

**CITY OF BOULDER  
CITY COUNCIL AGENDA ITEM**

**MEETING DATE: January 19, 2010**

**AGENDA TITLE:** City Manager’s Update on Implementation of Priority-based Budgeting

**PRESENTER/S:** Jane Brautigam, City Manager  
Paul Fetherston, Deputy City Manager  
Bob Eichen, Director of Finance/Acting Executive Director for Administrative Services  
Maureen Rait, Executive Director, Public Works  
Kathy McGuire, Budget Officer  
Jim Reasor, Budget Analysis Manager

**PURPOSE:**

As outlined in the Dec. 1, 2009 study session, the City Manager has indicated her intent to implement Priority-Based Budgeting (PBB) with the 2011 City Manager’s Recommended Budget. The purpose of this agenda item is to provide an update on efforts to date and obtain City Council feedback on the preliminary work involving the identification and definition of “results.” The “results” are the core goals/objectives and typically reflect the fundamental values of a community and are the foundation to PBB.

**EXECUTIVE SUMMARY:**

PBB is an iterative and collaborative process for establishing the priorities of local government and provides flexibility in order to meet the changing needs of the community. At a study session on Dec. 1, 2009, City Council was provided with a general overview on the purpose and objectives of using the PBB approach. The first step in implementing this approach is to identify the city’s goals or “results” which serve as high level, overarching objectives that represent the priorities of City Council and the community. Identified results should include the following characteristics:

- are clear, understandable and measurable;
- are the objectives and priorities of the council and the community;
- accommodate potentially diverse views;
- incorporate majority as well as minority opinions; and
- are definable

Based on existing council goals, staff drafted the following proposed results to assist council in its discussion. Council may adjust the draft results in any manner it deems necessary.

- Safe Community
- Inclusive and Socially Thriving Community
- Accessible and Connected Community
- Healthy Environment and Community
- Economically Vital Community
- Responsive Government

### **COMMUNITY SUSTAINABILITY ASSESSMENTS AND IMPACTS:**

Economic, Environmental and Social: The PBB approach provides a process through which all city programs and services can be evaluated. Through this evaluation, those areas of the highest priority in accomplishing the city's overall results/goals can be identified. This process will be used to guide the allocation of city financial resources to programs and services based on their contribution toward the achievement of city results/goals. Since the city's results/goals are all based on the principles of sustainability, the city budget supports all areas of community sustainability through the allocation of financial resources.

### **BACKGROUND:**

A Business Plan was developed as part of the 2006-07 budget process. All city programs and services were evaluated to determine whether they were essential, desired, or discretionary. This represented the first phase of implementing a decision-making tool to assist the organization in making strategic citywide recommendations regarding revenue and expense priorities for current and future funding. The Business Plan is a link between the Boulder Valley Comprehensive Plan, various department strategic and master plans and the recommended budget.

At the Feb. 17, 2009 council meeting, staff provided an analysis of the impact of the current economic conditions on sales/use tax revenues and outlined a budget stabilization plan in response. After analyzing the performance of retail sales tax and taking into account national, state and local economic conditions and trends, it was anticipated that 2009 total sales and use tax revenue collections would be at least 4% - 6% less than projected for 2009. This reduction in revenues was addressed with short-term, one-time solutions in 2009. Budget Stabilization Principles were established to guide the development of the 2010 budget process and actively involve the community. Ongoing reductions were also implemented for 2010.

In addition to and separate from the current financial picture is the structural issue with the city's budget. This concern, highlighted in January 2008 Blue Ribbon Commission (BRC I) Report, identified a \$90 million dollar funding gap by 2030 if all expiring sales taxes are renewed by the voters. This difference is due to current expenditure trends exceeding current revenue trends. This gap is now projected to be \$75 million based on the de-Brucing of city property tax supported by voters in the 2008 election.

The current financial situation and the structural budget problem require that the city of Boulder conduct business in a new way, evaluate what services and programs can be

provided, continue to focus on being as efficient as possible and refine processes and systems to work with staffing levels that can be sustained overtime.

During 2009, the City of Boulder continued to examine alternative budget strategies that would build upon the Business Plan. As part of that process, David Osborne – a senior partner of The Public Strategies Group and author/co-author of several governmental budgeting books – presented an overview of the Budgeting for Outcomes (BFO) approach. While the principles and concepts of BFO align with the City’s objectives, the process is expensive, complex and time-consuming.

As an alternative, the Priority-Based Budgeting (PBB) approach is being pursued. PBB is based on similar principles, builds upon the Boulder Business Plan work completed to date and is more easily implemented. The PBB approach was presented by Chris Fabian and Jon Johnson from International City Managers Association (ICMA) at the Dec. 1, 2009 City Council study session. 145 staff participated in training workshops on PBB during November and December 2009.

