

Flagstaff Aquaplex

September 24th, 2019

Priority Based Budgeting Council Retreat

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City of Flagstaff

MEMORANDUM

Date: September 17, 2019

To: Mayor Evans and Members of City Council

From: Greg Clifton, City Manager

Re: September 24th Council Retreat

Mayor, Council, Greetings.

The upcoming September 24th retreat is intended to be an informative and collaborative discussion of Priority Based Budgeting and our journey toward implementing this methodology within the City of Flagstaff organization. The retreat will be facilitated by Julia Novak, with the Novak Consulting Group. It will take place on Tuesday, September 24th, at 8 am at the Flagstaff Aquaplex, and conclude at 12:30 pm. Please note that the start time is to allow for coffee and breakfast items, with business targeted to commence at 8:30. Similarly, the retreat should adjourn around noon, with lunch being provided before departure at 12:30 pm.

There are limited materials that are being provided in advance, including an agenda from Ms. Novak, a summary of Priority Based Budgeting as provided by Sarah Langley and examples of Results and Definitions Maps from other communities. There will be projections and materials provided at the time of retreat which are not included in the advance packet.

Many thanks are extended to Shane Dille, Sarah Langley, and Rick Tadder for their involvement in the formative stages of this endeavor. There is much work to do, but the retreat will provide a great starting platform and we are all quite excited for what lies ahead. The retreat will be attended by members of the Leadership and Budget Teams. We respect the fact that Tuesday will be a very busy day for you, and we are grateful for your time and your participation. Thank you.



Memorandum

Date: September 16, 2019

To: Mayor Evans and Members of the City Council
Greg Clifton, City Manager

From: Julia D. Novak

Re: Results and Definitions Map Workshop

We look forward to being with you on Tuesday, September 24 to facilitate the development of the Results and Definitions Map that will guide the first year of Flagstaff’s Priority Based Budgeting journey. We have worked with ResourceX for nearly a decade and know how transformative it can be for organizations. Plan to arrive at 8:00 AM on Tuesday. There will be coffee and light refreshments. We will begin work promptly at 8:30 AM and intend to work until 12:30 PM.

City staff has been working hard to prepare for this initial workshop and has provided the Council with some samples to help you understand what is meant by a Results and Definitions Map. On the 24th, our task is to identify where you expect the City to deliver results for the community and articulate what success looks like. City staff will be there to support the Council, and my colleague Jenn Reichelt and I will help facilitate a productive morning for the City.

Preparation

When we open the workshop, each person will be asked to share their responses to the following questions.

- What are three things that are true about Flagstaff that you hope will still be true in ten years?
- What are three things about Flagstaff that are not true today, but you hope will be true in ten years?

Feel free to use the worksheet below to brainstorm your individual response.

What are three things that are TRUE TODAY about Flagstaff that you HOPE will still be TRUE in ten years?	What are three things about Flagstaff that are NOT TRUE TODAY but you HOPE will be TRUE in ten years?
•	•
•	•
•	•

Workshop Purpose:

- Develop a foundation for launching the City's Priority Based Budgeting (PBB) journey.
- Develop a Results and Definitions Map to be used in the inaugural PBB budget process.

Norms:

- Listen with respect
 - Let others finish before you start talking
 - Be attentive to the speaker
 - Disagree agreeably
- Be:
 - **BOLD**
 - positive and realistic
 - candid and honest
 - patient and self-aware
 - engaged and fully present
- Strive for consensus
 - Look for opportunities to agree
 - Remember the power of "if" and "and"
- Have fun!

Agenda

Introductions

- Welcome and Introductions
- Agenda Review
- Norms and Expectations for the Workshop
- A Word from the City Manager
- High Performing Government and PBB; Where We are Today – Shane Dille
- An Overview of PBB – Sarah Langley
- The Need for a Results and Definitions Map for Flagstaff – Rick Tadder

Agenda Item Outcome: Create a safe environment for an honest exchange of ideas and understand the origins of the City's PBB journey.

The Future of Flagstaff

- Each participant will be asked to share what they hope will be true about Flagstaff in ten years.

Agenda Item Outcome: Develop a shared understanding of hopes for the future.

Identifying the Key Community Results

- What does the City need to deliver on for Flagstaff to be successful in the future?

Agenda Item Outcome: Establish Key Community Results for the City that will be used to structure the City Manager's recommended budget.

Identifying Definitions

- We will work in small groups to create definitions that describe what success looks like in each of the Key Community Results.
- After the group work, definitions will be shared with the full group to ensure the entire governing body has an opportunity to share their perspective and shape the definition of success for each Key Community Result.

