

PRIORITY BASED BUDGETING UPDATE

City Manager's Office
Finance Department

City Council
April 18, 2022

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BACKGROUND



Priority Based Budgeting (PBB) is a budget-decision methodology and data-analytics software created by Resource Exploration (ResourceX). PBB supports the decision-making process to assign resources to programs and services that align with the City's strategic plan and helps to ground the decision-making process for the upcoming budget cycle within the constraints of the existing fiscal environment.



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BACKGROUND (CONTINUED)



- **August 2020**, the City Council **approved a Professional Services and License Agreement** for Priority Based Budgeting Software with ResourceX and a team of City staff was formed to develop a PBB model for the City of Riverside.



- **September 2020**, a team of approximately **50 staff from all City departments** began development of the City's PBB model, which consisted of five primary tasks: Program Inventory, Cost Allocations, Program Scoring, Peer Review, and Program Insights.

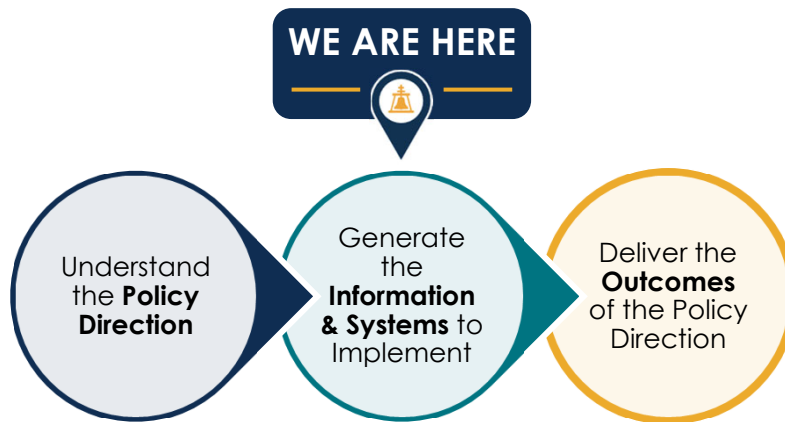


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ER25 & PBB IN CONTEXT:

A Framework for Where We Are & Where We Are Going



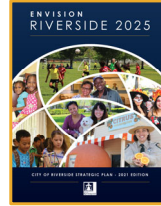
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CITY COUNCIL APPROVED FOUNDATIONS

Understand the Policy Direction

Step 1: Develop and Approve *Envision Riverside 2025 Strategic Plan* (ER25)



Step 2: Embrace *Priority Based Budgeting* as Tool to Implement ER25



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CITY STAFF DEVELOPED ("Super Users," DLT, ELT)

Generate the Information & Systems to Implement

Step 3A: Established and Set Into Motion Leadership Team, Cross-Cutting Working Teams, & Priority Working Teams to **Implement Envision Riverside 2025 Strategic Plan** (ER25)



Step 3B: Organize and Engage City Staff Teams to Use the *Priority Based Budgeting Tool* to Define, Refine, Organize & Score Line-Item Budget Programs with ER25



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CITY STAFF DEVELOPED

Generate the **Information & Systems** to Implement

Step 4A: Identify **Unfunded Critical Needs** and **Supplemental Budget Requests** consistent with ER25 that were not part of the Line-Item Budget evaluated as part Steps 3A and 3B of the Priority Based Budgeting process



Step 4B: Evaluating and Developing Recommendations Regarding PBB Quartile Programs, Unfunded Critical Needs, and for Decision-Making and the Priority Based Budgeting Tool to Define, Refine, Organize & Score Line-Item Budget with ER25

- Is/Does the Program:**
- Legally required/CC directed?
 - Essential for public health, safety, welfare?
 - Specifically implement ER25 Cross-Cutting Threads/Priorities?
 - Established or New and Need Right-Sizing or Transition to a New Version of Itself?



