Budgeting for Outcomes

Alan Shorthouse
City of Olathe, KS
September 18, 2008

Olathe Budgeting for Outcomes
(based on GFOA Best Practice)

- Determine how much money is available

- Prioritize results

- Allocate resources among programs and activities that will most impact the desired results

- Set measures of annual progress, monitor, and close the feedback loop

- Check what actually happened
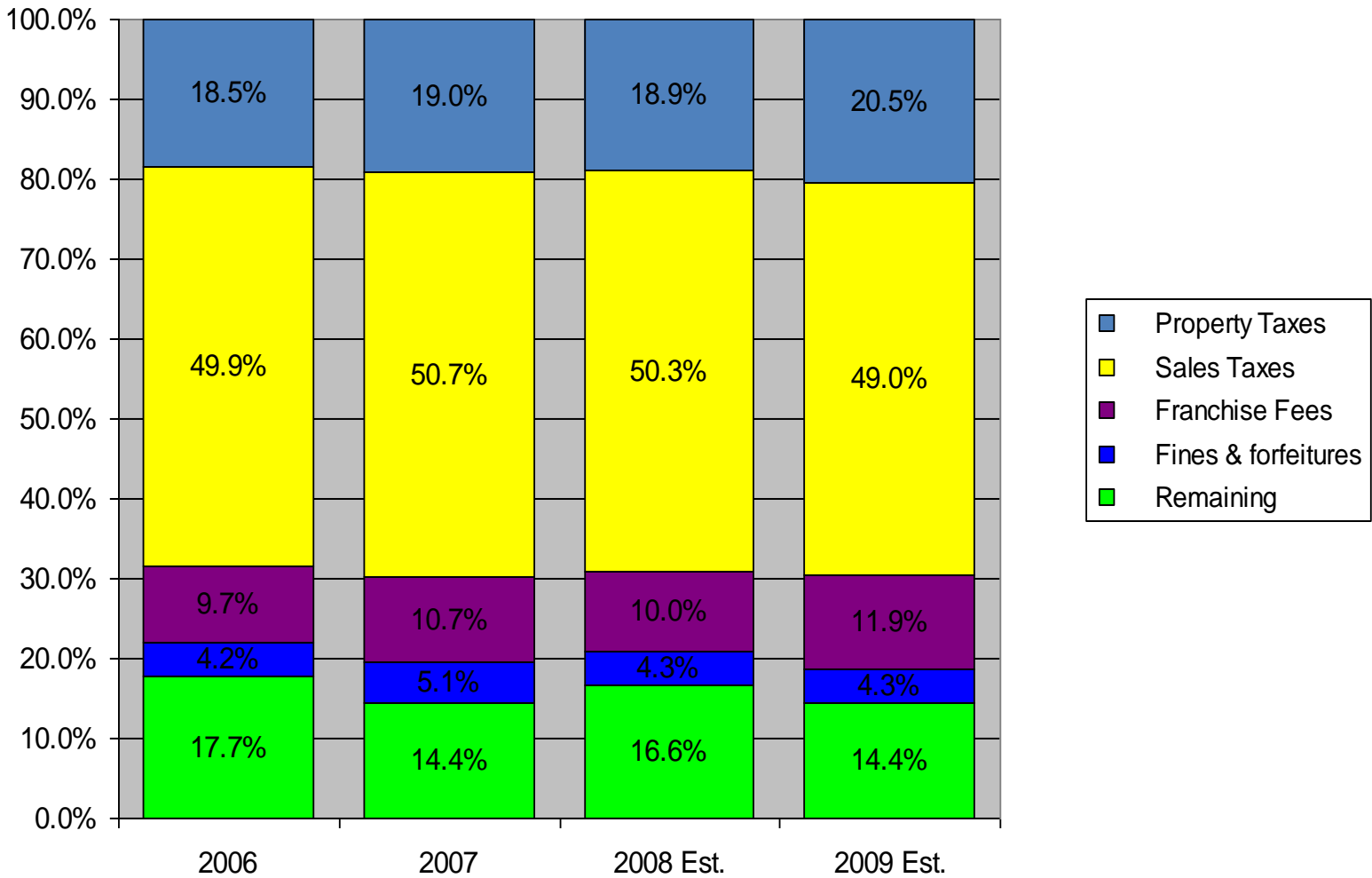
Olathe Budgeting for Outcomes
(based on GFOA Best Practice)

