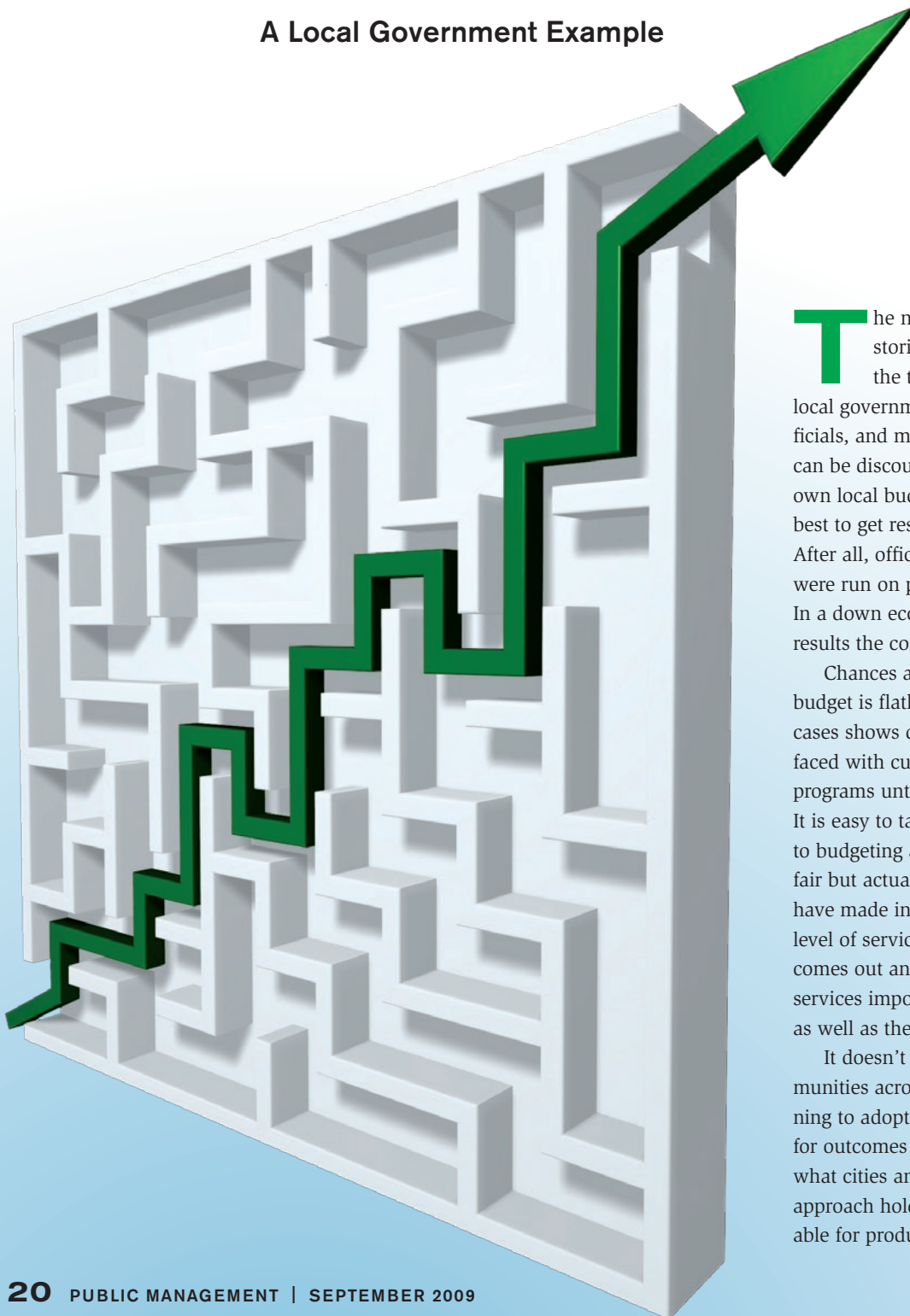


# SOLID Budgeting, SOLID Outcomes

A Local Government Example



**T**he news media are full of stories about the economy and the toll it is taking on state and local governments. To newly elected officials, and many veteran managers, this can be discouraging as they look at their own local budgets and try to decide how best to get results for their communities. After all, officials' election campaigns were run on platforms of expectations. In a down economy, how do they deliver results the community expects?

Chances are your local government's budget is flatlined at best and in many cases shows declining revenues. You are faced with cutting back or postponing programs until the economy gets better. It is easy to take the traditional approach to budgeting and make cuts that seem fair but actually hurt the progress you have made in delivering a high-quality level of services. The old budget ax comes out and chops people and services important to the governing body as well as the community.

