



## CITY OF SALINAS

# PRIORITY BASE BUDGETING



## **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”

## **Step 1 – Determine Results**

The first step in the priority based budget process is to identify the Results that most-effectively meet the City Council’s goals and priorities and which matter most to the community. For an accurate prioritization of programs to occur that reflect the organization’s stated goals and priorities, the City must identify the Results it seeks to achieve. On May 7, 2013, the City Council approved five goals that were the culmination of a strategic planning session held on January 12, 2013 and a follow-up review held on February 5, 2013 that focused on goals and objectives for the 2013-2015 time period. On January 25, 2014, during the Annual City Council Strategic Planning Session, the City Council made slight modifications to the objectives, but the five council goals remained the same.

These five goals translate well into the Results needed for the priority based budget methodology. With minor changes to the wording for two goals and splitting Quality of Life into separate Results, the Results are substantially the same:

<u>Council Goals</u>	<u>Results</u>
• Economic Diversity and Prosperity	• Economic Diversity and Prosperity
• Safe, Livable Community	• Safe, Livable Community
• Excellent Infrastructure	• Effective Mobility and Excellent Infrastructure
• Quality of Life	• Healthy, Vibrant, Sustainable and

	Green Community <ul style="list-style-type: none"> <li>• Family-Oriented Community with Diverse Recreational, Arts, Cultural, Educational and Leisure Opportunities</li> </ul>
<ul style="list-style-type: none"> <li>• Effective, Sustainable Government</li> </ul>	<ul style="list-style-type: none"> <li>• Good Governance</li> </ul>

The "Quality of Life" Goal was split nicely into two discrete Results within it, which are more descriptive and tangible for defining and measuring how well a program meets these Results.

Regarding wording changes, there is a slight clarification about the "Excellent Infrastructure" Result. As staff and the consultant looked at all of the input provided in the Strategic Plan, it appeared that while transportation and roads and mobility were identified as something important to the City, they were not totally obvious among the Results. Therefore, the "Excellent Infrastructure" Result was simply broadened to "Effective Mobility and Excellent Infrastructure". This gives more clarity for those participating in the Results Definition exercise what we need to define. For "Effective, Sustainable Government", this was translated into "Good Governance", for a unique Result for programs designed to support Governance. All programs should be efficient, effective, and sustainable.

## Step 2 – Prepare Result Definitions ("Result Maps") to Clearly Defines What Achieves the Results

On September 11, 2013, department directors and managers participated in a three hour workshop led by the Center for Priority Based Budgeting consultants. Participants were asked in the Results Definition exercise to help define each of the City's Results so that Result Maps could be created to be used in Program Scoring. The approach in the facilitated exercise was to ask open-ended questions about each Result, and have the staff provide their input to questions like, "When the City of Salinas does \_\_\_\_\_, (fill in the blank) then the Result of 'Safe, Livable Community' is achieved" (their job was to answer that question in as many ways as possible until we had a complete understanding of how all of the City's Results are achieved). Accordingly, there were approximately 694 individual responses captured on half sheets of paper and posted up on the wall and grouped in categories. Essentially, these categories ultimately became the 36 Results Definitions associated with the six Results. Each Result has between five and seven Result Definitions. On November 5, 2014, the City Council reviewed and approved the six Results and Result Definitions. As part of their review of the Result definitions and to become familiar with them, each City Council member completed the "\$600 Exercise" as homework prior to the City Council meeting. The exercise requested that the City Council allocate \$600 to each of the 36 result definitions. See the "Result Definitions (More Detail)" section below for a complete list of the 36 result definitions.

### **Step 3 – Identify Programs and Services**

Departments prepared their comprehensive list of programs during October through December 2013. The objectives for developing program inventories were to:

- 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, management, 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*”

Based on training provided by the Center for Priority Based Budgeting, each department was instructed to complete the list of programs.

### **Step 4 – Value Programs Based on Results** – Score the Programs based on their influence on Results

#### **Department Scoring**

First, after the program inventories were finalized by the department and finalized by the Center for Priority Based Budgeting, the departments were given a score card with all of their programs listed. Training on scoring was provided by the CPBB.