Agenda Item Outcome: Establish definitions for each Key Community Result to populate Flagstaff's Results and Definitions Map.

Next Steps

- The facilitators and City staff will reiterate what we have discussed.

Agenda Item Outcome: Clarity on the path forward.

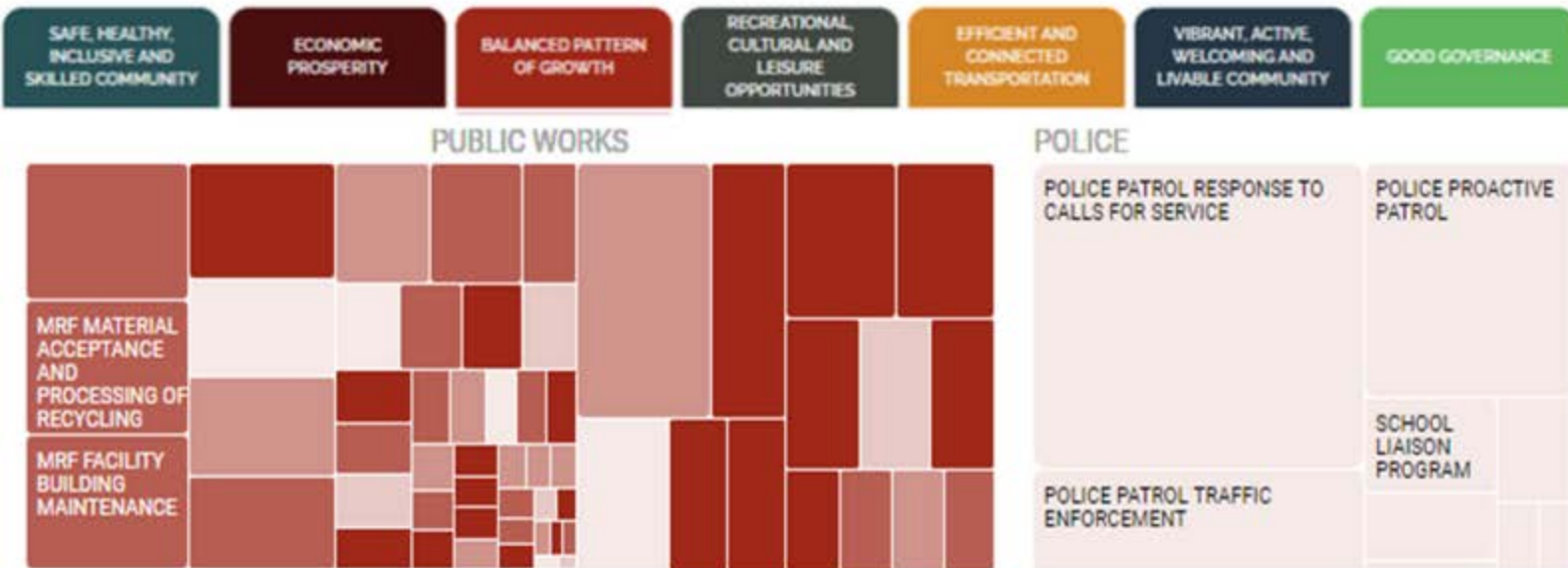
Parting Thoughts/Adjourn

- We will conclude the workshop with a final thought on the shared experience.

Agenda Item Outcome: Closure for our time together.

PRIORITY BASED BUDGETING

5 steps to Data-Driven Budgetary Decision-Making



Step 1: Program Inventory

Staff identify a list of services that the City provides, called a "program inventory". A program is a group of people working together to deliver a discrete service to identifiable users.

Step 2: Program Costing

Staff allocate both personnel and non-personnel costs to each program. This tells us exactly how much it costs to offer each program.

Step 3: Program Scoring

Council, staff and the community identify "Key Community Results" (high-level, overarching community goals) and "definitions" (detailed action items to accomplish KCRs). All programs are then scored based on their alignment to the KCRs and definitions.

Step 4: Sharing the Story

Once all of the data is compiled, staff will utilize data visualization tools to clearly display the cost and alignment of each program, relative to other programs.

Step 5: Analyzing Programs

Once data is visually represented, decision makers can begin to analyze programs to identify potential efficiencies, partnerships or other creative solutions to maximize the impact of the City's resources.

What do we do?

