

City of Salem Strategic Plan Priority-Based Budgeting Proposed Action

Concept

Implementation of a framework for decisions surrounding resource allocation

Department Director Sponsor

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Purpose and Scope of Initiative

Priority Based Budgeting is an International City/County Management Association (ICMA) and National League of Cities best practice to allocate available resources through a priority-driven approach that identifies the organization's most important strategic priorities and ranks programs or services according to how well they align with the priorities. This project is intended to achieve the Sustainable Service Delivery goal of aligning City services and available resources and maintaining a fund balance for the future.

The work will be accomplished with policy guidance from the Council, assistance from all departments, and the consulting services of ResourceX. ResourceX partners with local governments to provide the software tools to help organizations develop a program inventory, prioritize services and analyze data. The analytical tools and reports provided by ResourceX are designed to help align resources with the results that matter most to the success of the community. One or more individuals from the Budget Office will serve as super-users to coordinate project management and become competent in performance based budgeting concepts sufficiently to lead the process in future years. All departments and Council members will have some level of involvement in the process which includes a number of steps that can be completed within a three to six month period.

The Strategic Plan, under the goal of *sustainable services*, recognizes the need to define core (priority) services and their associated costs. The expected result of this endeavor is a framework for resource allocation that factors the influence of an individual program in attaining the results desired by Council and the community.

For the most part, the City follows the traditional, incremental approach to budgeting where the current year's budget becomes the basis for the following year's spending plan. This approach is most effective in periods of stable expenditure and revenue growth. The City is experiencing a structural imbalance in the General Fund where the cost of ongoing services exceeds recurring revenues. Without changes, the imbalance

deepens as upward cost pressures lead to expenditures outpacing revenues by a growing margin.

This project will be successful if the tools available through priority based budgeting provide an accepted framework for making decisions to align revenue and expenditures. We are assuming that data specific to program costs is identifiable and that there can be an agreed upon set of desired results or outcomes.

Subject Experts, Business Leads, Community Partners

City Council, assistance from all departments, and the consulting services of ResourceX

Checklist

- How does the proposal align with the mission, vision, values and desired outcomes of the Strategic Plan?

This proposal will assist with the completion of several actions under the Strategic Plan Sustainable Services Goal:

- Redesign the City's budget process
 - Define Salem's core services and the desired level of services the City can provide
 - Explore feasibility of alternative methods of service delivery
- Is the City currently working on this?
Exploratory research is underway. The budget document is being reformatted to group services related to outcomes, which could serve well as an initial step in identifying and costing programs for priority based budgeting.
- Is this a new initiative for the City of Salem?
This concept has not been attempted in several years and never with support from experts outside the organization.
 - Is the activity wholly within the City's capacity to influence?
As with most proposals, this is subject to outside influence but the City will have a final say in the outcome and how it is used.
 - What are the consequences of inaction or risk of doing nothing?
Doing nothing may result in decision making and resource allocation that is not as strongly supported by data and results.
 - Is this initiative to be addressed by Council?
Yes. Council will play a major role in validating the results established by the organization and determining the priorities to create the foundation for priority based budgeting.
- Is this critical to developing the organizational capacity (funding or staffing resources) to deliver a Strategic Plan initiative or further mission, vision or values?
This is critical to the Strategic Plan goal of sustainable services.
 - Will this effect more than two functional areas?
This could impact all operations of the City.

Cost Estimate

- How many FTE are working on it, will be working on it?
As many as 30 employees may be involved at any one time. The super-users may see fifty percent or more of their time dedicated to the project during peak activity.
- What are the other annual costs associated with the activity? Are these one-time or ongoing expenses, for how long?
The annual cost of the online software and the resource alignment prioritization tool is \$25,000. The first year cost will be near \$65,000, depending on the number of on-site consultant trainings.
- Is there any off-setting revenue associated with this activity? Estimate annual offsetting revenue.
There is not offsetting revenue.
- Can it be managed within the current budget?
No. A contingency transfer would be necessary for this procurement in the current fiscal year. An increase beyond the current baseline budget would be necessary if the project moves forward after July.

Project Schedule, Estimated Time to Complete (from date of authorization)

Council will be involved with the priority identification and definition processes. Communicating these priorities and their definitions to the community upon completion will be important. Priority based budgeting is intended to be scalable to meet our needs.

Project Support

- Is it supported elsewhere in the community?
Discussion should take place with the consultant to integrate feedback from the community survey as priorities are identified and defined.
- What is the community benefit of the project?
The continuation of services identified as those most likely to achieve the desired outcomes for the community.

Other Project Considerations

- How many people will this impact? Can we estimate ROI?
This proposal has the potential to impact the resources dedicated to all services to the community. The return on the investment is not monetized but can be measured in terms of progress toward achieving the goal of sustainable services.
- Can this outcome be achieved through some other method?
Priority based budgeting is used by more than 185 governmental organizations across North America, and iterations of the process have been around for nearly a decade. There is not a similar product available from another source. An alternate method would be to continue the current budgeting practice or reallocate staffing resources to attempt to develop a tool internally.

- What are the tradeoffs of doing this now? Are there other implications of doing this?
The challenge will be to keep this process on track while not derailing progress being made on other areas of the strategic plan. To have an effect in the General Fund by the beginning of FY 20, decisions to change the current trajectory of depleting working capital must occur now.
- Is this being done by others in our community?
No
- Has this been attempted before? What was the outcome?
Yes. In 2008, there was a staff driven process that resulted in the reorganization and contraction of the City services (pools, bookmobile, recreation, etc.). The process was not completely embraced by all but assisted management with making difficult recommendations for service reductions.
- Is there an activity which must be concluded before this can be considered successful?
Elected officials and staff must agree to the approach and funding must be made available.
- Is there an impact on our business practice? Are there barriers internally to success?
This proposal seeks to move the City toward data-driven decision making as identified in the strategic plan. While not barriers, checks and balances need to be in place to ensure the integrity of the process.