#### **Peer Review Scoring**

In a four week period, from the middle of February through the middle of March, 32 managers and directors participated in the Peer review process. For each of the five (5) Community Results, seven (7) Governance Results and five (5) Basic Attribute Results, a team was assigned to evaluate all of the programs for that single scoring criteria. Each peer review team was made up of three staff and three meetings were scheduled for each team. A total of 17 teams were formed (one for each scoring criteria) and a total of 51 meetings were scheduled. Each director and manger was on two teams each.

#### **Costing Allocation**

The city’s budget was loaded into the model and the departments assisted in providing allocations of the cost for each program.

### **Step 5 – Allocate Resources Based on Priorities**

We are now at the fifth and final stage of the process where the tool data can be reviewed and analyzed. The tool then can be used to drill down into programs to determine if resources should be reallocated or if programs should be deferred or eliminated.

## **Davenport Institute for Public Engagement and Civic Leadership – Grant Award**

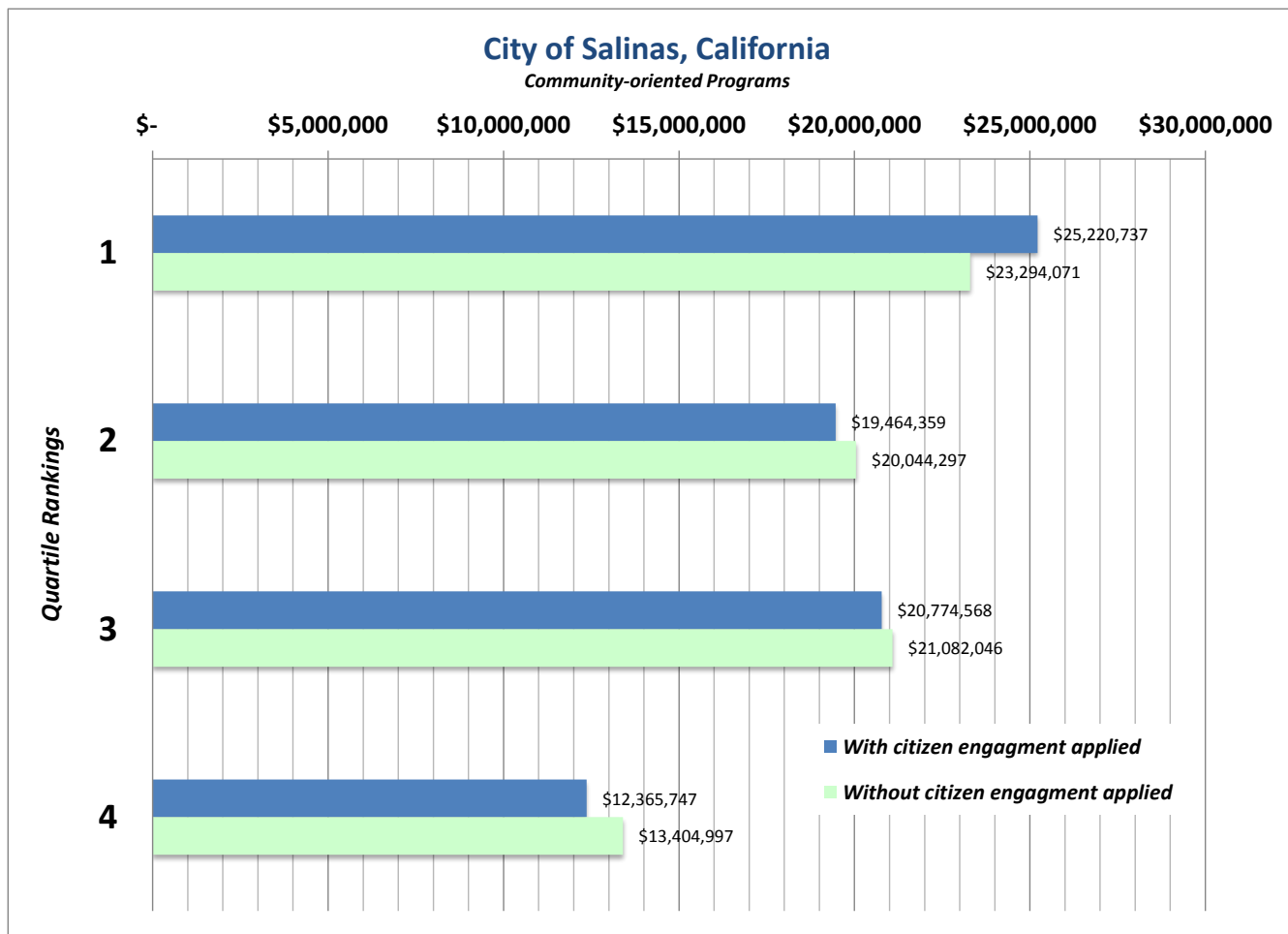
With the training, assistance and partnership of the Davenport Institute and the Center for Priority Based Budgeting, the City desired to effectively engage a high volume of the public to participate in the Priority Based Budgeting process. The City planned to gather public input and link it in a completely unique way to the City's budget process, so that budget decisions are directly influenced by public priorities. Through the "\$500 Exercise" (also called "Budget Challenge") (formerly the \$600 exercise) and through online and in-person outreach, the City brought the public into a position of influence as they've never experienced before.

