



CENTER FOR  
PRIORITY BASED BUDGETING

*Using a Unique Lens to Focus Community Resources on Results*

# ***PRIORITY BASED BUDGETING***

ICMA Learning Lounge

**Jon Johnson & Chris Fabian**

ICMA Conference Presenters





# Evolution of Budgeting



**Line-by-Line  
Budgeting**

**Incremental  
Budgeting**

**Zero Based  
Budgeting**

**Results Based  
Budgeting**

**Priority Based  
Budgeting**

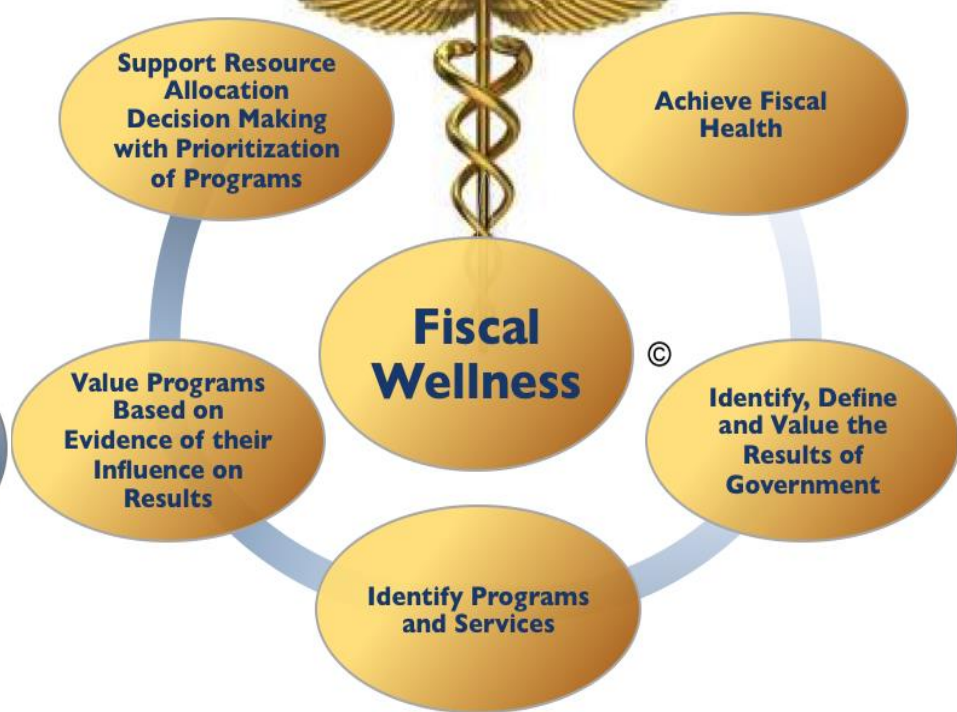
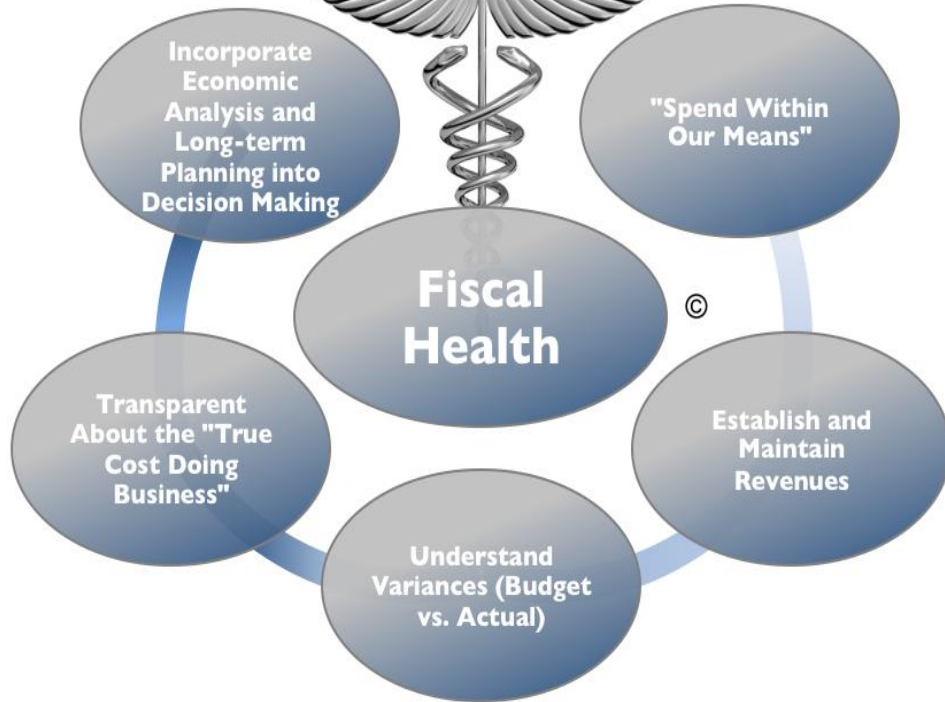


