
Integrating Goal-Setting into the Budget Process

The City has used a policy-driven, goal-oriented, multi-year budget process since 1983-85, when we first implemented the use of a two-year Financial Plan and Budget.

However, in preparing the Financial Plan fourteen years ago for 1989-91, it became clear that we needed to better integrate Council goal-setting into the Financial Plan process if we were to achieve what we believe is the fundamental purpose of the City's two-year budget process:

Link what we want to achieve over the next two years with the resources required to do so.

As many other cities do, the City has set forth a number of long-term goals to accomplish through a variety of policy documents and plans – such as the General Plan (and its many related elements such as open space, circulation, parks and recreation, and housing), Water and Sewer Master Plans, Access and Parking Management Plan, Pavement Management Plan, Short-Range Transit Plan, Bicycle Plan, Facilities Master Plan and Downtown Physical Concept Plan.

However, with limited resources, some process must be developed for evaluating priorities and determining which of the goals included in these plans will be accomplished over a given period of time.

As noted above, we believe that this is the fundamental purpose of our two-year Financial Plan and Budget process, which does this by:

- Identifying the most important things for us to accomplish for our community.
- Establishing organizational responsibility and reasonable timeframes for achieving them.

- Allocating the resources necessary for programs and projects to implement them.

General Approach to Integrating Goal-Setting and the Budget

To meaningfully link achieving important objectives with necessary resources requires a process that identifies key goals at the very beginning of budget preparation. *In short, setting goals and priorities should drive the budget process, not follow it.*

Importance of early Council involvement in the process. For this reason, beginning in 1991-93, early Council involvement in setting major City goals and priorities has become the first major policy step in preparing the Financial Plan. This approach allows the City to better focus our organization-wide efforts and resources in ensuring that the most important, highest-priority objectives are accomplished, and that these high-priority objectives are communicated to the public.

While the specifics of this process may vary from Financial Plan to Financial Plan, the essential component of ensuring early Council direction in setting goals for the next two years that drives the budget process remains in place. This contrasts with an earlier perception that the Council was simply responding to a staff-prepared document that was submitted to them late in the process.

Our current approach to goal-setting has been in place since 1991. The following describes our process and experience for 2003-05.

Goal-Setting Process for 2003-05

The City's Financial Plan process for 2003-05 began in July 2002 when the Mayor, City Administrative Officer (CAO) and Director of Finance briefed all of the City's advisory body chairs at their regular quarterly meeting with the Mayor on the City's

budget process and the important role that advisory bodies play in this process, which is to prepare suggested work programs for the Council to consider as part of the Financial Plan goal-setting process.

Recommendations from Council advisory bodies are just one of the many background materials and input provided to the Council as they prepare for setting goals for the highest priority, most important things for the City to accomplish over the next two years.

As discussed previously, Council goal-setting is the first formal step in the City's two-year budget process. This helps ensure that the Preliminary Financial Plan and Budget prepared by the staff and presented by the CAO later in the process clearly addresses and responds to the hopes and aspirations of the City's elected leadership.

Attached is a simple "flow chart" summarizing the City's approach to goal-setting and how it is directly integrated into the budget process. The following provides a narrative overview of the key steps reflected in this chart.

Council Goal-Setting Workshops. In setting goals for 2003-05, the Council used a four-step process:

1. **Background: "Setting the Table."** This workshop was held on November 15, 2002 to provide the Council and community detailed background information on the status of General Plan work programs; long-term capital improvement plan (CIP); status of current 2001-03 major City goals; status of current CIP projects; and general fiscal outlook.
2. **Financial Plan Process and Fiscal Forecast.** Held on December 10, 2002, the purpose of this workshop was to further lay the foundation for goal-setting by: finalizing the process that would be used by the Council in setting goals; reviewing budget and fiscal policies; presenting audited financial results for 2001-02; and considering a detailed five-year forecast for the General Fund.
3. **Community Forum.** An evening workshop was held on January 14, 2003 to receive comments and suggestions from Council advisory bodies, community groups and interest

individuals on what they believed were the highest priority, most important things for the City to accomplish over the next two years.

Preparing for the Forum. Advance notices about this workshop and the City's budget process were mailed to 200 groups and interested individuals. Notices were also placed in the local media, and feature articles on this process were published.

Additionally, a "community budget bulletin" was inserted in the City's utility bills providing information about the forum and the City's budget process, and asking what they believed were the most important things for the City to accomplish over the next two years.

