City of Tukwila

Allan Ekberg, Mayor

INFORMATIONAL MEMORANDUM

TO: **Finance Council Committee**
CC: **Mayor Ekberg**

FROM: **Peggy McCarthy, Finance Director**

BY: **Vicky Carlsen, Deputy Finance Director**

DATE: **February 14, 2018**

SUBJECT: **Update on Progress in Implementing Priority-Based Budgeting and Next Steps Regarding Community Outreach and Engagement (Updated from September 6, 2017 meeting)**

ISSUE
As part of the City's 2017 work plan, staff reviewed the current budget process and recommended enhancements to the 2019-2020 process by adopting Priority-Based Budgeting. Priority-Based Budgeting will allow the City to meet its current biennial priority of "Ensuring organizational effectiveness and responsible fiscal stewardship," while also directly aligning with the Strategic Plan goal of maintaining "A high performing and effective organization."

BACKGROUND
A City budget serves several functions. The central goal of the budget process is to help Council make informed decisions about what services should be funded, and how to promote stakeholder participation in the process. A good budget process:
- Incorporates a long-term perspective,
- Establishes links to broad organizational goals,
- Focuses budget decisions on results and outcomes,
- Involves and promotes effective communication with all stakeholders, and
- Provides incentives to management and staff.

Based on GFOA's "Best Budgeting" practices, a budget is a policy document, a communications device, a financial plan, and an operations guide. The City receives the GFOA budget award every two years for this document, representing the City's ongoing commitment to conforming to these guidelines. To keep current with these best practices, it is important for the City's budget process to evolve over time. In planning for the next biennium, staff and Council reviewed the various budgeting methods available and chose to move forward with Priority-Based Budgeting.

Priority-Based Budgeting
Priority-Based Budgeting helps us answer the following five questions:

1. *What are we in business to do?* These are the high-level and over-arching reasons the City exists in the eyes of our community.
2. *What exactly do we do?* This is a comprehensive listing of all programs offered by the City along with the associated costs and staff count.
3. *How do we prioritize programs?* Programs are scored against established attributes to determine degree of relevance. Attributes could include the following:
   a. Level of mandate to provide program
   b. Reliance on City to provide program
   c. Cost recovery of program

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      d. Change in demand for program
      e. Size of population served
      f. Community support for program
4. *How do we know if we are successful?* Performance measures can be used to determine if we are going in the right direction.
5. *How do we ask better questions that lead to better decisions about what we do and why we do it?* Resources can be allocated based on the prioritization of programs.

The following elements of Priority-Based Budgeting can be utilized to help answer these questions:

- <u>Community Involvement</u> - In order to determine the answer to *'what are we in business to do?'*, it is imperative to get community members involved in the budgeting process. Public participation can help government be more accountable and responsive and can improve the perception of the value the public receives from government. The Government Finance Officers Association (GFOA) recommends that governments incorporate public participation efforts in planning, budgeting, and performance management results processes. Although the City has consistently provided opportunities for public input through public hearings and budget workshops, there are always ways to improve accessibility.

- <u>Program Budgeting</u> - Program budgeting answers the question *'what exactly do we do?'.* Program-based budgeting is a tool where all budgetary information is organized around the City's programs and services, instead of by department and division. The result is a budget that shows costs of the program, revenues generated by the program, and how the program ties to citywide goals.

  Departments and divisions typically include several individual programs. Budgeting by programs increases transparency and accountability within departments by breaking down budgets into smaller, easy to understand units. Programs are also easier to manage and help hold staff accountable.

  Rather than incrementally increasing or decreasing the budget each cycle, program budgeting requires that the entire budget is reviewed during each budget process. When economic downturns force difficult budget decisions, it's easier to trim the budget when you know how programs stack up against the priorities of the City. Conversely, when new revenue sources are identified, policy can ensure that the additional revenue sources are applied to priorities.