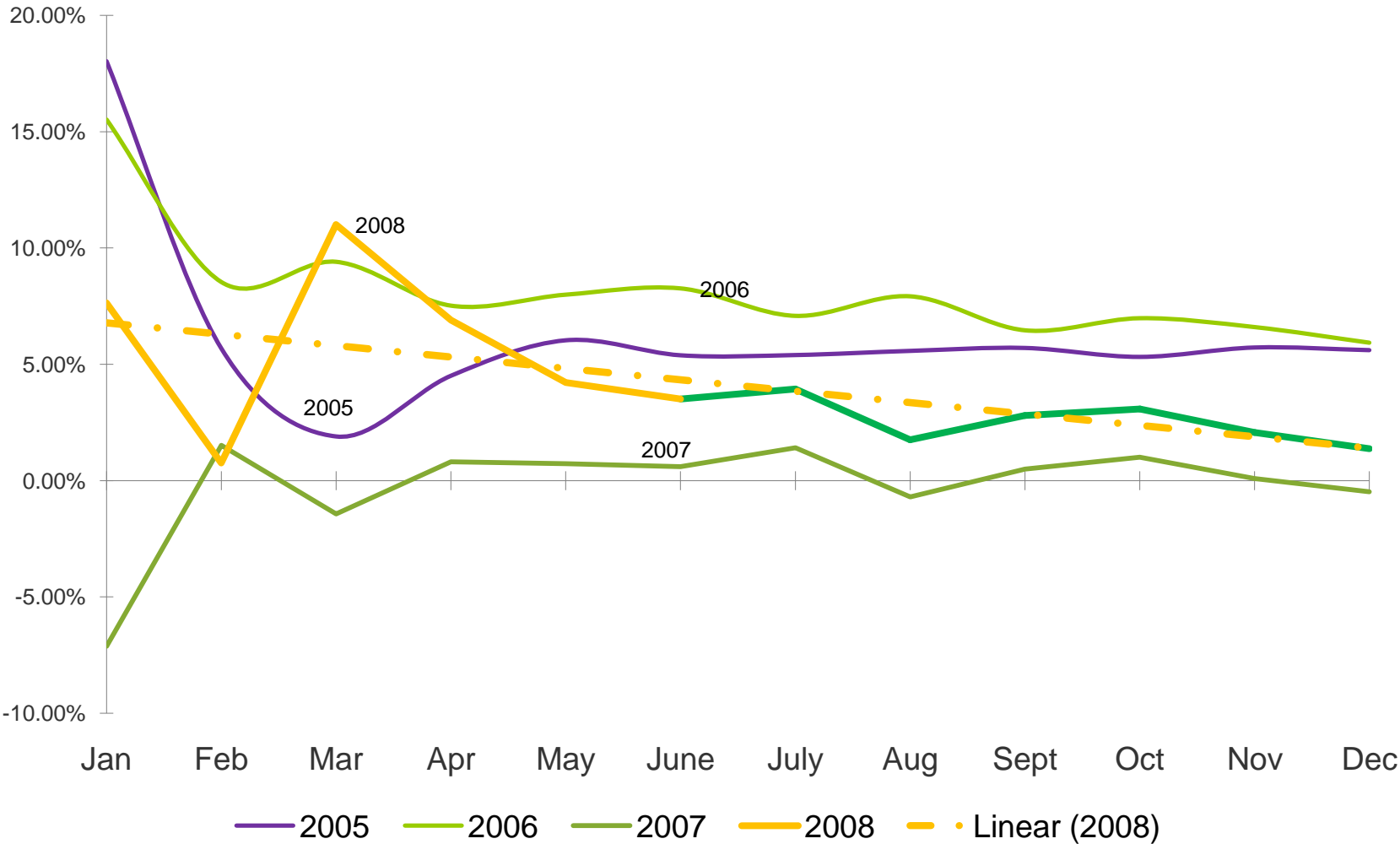- Determine how much money is available

Changing Economy

- National recession
- Housing downturn/foreclosures
- Flat revenue growth…or worse!
- Increased costs (fuel, commodities, benefits, etc.)
- Very difficult decisions