# Achieving Fiscal Health & Wellness

## 2 Strategic Initiatives

### Fiscal Health

### Long-term Fiscal Wellness



# BRINGING VISION INTO FOCUS WITH A NEW “LENS”





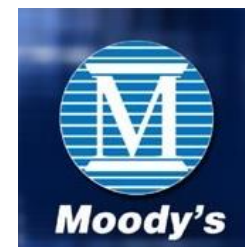
# The Mercury News

From 2007

## 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 cut 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”*

*“I think that in our lifetimes, certainly as elected officials, we’ll look back on this in the same way that our parents look back at the evolution of plumbing and electricity; I think that tools like this will be common day in decision-making for the best bang for the buck, and in the best interest of our citizens.”*

**- City of Salinas Councilman**



# Achieving Long-Term Fiscal Wellness



## 1. Determine Results

- Accurate prioritization of programs, reflecting the organization’s stated objectives, depends on the comprehensive identification of the *Results* it is in business to achieve

## 2. Clarify Result Definitions

- 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*

## 3. Identify Programs and Services

- Comparing individual programs and services as opposed to comparing departments that provide those services allows for better prioritization

## 4. Value Programs Based on Results

- With the right *Results* that are clearly defined, the organization can more accurately “value” a program relative to its influence on achieving *Results*

## 5. Allocate Resources Based on Priorities

- Using “**Resource Alignment Diagnostic Tool**”

# Strategic Questions

## 1. *What are we in “business” to do?*



# 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

### Stewardship of the Environment

Safe Community

Strategic, Sustainable and  
Maintained Development

Mobility Options

- ### 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)*

Efficient Services

Transparent Services

- ### 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*

Financial Stewardship

High-quality Workforce

Regulatory Compliance

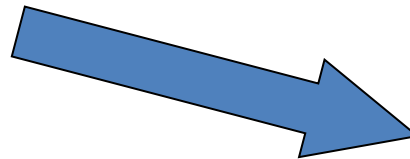
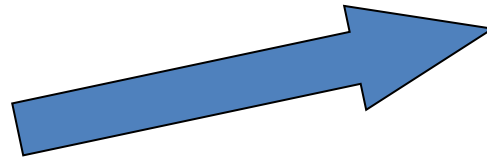
- ### Governance Results
- *Used to Differentiate Programs Designed to Support Governance*

# Step 2: Clarify Result Definitions

## City of Boulder, CO Results

- ❖ Accessible & Connected Community
- ❖ Economically Vital Community
- ❖ Healthy Environment & Community
- ❖ Inclusive & Socially Thriving Community
- ❖ Safe Community

### Result Maps



# Creating Result Maps

## CITY of SPRINGFIELD, OREGON

### Result: ENCOURAGE ECONOMIC DEVELOPMENT through COMMUNITY PARTNERSHIPS

If the CITY of SPRINGFIELD \_\_\_\_\_, then it will have successfully achieved the result of providing ENCOURAGE ECONOMIC DEVELOPMENT through COMMUNITY PARTNERSHIPS

Markets itself as a safe, attractive, thriving and desirable place to live and work; promoting its location, amenities and livability

Enables and encourages opportunities for local businesses to be successful

Works collaboratively to attract, recruit and retain a well-balanced mix of viable businesses that enhance and diversify the City's economy and provide residents with services that meet their day-to-day needs

Visible presence in the region to push our value	City seen as an attractive place to work and
New methods of marketing Springfield are being used to draw in people (best place to retire, etc.)	Healthy community
Explore new methods of marketing Springfield to draw more people to the area	High quality of life
Develop ED website	Neighborhoods that show pride of ownership;
Increase economic development outreach and promotions	Pedestrian friendly (2)
Identify values that make area attractive to employees /employers and promote them with a visible regional presence (2)	Police bike patrol keeps police more in touch with citizens (2)
Develops a brand for attracting certain types of commercial activities (e.g. health industry supplies)	Police presence- safety/perception of safety
Springfield as a "destination" attractive, vibrant, active	Open banner program