Formal goals were received from 11 Council advisory bodies, and written comments were received from 22 community groups and interested individuals. Over 600 replies were received in response to the City's open-ended survey in the community budget bulletin, and about 150 citizens participated in the workshop.

4. **Goal-Setting Workshop.** The community forum was followed-up by an all-day Council goal-setting workshop on February 1, 2003.

Significant effort went into preparing for this workshop, including prior agreement on the process that would be used by Council members in identifying and prioritizing goals; summary results of the community forum and community budget bulletin survey; and preparation of comprehensive "briefing books" on background materials.

It also included soliciting candidate goals from each Council member before the workshop. City staff consolidated these "verbatim," organizing them by common "themes" (not by Council member: in fact, this information was not included in the summary) and distributed before the workshop.

Using the services of a facilitator specializing in group goal-setting, the Council reached agreement on 19 goals at the workshop organized into one of three possible priority

groupings based on the consolidated rankings on a weighted scale by each Council member:

Major City Goals. These represent the most important, highest priority goals for the City to accomplish over the next two years, and as such, resources to accomplish them should be included in the 2003-05 Financial Plan. If the work program approved by the Council for a major City goal is not included in the Preliminary Financial Plan prepared by the CAO, compelling reasons and justification must be provided as to why resources could not be made available to achieve this goal. In short, these are “must fund” goals.

Other Important Goals. Goals in this category are important for the City to accomplish, and resources should be made available in the 2003-05 Financial Plan if at all possible.

Address As Resources Permit. While it is desirable to achieve these goals over the next two years, doing so is subject to current resource availability. *Note: For 2003-05, none of the Council goals fell into this category.*

About the Prioritization Process. As noted above, the Council used an approach that they agreed upon in advance before the workshop. Working with the facilitator from the consolidated listing of candidate goals submitted in advance by each Council member, the Council “pruned” this initial listing to 19 objectives, either combining similar ideas into one objective, refining language or dropping (by consensus) some altogether. The Council then prioritized these goals using a rating system of 0-5, with 50 points total to allocate towards all goals.

Based on their consolidated rating—and after further review and discussion at a follow-up Council meeting, each of the 19 goals were placed into the priority groupings noted above.

Detailed Work Programs

Following this goal-setting workshop, staff prepared detailed work programs for the *Major City Goals* in order to:

- Clearly define and scope the work program.
- Ensure that there is a clear understanding of the means used in pursuing the goal.
- Convert the general goal into specific action steps so we can measure progress in achieving it.

Each work program was prepared in a standardized format providing the following information:

- **Objective.** What do we specifically want to accomplish?
- **Discussion.** What are the factors driving the need for this goal? What actions have we already taken in trying to resolve this problem area? What key issues or challenges can we expect in achieving this goal?
- **Action Plan.** What specific tasks will we need to accomplish in order to achieve the goal, and when will we complete them? These “action steps” are the fundamental building blocks in defining and scoping the work program, and in monitoring our progress in accomplishing the goal over the next two years.
- **Responsible Department.** Who is accountable for getting it done?
- **Financial and Staff Resources Required to Achieve the Goal.** What will it take to achieve the goal? Do we need to add resources (staffing, contract services, capital improvement plan project) to do this?
- **Outcome: Final Work Product.** What will we get if we achieve the goal? What’s the “deliverable?”

These work programs were presented to the Council on April 10, 2003. After an in-depth review, the Council provided specific direction on changes in priorities and work scope. The objectives and related work programs that emerged as *Major City Goals* from this process were fully integrated into the Financial Plan and funds appropriated for them as part of budget adoption.

Additionally, other Council goals were incorporated into the Financial Plan as departmental operating

program objectives. All of the goals identified by the Council were incorporated into the 2003-05 Financial Plan in some fashion.

Does This Only Work in the “Good Times?”

The short answer is: no. We have used this process in the both the best and worst of financial circumstances. In fact, a process that helps identify the most important, highest priority things for the City to do is even more important in lean times, where the adverse consequences of getting this wrong are even greater.

Outcomes from this Process

The favorable results from this process are compelling and clear:

- Council advisory bodies, community groups and interested individuals are given an early and meaningful opportunity to shape and influence the City’s budget.
- The elected leadership of the community sets the framework for determining how the City's limited resources will be used over the next two years in achieving important community goals at the beginning of the process.
- The Preliminary Financial Plan and Budget prepared by staff resulting from this process clearly responds to these important community needs as identified and agreed upon by the Council.
- Resources are allocated for achieving our most important, highest priority objectives.
- Accomplishing major City goals becomes the focus of staff efforts, and ongoing status reports are provide to the Council during the two-year Financial Plan process.
- Major goals and work initiatives are identified, agreed upon and clearly communicated to the staff, and most importantly, to the community.