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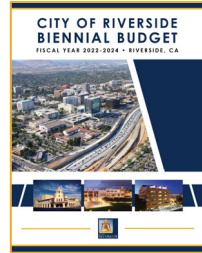
CITY COUNCIL DIRECTION

Deliver the **Outcomes** of the Policy Direction

Step 5: Present the 1st **Annual Report on ER25** Implementation to the City Council and Receive Policy Direction for Year 2 based on Outputs from Step 3A

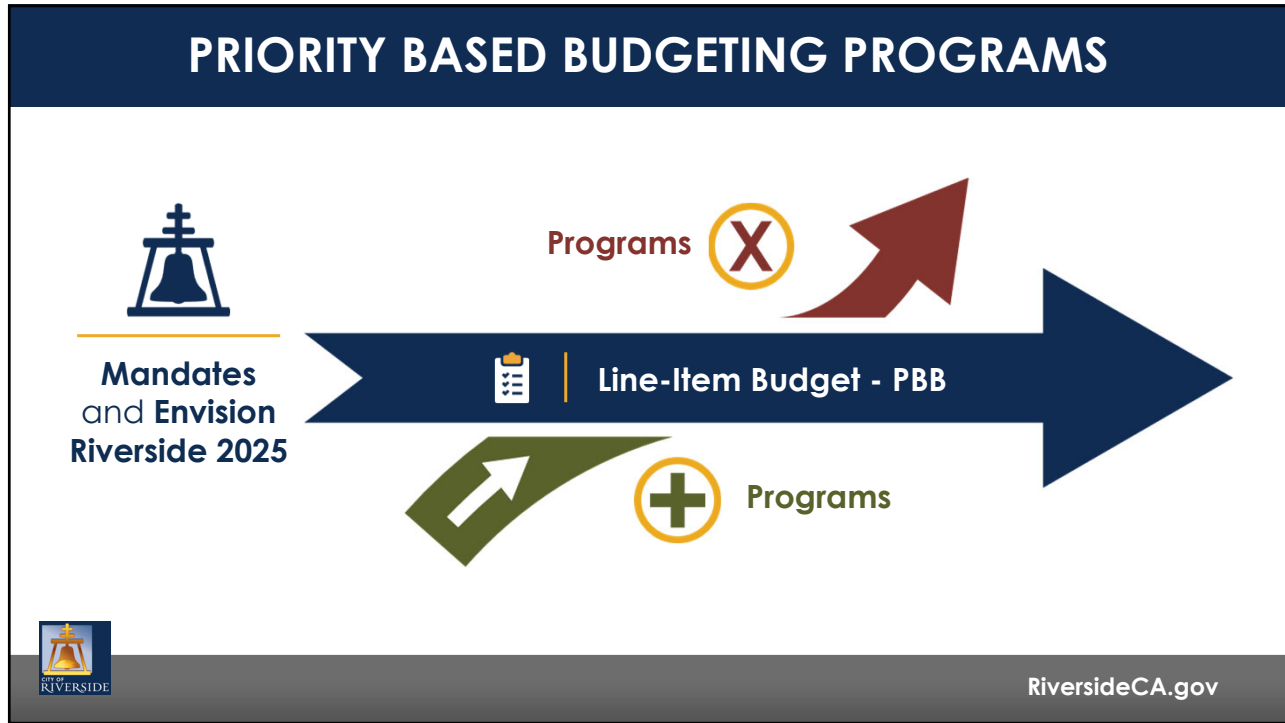
Step 6: Present FY 2022/23 – 2023/24 Biennial Budget to the City Council and Receive Direction on Recommendations from Step 4B

