



## **360° BUDGET PROCESS**

Submitted by the City of Wichita (Kansas)

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# 360° BUDGET PROCESS

## STAKEHOLDER PARTNERSHIPS FOR ENHANCED SERVICES



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### Summary of 360° Budget Process

Economic conditions have strained the resources available to the City of Wichita, causing structural imbalances between revenues and expenses. Those conditions have also made it challenging to provide high levels of services. The City of Wichita responded by creating a new type of budgeting—the 360° Budget Process. This unique process is based on a robust system of interaction between all stakeholders, including residents, businesses, management staff, line employees, and an independent reviewer of municipal operations. The stakeholder participation from all groups resulted in substantial savings, enhanced services, and a better method for measuring success in meeting the public's goals. Ultimately, the new budgeting process allowed the community to cope with the challenging economic environment without raising taxes or materially diminishing services.

### RESULTS & LESSONS

- ◆ Created solutions through partnerships formed by a multitude of stakeholders
- ◆ Total savings of \$45.0 million over three-year budget period (\$315 per household)
- ◆ Returned \$750 for every \$1 invested due to the low cost (\$60,000) of the process
- ◆ Reductions equivalent to 6.9 mills in 2011, which is 22% of total property tax levy
- ◆ Benefitted all residents and businesses through service enhancements and stable tax bills

### Background & Need for Change

Wichita's municipal government is responsible for a number of community assets and services, including two airports, the water and sewer system, 1,400 miles of streets, police, fire, parks, recreation, community education, municipal court, housing, social services, and arts programming. In 2010, the organization had 3,327 full-time equivalent (FTE) positions to conduct these operations, which accounted for \$447.6 million in spending (\$204.9 million from the General Fund). The Wichita community, with a population of 372,186, has access to a number of vital services through the municipal organization.

DATA SNAPSHOT	
Community	
Population	372,186
Occupied Households	147,868
Unemployment	8.4%
City of Wichita Organization	
FTE Positions	3,327
General Fund Expenditures	\$204,903,624
All Funds Expenditures	\$447,616,574

Like many Americans, Wichitans have been impacted by the sluggish economy. Wichita's aircraft manufacturing base is the largest in the world and is the backbone of the local economy. General aviation shipments decreased by 43% in 2009. This is a primary reason why sales tax collections decreased by 6% and

the number of unemployed Wichitans increased by 117% since the start of the most recent recession. For the first time in decades, both property values and personal income declined.

These negative trends created a structural imbalance between the revenue base and expected spending, causing the need for a holistic budget process to mine all sources for acceptable solutions.