- <u>Prioritizing Programs and Aligning Programs to Strategic Goals and priorities</u> - This next step in the process helps answer the questions, *'how do we prioritize programs?'* and *'how do we ask better questions that lead to better decisions about what we do and why we do it?'.* Once programs are identified and budgets are allocated to programs, each program is then evaluated against established attributes. These attributes can include whether the program is mandated, or how much of the population is served by the program. The higher the program scores on the rating scale for each attribute, the higher the priority to the City and the community. Once the programs are scored, then each program is linked to strategic goals and priorities to demonstrate how much the City invests in each.

- <u>Performance Measures</u> - Measuring performance provides a quantifiable way to recognize successes and identify areas needing improvement, and allows policy makers, managers, and residents to evaluate the quality and effectiveness of government services. In other

words, it answers the question *'how do we know if we are successful?'* Performance measures quantitatively evaluate the return from resources spent on programs and services. Generating information about program results and outcomes and should be an integral part of any budget process. Performance measure data can bring rationality to planning and budget discussions by demonstrating how the use of resources over time have met strategic goals.

Benefits of Priority-Based Budgeting
By implementing Priority-Based Budgeting, the City can move toward a more transparent budget process with increased stakeholder participation.

Priority-based budgeting provides a comprehensive review of the entire City. Resources can be reallocated to make positive change without laying off staff and without making significant changes to programs and services the City offers. Staff time is reallocated from low priority programs to high priority program staffing needs before additional staffing is considered.

Center for Priority-Based Budgeting
The Center for Priority-Based Budgeting is a leader in assisting organizations in implementing priority-based budgeting. The Center provides technical and advisory services and will tailor the scope of work to meet our specific needs. Due to the staff time necessary to lay the groundwork ensure a successful implementation we contract with the Center for specific services including informing the full Council on the benefits of priority-based budgeting, assisting departments in identifying programs, and improving community involvement in the budget process. Cost for services come from existing budget.

Timeline
Since these enhancements are long-term in nature, this transition will stretch over multiple budget cycles. The 2019-2020 Budget Process will have elements of our current budget process and Priority-Based Budgeting. We anticipate full implementation of Priority-Based Budgeting for the 2021-2022.

DISCUSSION
The purpose of this memo is to update Council on progress to date in implementing Priority-Based Budgeting, and the next steps in implementation, particularly regarding community outreach and engagement.

Progress to Date
In October the City officially partnered with the Center for Priority-Based Budgeting to assist with the implementation of Priority-Based Budgeting. The Center is under contract through the end of June, at which time, the City should have completed the following steps:
- Identifying programs
- Allocating 2017 and 2018 budgets to programs
- Develop attributes in which to score programs
- Score programs and group them in tiers

Through the end of January, most departments have completed identifying programs for the general fund and capital project funds. Enterprise fund programs will be identified in the upcoming weeks.

Departments have begun allocating 2017 and 2018 budgets to programs with the goal of all budgets allocated to programs by mid-March. Also, during March, attributes to score programs

will be drafted with the intent of completing the scoring step by the end of April. Scoring in April will apply to the 2017-2018 budget using the existing strategic goals.

Once these steps have been completed, the backbone for priority-based budgeting will be in place, and utilized, for drafting the 2019-2020 budget.

Next Steps
In order to score programs against the City's strategic goals for the 2019-2020 budget, it is important to take the strategic plan back to the community to make sure it still reflects the community's priorities. In 2012, the City underwent an extensive community process to develop a strategic plan. (http://www.tukwilawa.gov/departments/mayors-office/city-publications/) The 2012 Plan identifies five goals:
1. A Community of Inviting Neighborhoods and Vibrant Business Districts
2. A Solid Foundation for All Tukwila Residents
3. A Diverse and Regionally Competitive Economy
4. A High-Performing and Effective Organization
5. A Positive Community Identity and Image

The City's Community Engagement Manager, Mia Navarro, is developing an outreach plan to check back with the community and with staff on the strategic goals and objectives, and present recommended changes to Council and City leadership. The outreach plan includes the following elements (more detail can be found in the attachment to this memo).
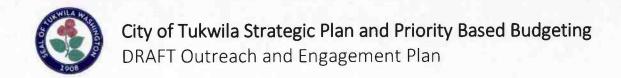- At least one community workshop (Tentatively scheduled for 4/21/2018)
- A video in multiple languages introducing Priority-Based Budgeting and outlining the strategic plan for both the community and employees
- A survey in multiple languages for both the community and employees that asks:
  - What do you like about the plan? /What is important to you?
  - What would you change about the plan? /What's missing?
- Internal meetings, presentations, and workshops
- Presentations at existing community meetings (Road Show)
- Promotion on our print and digital media outlets, and partner media outlets such as the Tukwila School District
- Outreach to businesses

RECOMMENDATION
Staff recommend forwarding this discussion to the Committee of the Whole on February 26, 2018 to get full Council feedback and consensus on the proposed process for seeking community feedback on the strategic plan and updating the strategic plan.