# City of Chandler, Arizona





# City of Wheat Ridge, Colorado

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

## SAFE COMMUNITY

Offers protection, enforces the law and is well-prepared to promptly and effectively respond to emergencies and calls for service

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

Creates a secure, well-regulated, well-maintained community that is healthy, clean, well-lit and visually attractive



# Town of Christiansburg, Virginia



# Strategic Questions

1. *What are we in “business” to do?*
2. ***What exactly do we do?***



# 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

## CITY OF BOULDER, COLORADO

### Department Program Inventory

Monday, July 26, 2010

**Directions:** For all of the programs and services in your department, identify the program name. When completed, please e-mail the Program Inventory back to Jim Reesor



Fund No.	Department Providing Program	Program Name
010	Community Planning & Sustainability	General Business Assistance
010	Community Planning & Sustainability	Business Retention and Expansion
010	Community Planning & Sustainability	Business Incentive Programs
010	Community Planning & Sustainability	Business Partnerships and Sponsorships
140	Community Planning & Sustainability	Energy Decarbonization
140	Community Planning & Sustainability	Green Job Creation
140	Community Planning & Sustainability	Climate Adaptation Planning
112	Community Planning & Sustainability	Comprehensive Planning
112	Community Planning & Sustainability	Intergovernmental Relations
112	Community Planning & Sustainability	Historic Preservation
112	Community Planning & Sustainability	Ecological Planning

**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”***

# Strategic Questions

1. *What are we in “business” to do?*
2. *What exactly do we do?*
3. ***How do we figure out what is “core”  
OR What is of the highest importance?***



# 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 only offered by another governmental, non-profit or civic agency
  - **1** = Program is offered by other private businesses but none are located within the City limits
  - **0** = Program is 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](mailto:mariah.dabel@sanjoseca.gov)

Evaluation Criteria										
Basic Program Attributes				Priority Results						
Mandated to Provide Program	Cost Recovery of Program	Change in Demand for Service	Reliance on City to Provide Service	Safe City	Prosperous Economy	Green, Sustainable City	Attractive, Vibrant Community	Reliable, Well-Maintained Infrastructure		
<b>0-4 Scale</b> (4=State/Federal Mandate; 2=Charter; 1=Ordinance/Resolution; 0=No Mandate)	<b>0-4 Scale</b> based on Percentage (4=75-100%; 3=50-74%; 2=25-49%; 1=1-24%)	<b>-4 to 4 Scale</b> (-4=demand significantly decreasing; 4=demand significantly increasing)	<b>0 to 4 Scale</b> (4=Only City can provide service; 2=Only public entities can provide service; 0=other entities can provide service)	<b>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 Results</b>						



Department	Program	Enter Score Below	Enter Score Below	Enter Score Below	Enter Score Below	Enter Score Below	Enter Score Below	Enter Score Below	Enter Score Below	Enter Score Below
Office of Economic Development	Business Attraction/Expansion Assistance	4	2	4	4	2	4	3	2	0
Office of Economic Development	International Business Relations/Sister City	0	1	2	2	0	2	1	1	0
Office of Economic Development	Economic Strategy, Policy and Analysis	1	2	4	2	0	3	3	2	0
Office of Economic Development	Downtown Management	1	2	4	4	3	2	0	3	4
Office of Economic Development	Arts / Festival Grants and Assistance	1	1	3	0	1	3	1	4	1
Office of Economic Development	K-12 Arts Education	0	0	2	0	1	2	0	4	0
Office of Economic Development	Cultural Planning, Policy and Initiatives / Arts	1	0	2	4	1	3	1	4	1
Office of Economic Development	Public Art Project Management	1	1	2	0	1	2	2	4	3
Office of Economic Development	Public Art Master Plan Implementation and	1	1	3	0	1	2	1	4	2

# Strategic Questions

1. *What are we in “business” to do?*
2. *What exactly do we do?*
3. *How do we figure out what is “core” OR What is of the highest importance?*
4. ***How do we know we are successful?***



# Peer Review (Quality Control) Process

City of Boulder, CO

Program Prioritization

Peer Review of Departmental Program Scoring

Community Result: **ECONOMICALLY VITAL COMMUNITY**



7/27/2010



Each department has scored its programs using a two-step process: (1) determine the relevance of a program in respect to the Priority Result and (2) determine the influence of the program to each program were scored within a range of between "0" and "4". For details on the scoring, please refer to the departmental scoring instructions in your packet. As part of the validation process, each department was asked to provide information regarding their programs which departments scored with a "3" or "4." The task of the Peer Review team is to review the information provided regarding these programs within the context of the Priority Result definition. Specifically:

1. review the program descriptions and determine whether you agree with the departmental score based on how well the program aligns with the Priority Result (does the program achieve the Priority Result?)
2. request additional information to understand the departmental score, if necessary; and
3. after receiving additional information and discussion, recommend a different score to the City Manager, if necessary.