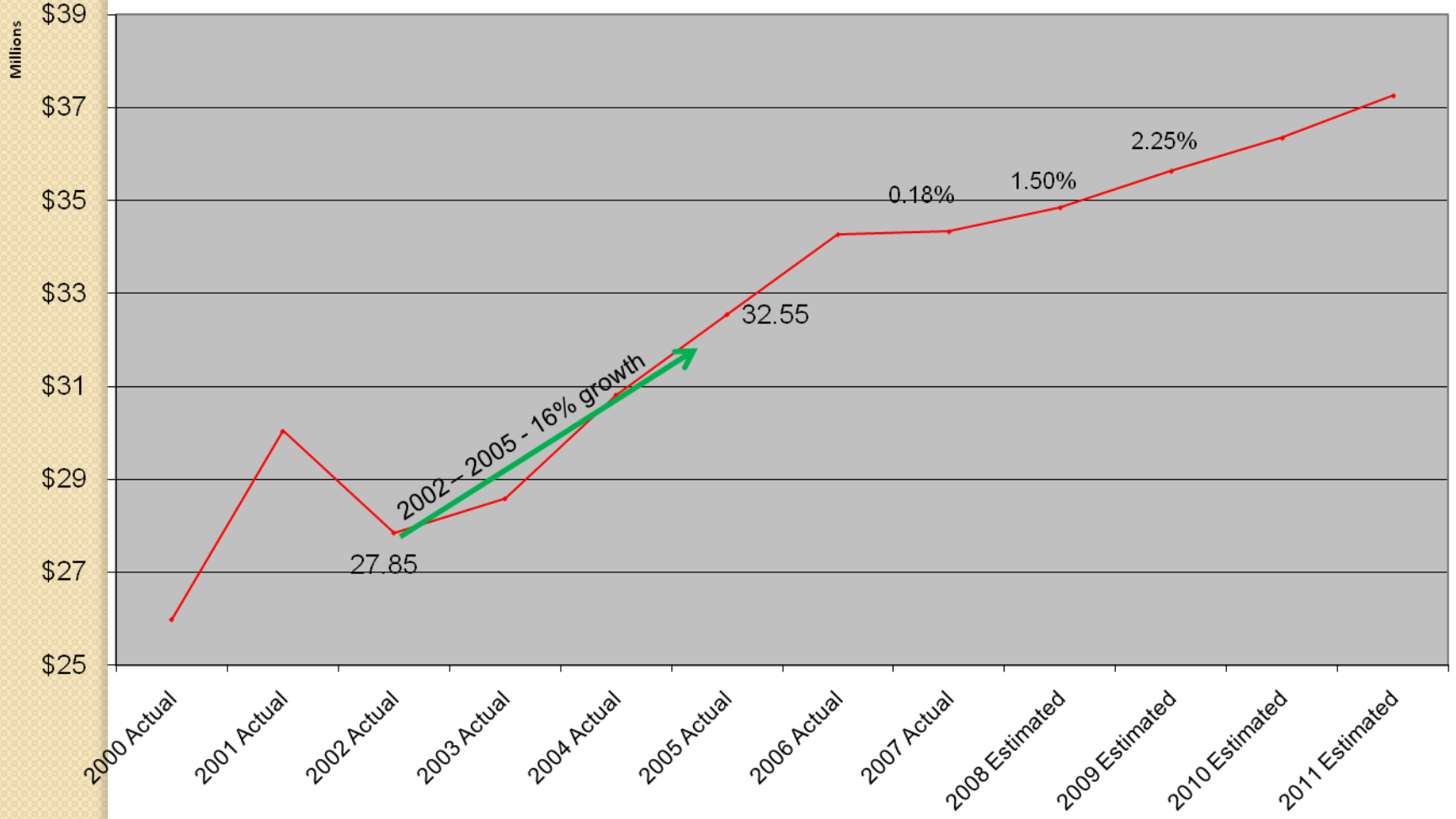# General Fund Revenue
Diversity of Revenue

