



City of Arts & Innovation

Budget Engagement Commission

TO: HONORABLE COMMISSIONERS

FROM: CITY MANAGER'S OFFICE

SUBJECT: PRIORITY BASED BUDGETING UPDATE

DATE: SEPTEMBER 9, 2021

WARDS: ALL

ISSUE:

Receive an update on the completion of the Year 1 Priority Based Budgeting process and the timeline and goals for Year 2.

RECOMMENDATIONS:

That the Budget Engagement Commission receive an update on the completion of the Year 1 Priority Based Budgeting Year process and the timeline and goals for Year 2.

BACKGROUND:

Priority Based Budgeting (PBB) is a budget-decision methodology and data-analytic software created by Resource Exploration (ResourceX). PBB creates a link between strategic planning and long-term financial planning and picks up where the strategic plan leaves off by using the “results” or priorities stated in the strategic plan as a basis for formulating a City’s long-term financial plan and upcoming budget. 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.

On October 20, 2020, the City Council approved the Envision Riverside 2025 Strategic Plan to establish a vision for the City over the next five-year period. The development of the strategic plan occurred over a nine-month period and consisted of interviews with the Mayor, City Council and key City staff to identify priorities for the organization, as well as a series of workshops and public meetings to discuss and refine priorities and receive public input.

In anticipation of City Council’s approval of the Envision Riverside 2025 Strategic Plan, City staff began discussions with ResourceX to implement PBB in the City of Riverside and begin steps to align the City’s budget with the City Council’s priorities. In 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.

DISCUSSION

PBB Year 1 Update

At the beginning of the PBB Year 1 process, City staff worked closely with ResourceX to develop a project charter that outlined a timeline and goals for the gradual implementation of PBB over a five-year period. The charter includes both short-term and long-term goals and strategies to plan and mitigate for challenges. The PBB goals included in the charter are as follows:

Short Term PBB Goals (1 -2 years)

- Establish communication and educate project stakeholders (internal, elected, public)
- Develop citywide support and understanding of the PBB process
- Achieve 100% participation and utilization from all departments
- Identify all programs and services that the City provides
- Understand where the City allocates its resources and how that aligns with the strategic plan
- Develop program insights and take initial steps to realign resources to support the City Council's priorities

Long Term PBB Goals (3-5 years)

- Change the way people think about budgeting; shift mindset to make decisions based on priorities of the entire City, not just one department
- Achieve a clear understanding and documentation of the City's programs and related resources
- Fully align funding priorities with programs and services that further the City Council's strategic priorities
- Create partnerships to provide programs more effectively and efficiently
- Be adept at realigning resources in times of fiscal challenge
- Assess the program effectiveness through performance measures
- Develop department/division level KPIs to track program success
- Consider inclusion of CIP budget in PBB

The significant work associated with building a PBB model from scratch, combined with the culture change required to successfully implement PBB in a large organization, led the PBB project team to designate Year 1 as a "learning year" that focused on developing citywide understanding and acceptance of PBB and how it works, and completing the necessary steps to start building Riverside's PBB model. Steps to fully align the City budget with the strategic plan were identified as longer-term goals once the City's PBB model is refined and staff has a greater understanding of the process.

In 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:

1. *Program Inventory* – create an inventory of every program / service the City provides.
2. *Cost Allocations* – determine the cost of each program by allocating revenues and expenditures (personnel and non-personnel) from the City's line-item budget.
3. *Program Scoring* – identify how closely each program aligns with the strategic plan by scoring the programs alongside the strategic priorities, cross-cutting threads and basic program attributes (see Scoring Matrix – Attachment 3).
4. *Peer Review* – perform a secondary rating process by designated peer review groups to

validate the original score provided by departments.

5. *Program Insights* – create insights about programs to identify how to align city resources with strategic priorities.

Staff participated in numerous trainings over several months to learn how to complete each PBB task. Following the completion of these tasks and an extensive final review process to make any necessary clean-up revisions, the Year 1 process was finalized in May 2021.

The PBB Year 1 model includes an inventory of 606 City programs spread amongst 17 departments (see Year 1 Program Inventory – Attachment 1). Each program was scored and peer-reviewed alongside the City’s strategic priorities, cross-cutting threads and basic program attributes (see Scoring Matrix – Attachment 2), and a final program score was calculated. Based on the final scores, each program was placed into one of four quartiles to determine how closely they align with the strategic plan. A summary of the number of programs in each quartile is provided in the table below.

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

Dozens of initial insights about City programs were also identified during the Year 1 process and each department was asked to include their top three insights in the FY 2021/22 budget presentations. Program insights will be explored further during the Year 2 process and considered for future implementation.

PBB Year 2 Timeline and Goals

The PBB Year 2 process kicked off in August 2021 with a four-month timeline for targeted completion by the end of November 2021. This timeline is essential in order to have updated PBB data available for the FY 2022-2024 budget development process, which begins in December 2021. The primary tasks for Year 2 include review and refinement of the program inventory, updating program costs using the FY 2021/22 budget, re-scoring and peer reviewing programs to determine alignment with the strategic plan, and a more comprehensive insights process to identify data about programs for decision-making purposes.

The PBB team identified many “lessons learned” from the Year 1 process and developed goals for Year 2 to address these lessons. The Year 2 goals are as follows:

1. Greater involvement and engagement with Executive Sponsor team
2. Improve communication and tie in PBB with strategic plan and budget process
3. Refine scoring criteria for greater consistency
4. Help enterprise funds discover the value of PBB
5. Reduce/eliminate department silos
6. Utilize PBB for FY 2022-2024 budget development process

STRATEGIC PLAN ALIGNMENT:

Priority Based Budgeting aligns with Strategic Priority 5: *High Performing Government* and Goal 5.4: *Achieve and maintain financial health by addressing gaps between revenues and expenditures and aligning resources with strategic priorities to yield the greatest impact.*

This project aligns with each of the Cross-Cutting Threads as follows:

1. Community Trust – The City’s PBB data will be accessible through the City’s website and identifies the cost of each program and how closely the programs align with the strategic plan. This information will be available and transparent to the public and will provide a greater understanding about the programs and services the City provides.
2. Equity – Equity is a major component of the strategic plan and is a primary consideration in determining how programs score during the PBB process. Programs that are equitably available throughout the community will be more closely aligned with the strategic plan.
3. Fiscal Responsibility – Data produced through PBB will allow the City to understand the true cost of our programs and be more strategic in determining how to allocate fiscal resources to provide the greatest impact to the community.
4. Innovation – PBB is an innovative approach to decision-making and combines technology with a collaborative working approach to create data about programs that can be applied during the budgeting process.
5. Sustainability & Resiliency – Sustainability and Resiliency are major components of the strategic plan and are a primary consideration in determining how programs score during the PBB process. Programs that are sustainable and resilient will be more closely aligned with the strategic plan.

FISCAL IMPACT:

There is no fiscal impact associated with this update on Priority Based Budgeting.

Prepared by: Donna Finch, Principal Management Analyst
Certified as to
availability of funds: Edward Enriquez, Chief Financial Officer/City Treasurer
Approved by: Kris Martinez, Interim Assistant City Manager
Approved as to form: Phaedra A. Norton, City Attorney

Attachments:

1. Year 1 Program Inventory
2. Scoring Matrix
3. Presentation