



OFFICE OF THE CITY MANAGER

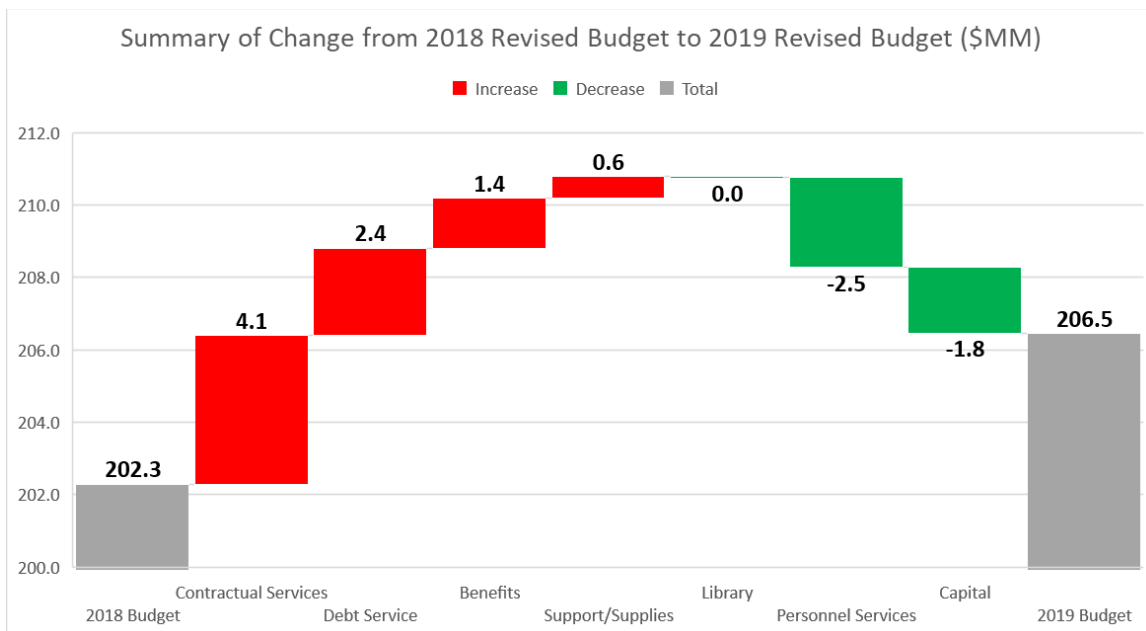
Date: May 21, 2019

To: Mayor Jim Ardis
City Council Members

From: Patrick Urich, City Manager

Re: 2020-2021 Budget Calendar

The 2019 Revised Budget process took several months and resulted in a budget that was adopted in early December of 2018. The budget focused on closing the gap between available revenues and planned expenses. The major economic factors that drove the budget process included: reduced sales taxes due to internet sales; property tax base contraction due to population loss and weak home sales; uncertainty due to the State’s business climate; higher debt service payments; increased public safety pension costs; higher trash collection costs; and the payment of the PAAG lawsuit. The City Council approved staffing and capital spending reductions and raised additional revenues to balance the budget and put needed funds into reserves. A summary of the expense changes are listed below:



STRATEGIC PLANNING FRAMEWORK

The City Council undertook two strategic planning sessions in 2017 to provide direction to the organization and guide the governance of the City. The City Council identified a desired state for the City 15 years into

the future. This vision is the City Council's preferred future, a declarative statement of what the current policy makers of the City seek to achieve. The city of Peoria's vision statement for 2032 is:

Peoria 2032 is a safe, beautiful, and growing city.

A series of 5-year goals were developed with objectives and statements defining to the citizens why each goal is important. The four goals established by the City Council included:

Financially Sound City

Customer focused, cost effective, and efficient municipal services

Safe Peoria

A community focused on the safety and security of its residents

Beautiful Peoria

Beautiful neighborhoods, beautiful streets– attractive spaces and buildings

Grow Peoria

Businesses and residents finding Peoria as a desirable place to locate and expand and live

The strategic plan included policy and management action items, prioritized by the City Council, to attain the goals of the strategic plan and achieve the vision laid out by the Council. Staff has been reporting on the status of these items monthly to communicate progress towards achieving the completion of the actions and activities associated with the actions. Below is the progress of completion of the actions and activities by each goal through April:



The disconnect between the City's current Strategic Plan and the budget process is a lack of measurement – in both. The Strategic Plan identifies measures to achieve the goals, but the primary focus of the planning effort is on the actions and activities to achieve the actions, not how well the City is delivering services to achieve the results desired by the City Council. At the same time, the budget has become an exercise in math, seeking to balance the spending with the available resources without regard for the results that the City can and should be striving to attain. While the budget was balanced to the available resources, the mechanisms in place to ensure that desired objectives and activities are funded is not readily apparent.