The following Programs are Listed in Order of Score, From High to Low, Relative to this Result

DEPARTMENT OFFERING PROGRAM	Division	PROGRAM NAME	PROGRAM DESCRIPTION	Program Number	Program Notes	Dept. Score	Agree with Dept. Score? (Yes/No)	Need More Information? (Yes/No)	Notes for Review Team Member	Revised Score
Community Planning & Sustainability	Economic Vitality	<b>Economic Vitality Program &amp; Sponsorships</b>	Wide range of assistance to new & existing, small & large businesses; retention/expansion critical to the city's economic health and revenues (sales & use taxes/permit fees); sponsorships supports service to small and independent businesses.	29		4				4
Community Planning & Sustainability	LEAD	<b>City Organization Sustainability</b>	New City Sustainability Plan; Economically vital-could not ask the same of businesses in the community if we as a city organization are not doing our part; Safecranked for environmental health.	39		4				4
DUHMD/IPS	04	<b>Downtown &amp; Community Improvements-streetscape</b>	Mall Infrastructure improvements and FFR replacement for items such as PopJet fountain, weeping rock, benches, etc	49		4				4
Fire	Fire Safety	<b>Inspections/Code Enforcement</b>	Provides inspection and enforcement services to ensure existing buildings and new construction meet fire and safety code requirements prescribed in the Boulder Revised Code.	76		4				4
Open Space & Mountain Parks	Land & Visitor Services	<b>Trail Program Maintenance and Construction</b>	<p>Desc: Annual maintenance of existing trail system. New trail construction and large scale maintenance projects to make existing trails more sustainable</p> <p>Mandated: Charter Section 176c &amp; 176h Provide for passive recreation such as hiking, equestrians and biking</p> <p>Change: As surrounding communities continue to grow, more people visit the OSMP trail system. Reliance: The City would not allow a private citizen to construct a new trail on public land nor would we expect the private citizen to pay for it.</p> <p>Access: OSMP constructs and maintains ADA accessible trails, this is a unique opportunity for mobility impaired people to recreate outside. OSMP also plans, constructs and maintains a trail infrastructure system that provides an opportunity to bring people closer.</p> <p>Econ: The opportunity to recreate on OSMP, via the trail system, is essential to the economic vitality</p>	168		4				4

Accessible & Connected
Economically Vital
Healthy Environment
Inclusive & Socially Thriving
Safe Community