In summary, we believe our process for integrating Council goal-setting into the budget process does an outstanding job of ensuring that our budget process does what it’s supposed to do: ensure that the City’s elected legislative body directs the City’s priorities and major work efforts for the forthcoming two year period, and that limited resources are allocated to addressing our most important, highest priority needs.

ATTACHMENT

Flow Chart: Goal-Setting and the Budget Process

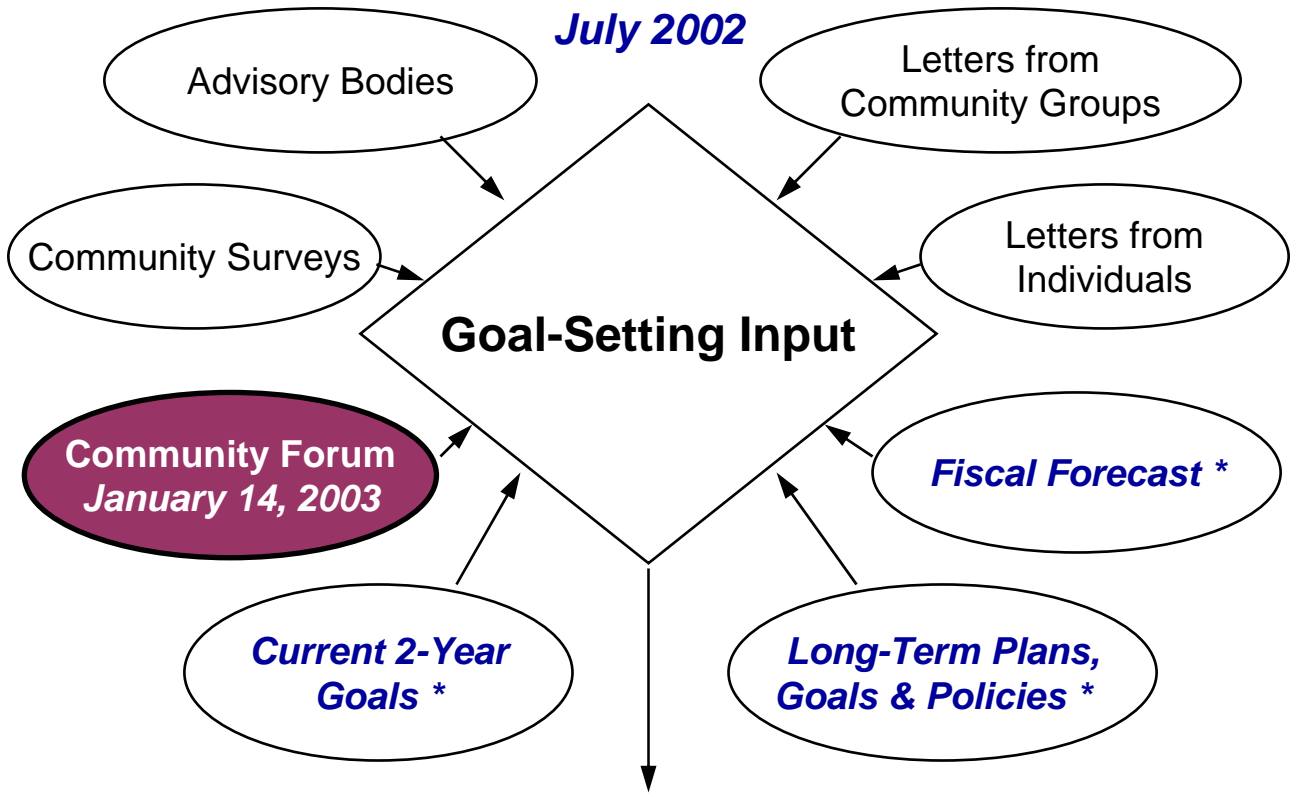


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Goal-Setting and the Budget Process

2003-05 Financial Plan

July 2002



Council Goal-Setting Workshop
February 1, 2003

** Covered at 11-15-02 and 12-10-02 Budget Workshops*

Staff Budget Preparation

Major City Goal Work Programs & Strategic Budget Direction: **April 10**
Preliminary Budget: May 15, 2003
Budget Workshops: **May 22, 27, 29, June 3**
Adopted Budget: June 17, 2003