Additionally, while the Council has identified specific goals and actions, the constant pressure of some of the economic factors have led to continued need to cut budgets year-over-year. Upward pressure to fund public safety pension costs, coupled with the disruptive force of internet sales driving revenues downward and other local economic factors, have made balancing the budget an exercise in budget cutting.

Simply cutting all departments by 5% or 10% creates a baseline assumption that the City can continue to do everything it has done in the past, just with less resources. Staffing levels are at the lowest that they have been in 25 years, yet the service expectations remain high. The ability of staff to respond to these service expectations is challenged by having fewer employees to respond. Instead of across the board cuts, a new process that includes a serious discussion of community values, the relative benefits of different services, and long-term implications of reductions in one program over another is a more strategic approach to resource allocation.

AN ADAPTIVE STRATEGIC PLANNING PROCESS, FOCUSED ON OUTCOMES

A way to address the disconnect mentioned above is to use an adaptive strategic planning process – a process that can adjust to changes in conditions over months, years, or multiple years – while still being focused on the results that the Council and community want to see the City to achieve. An outcome-based planning process that drives the City budget will also allow the City to assess how well we are performing.

Outcomes are the results that citizens and elected officials want of government programs, services and activities. Outcomes can measure how successful the inputs and processes are at producing desired outputs. Outcomes can measure how effective outputs are at producing desired program outcomes, and how effective program or strategies are at producing desired policy outcomes. Cities can do a splendid job of hitting output goals – responding to calls within a stated response time – while failing completely to produce the outcome desired such as improving public safety. Effectiveness is the most important measure of success.

Within this process, the role of the Council is critical. Defining the vision for the City, the aspirational statement of the preferred future for the City is a primary focus of the Council. But the Council also plays an important role in establishing, validating, and supporting the strategic outcomes that the City seeks to achieve. Staff has issued a request for a strategic planning facilitator to assist the Council and the City Manager and Senior Management team in developing this plan.

The first step in the process is to host a planning session with the City Council and Senior Management Team to establish the outcomes that the City Council seeks to achieve. City staff will be reaching out to Council to find dates in late June for the planning workshop.

DEPARTMENTAL OPERATIONAL PLANS – HOW THE CITY WORKS

To assist in the development of the outcomes, each department prepared a departmental business plan and departmental measures. This operational business plan provides a statement of direction for each City department for the next 2-3 years.

Each business plan contains the following components:

- The department's statement of purpose (why we exist);
- An organization chart that reflects the functions and structure of the department;
- A description of department's functions and customers served (what we do);
- Internal and external factors impacting the department (challenges and opportunities);
- The department's long term (2-3 year) outcomes (how we do it);
- The key performance indicators aligned with the departmental outcomes (how well are we doing).

The Departmental business plans will be finalized and distributed to Council by June 10.

ALIGNING RESOURCE ALLOCATION WITH THE STRATEGIC PLAN – BUDGETING FOR OUTCOMES

Aligning the resource allocation process to the results the Council and public desire requires changes in the budgeting process. The approach best suited for this alignment is Budgeting for Outcomes (BFO). Budgeting for Outcomes is a budgeting system driven by strategic goals and performance towards those goals. The purpose is to align the services delivered by the City with the results most important to the City Council and community.

BFO pivots the discussion from cutting departments across the board to funding programs that are aligned with the Council's strategic goals. It invites a discussion over the relative benefits of different services and the implications of reductions in one program over another. The process is centered on achieving the outcomes defined as most important to the Council and public.

The process is straight forward as defined by David Osborne in his book, The Price of Government:

Set the priorities of government: Define the five or ten outcomes that matter most to citizens, along with indicators to measure progress.