In summary, the \$500 exercise had a direct influence on determining the overall priority and relevance of the City's programs. By extending this process to the citizens of Salinas, citizens were placed in a role of influence unlike any other budgeting process – their "investment" of the \$500 helped the City realize which Results are most important, and further guided the process of prioritizing the services offered by the City. It is a crucial role, and a true definition of participatory budgeting.

The City held three facilitated public forums and the virtual online public forum called "Open Town Hall" through Peak Democracy. The grant funded a portion of the Center for Priority Based Budgeting contract and all of the Peak Democracy online service. To maximize participation, a full array of media methods were used to get the word out. The full extent of the public outreach through the use of social media (Facebook, Twitter), press releases, flyers, e-mail blasts, and regular mail is presented in a report by the City's media consultant Boots Road Group and is available online at: <https://salinas.legistar.com/LegislationDetail.aspx?ID=1744905&GUID=D97B85E6-9CCC-4077-ADA2-3C8ED5F44244>

## **Public Engagement Impact and Influence on the Priority Based Budget Scores**

Prior to finalizing the priority based budget model, the consultant applied a weight to the Community and Governance Results based on the feedback from the community outreach. As mentioned above, the Departments scored all of their programs on how well they influence the Council goals (Results) and a peer review team also scored all of the programs. The total score from the online and in-person community meetings was tallied and was applied as a final weight to determine which Result mattered most to the community. The chart below shows the impact the weighting had on the programs and how the shift occurred before and after the weighting was applied. The striking observation and validation shown in the chart is that after applying the weight from the community input to the priority based budget model, programs shift from lower, less priority quartiles, to higher quartiles, which indicates the City is funding programs that matter most to the community.



### **Impact of FY 2014-15 Budget Process**

As departments prepared their FY 2014-15 operating budgets, they evaluated lower priority programs that fell in the fourth quartile to determine if they should recommend reducing the lower priority programs or eliminate those programs. Falling in the fourth of four quartiles does not mean the program should be eliminated, it just means that the program was determined to not accomplish the Results or Council goals and should be evaluated. Programs that fell in the fourth quartile were evaluated to determine if they were either cost recovery, mandated (legally required), caused safety issues if eliminated or the benefits of keeping the program justified the cost. As a first step in using the new model, the City departments evaluated 115 programs that fell in the 4th quartile. Of the 115 programs, 75 were funded with the General Fund totaling approximately \$12 million. Of the \$12 million, approximately \$150,000 was identified as resources that could be reallocated from certain programs to other programs within the departments. Examples of the programs that could be eliminated or reduced includes the Bounce House/Park Reservations, the City Arts and First Friday Art Walks, and the CPR Public Education programs. As the model is analyzed and training occurs on how to use this new diagnostic tool during the next few months, the departments will be taking a closer look and will be able to come up with additional recommendations.