Future Steps: Refine and Repeat Based on City Council Direction

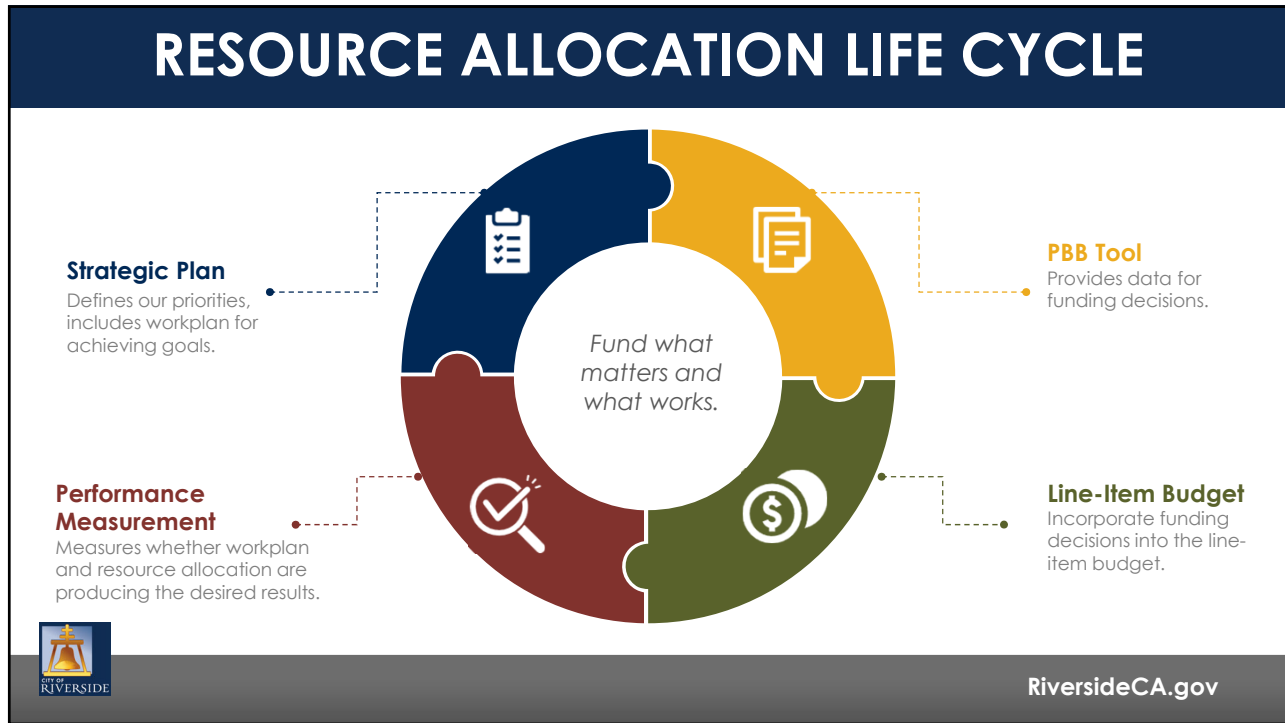


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STRATEGIC PLAN

STRATEGIC PLAN

Provides the framework for all parts of the Resource Allocation Lifecycle.


- Cross-cutting Threads
- Strategic Priorities
 - Goals and Indicators
 - Operational Workplan (Actions)
 - Performance Metrics




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PBB TOOL



PBB Tool

A decision-making tool that provides relevant data to facilitate informed decision-making about what to fund.

- **Programs:** What do we do? (Programs)
- **Costing:** How much does it cost? (Costing)
- **Scoring:** Is what we do aligned with our strategic plan? (Scoring?)
- **Insights:** Are there actions that could be taken to improve program effectiveness, efficiency, and alignment with the Strategic Plan?


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LINE-ITEM BUDGET



Line-Item Budget

Identifies resources available to fund City activities and sets the boundaries for what we can afford to do.

- Revenue Projections
- Baseline Budget
 - Budget Targets
- Long-term financial planning
 - Ensure that proposed funding is sustainable
 - Strategies for financial health and sustainability



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PERFORMANCE MEASUREMENT

PERFORMANCE MEASUREMENT

Performance metrics measure the effectiveness of our actions and funding decisions in achieving the goals defined in the strategic plan.


- Indicators – The areas that we expect will be impacted by the actions.
- Performance Metrics – The specific measurements by which we identify whether we are positively impacting the indicators.
 - Provides data that will identify the need for adjustments to the operational workplan.



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PBB – Year 1 (2020)



Program Inventory

Each department identified what they do.


Data attributes:
Program Name
Program Description



Program Costing

Utilizing the 2019/20 adopted budget, each department identified resources generated and used by program activities.