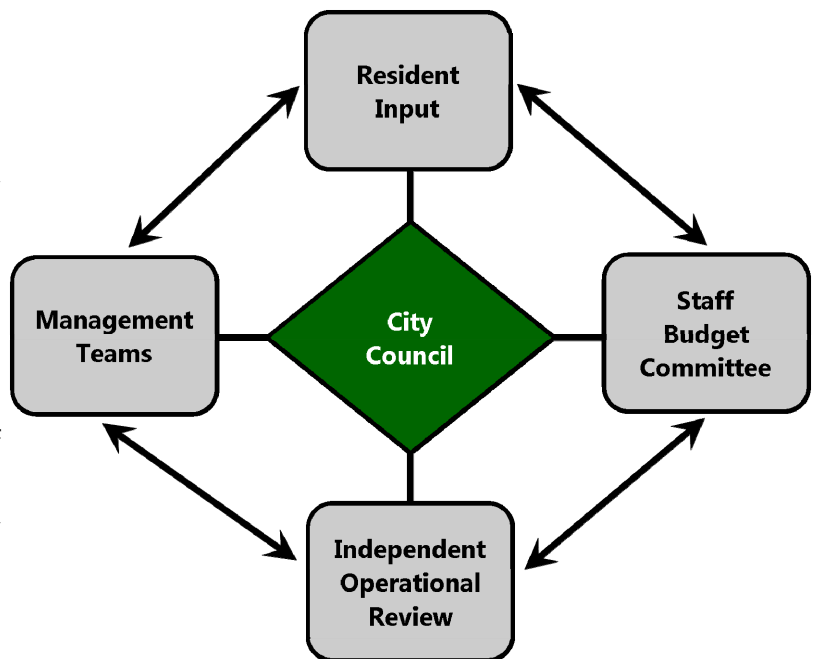
### Goals for the New Budget Process

- ♦ Maintain or Improve Services: Residents expect a certain level of services from the organization, and those service levels should not be diminished.
- ♦ Align Expenses to Stagnant Revenue: Shortfalls would occur indefinitely without a change in spending that would align expenditures with the new expectation of diminished revenues.
- ♦ Maintain Tax Rates at Current Levels: The City of Wichita has not raised the property tax rate for 17 years, and it is important for the mill levy to not be increased.
- ♦ Measure Progress Toward Meeting Priorities: New metrics were needed to better measure how effectively the organization is meeting the City Council's core strategic priorities.

### Process for 360° Budgeting

The process maximizes buy-in from all stakeholders by including their feedback in solutions. It involves many groups in a new and dynamic process of decision making.

Resident Input: The public provided input through a unique set of six District Advisory Boards. Ideas and goals were addressed at dozens of meetings and a multitude of phone and electronic communications. This input was the starting point for the City Council's core strategic priorities, which govern service delivery.



Management Teams: Four teams were formed comprising department directors based on work responsibility. These teams reviewed staff ideas, public input, and the operational review recommendations to develop implementation plans for budget initiatives.

Staff Budget Committee: Employee suggestions were solicited from all corners of the organization. An ad-hoc committee of 34 employees—with a supervisor and front-line representative from each department—analyzed the suggestions and developed recommendations for improving services.

Independent Operational Review: The City engaged Wichita State University (WSU) to conduct a third-party review of operations. The review was based on input from management teams and other staff. Since mid-2009, 50 projects identified in the review have been examined or implemented.

City Council: The elected officials are the linchpin of the process. They defined four core strategic priorities around which the municipal services have been structured. The City Council endorsed the collection of performance measure data to ensure that priorities are being met.

### Outcomes & Major Initiatives

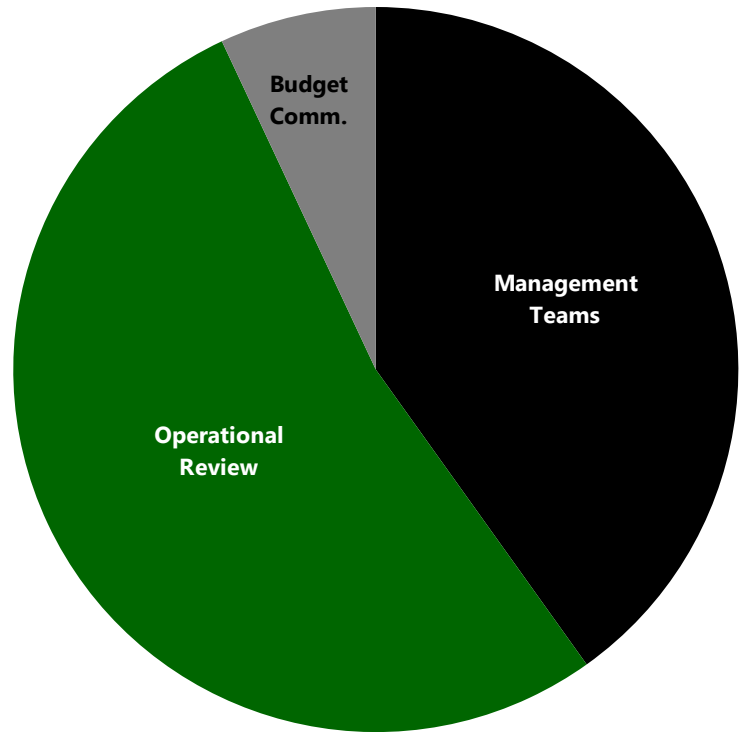
Communities always develop new programs and ideas, but none of them can be considered truly innovative unless they result in a transformational change to how business is conducted.