Getting started with Priority Based Budgeting

PROGRAM INVENTORY

To implement a Priority Based Budget an organization will need to ask three questions: “*What do we do?*”, “*What does it cost?*” and “*Why are we in business?*” To answer these questions, costs are allocated to **programs** and then those programs are scored. Once a Priority Based Budget is established, an organization can then work to allocate resources to programs that are most aligned with their results.

KEY TERMS

Priority Based Budgeting

PBB is a budget methodology that helps improve decision-making

Program Inventory

A list of services that the organization provides which is needed to implement Priority Based Budgeting

A **Program** is a group of people working together to deliver a discrete service to identifiable users

Programs should be easy to understand and action oriented

Examples: Right-of-Way Utility Maintenance, Fire Safety Community Outreach

What does it cost?

Allocating line item costs to programs

PROGRAM COSTING

Program costing entails allocating both **personnel and non-personnel** line-item expenses to the programs that they directly support. When complete, program costing will help answer the question *“What does it cost?”* to provide services to the community by assigning a specific dollar amount to each program the City is engaged in.

KEY TERMS

Program Costing

Allocates the line item budget, both personnel and non-personnel costs to the programs previously identified

Allocate Personnel

Allocate personnel costs using a percentage of the time they spend on each program

Allocate Non-Personnel

Allocate operating expenses directly or proportionally based on FTE allocation

Program Revenue

Fees for service and grant monies to programs.

BENEFITS OF PROGRAM COSTING

1

TRANSPARENCY

Creates a better understanding of the true costs of a service

2

UNDERSTANDING

Provides more meaningful comparisons for citizens and decision makers

3

PLANNING

Shows how the workforce is associated with programs

Inventory

Cost

Score

Present

Analyze

Why are we in business?

Prioritizing by scoring programs against Key Community Results

PROGRAM SCORING

Priority Based Budgeting answers the question “*Why are we in business?*” by defining a list of **Key Community Results (KCRs)** that reflect the values of your community. KCRs are used to score or prioritize programs. Scoring is done internally by the departments and by their peers. Through Peer Review, the entire organization will benefit from greater understanding about what services are offered and how these align with KCRs.

KEY TERMS

Key Community Results

High-level, overarching goals for the City that are representative of the community's priorities.

Definitions

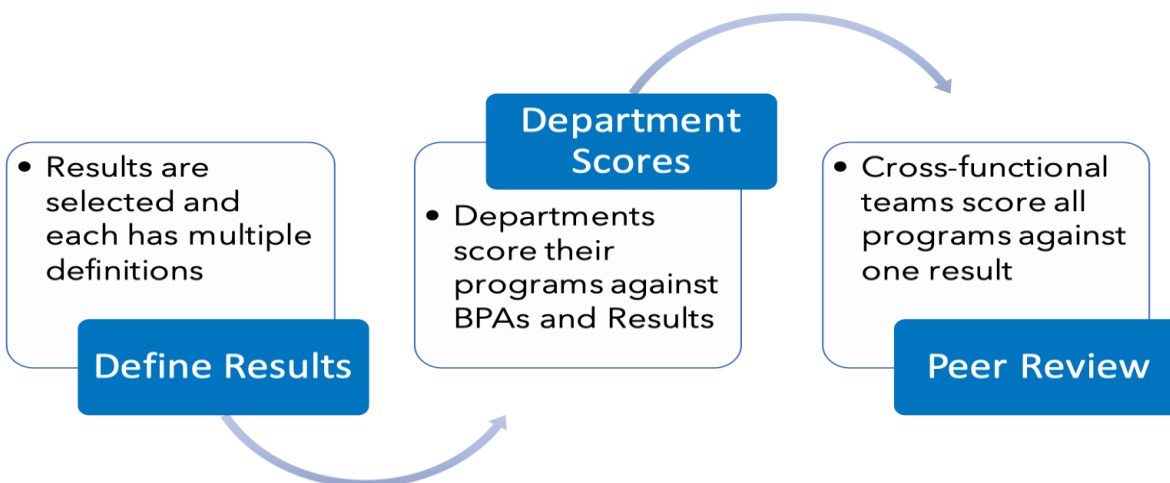
Detailed action items of what the City must do to achieve the Key Community Results.

Basic Program Attributes (BPAs)

Additional details about a program, including mandate, reliance, cost recovery, population served and demand.

