse range or recreation programs and activities	assesses City programs and services with a focus on reliance and value
meets established safety standard minimums	targets public infrastructure improvements	provides well-maintained infrastructure and facilities	promotes lifelong learning	increases public awareness
promotes public outreach and partnerships		seeks opportunities to leverage other funding sources	provides opportunities to enjoy the natural environment	

OUTCOMES OF PRIORITY BASED BUDGETING

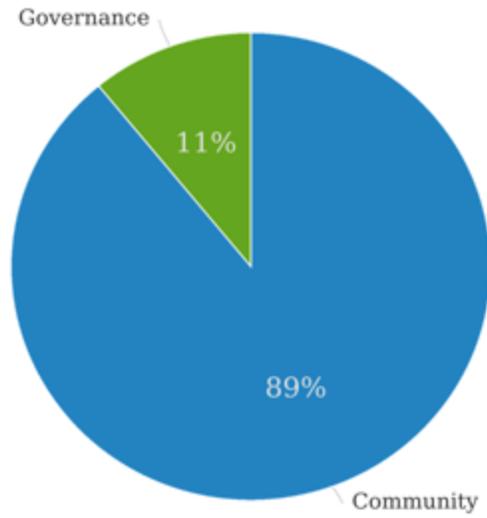
Community and Governance Spending

Priority Based Budgeting at the highest level quantifies the portion of spending towards our external and internal services.

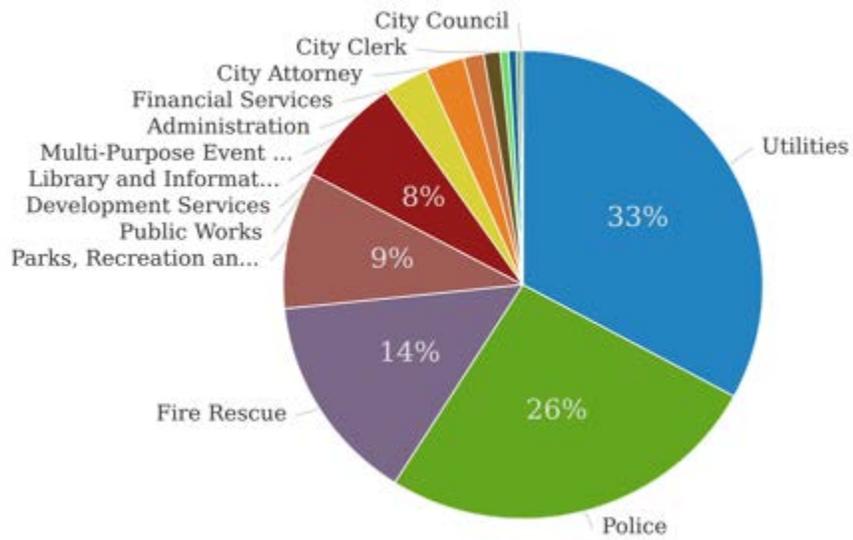
The policy goals of Priority Based Budgeting are differentiated by two kinds of municipal activities: Community Programs and Governance Programs. Community Programs serve the public, while Governance Programs internally serve other departments. A breakdown of spending towards Community and Governance activities is shown below.

The top-center pie chart shows the proportion of funds spent towards Community programs compared to the portion spent internally to Governance programs. This chart effectively shows the rate of overhead of the government organization. The two charts below, show the portion of spending by department split across Community and Governance programs.

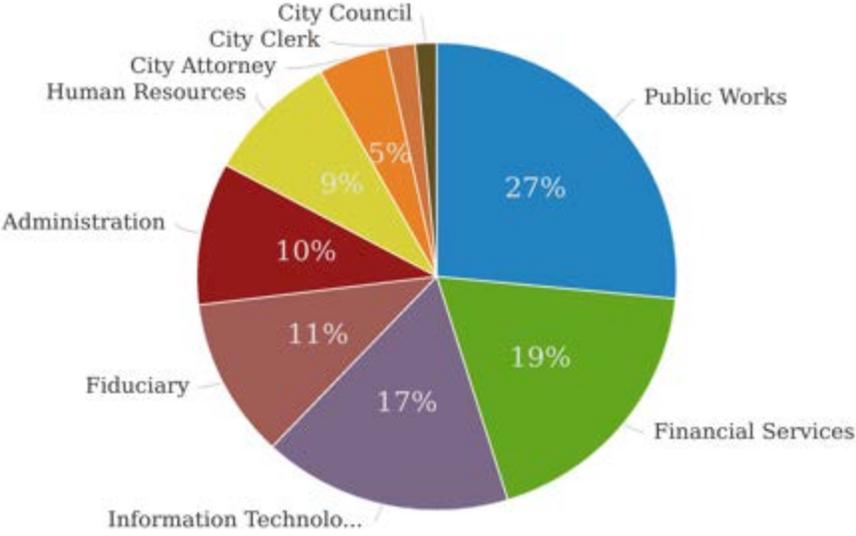
Community and Governance Spending



Community Department Spending



Governance Department Spending



(Public Works Governance spending includes city fleet and facility management.)