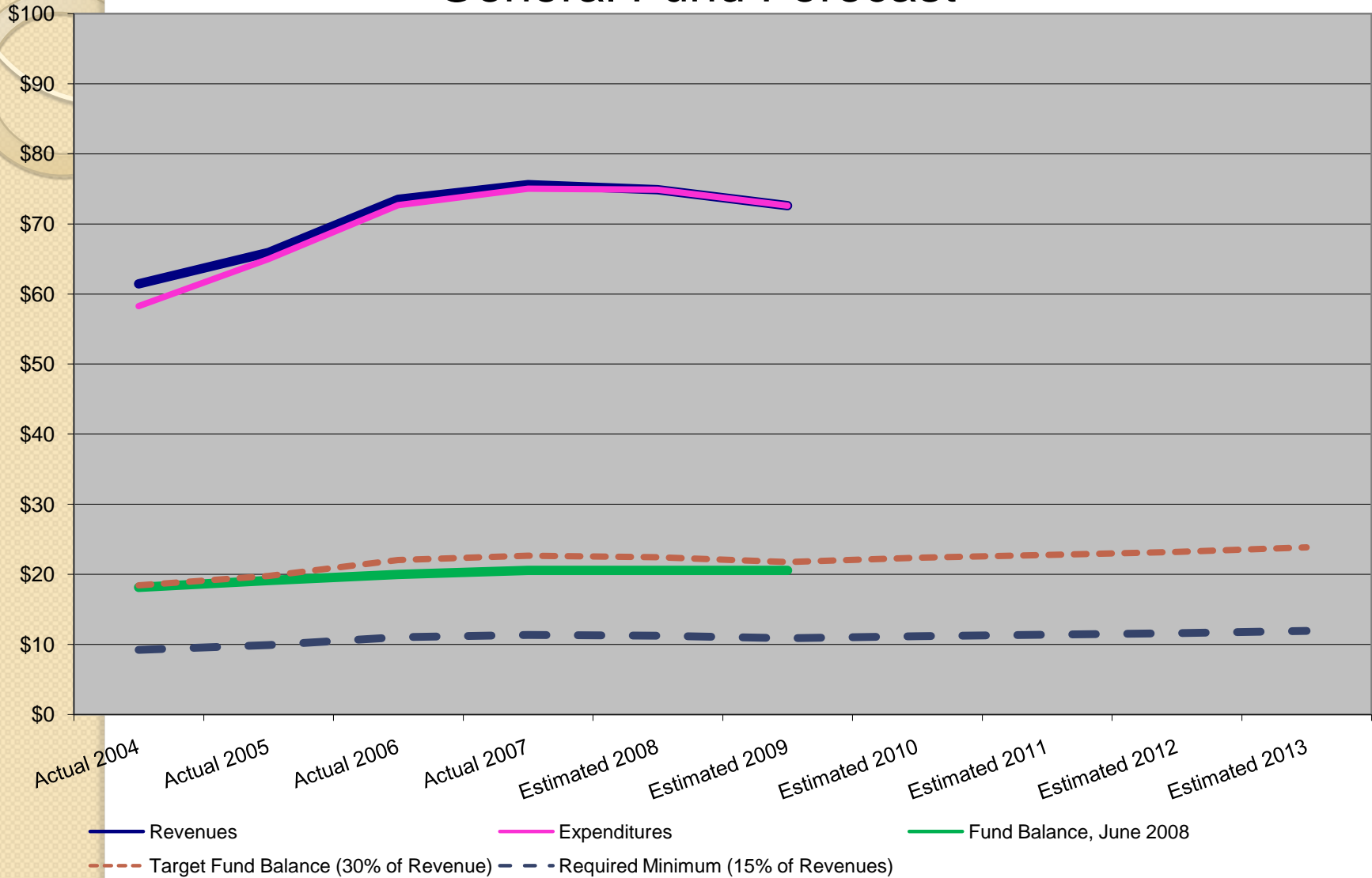Sales Tax Collections
Percentage Growth

Sales Tax Revenue Forecast

June, 2008
General Fund Forecast

The "New Normal"

- Assessed Value   2.5% (10%)
- Sales Tax   1.5% (6%)
- Franchise Fees   2.0% (5%)
- Building Permits ↓ $1,000,000
- Costs ↑
- We have to do something differently

The "New Normal"

- Modification of certain past budget processes to provide an even greater multi-year focus.

- Realization that past service demands have been met with the fruits of rapid commercial and residential growth.

- Recognition that future revenue growth is not going to mirror that of the past. Long-term impacts of current economic conditions, as well as the growth of communities surrounding Olathe, will be permanent fixtures affecting service delivery.