Alignment

Programs in PBB are described as being very aligned or less aligned with the Key Community Results



Inventory

Cost

Score

Present

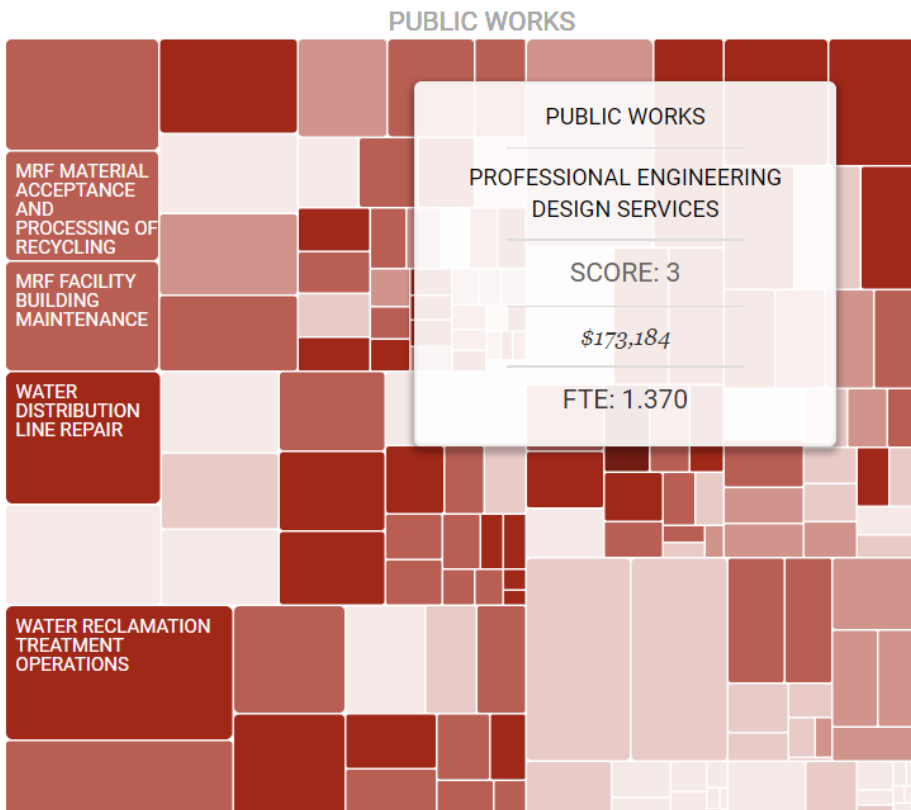
Analyze

How do we view PBB data?

Presenting Priority Based Budgeting

SHARING THE STORY

Priority Based Budgeting produces a large amount of data that answers the questions “*What do we do?*”, “*What does it cost?*” and “*Why are we in business?*”. Presenting PBB data in a way that is understandable and allows for all programs to be compared to each other is a critical prerequisite to being able to use the data in a meaningful way.



Each box represents a program.

- Larger boxes represent programs with a higher dollar amount
- Darker shaded boxes represent programs that are more aligned with Key Community Results

Inventory

Cost

Score

Present

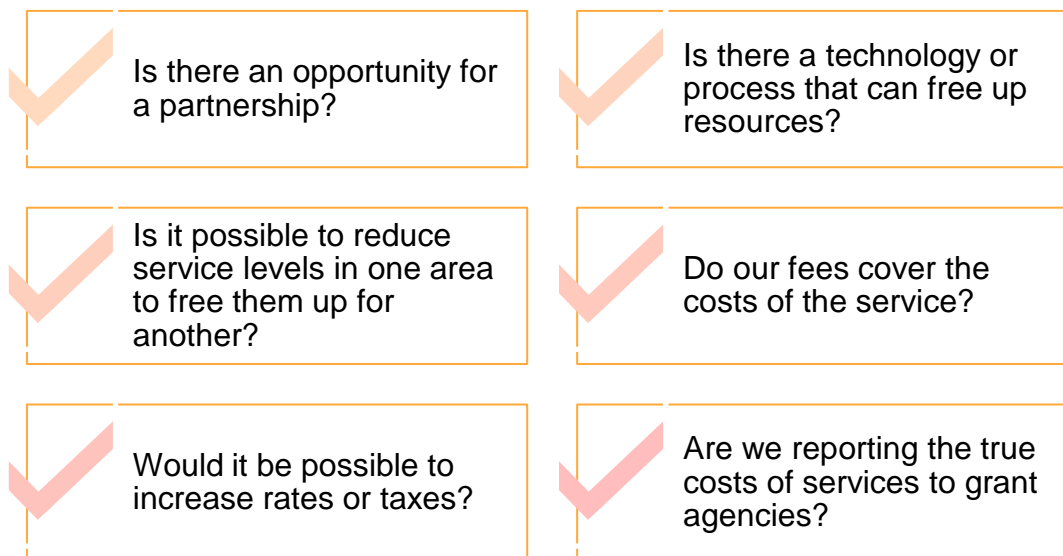
Analyze

What to do with PBB data?