Data Attributes:
Revenue Generated
Personnel Allocations
Program Cost (including overhead)



Program Scoring

Programs were scored in alignment with the City's strategic plan:
Department Scoring
Peer Review Scoring


Data Attributes:
Community Program Score
Governance Program Score
Basic Program Attributes



Program Insights

Departments created Insights (ideas) about how programs could be enhanced to achieve greater effectiveness or efficiency,

Data Attributes:
Insights




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PBB – Year 1 (2020)

City Program Alignment with Strategic Plan

Number of Programs	Quartile Definition
93 programs	<i>MOST</i> aligned with strategic plan
234 programs	<i>MORE</i> aligned with strategic plan
172 programs	<i>LESS</i> aligned with strategic plan
107 programs	<i>LEAST</i> aligned with strategic plan
606 Total Programs	



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PBB – Year 1 (2020)

LESSONS LEARNED

- **Program** improvements needed:
 - Duplicative programs – Need to remove department program silos and create citywide programs.
 - Program definition – What constitutes a program versus a task; group related programs.
- **Scoring** improvements needed:
 - Leverage subject matter experts to better define scoring guidelines
- Better understanding of **Insights**, set specific goal, engage executive leadership



PBB – Year 2 (2021)




Program Inventory

The PBB Super Users Team identified citywide programs.

Each department reviewed and consolidated programs, removed tasks.


Data attributes:
Program Name
Program Description



Program Costing

Utilizing the 2020/21 adopted budget, each department identified resources generated and used by program activities.

Data Attributes:
Revenue Generated
Personnel Allocations
Program Cost (including overhead)




Program Scoring

Subject matter experts were leveraged to enhance scoring guidelines. Programs were re-scored.

Data Attributes:
Scores for:
Community Program
Governance Program
Basic Program Attributes

Quartile Results



Program Insights

Goal established: Identify opportunities for new revenue generation and/or expenditure savings, with the goal of identifying resources to fund critical unfunded needs. ELT/DLT workshop to vet and recommend insights.

Data Attributes:
Insights



PBB – Year 2 (2021)

City Program Alignment with Strategic Plan

Number of Programs	Quartile Definition
76 programs	<i>MOST</i> aligned with strategic plan
214 programs	<i>MORE</i> aligned with strategic plan
151 programs	<i>LESS</i> aligned with strategic plan
82 programs	<i>LEAST</i> aligned with strategic plan
523 Total Programs	











PBB – Year 2 (2021)


LESSONS LEARNED


- **Costing** improvements needed:
 - Including overhead in program costing gives the incorrect impression that elimination of a program would result in savings equal to program cost, but overhead would likely remain.
- **Scoring** improvements needed:
 - Programs that are clearly a Council and community priority may not score well.
- **Insights** improvements needed:
 - Future ELT/DLT workshops require modifications to improve efficiency and outcomes.
 - Insights take time to implement, and some will require Council input, so immediate financial impact is not feasible.
 - Add opportunities for community engagement and feedback.



FY 2022-2024 BUDGET DEVELOPMENT







PBB INSIGHTS	CRITICAL UNFUNDED NEEDS
 Brainstorm Insights/ideas about PBB Programs	 Submit requests for Critical Unfunded Needs
 Evaluate ideas and recommend Insights for final consideration	 Review and rank requests within quartile based on order of priority
 Select Insights to implement in FY 2022/23 budget cycle	 Determine which needs to fund this year vs. in future years
 Funding available through PBB Insights to allocate to Critical Unfunded Needs	 Final List of Critical Unfunded Needs to fund in FY 2022/23 ranked in order of priority



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FY 2022-2024 BUDGET DEVELOPMENT

 Baseline Budget, budget targets	 Departments identified additional unfunded needs
 Departments reviewed Insights recommended by the ELT/DLT for feasibility	 Unfunded needs vett ed by City Manager's Team
 Departments will begin actions triggered by Insights	 Quartile 3 & 4 programs reviewed


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PBB – Year 2 (2021)

- Staff at every layer of the organization was **engaged** in PBB.
- The Strategic Plan is an integral component of PBB and so the **knowledge** about and understanding of City priorities has permeated every layer of staff.
- Department **silos** have been remarkably reduced through collaborative workshops.
- Staff has **adapted** to the need to frame funding needs through the lens of the strategic plan and PBB.



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NEXT STEPS



Departments will **begin actions** triggered by **Insights**

- | | |
|--|---|
| <ul style="list-style-type: none"> • Actions to remediate lessons learned • Implement insights | <ul style="list-style-type: none"> • Address scoring shortcomings • Figure out more effective methods for workshops |
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RECOMMENDATION



That the City Council **receive an update** on the Year 2 Priority Based Budgeting process.



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