Olathe Budgeting for Outcomes
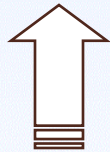*(based on GFOA Best Practice)*

- Determine how much money is available
- Prioritize results

*Setting the Standard for Excellence in Public Service*

Community Focus Areas

Active Lifestyle • Diversity • Downtown • Economic Sustainability • Public Safety • Public Service • Transportation • Service Delivery Support

The strategic priorities are cascaded *down* through the organization

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Organizational
Scorecard

City Council Priorities

• Citizens feel and are safe in person and property

• Match revenue requirements with priority-based, preferred level of service.

• Pursue environmental and economic sustainability.

• Ensure and sustain ridability of streets and visible traffic markings.

• Improve mobility and transportation.

• Meet the needs of changing populous in housing and land use patterns.

• Achieve informed (fact based, data driven) decisions about growth.

The measurement results are rolled back *up*

Bottom-up execution

Top-down articulation
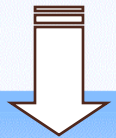
Organizational Objectives

Customer

- Promote Community Health, Safety & Welfare
- Improve Mobility
- Revitalize the City's Central Core and Strengthen Neighborhoods
- Develop a Sense of Community
- Promote & Preserve Cultural and Ethnic Diversity
- Improve/Preserve Parks, Open Space, Historic Sites & Recreation Opportunities
- Improve/Protect the Environment (Air, Water & Land)

Financial

- Deliver High Quality, Efficient & Affordable City Services
- Provide Needed Infrastructure Improvements and Maintain Existing Public Facilities
- Pursue Sustainable Development
- Maintain/Improve Bond Rating

Internal Business Processes

- Maximize the Efficiency & Effectiveness of Internal Business Processes
- Promote Community Engagement

Employee Learning & Growth

- Increase Employee Engagement & Satisfaction
- Recruit, Develop & Retain Productive Quality Staff

STRATEGIC CYCLE

Mission/Vision

Community Strategic Plan

Organizational Scorecard
(City Council Priorities/
Organizational Objectives)

Comprehensive Plan

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KRA Scorecards
Identify organizational objectives to which it will respond & support

• Strategic Objectives
What does KRA need to do (strategy) to support & respond to organizational objectives and KRA mission?

• Strategic Initiatives
What activities, programs & projects must we undertake to achieve organizational objectives and KRA mission?

• Measures & Targets
How will we know desired results are being achieved? What is the data we need to make decisions?

Program Scorecard

Employee Scorecards
(Employee Performance Plans/ Evaluations)

KRA 5 Year Plans
Communication of KRA scorecard to decision makers

Prioritization

Resource Allocation
Budget Process

Service Inventory/Prioritization
(aka skin in the game)

1. Inventory of City services with costs
2. Card sort prioritization of programs
   ◦ Forced prioritization of 68 programs
   ◦ Criteria: High Priority (24), Medium Priority (22), Low Priority (22)

Service Inventory/Prioritization
(aka skin in the game)

21

Program Name: Housing Authority

Dept: NHS

KRA: Diversity

Program Goal: To provide safe and affordable rental housing opportunities to elderly, disabled and low-income families. The housing authority programs supports the Diversity KRA mission "Promote and preserve our diverse community by connecting neighbors through community programs, services and activities" and our Diversity Index which includes Community Equality, Citizen Engagement and Enhancement of Housing and Transportation Services.

Service Inventory/Prioritization
(aka skin in the game)

1. Inventory of City services with costs
2. Card sort prioritization of programs
   - Forced prioritization of 68 programs
   - Criteria: High Priority (24), Medium Priority (22), Low Priority (22)
3. Ranking Key Results

Key Results Dashboard by Priority

Indicator	2005	2006	2007 Actual	2008 Target
1. Crime Rate	32	28.1	26.8	26
2. Overall Satisfaction	115	117	120	≥120
3. Overall value received for City taxes/fees	62%	65%	66%	70%
4. Bond Rating Index	8	8	8	9
5. Percent of Time Water Meets Regulatory Standards	100%	99.9%	100%	100%
6. Fire Confined to Room of Origin	50.8%	48.8%	49.2%	53%
7. Percentage of Cardiac Arrest Patients Arriving to Hospital with a Pulse	8.0%	25.0%	40.0%	TBD
8. Parks & Rec. Satisfaction	NA	85%	82%	85%
9. Solid Waste Diversion	25.81%	23.91%	19.92%	>25%
10. Actual Land Use Mix	Under Development			
11. Mobility Index				
12. Ratio of Public vs. Private Investment in Downtown Redevelopment	NA	$1:$2.70	$1:$0.22	$1:$3
13. Neighborhood Health Index	Under Development			
14. Diversity Index				