## **Result Definitions (More Detail)**

As mentioned in step 2 above, on September 11, 2013, department directors and managers participated in a three hour workshop led by the Center for Priority Based Budgeting consultants to determine the result definitions. On November 5, 2014, the City Council reviewed and approved the six Results and 36 Result Definitions.

### **Results**

The first five Results below are Community Results and the last one, “Good Governance” is a Governance Result. Each “Community” Program was scored against the five Community Results based on how essential the program is to achieving the result definitions listed below.

#### **SAFE, LIVABLE COMMUNITY**

1. Protects the community, enforces the law, prevents crime, promptly responds to calls for service and is well-prepared for all emergency situations
2. Fosters a feeling of personal safety and security through a visible, responsive public safety presence and by proactively focusing on prevention, intervention and safety education
3. Ensures a safe transportation network that is well-maintained, accessible, enhances traffic flow and offers safe mobility to motorists, pedestrians and cyclists
4. Builds an informed, involved, engaged and respectful community that helps provide for the welfare of others, instills a sense of community pride and ensures the community feels connected and unified
5. Offers and promotes a variety of safe activities, accessible programs and highly utilized facilities that provide for the physical, social, cultural and educational well-being of the community, especially focusing on the needs of youth and families
6. Provides and sustains a healthy, thriving environment that is clean, well-kept and sufficiently regulated, offering connected neighborhoods with quality housing choices where neighbors care for each other

#### **EFFECTIVE MOBILITY and EXCELLENT INFRASTRUCTURE**

1. Provides and promotes convenient access to diverse mobility options, supporting a safe,
  1. accessible public transit network, as well as ample options for bicyclists and pedestrians
  2. Ensures access to clean water, clean air, and timely, accurate information through the design, development and long-term investment in wastewater, stormwater and information technology infrastructure
  3. Collaboratively invests in building and improving a well-designed, well-maintained system of safe, reliable road and street infrastructure (including roads, traffic signals, sidewalks, bridges and street lighting)
4. Encourages community beautification with properly maintained and visually appealing parks, green spaces and public spaces

5. Plans for responsible, sustainable growth, ensuring that the City's long-term infrastructure needs are met, and that a variety of diverse employment opportunities are available

#### FAMILY-ORIENTED COMMUNITY with DIVERSE RECREATIONAL, ARTS, CULTURAL, EDUCATIONAL and LEISURE OPPORTUNITIES

1. Develops, enhances and invests in its parks, biking/walking trails and outdoor recreational areas, ensuring they are safe, well-maintained, inviting and conveniently located
2. Partners to offer a wide range of athletic programs, recreational activities and community centers that are accessible, promote a healthy lifestyle and meet the interests and needs of a diverse, multi generational community
3. Encourages and supports the visual, performing, graphic and literary arts, advances cultural enrichment and celebrates its diverse ethnic heritage through collaborative community partnerships
4. Ensures access to quality education, technical training, public libraries, information resources, literacy enhancement and life-long learning opportunities for all ages
5. Promotes and supports a variety of community events, entertainment venues and dining opportunities that connect the community and offer a positive environment to raise a family

#### HEALTHY, VIBRANT, SUSTAINABLE and GREEN COMMUNITY

1. Preserves, maintains and enhances its parks, green spaces and public spaces, offering quality recreational, entertainment and leisure opportunities that contribute to the health and well-being of it's citizens
2. Manages growth and promotes strategic development, infill development and community revitalization
3. Practices environmentally responsible conservation, re-use and recycling of its resources
4. Manages and mitigates factors that impact environmental quality of air, land and water, and increases public awareness of each citizen's role and responsibility in creating a healthy environment for all
5. Enhances the feeling of personal safety of it's residents through proactive crime prevention and community-building
6. Promotes and supports sustainable energy use through the encouragement of alternative forms of transportation, and the renovation of inefficient facility infrastructure

#### ECONOMIC DIVERSITY and PROSPERITY

1. Partners with the community to promote quality job creation and retention, offering a broad range of well-paying employment opportunities, and to provide a skilled, educated workforce that meets the needs of local employers
2. Encourages and supports the recruitment, retention and growth of a well-balanced mix of thriving business and industry that enhances the community's economy and provides for the day-to-day needs of its residents