It doesn't have to be this way. Communities across the country are beginning to adopt the methods of budgeting for outcomes (BFO) in order to achieve what cities and counties want. This approach holds decisionmakers accountable for producing results and getting

## EXECUTIVE SUMMARY

### At the heart of the budgeting for outcomes (BFO) process is citizen participation.

- › BFO requires clear statements of focused objectives and strategies.
- › Outcomes are prioritized through a transparent policy-level debate.
- › Revenues go to top priorities, prompting the question, are the costs of a certain outcome worth it?

outcomes that matter to the community. Outcomes are measurable against established benchmarks and are transparent as to their success or failure.

Successful outcomes are elected officials' best friends during election time for they demonstrate accomplishment. An analysis of outcomes helps administrators assess their organization's strengths and weaknesses. It shows them where to apply more resources or eliminate them where the strategy or program isn't working. It is a reasonable approach to accountability to make sure all the pieces of the budget puzzle fit, to express priorities that are important, and to implement strategies to meet those priority objectives.

Strategic planning, as a budget process, has a checkered history. Too often it has been practiced as though it is the one right way of identifying budget priorities rather than a way of thinking that allows a community to optimize outcomes in an uncertain environment.

An improved version of strategic planning, the BFO process is simple to express but requires more work than traditional budgeting. The building blocks consist of determining the revenues the city will receive during a given budget period, determining which outcomes are most important to the community, allocating revenues to the various priority outcomes, and finally developing strategies and performance measures to achieve those expected outcomes.

To be effective, BFO needs to be more than a combination of vision, aspiration, and the ability to respond innovatively to or anticipate changing

circumstances. To be effective, BFO needs clear statements of objectives that will achieve the vision of the outcomes to realize those objectives; it also needs to state the strategies that will implement the desired outcomes.

BFO requires adequate monitoring and reporting: it includes recording and communicating and therefore involves process. We will discuss the BFO process in some detail to explain how it works.

### Determine Expected Revenues

Determining revenues is an important first step in the BFO process. Many factors influence revenue projections. The economy certainly will influence state revenues both this year and next. Money allocated by states trickles down to the local economy and potentially affects property values, local sales taxes, and a general don't-spend-now consumer attitude. Compounding the problem is the fact that elected officials are looking for places to cut back, which often translates into cuts in local funding.

It's prudent for the governing body and administrators to look at several budget cycles to determine whether any downturn in revenues is temporary or permanent. A five-year revenue forecast can indicate whether local finances are cyclical or structurally impacted by the various factors that influence local financing capacity.

Looking at a 10-year forecast gives a perspective on weaknesses and strengths and can indicate whether a community needs to strengthen or look for new revenue streams. A permanent cut in state revenue, for example, is an indicator of a structural problem and means

that adjustments in local financing need to be considered.

Are local residents willing to pay for services that they have grown accustomed to, or because of a decrease in tax burden will they adjust to those services being reduced or eliminated? The cost of government is an important consideration in determining what level of revenue is appropriate for the community to raise in order to achieve the outcomes the community wants.

### Determine Outcomes Important to the Community

This step in the process requires getting in touch with stakeholders who will be the beneficiaries of the outcomes in this budget. Citizens represent key stakeholders for local government, and officials would be wise to solicit their input since they have the highest stake.

Citizens, for the most part, pay the bill. The governing body needs to ascertain stakeholders' priorities in order to arrive at the outcomes they want. If you do not know your citizens, what they want from the city, and how they judge performance, there is little likelihood you will be able to satisfy them.

Do we need traffic safety or pothole patching? Do we need more library services in the form of extended opening times? Does one part of the community need quicker response to medical or fire calls? Just what are the priorities that are expected from local government?

To answer these and many more questions, ask the customer. Community surveys, focus groups, and neighborhood meetings are tools the local government can use to get information. Designing a participation process that provides the information necessary to educate and inform participants, in language they understand, is an important first step for gathering citizens' preferences.

Whichever tool is used to solicit public input, the process should culminate with citizens registering their preferences that weight the relative importance of a variety of community outcomes.

The more information that is available to the governing body, the more competently it can determine the community's priorities.

A word of caution about citizen participation: the kinds of citizens who are involved and the impetus for their participation should be carefully

discussion, and valuable input in the use of the community's resources.

After outcomes have been articulated, it is the role of the governing body to give each outcome a priority. That is a policy-level debate that should take place in the open. A consideration of what is to be the work program for a year should

funding priorities. The benefit of collecting information from the ultimate beneficiaries, the community, should govern the debate although other circumstances—such as the fact that the cost of a service is too high to justify—may prevail.

Maybe a high-priority outcome is considered excessively important and really ought to be rated lower. Maybe the proposed outcome is impractical to achieve at this time. Whatever the debate or trade-off, elected officials must be careful that funding decisions are thoughtful, carefully debated, and do not result in watered-down benefits that achieve little for the community.



