PRIORITY BASED BUDGETING

PURPOSE
The traditional approach to budgeting has always been incremental, with last year's budget serving as the basis for the budget of the following year. This has typically been done in concert with a zero-based approach, where accounts for certain line items essentially start with zero and every planned purchase is detailed. Unfortunately, these budgeting methods do not adequately address priorities, and do not directly link to strategic goals or performance measurement. As part of the solution to this dilemma, our organization has partnered with ResourceX toward establishing a framework and providing a "new lens" through which the organization can clearly see where opportunities exist - therefore making more effective use of finite resources and continuing to serve in the most effective, efficient and fiscally responsible manner possible.

The Priority Based Budgeting (PBB) model provides a comprehensive review of the entire organization's operating budget, identifying and ranking services (programs) offered on the basis of the community's priorities. The diagnostic process enables policy makers to link funding decisions to priorities in the strategic plan. The PBB philosophy involves "Results", which are the fundamental reason an organization exists, and what the organization is in business to provide. Result definitions detail and expand on the factors influencing the results our organization aims to achieve - and for which all services/programs would then be gauged by and ranked on.

PROCESS OVERVIEW
The methodology involved in implementation of Priority Based Budgeting process can be broken out into five distinct steps:

Step 1 - Determine and Clarify Vision/Results
The first step is to determine the results used in Priority Based Budgeting. These results are based on best practices and align with other initiatives (for example, a Strategic Plan) that have defined an organization's goals. Two sets of results were created to distinguish between community-oriented and governance-oriented results. These "Result" areas are further supported by Result definitions. At a high level, "Results" are the fundamental reason that an organization exists, and what an organization is in the business to provide.

Step 2 - Identify Programs and Services
Each department then set out to develop a comprehensive list of programs and services offered by that department (what exactly we do). These 'Program Inventories' build a common understanding of what the organization is offering to the community and in support of internal operations and procedures. The inventories include a description of the program including services provided, and identify the program as either community or governance-centered. Community programs are those providing direct service to residents and businesses, while governance programs are those providing support services within the city to other departments.

Step 3 - Allocate Costs/Resources to Programs
After program identification, departments then provided comprehensive and detailed cost information for each individual program. Through this process, departments estimated the level of
staff time and other department budget expenditures/costs dedicated to each program, as well as identifying any revenues generated from these services. These were each labeled as personnel or non-personnel costs.

**Step 4 - Score Programs Based on Results**

In this step, departments then evaluated each program on how much every program contributes to achieving each result. Departments also scored other attributes of each program, such as the level of mandate to provide the program, the amount of cost recovery of the program, change in demand for the program, and the portion of the community served by the program. Once departments scored their programs based on these criteria/results, multi-departmental teams conducted follow-up review, validation, and cross-checking of these scores through a formalized objective peer review authentication process.

**Step 5 - Resource Alignment Diagnostic Tool**

In the final step, program costs and scores are combined into a comprehensive Resource Alignment Diagnostic Tool. This tool allows for multiple methods of sorting the information, gives a visual representation of how the organization allocates money to each program, and how those programs rank relative to each other in order of highest priority (those programs most relevant to achieving results - Quartile 1) to lowest priority (those programs least relevant to achieving results - Quartile 4).

**RESULTS AND DEFINITIONS**

**OUTCOMES OF PRIORITY BASED BUDGETING**

**Community and Governance Spending**

Priority Based Budgeting at the highest level quantifies the portion of spending towards our external and internal services.

The policy goals of Priority Based Budgeting are differentiated by two kinds of municipal activities: Community Programs and Governance Programs. Community Programs serve the public, while Governance Programs internally serve other departments. A breakdown of spending towards Community and Governance activities is shown below.

The top-center pie chart shows the proportion of funds spent towards Community programs compared to the portion spent internally to Governance programs. This chart effectively shows the rate of overhead of the government organization. The two charts below, show the portion of spending by department split across Community and Governance programs.
Public Works Governance spending includes city fleet and facility management.