ATTACHMENTS
City of Tukwila Strategic Plan and Priority Based Budgeting DRAFT Outreach and Engagement Plan

OVERVIEW

The City of Tukwila is moving to a Priority Based Budgeting system, wherein we budget for programs and priorities, rather than by line items. Part of this process is to score programs against the City's priorities. In 2012, the City developed a strategic plan with a lot of community input. The City wants to make sure those goals and priorities are still accurate before scoring City programs against those goals and priorities.

PURPOSE & GOALS

The purpose and goals of the in-person and online activities are to:

- Introduce Priority Based Budgeting
  - Concept
  - Timeline for Implementation
- Review 2012 Strategic Plan
- Get feedback from the community on the strategic plan:
  - What do you like? What's important to you?
  - What is missing? What would you change?

AUDIENCES

- All Tukwila residents, including voters and non-voters, residents familiar with the project and those who are not
- Community organizations
- Tukwila businesses and their employees
- City of Tukwila employees and volunteers
- Tukwila City Council

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ACTIVITIES

MEETING	**In-Person Workshop**
TARGET AUDIENCE	School District, students, families, residents, and businesses
DATE / TIME	Saturday, April 21, 10 am to 12 pm
VENUE	Foster High School or Sullivan Center. Food, child care, and translation/interpretation will be available.
VENUE CONTACT	(TBD)

ACTIVITY	**Online Feedback – Video and Survey and multiple languages**
TARGET AUDIENCE	All
DATE / TIME	24/7 March-April
VENUE	Online
VENUE CONTACT	N/A

ACTIVITY	**Roadshow**
TARGET AUDIENCE	All
DATE / TIME	March-April
VENUE	In-Person
VENUE CONTACT	(TBD)

ACTIVITY	**Internal Engagement**
TARGET AUDIENCE	City Staff
DATE / TIME	Feb/March/April
VENUE	Department Meetings (Intro) Mayor's Brown Bag Break Room feedback Workshop(s)
VENUE CONTACT	(TBD)

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EVENT AND SURVEY PROMOTION

Big picture:

- **Beginning six weeks before the in-person workshop**—save-the-date notices will start about six weeks in advance of the in-person workshop.
- **Beginning four weeks before the in-person workshop**—targeted, thorough notifications will provide reminders about the in-person and online opportunities for feedback.
- **Follow-up post event**—This is perhaps the most critical part of this and any outreach and engagement project. We will identify report back points throughout the year after the survey and workshop to tell the community and employees, including but not limited to:
  - How the information will be/is being used
  - How/if Council and City leadership decided to change the strategic plan
  - Budget process timeline and hearings

The workshop, survey, and follow-up messaging will be promoted via:
- Postcard (mailing)
- Social Media Posts (Facebook, Twitter)
- City of Tukwila project website
- Email
- Posters/Flyers/Kid mail
- Press Release
- Hazelnut
- E-Hazelnut
- High School Youth
- Community Connectors
- TukTV
- Tukwila Reporter
- Internal
  - Yammer
  - Email
  - Postcard

ROAD SHOW LIST

PTA and other school groups
City of Tukwila Boards and Commissions
Foster High School Civics and Leadership Classes, Bulldog Academy
Friends of the Hill(?)
Rainbow Haven and Orchard Park Communities
Refugee women's Alliance
Duwamish and Southcenter Rotary Clubs
Tukwila Pool
TIBAC
Tukwila School District Providers Network
Tukwila Houses of Worship
Neighborhood Groups
Ethiopian Center of Seattle
Community Connectors