The City's new 360° Budgeting is innovative simply because of its results. It represents a low-cost way of improving how stakeholder input is infused in the budget process, while making sure that accurate metrics are used to measure progress toward community goals.

The only cost was \$60,000 spent on the independent operational review, which was part of a process that saved \$45.0 million over the three-year budgeting period. That is a \$750 return for every dollar invested in the 360° Budget Process. That kind of return on investment is only possible through innovation.

The new process also positively affected service levels. The following table lists notable projects that have improved business processes and resident services. Also as part of this process, the City created a set of metrics to measure the effectiveness of each new initiative. The new measures are from 18 professional organizations—including ICMA—comparing Wichita to industry standards.

SAVINGS BY SOURCE



SUMMARY OF PROJECTS AND SAVINGS

Project	2011 Savings	3-Year Budget Savings
Realigned Staffing Structure	\$6,397,321	\$13,050,535
Outsourced Grounds Maintenance	\$1,350,000	\$4,050,000
Modified Equipment Replacements	\$700,000	\$2,100,000
Developed Recreation Partnerships	\$1,000,000	\$2,000,000
Reduced False Police & Fire Alarms	\$700,000	\$1,400,000
Restructuring Solid Waste Collections	\$0	\$1,000,000
Other Management Team Projects	\$8,321,388	\$15,782,628
Other Operational Review Projects	\$1,523,758	\$3,741,274
Other Budget Committee Projects	\$748,000	\$1,847,000
<b>Totals</b>	<b>\$20,740,467</b>	<b>\$44,971,437</b>

### How is this a Quantum Leap of Creativity?

- ◆ This is an interdependent process based on partnerships and continuous interaction—not a static process where input is received in a vacuum from different groups that do not interact

### Who has Benefitted from this Innovation?

- ◆ Residents and businesses benefitted the most by enhancing services while keeping tax rates low
- ◆ Best part of 360° Budgeting is the large number of people benefitting—all Wichitans have benefitted, as opposed to how specific programs benefit only a small percentage of residents

### How was 360° Budgeting Initiated and Implemented?

- ◆ City Council developed core strategic priorities to govern service delivery
- ◆ Solutions to budget and service problems identified through public input, staff suggestions, management team recommendations, and an independent operational review
- ◆ New initiatives implemented and analyzed based on enhanced performance metrics

### What Risks Were Associated with Planning and Developing the New Process?

- ◆ Multi-million dollar financial shortfalls would not have been addressed had this failed

### What was the Environment in which 360° Budgeting was Created and Sustained?

- ◆ Flat revenues caused by poor economy, specifically the high unemployment, decrease in sales tax collection, decline in personal income, and erosion of the airplane manufacturing base
- ◆ Stakeholders developed an environment of partnerships to maximize interaction among groups that normally did not coordinate with each other

### What were the Execution Costs and Savings?

- ◆ Minimal costs involved in this—only expense was for the independent operational review
- ◆ Enormous savings from a low-cost process; resulted in \$45.0 million in combined savings during the three-year budget planning period (2010-2012)
  - ◆ Return on investment of \$750-to-\$1 is higher than almost any other program or process

### What Lessons were Learned that can be Shared with Other Local Governments?

- ◆ The process of seeking and implementing solutions should not take place in a vacuum – different groups need continuous interaction to create good ideas and make sure they work
- ◆ Share financial and service problems with all stakeholders to get assistance developing solutions
- ◆ Thorough, citizen-based process establishes clear goals and priorities that create a better environment for the kinds of quick, cutting-edge decisions necessary to cope with a poor economy

### Which Departments and Individuals Championed the 360° Budget Process?

- ◆ Process led by City Council and City Manager
- ◆ Championed by residents, all departments, and the university that conducted the independent operational review