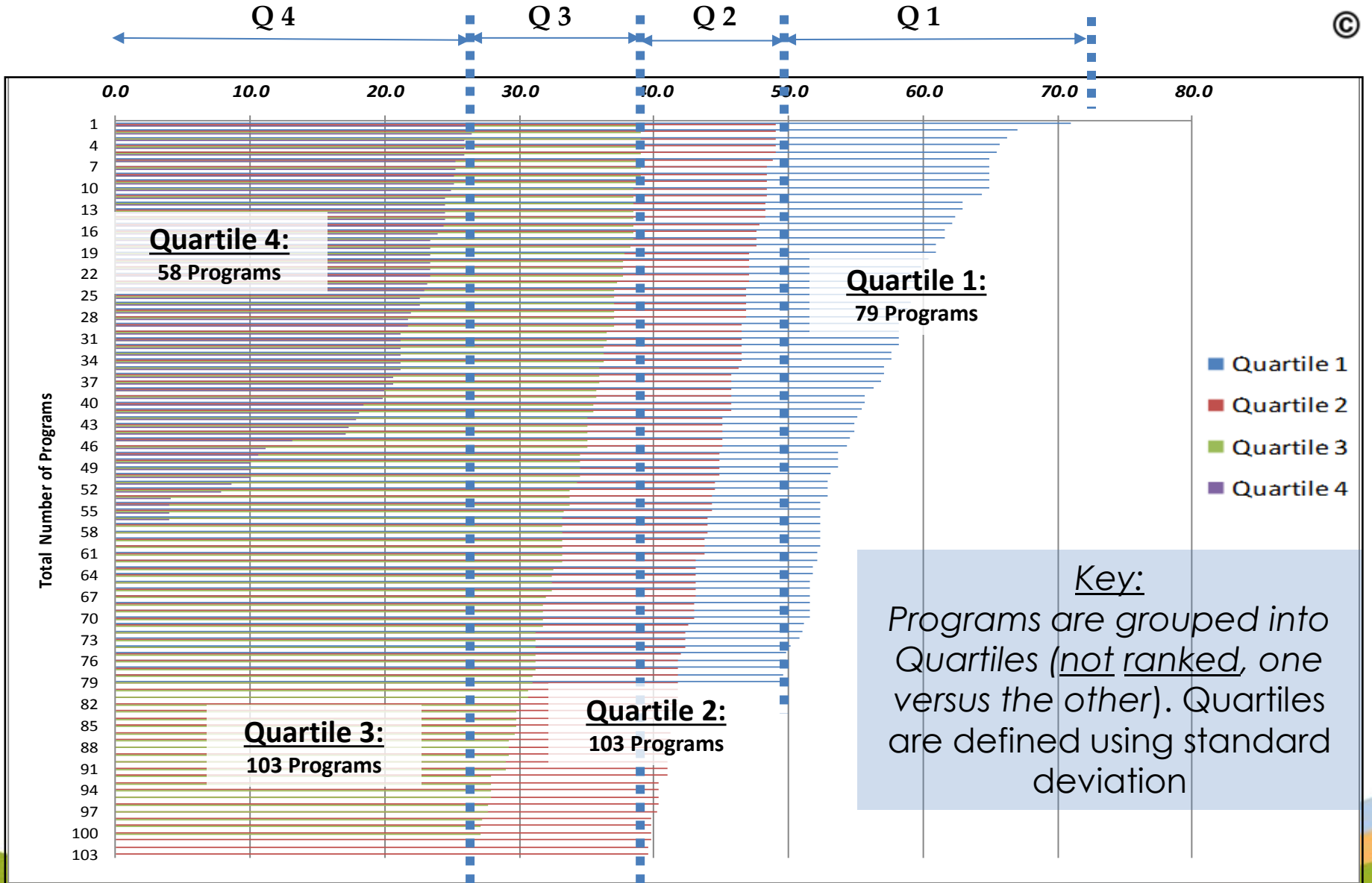
# Strategic Questions



1. *What are we in “business” to do?*
2. *What exactly do we do?*
3. *How do we figure out what is “core” OR What is of the highest importance?*
4. *How do we know we are successful?*
5. **How do we ask “better” questions that lead to “better” decisions about “what we do” and “why we do it”?**