Set the price of each priority: Divide the price or revenue among the priority outcomes on the basis of their relative value to citizens.

Develop a purchasing plan for each priority: Create "results teams" to act as purchasing agents for the citizens. Ask each one to decide which strategies have the most impact on their desired outcome. Ask them to start by developing a strategy map—using available evidence about "what really matters" to create an explicit cause-and-effect diagram showing the best ways to achieve their desired outcome. With a cause-and-effect theory in hand, they can draw up a general purchasing plan, laying out the key strategies they

would use to produce that outcome. In contrast to traditional budget development, this process stimulates enormous creativity, because it requires those involved to be clear about how they think activities add up to results. Doing so subjects each “theory of what matters most” to a challenge from every competing theory—exactly the kind of debate the budgetary process should stimulate.

Solicit offers to deliver the desired results: Have the results teams issue “requests for results” to all comers, including their own government’s agencies or departments, other governmental jurisdictions, unions, nonprofits and businesses. Invite these “sellers” to propose how they would deliver the strategies and outcomes—and at what price. Then buy those proposals that experience suggests will provide the best results for the money.

Budgeting for Outcomes focuses attention squarely on the need to buy better results—and deliver higher-value government—with the revenue that’s available.

Within the BFO process, there is a specific role for the City Council. They need to: develop and/or endorse the outcomes; partner with staff to develop and/or endorse the outcomes and the defining indicators that will measure success; decide on the level of public engagement; and review and approve the final spending plan.

CITIZEN ENGAGEMENT

The role of the citizens is defined as well. They need to: partner with the Council and staff to endorse the outcomes and the defining indicators that will measure success.

For the last two biennial budgets the City has used the Peoria Budget Challenge as a primary tool for citizen engagement in the budget. This tool allowed citizens to make the similar decisions that Council has to make in balancing the budget. Staff is in the process of reframing the Peoria Budget Challenge to be outcome-focused and plan on rolling out the tool in late June.

In addition to this engagement tool, staff is working on utilizing the same platform that was successful for the riverfront park planning (www.planpeoria.com). The platform will allow the public to provide input into proposed outcomes and to define what results matter most to them.

During the 2019 Revised Budget discussion, several business leaders convened to review the City’s fiscal challenges. Mayor Ardis has requested that the business leaders reconvene in 2019 to review the biennial budget process. This committee would convene in July to provide recommendations to the Council.

Building off the success of direct mail communications in solid waste education, the City staff will be preparing a mailer that explains the changes to the budget process and seeks the input of the citizens. This mailer will be distributed in July.

One public budget workshop will be held in July as well, with the intent of hosting a meeting where the public can hear directly from the City staff on the BFO process and provide input into the proposed outcomes and measures.

THE PROPOSED BUDGET CALENDAR

The integrated strategic and budget calendar During April and May below outlines specific milestones to revise the Council Strategic Plan and the budget process:

April/May

- Strategic Planning facilitation consultant selection
- Budget pre-work to develop the BFO process
- Operational plan development

June

- BFO process training for staff
- Joint strategic planning workshop with Council and Department Heads to set the priorities and identify outcomes
- Establish “outcome teams” to define strategic objectives and key performance indicators for each outcome
- Launch the operational performance measurement dashboard
- Roll out the Peoria budget challenge

July

- Establish a website dedicated to receiving public input on outcomes
- Budget mailer to citizens
- Business Community Budget Committee convenes
- Craft and present budget “offers” to outcome teams
- Public budget workshop to gather public input and validate outcomes
- Joint strategic planning workshop with Council and Department Heads to prioritize outcome funding and validate public input

August

- Outcome funding allocations and recommendations to City Manager
- Capital Improvement plan prepared with recommendations to the City Manager

September

- A recommended Biennial Budget is submitted to the City Council from the City Manager
- The City outcome measures and report is prepared
- The first quarterly review of the operational performance dashboard commences
- Council deliberations begin

October

- Budget deliberations continue
- Council Strategic Plan and Biennial Budget is adopted by October 31

STRATEGIC PLANNING
 BUDGETING FOR OUTCOMES
 PERFORMANCE MANAGEMENT

MAY

JUNE

JULY

AUGUST

SEPTEMBER

OCTOBER