A summary of the steps in the PBB process is as follows:

- Determine the Results
- Clarify Result Definitions
- Identify and Cost Programs and Services
- Apply Result Definitions and Prioritize Programs
- Draft 2011 Recommended Budget Based on Priorities and Other Factors
- Review and Consider 2011 Recommended Budget

The next step of PPB involves identifying the results desired in the city of Boulder. Once the results are determined each result is defined. The definitions are determined by asking the question:

*When the city of Boulder \_\_\_\_\_(insert proposed definition) it has this ( result).*

When finalized, the definitions become the basis for evaluating each city program. In addition to the definitions, other factors will be considered as programs and services are evaluated. Those factors are currently reflected in the business plan and include customer demand for the program and the degree to which a program is mandated and addresses user fee guidelines for cost recovery (under the city’s revenue policies).

Staff was asked to prepare a draft set of results and definitions for council consideration. The following are draft results and definitions based on existing council goals. These proposed results are provided for City Council review, consideration and feedback, and are intended to assist council in its discussion. The draft results address the fundamental aspect of local government service delivery such as public safety and the provision of utility services (such as water treatment and distribution), while also acknowledging the value that the Boulder community has for libraries, open space, recreation and human services and the environment. A responsive government category is also provided to reflect the internal service departments and in recognition that outcomes associated with leading and managing a sustainable organization should be identified and measured.

Council is encouraged to adjust and refine the draft results in any manner it deems necessary.

### **Proposed Result: Safe Community**

#### **Definition:**

- Fosters a climate of safety in homes, neighborhoods and public places.
- Safeguards the physical and environmental safety and health of the community.
- Plans for and provides timely and effective response to emergencies and natural disasters.
- Enforces the law, taking into account the needs of individuals and community values.
- Encourages individual responsibility for assisting in maintaining and enhancing community and personal safety.

### **Proposed Result: Inclusive & Socially Thriving Community**

#### **Definition:**

- Fosters an atmosphere of respect and inclusion for and among all members and visitors of the community.
- Facilitates housing options to accommodate residents of diverse backgrounds.
- Supports the human services needs of residents and partners with non-profit organizations to improve the welfare of those in need.
- Cultivates an atmosphere in which a wide range of cultural, educational and social opportunities are available.

### **Proposed Result: Healthy Environment and Community**

#### **Definition:**

- Preserves and enhances environmental quality, conserves natural resources and retains traditional agricultural land use.
- Provides diverse cultural and educational opportunities.
- Provides recreational opportunities that promote physical and mental health.
- Enhances appreciation and understanding of human impact on the environment through initiatives such as the Climate Action Plan (CAP).
- Protects and improves the quality of air and water resources.

### **Proposed Result: Accessible & Connected Community**

#### **Definition:**

- Provides safe and efficient travel choices/ modes for all ages and abilities in a manner that supports community sustainability goals.
- Contributes to a well-maintained system of infrastructure.
- Supports the community's vision as reflected in its plans and investments in infrastructure.
- Supports quality service delivery, ready access to information and innovation.

### **Proposed Result: Economically Vital Community**

#### **Definition:**

- Invests in primary economic generators and businesses.
- Plans for community growth and stability through policies that support environmental, social and economic goals.
- Maintains and enhances quality of life to attract and retain diverse businesses and creative entrepreneurs.
- Nurtures collaboration with key institutions and organizations that contribute to our economic sustainability.
- Promotes an educated and diversified work force to meet employers' needs.

### **Proposed Result: Responsive Government**

#### **Definition:**

- Demonstrates progressive leadership in the development, implementation and communication of the vision and priorities.
- Promotes effective management that is focused on efficient service delivery and allocation of resources, the measurement of outcomes and continuous improvement.
- Addresses the long term financial health of the city.
- Encourages the participation of all residents in the design and implementation of programs.
- Maximizes relationships between city government, the community and its neighborhoods, and regional partners.
- Invests in a work environment that fosters creativity, customer service, accountability and respect.

### **NEXT STEPS:**

After obtaining input from the City Council, the results and definitions will be updated and then taken out into the community for input and feedback.

The process for gathering input from the community and the associated timeline is still being developed, but the following information is expected to be provided in that process:

1. Why the PPB process is being used.
2. How the PPB process works.
3. How the results and definitions were determined to this point.
4. How each community meeting group will go through a results mapping exercise of their own. The process will be facilitated by representatives of the ICMA who are working with the city.
5. How the community feedback will be compared with the initial results and definitions to determine what modifications or changes are needed.
6. How staff will check in with council on the findings from the public meetings. This will occur at one of the budget study sessions.
7. How programs will then be evaluated based on the final results and definitions
8. How the 2011 Recommended City Manager's Budget will be prepared using the feedback received during the PPB process.

Once the work with the community has been completed, departments will evaluate programs using the final results and definitions. Departments will then submit these to the City Manager and the findings will then undergo review by a peer review team. The peer review team will be responsible for the equitability of priorities across departments and meetings will be with the departments to clarify and discuss findings.

Staff anticipates providing additional information on results and definitions, along with an inventory of departmental programs and an initial prioritization to be developed by an inter-departmental peer review team at a future council meeting.

### **QUESTIONS FOR COUNCIL:**

In pursuing the next steps to Priority-Based Budgeting,

1. What changes to the draft results and definitions are recommended by City Council?
2. What suggestions does City Council have regarding the proposed community discussion?

Approved By:

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Jane S. Brautigam  
City Manager