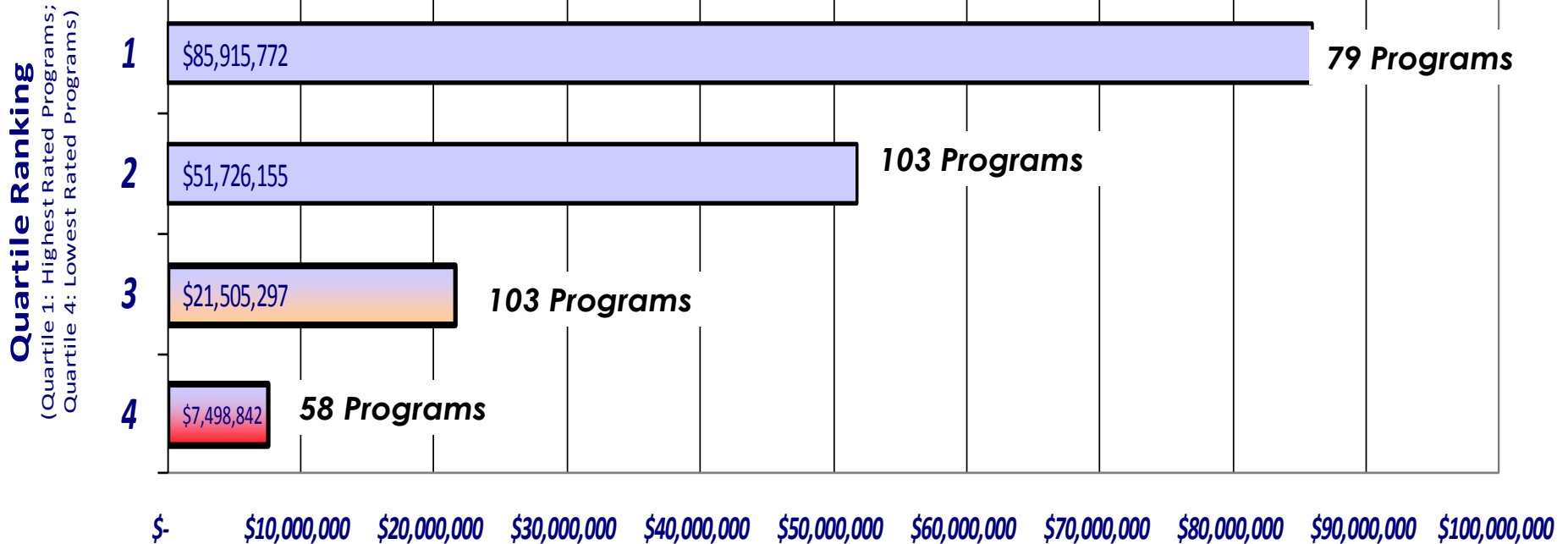
# Defining Quartile Groupings



**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

Prioritization Array: Combined City-wide Programs



**City of Boulder, Colorado**



# “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”?

# “Resource Alignment Diagnostic Tool”

City of Boulder, CO



October 30, 2012

**Program Type:**  
*(All Programs, Governance, Community-oriented)*

**Prioritization Perspective:**  
*(City-wide, Fund, Funds)*

**Choose Department:**  
*(All Departments, Specific)*

**Funding Source:**  
*(Est. Budget, Gen Gov Revenue, Program Revenues)*

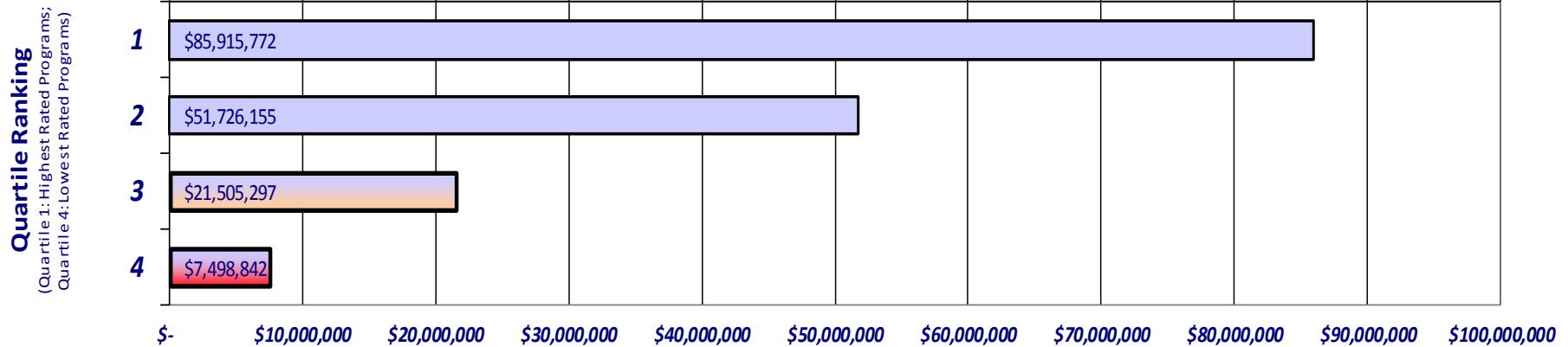
**Community-Oriented Programs**

**City-wide**

**All Departments**

**Total Estimated Budget**

**Priority Based Budgeting: Spending Array Perspectives**



Quartile Ranking	2011 Budget	2012-13 Proposed Budget	Increase (Reduce) %	Impact	2012-13 Target Budget	Programs in Arr
Qrt 1	\$0	\$85,915,772	0.00%	\$0	\$85,915,772	88
Qrt 2	\$0	\$51,726,155	0.00%	\$0	\$51,726,155	116
Qrt 3	\$0	\$21,505,297	0.00%	\$0	\$21,505,297	110
Qrt 4	\$0	\$7,498,842	0.00%	\$0	\$7,498,842	54
<b>TOTALS</b>	<b>\$0</b>	<b>\$166,646,067</b>	<b>0.00%</b>	<b>\$0</b>	<b>\$166,646,067</b>	<b>368</b>

*Live Demonstration of*

**“Resource Alignment  
Diagnostic Tool”**

# Questions/Comments?



# Thank You !



**CENTER FOR  
PRIORITY BASED BUDGETING**

*Using a Unique Lens to Focus Community Resources on Results*

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**Charlotte**  
Mecklenburg County

SEPTEMBER • 14-17 • 2014