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considered when attempting to develop outcomes that are in the best interest of all the residents of the jurisdiction. Effective citizen participation requires participants who represent a variety of interests; this ensures that results are in the best overall public interest.

Special-interest concerns should be considered, but beware that they don't supersede the community's real priorities or the organization's mission. Solid community outcomes should aim to enhance the quality of life and contribute to the achievement of sustainable development through action to improve the economic, social, and environmental well-being of the area and its citizens.

Outcomes should be clear and focused. An outcome that says "we need more police on the streets" is not clear unless it focuses on specific issues. An outcome that says "because of a high number of auto thefts occurring on the west side, we need more police presence" is clear and focused on delivering a certain outcome: a possible reduction in auto thefts. It outlines a potential problem and can clearly be debated as a priority—a need to reduce auto thefts on the west side.

The kind of collaboration the community outcomes process can create among stakeholders is often surprising. At the heart of the BFO process is citizen participation, mechanisms to foster meaningful

get a lot of attention. It also gives staff the parameters of what matters the most to the community.

### **Allocate Revenues to What Matters Most**

At this point, the governing body has determined a list of priority outcomes. Now the budget is compiled around those priorities. Revenues are allocated to the top priorities on the list.

When revenues are fully allocated, some lower priorities will not be funded. For those priorities to be funded, trade-offs with funded priorities must take place. The benefit of trading off a higher priority for a lower priority has to be determined in order for the lower priority to receive funding. The local government must determine that reducing or eliminating a higher-priority outcome produces at least the same level benefit as the originally funded priority proposed.

Elected officials should contribute to the strategy-making process, but they should rely on staff to supply the formal analyses or the hard data that outcomes require. They should do this with the goal of broadening the consideration of issues rather than trying to discover the one right answer.

Administrators should act as catalysts who support outcome creation by aiding and encouraging officials to think strategically. Elected officials often disagree on

### **Determine Strategies and Measures**

Here is where allocation of revenues can be fine-tuned. Achievement of outcomes requires the development of benchmarks. What is the management best practice for a specific outcome? What performance levels are reasonable to expect?

Depending on the overall service delivery strategy and the cost of implementing that strategy, this process can trigger a more in-depth analysis of any outcome. Are the costs of a certain outcome worth it?

Establishing meaningful performance measures is an important prerequisite to the implementation of any strategy. Some local governments simply measure outputs. Outputs are understood to be measures of the quantity of services provided or the quantity of service that meets a certain quality requirement: for example, the number of potholes filled or the number of serious crimes solved.

Efforts should be made to transition from the easier-to-measure output model to a more meaningful measure of impact. Measuring outcomes examines results that occur, at least in part, because of services provided: for example, the percentage of roads maintained in excellent, good, or fair condition or the percentage of residents rating their neighborhood as safe or very safe.

Creating performance measures that measure outcomes is sometimes abstract but is meaningful for gauging the success

of a strategy. It has been widely said that “those things get done that get measured.” We have found this to be true.

If a community pays attention to what’s being done, it will make progress. After a decision is made about what needs to be done, figuring out how to do it and assigning resources to it become a matter of routine. The following is one example of a successful strategy that was a direct result of focusing on priority outcomes.

### Wichita’s Case

In Wichita, Kansas, a strategy was established to reduce the number of boarded-up buildings that were proliferating in the community at an alarming rate. A standard was set that established the length of time a property could remain boarded up before extensive and strict enforcement measures were implemented. Information was gathered about the length of time many of the buildings had already been boarded, along with other pertinent data such as ownership and value.

Based on that information, performance measures were established to document progress on achieving a goal of reducing the inventory of boarded-up buildings by 25 percent within two years. A significant and recurring penalty fee charged to the property owner for maintaining a boarded-up building offset the cost of the program’s strategy.

The result of the strategy saw a reduction of 50 percent in the inventory of boarded-up buildings—double the original target. A successful outcome to a well-thought-out BFO strategy.

### Forever Changing the Budget Process

The purpose of this article has been to highlight the potential of BFO and discuss the process in some detail. Experience has demonstrated that effective outcome planning and development requires long-term commitment. It is a matter of building capability and capacity, all while understanding the needs

and desires of stakeholders who may not previously have had much engagement.

Experience also shows that returns can be significant—not just gains from a budget focused on community outcomes, but also the opportunity for better collaboration and cooperation with citizens. BFO is a process that should be considered as a work in progress, which is always being developed, measured, and fine-tuned.

BFO has the potential to forever change the way a community budgets its valuable resources. It can make a significant difference in a community’s well-being. **PM**



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