Olathe Budgeting for Outcomes
(based on GFOA Best Practice)

- Determine how much money is available

- Prioritize results

- Allocate resources among programs and activities that will most impact the desired results

Budget Objectives

- Address the "new normal"

- Balance delivery of priority services with the resources available

- Sustainable solutions

- Appropriate new/increased user fees

- Protect vital and necessary services

- Consider alternative service delivery models

- Department and employee involvement

Process

1. **Budget Strategy Alternatives –**

   ◦ Operational Efficiencies

   ◦ Cost allocation

   ◦ Cost recovery

   ◦ Service Delivery Adjustments

2. **Filters –**

   ◦ Impact within a 1 – 3 year period

   ◦ Degree of impact to internal/external service delivery

   ◦ Cost recovery

   ◦ Best practices

   ◦ **Alignment with organizational scorecard & priorities**

BSA's by Strategy

Operational Efficiencies, $250,001 , 8%

Cost Allocation, $654,413 , 22%

Service Delivery Adjustment, $1,727,905 , 57%

Cost Recovery, $403,158 , 13%

Total BSA $3,035,477
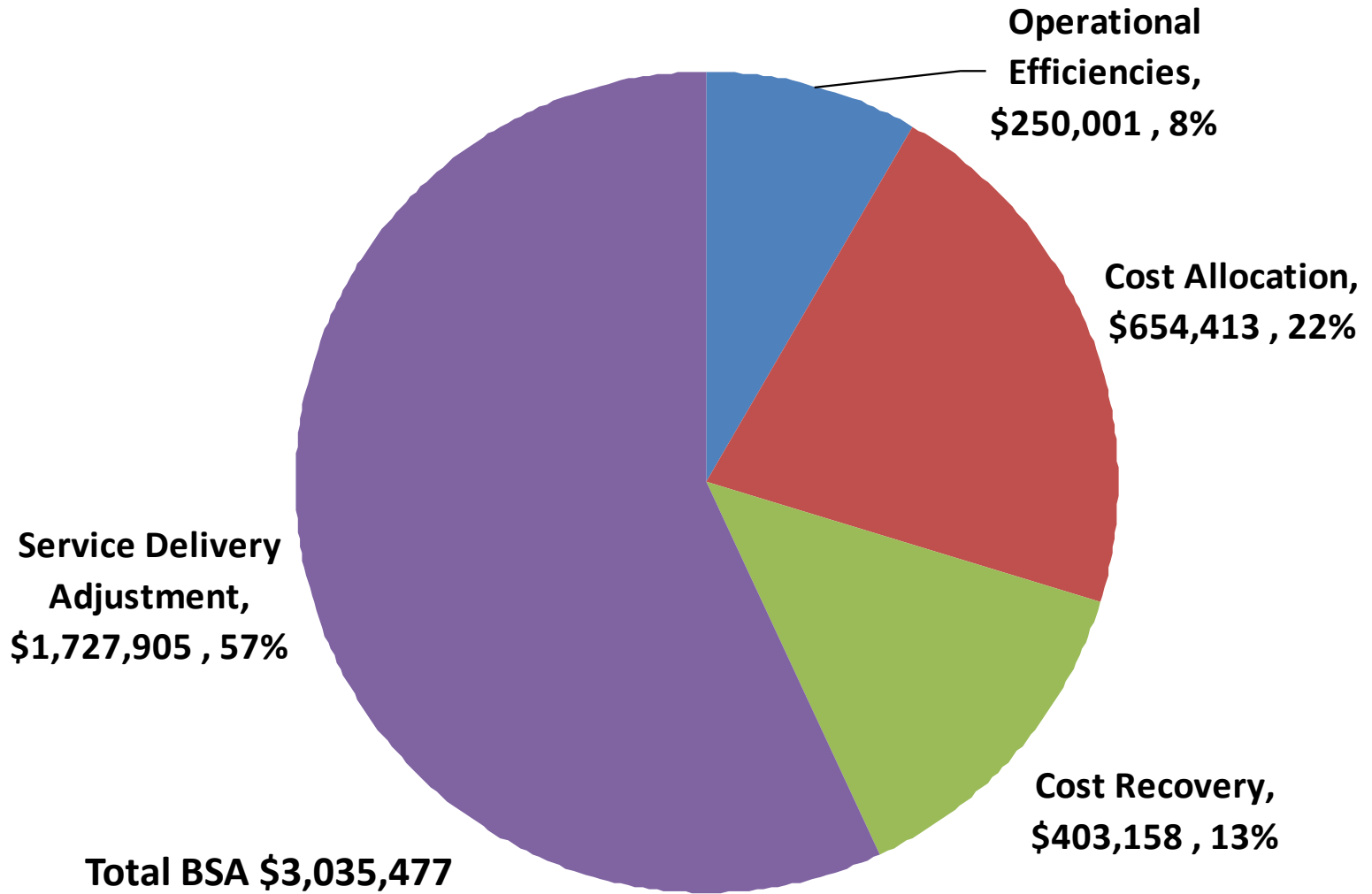
2008 Adjustments

- Hiring Freeze

- Reduction in Force (34 FTE)

- Consolidation

- **Priority based decisions**

- Ongoing expenditure savings of $1,000,000

Closing the Gap

- 2008 Adjustments $1,000,000

- Cost Recovery $403,158

- Operational Efficiencies $250,001

- Cost Allocations $654,413

- Service Delivery Adjustments $1,727,905

Total $4,035,477

2009 Proposed

General Fund

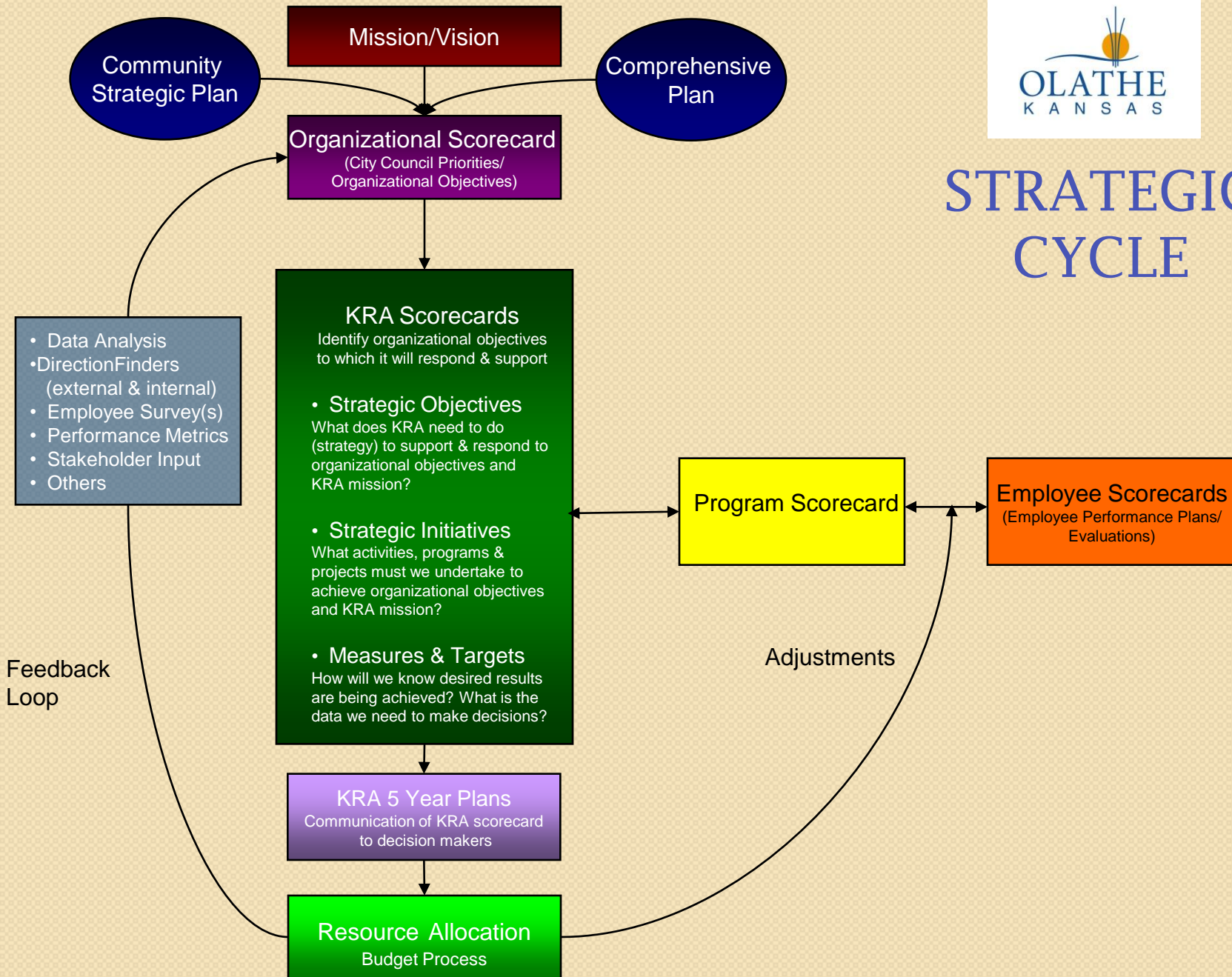| 2008 Adopted	2009 Proposed	%Change
$89,690,899	$85,808,373	- 4.33%