3. Fosters a strong sense of community identity, pride and investment through timely, two-way communication, creative problem-solving and collaborative visioning
4. Provides a safe, clean and attractive community in which to live and work, offering quality parks, ample recreational opportunities and desirable residential neighborhoods
5. Markets its cultural and historical heritage and encourages a variety of events and activities to promote its attractiveness as a destination point for tourists and visitors
6. Stimulates economic growth through well-planned development, redevelopment and community revitalization supported by sufficient infrastructure and reliable transit options
7. Facilitates economic development and growth through shared resources, appropriate incentives and efficient, "business-friendly" processes

## GOOD GOVERNANCE

1. Supports decision-making with timely and accurate short-term and long-range analysis
2. Instills trust, fosters transparency and ensures fiscal solvency and sustainability by demonstrating accountability, efficiency, honesty, best practice and innovation
3. Provides assurance of regulatory and policy compliance to mitigate risk and exposure to liability
4. Attracts, develops, motivates and retains a high-quality, engaged, dedicated and professional workforce
5. Protects, manages, optimizes and invests in its financial, human, physical and technology resources
6. Advances City interests by building strong strategic partnerships and fostering civic engagement
7. Delivers courteous, respectful and responsive service to its internal and external customers while engaging in timely accurate and effective two-way communication

## **Department Scoring (More Detail)**

As mentioned briefly in step 4 above, the departments were given a score card with all of their programs listed and scored each of the Community Programs and the Governance Programs.

## **Community Program Scoring**

Community Programs were scored (0-4) against the following five results based on how essential the programs are to achieving the result's definitions listed above associated with each results.

### Community Results:

1. Economic Diversity and Prosperity
2. Effective Mobility and Excellent Infrastructure
3. Family-Oriented Community with Diverse Recreational, Arts, Cultural, Educational and Leisure
4. Opportunities

5. Healthy, Vibrant, Sustainable and Green Community (Quality of Life)
6. Safe, Livable Community

Scoring Criteria (0-4 scale):

- 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

**Governance Program Scoring**

Governance Programs were scored (0 to 4) against the following seven result definitions based on how essential the programs are to achieving the result definitions.

Governance Result Definitions:

1. Advance City interests by building strong strategic partnerships and fostering civic engagement
2. Attracts, develops, motivates and retains a high-quality, engaged dedicated and professional workforce
3. Delivers courteous, respectful and responsive service to its internal and external customers while engaging in timely, accurate and effective two way communication
4. Instills trust, fosters transparency and ensures fiscal solvency and practice and innovation
5. Protects, manages, optimizes and invests in its financial, human, physical and technology resources
6. Provides assurance of regulatory policy compliance to mitigate risk and exposure to liability
7. Supports decision-making with timely and accurate short-term and long range analysis

Scoring Criteria:

- 4** = Program has an **essential** or **critical** role in achieving Result definition
- 3** = Program has a **strong** influence on achieving Result definition
- 2** = Program has **some** degree of influence on achieving Result definition
- 1** = Program has **minimal** (but some) influence on achieving Result definition
- 0** = Program has **no** influence on achieving Result definition

**Basic Program Attributes**

- All programs (Community or Governance programs) were also evaluated relative to **Basic Program Attributes**
- **Basic Program Attributes** are additional characteristics of programs that could increase their overall relevance

**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

### **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

### **Cost Recovery of Program**

- Programs that demonstrate the ability to “pay for themselves” through user fees, intergovernmental grants or other user-based charges for services will receive a higher score for this attribute compared to programs that generate limited or no funding to cover their cost.
- The grading criterion established to score programs, on a 0 to 4 scale is as follows:
  - 4** = Fees generated cover 75% to 100% of the cost to provide the program
  - 3** = Fees generated cover 50% to 74% of the cost to provide the program
  - 2** = Fees generated cover 25% to 49% of the cost to provide the program
  - 1** = Fees generated cover 1% to 24% of the cost to provide the program
  - 0** = No fees are generated that cover the cost to provide the program