Analyzing data and taking action to achieve results

TAKING ACTION - ANALYZING PROGRAMS

The final question of PBB is *What to do with the data?* Each community's approach is unique; some will incorporate PBB data into their budget book and discuss with their constituents, while others will coordinate internally to begin to allocate resources to higher priorities. A good place to start is by asking the right questions.



All organizations have constraints on time and budget; maximize the impact by finding ways to re-allocate existing resources to the areas of greatest need.

Example Results & Definitions Map – Rio Rancho, NM

Good Governance	Economic Viability	Infrastructure	Quality of Life	Safety
Assesses City programs and services with a focus on reliance and value	Recruits and retains large and small retail businesses	Improves infrastructure and facility effectiveness.	Cultivates a rich cultural vibe and strengthen neighborhood vibrancy	Maintains an excellent level of public safety
Enhances data driven decision making	Pursues economic base job creators	Provides well-maintained infrastructure and facilities	Promotes lifelong learning	Fosters communication and education about public safety
Increases public awareness	Invests resources into the community	Connects with the community to address issues and concerns	Provides opportunities to enjoy the natural environment	Implements innovative technology, policies and procedures to promote safety
Invests in public servants	Targets public infrastructure improvements	Seeks opportunities to leverage other funding sources	Endorses a diverse range or recreation programs and activities	Promotes public outreach and partnerships
		Develops new infrastructure and facilities	Continues to develop water conservation efforts and measures	Meets established safety standard minimums

Example Results & Definitions Map – Salem, NM

Good Governance	Natural Environment Stewardship	Safe Community	Safe, Reliable, and Efficient Infrastructure	Strong and Diverse Economy	Welcoming and Livable Community
Clearly communicates responsive, accurate, and accessible information and services.	Protect natural resources and reduce the impact from the built environment and City operations on the environment.	Provide emergency services while addressing the impact of crime, fire, natural disasters, and health emergencies.	An integrated municipal asset system of streets, bridges and sidewalks, civic buildings, technology and utility systems.	A diverse economic base, robust job growth, business retention and recruitment, and a thriving downtown.	Salem is safe and clean, with a mix of quality housing with access to parks, recreation and historic and cultural resources.
Maintains transparent, ethical, inclusive and accountable leadership and collaboration.	Reduces the carbon footprint of City operations and conserves energy.	Fosters a climate of safety for individuals in homes, businesses, neighborhoods, and public places.	Optimizes the use of City assets.	Creates opportunities for development, entrepreneurship, and economic innovation.	Supports a long-term vision for future growth and development within the community.
Strengthens community and regional partnerships.	Protects and enhances watersheds, natural areas, and natural resources.	Plans for and provides timely and effective response to emergencies and natural disasters.	Manages water, stormwater, and wastewater safely and responsibly.	Invests in programs, incentives, and technology that support business attraction, growth, and retention.	Promotes an inclusive and vibrant community offering diverse housing options and well-kept neighborhoods.
Provides assurance of regulatory compliance to minimize and mitigate risk.	Plans and designs the City's growth to minimize emissions and other environmental impacts.	Encourages partnerships or offers activities to proactively prevent crime and provide education on personal and community safety.	Supports a balanced transportation system that reflects effective land use and reduces congestion.	Fosters community networks to act, connect, advocate, and cross-pollinate ideas across business sectors.	Creates and maintains public spaces to offer activities that connect and benefit, our community.
Ensures stewardship and sustainability of the City's financial, human, information, and physical assets.	Provides education to the community to protect and preserve the natural environment.	Encourages sustainable community redevelopment and rehabilitation practices.	Designs, constructs, and maintains an interconnected and multimodal transportation network that is safe, accessible, and sustainable.	Supports housing options, educational opportunities, and amenities that attract and develop a skilled and quality work force.	Supports the arts, historically and culturally significant buildings and sites, and community events.
	Mitigates and abates threats to the environment.	Investigates and endeavors to solve crimes and address the needs of crime victims.	Plans, operates, and maintains infrastructure networks.	Fosters regional and public / private collaboration to contribute to economic stability.	Enhances multi-generational community enrichment and meaningful volunteer and neighborhood engagement.