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projects must we undertake to
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and KRA mission?

• Measures & Targets
How will we know desired results
are being achieved? What is the
data we need to make decisions?

• Data Analysis
•DirectionFinders
  (external & internal)
• Employee Survey(s)
• Performance Metrics
• Stakeholder Input
• Others

Program Scorecard

Employee Scorecards
(Employee Performance Plans/
Evaluations)

Adjustments

Feedback
Loop

KRA 5 Year Plans
Communication of KRA scorecard
to decision makers

Resource Allocation
Budget Process

2007

Financial Focus

Customer Focus

Operational Focus

Employee Focus

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Balanced Scorecard
Annual Report

Prepared by the Department of Strategic Financial Management

City of Olathe, Kansas
100 E. Santa Fe
Olathe, KS 66061
www.olatheks.org

Public Safety

Mission: The Public Safety KRA will offer public and private programs, activities and services that promote and provide for the general health, safety and welfare of the community and provide a sense of security and well being.

Strategic Target: Ensure a Safe Community Through Multi-Dimensional Efforts

Focus Area	Results 2005	Results 2006	Results 2007	Target	Comment
Operational					
Crime Rate (Part I) per 1,000 residents	National and regional crime statistics for 2007 will not be available until mid-year 2008				2007 results based on population of 123,258
• Violent	2.9	3.0	3.05	3.0	Part 1 (Violent): Murder, Rape, Robbery, Agg. Assault/Battery
• Property	29.1	25.1	23.76	23.0	Part I (Property): Burglary, Auto Burglary, Theft, Auto Theft, Arson
Clearance Rate (Part I)					% of crimes cleared
• Violent	57.1%	51.0%	66.2%	75.0%	
• Property	19.8%	22.0%	26.0%	27.5%	
Annual calls for service per sworn FTE					
• Police	284.40	270.14	266.23	275.00	2007 Police Results based on a total of 175 FTEs
• Fire	80.0	77.0	74.0	80.0	2007 Fire Results based on a total of 101 FTEs
Percent of Code 1 Emergency Calls responded within 4 minutes from dispatch to arrival on scene of first FIRE unit	59%	56%	60%	90%	Code 1 call for EMS is any incident in which either is or could be life threatening in a short amount of time. On the fire side it is when property of value is being threatened by a fire or could be threatened such as a structure or car fire or reported visible smoke condition. The 4 minutes is the travel time for the initial arriving company of four on-duty personnel to the scene. National Fire Protection Association 1710 states the objective to respond to an emergency incident within 4 minutes is 90% of time.
Percent of structure fires responded within 8 minutes from dispatch to arrival of remainder of first responding unites	39%	49%	68%	84% (90%)	City of Olathe reported 60 structure fires in 2007. The 8 minutes is the amount of time for deployment of an initial full alarm assignment, which requires a minimum of 16 on-duty personnel to the scene. ICMA reports mean average of 84% for population over 100,000. National Fire Protection Association 1710 states the objective to respond to a fire within 8 minutes is 90% of time.
Percent of Cases Successfully Prosecuted					
• DUI	90%	91%	88%	95%	
• Code Enforcement	99%	100%	100%	100%	
• Dangerous/Vicious Dogs	93%	100%	100%	100%	
Percent of Priority 1 police calls responded to in 5 minutes or less	69%	67%	68%	75%	

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Questions?

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