### **Portion of Community Served by Program**

- Programs that benefit or serve a larger segment of the City’s residents, businesses and/or visitors will receive a higher score for this attribute compared to programs that benefit or serve only a small segment of these populations.
- The grading criterion established to score programs, on a **0 to 4** scale is as follows:
  - 4** = Program benefits/serves the **ENTIRE** community (100%)
  - 3** = Program benefits/serves a **SUBSTANTIAL** portion of the community (at least 75%)
  - 2** = Program benefits/serves a **SIGNIFICANT** portion of the community (at least 50%)
  - 1** = Program benefits/serves **SOME** portion of the community (at least 10%)

**0** = Program benefits/serves only a **SMALL** portion of the community (less than 10%)

### **Change in Demand for Program**

- Programs demonstrating an increase in demand or utilization will receive a higher score for this attribute compared to programs that show no growth in demand for the program. Programs demonstrating a decrease in demand or utilization will actually receive a negative score for this attribute.
- The grading criterion established to score programs, on a -4 to 4 scale is as follows:
  - 4** = Program experiencing a **SUBSTANTIAL** increase in demand of 25% or more
  - 3** = Program experiencing a **SIGNIFICANT** increase in demand of 15% to 24%
  - 2** = Program experiencing a **MODEST** increase in demand of 5% to 14%
  - 1** = Program experiencing a **MINIMAL** increase in demand of 1% to 4%
  - 0** = Program experiencing **NO** change in demand
  - 1** = Recommended by national professional organization to meet published standards, other best practice
  - 0** = No requirement or mandate exists

### **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

### **Cost Recovery of Program**

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  - 4** = Fees generated cover 75% to 100% of the cost to provide the program
  - 3** = Fees generated cover 50% to 74% of the cost to provide the program
  - 2** = Fees generated cover 25% to 49% of the cost to provide the program
  - 1** = Fees generated cover 1% to 24% of the cost to provide the program
  - 0** = No fees are generated that cover the cost to provide the program

### **Portion of Community Served by Program**

- Programs that benefit or serve a larger segment of the City's residents, businesses and/or visitors will receive a higher score for this attribute compared to programs that benefit or serve only a small segment of these populations.
- The grading criterion established to score programs, on a **0 to 4** scale is as follows:
  - 4** = Program benefits/serves the **ENTIRE** community (100%)
  - 3** = Program benefits/serves a **SUBSTANTIAL** portion of the community (at least 75%)
  - 2** = Program benefits/serves a **SIGNIFICANT** portion of the community (at least 50%)
  - 1** = Program benefits/serves **SOME** portion of the community (at least 10%)
  - 0** = Program benefits/serves only a **SMALL** portion of the community (less than 10%)

### **Change in Demand for Program**

- Programs demonstrating an increase in demand or utilization will receive a higher score for this attribute compared to programs that show no growth in demand for the program. Programs demonstrating a decrease in demand or utilization will actually receive a negative score for this attribute.
- The grading criterion established to score programs, on a -4 to 4 scale is as follows:
  - 4** = Program experiencing a **SUBSTANTIAL** increase in demand of 25% or more
  - 3** = Program experiencing a **SIGNIFICANT** increase in demand of 15% to 24%
  - 2** = Program experiencing a **MODEST** increase in demand of 5% to 14%
  - 1** = Program experiencing a **MINIMAL** increase in demand of 1% to 4%
  - 0** = Program experiencing **NO** change in demand
  - 1** = Program experiencing a **MINIMAL** decrease in demand of 1% to 4%
  - 2** = Program experiencing a **MODEST** decrease in demand of 5% to 14%
  - 3** = Program experiencing a **SIGNIFICANT** decrease in demand of 15% to 24%
  - 4** = Program experiencing a **SUBSTANTIAL** decrease in demand of 25% or more

Once the department and peer review scoring was completed, a ranking by quartiles was created with four quartiles. The first quartile included the highest scoring programs and the 4<sup>th</sup> quartile included the lowest scoring programs. There were 664 Community Programs and 102 Governance Programs that were scored by 17 peer review teams. The table below shows the results: