

REPORT TO THE CITY COUNCIL

City of Salinas, California

DATE: September 9, 2014

FROM: Matt N. Pressey, CPA, Finance Director

SUBJECT: **PRIORITY BASED BUDGETING – ADMINISTRATIVE REPORT**

RECOMMENDATION:

It is recommended that the Council accept this administrative report and identify key policy questions and areas for departments to explore further.

DISCUSSION:

During the Council meeting, Chris Fabian with the Center for Priority Based Budgeting will provide in-depth coverage of how the “Resource Alignment Diagnostic Tool” can be used and he will facilitate a discussion with Council to identify key policy questions and areas Council may want departments to explore further using the Priority Based Budgeting model. Chris will provide an overview of the types of policy questions that exist and provide samples of policy questions other agencies have come up with.

Background

With the leadership of the City Manager and City Council, staff has been working on a significant new way of allocating valuable City resources: Priority Based Budgeting. This cutting edge trend is now a best practice and is growing in the government sector because it is helping cities, counties and other governmental agencies allocate resources to programs that matter most.

Priority Based Budgeting has been declared a leading practice for government management by the International City/County Manager’s Association (ICMA). Priority Based Budgeting is a strategic alternative to traditional budgeting. The philosophy of priority-driven budgeting is that resources should be allocated according to how effectively a program or service meets the City Council’s goals and priorities and how effectively a program or service achieves the goals and objectives that are of greatest value to the community.

City Staff have progressed through the first four steps and are now in the final, fifth step of evaluating the model data and will begin to use the diagnostic tool. The diagnostic tool used in the fifth step was briefly presented to the City Council at this May 6, 2014 meeting by Chris Fabian with the Center for Priority Based Budgeting. For the FY 2014-15 budget cycle, department heads were asked to review

all of the tier 4 (lowest tier) programs and consider reducing the program or eliminating the program. For this next budget year and for the potential new revenue measure, departments will be trained on using the model to further evaluate the higher tier (1 and 2) programs and identify which programs deserve an additional allocation of resources.

The entire process has been a significant collaborative effort city wide including over 32 directors and managers, as well as other staff, from all departments.

Priority Based Budgeting – Progress through the 5 Steps

As a reminder, there are five steps in priority based budgeting:

1. Determine “Results”

- What are the Goals and Objectives (Results) the City is in business to achieve?

2. Define Results

- “When the City does X, then the Result is achieved”

3. Identify Programs and Services

- Prepare a comprehensive list of programs and services
- Comparing individual programs and services as opposed to comparing departments that provide those services allows for better priority setting

4. Value Programs Based on Results

- Score the Programs based on their influence on Results

5. Allocate Resources Based on Priorities

- Using “Resource Alignment Diagnostic Tool”

ISSUE:

Shall the City Council accept this administrative report and identify key policy questions and areas for departments to explore further?

FISCAL IMPACT:

There is no impact to the City’s General Fund with the Council’s acceptance of this Administrative Report.

CITY COUNCIL GOALS:

Priority Based Budgeting promotes all five of the Council Goals of 1) Economic Diversity & Prosperity; 2) Safe, Livable Community; 3) Effective Sustainable Government; 4) Excellent Infrastructure; and 5) Quality of Life.

CONCLUSION:

With the fiscal challenge of addressing the General Fund structural deficit that grows to over \$12.7 million by fiscal year 2019-20, the City needs a strategic approach to allocate limited resources according to how effectively a program or service achieves the goals and objectives that are of greatest value to the community.

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Back Up Pages:
Priority Based Budget - City of Salinas Process