

# What do we do?

Getting started with Priority Based Budgeting

## GETTING STARTED

To implement a Priority Based Budget an organization will need to ask three questions: ***What do we do?***, ***What does it cost?*** and ***Why are we in business?*** To answer these questions costs are allocated to programs and then those programs are scored. Once a Priority Based Budget is established an organization can then work to allocate resources to programs that are most aligned with their results.

## KEY TERMS

### Priority Based Budgeting

PBB is a budget methodology that helps improve decision-making

### Program Inventory

A list of services that the organization provides which is needed to implement Priority Based Budgeting

### Costs

Originate from the line item budget and are separated into Personnel and Non-Personnel costs

### OnlinePBB

Software-as-a-Service application to manage and analyze a Priority Based Budget

## THREE REASONS FOR PRIORITY BASED BUDGETING

1

### ACTIONABLE RESULTS

Allocate resources to where they benefit the community the most

2

### BEST PRACTICE

Recognized as a best practice by ICMA, GFOA, and the NLC

3

### COMMUNITIES OF ALL SIZES

PBB works for small towns of a few thousand citizens and large cities with populations near 1 million

Inventory

Cost

Score

Present

Analyze

Programs should be easy to understand and action oriented



*Examples: Right-of Way Utility Maintenance, Fire Safety Community Outreach*

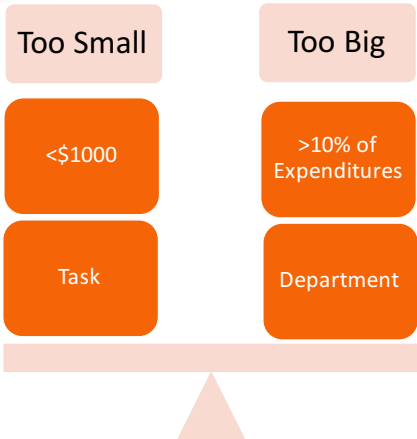
## Two types of Programs Community and Governance

### Community Programs

External Services that benefit the community  
Align better with results like Safety, Economy, Transportation  
*Examples: Directed Patrol, Snow Removal, Playground Maintenance*

### Governance Programs

Internal Services that are necessary for the governing of the city or county  
Align better with results like Compliance, Decision-Making, Workforce  
*Examples: Budget Preparation, Payroll, Building Services Contracts*



A program should not be a task like, "Supplying Bailiff for the Courtroom" which is too small or a department like, "Municipal Court" which is too big, an example of a program is "Court Security Program"

# What does it cost?

Allocating line item costs to programs

## PROGRAM COSTING

When allocating an individual's time to programs, many methods will work. You may want to consider having a manager allocate time for their employees. Or, use this as an opportunity to engage employees in the Priority Based Budgeting process and have them allocate their time to the programs they support. When complete, program costing will help answer the question ***What does it cost?*** to provide services to the community.

## BENEFITS OF PROGRAM COSTING

1

### TRANSPARENCY

Creates a better understanding of the true costs of a service

2

### UNDERSTANDING

Provides more meaningful comparisons for citizens and decision makers

3

### PLANNING

Shows how the workforce is associated with programs

## KEY TERMS

### Program Costing

Allocates the line item budget, both Personnel and NonPersonnel costs to the programs previously identified

### Allocate FTE

Allocate personnel using a percentage of the time they spend on each program

### Allocate Costs

Allocate operating expenses directly or proportionally based on FTE allocation

### Program Revenue

Fees for service and grant monies to programs.

Inventory

Cost

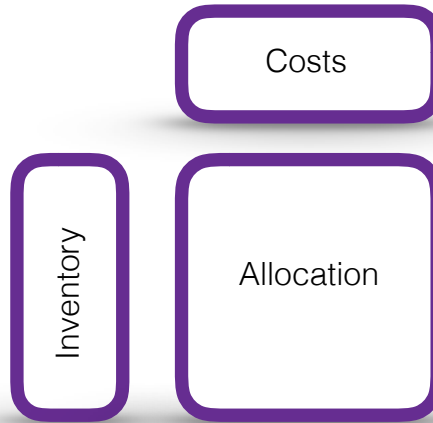
Score

Present

Analyze

# Program Costing

**Do** add and update names and descriptions for Program Inventories



**Do** allocate costs directly, then spread remaining dollars or time

**Don't** edit costs, if information needs to be updated contact your super user

## BEST PRACTICES

- Try to allocate in multiples of 5%
- Completely allocate Personnel then NonPersonnel
- Directly allocate as much as you know first, before spreading the remaining time or costs



Hour

< 1 min	1%
2 min	3%
3 min	5%
5 min	8%
10 min	17%
15 min	25%
30 min	50%
60 min	100%



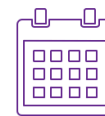
Day

5 min	1%
15 min	3%
30 min	6%
1 hour	13%
2 hours	25%
4 hours	50%
6 hours	75%
1 day	100%



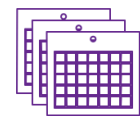
Week

1/2 hour	1%
1 hour	3%
1/2 day	10%
1 day	20%
2 days	40%
3 days	60%
4 days	80%
5 days	100%



Month

1 hour	1%
1/2 day	2%
1 day	5%
1/2 week	13%
1 week	25%
2 weeks	50%
3 weeks	75%
1 month	100%



Year

2 days	1%
1/4 month	2%
1/2 month	4%
1 month	8%
3 months	25%
6 months	50%
8 months	67%
12 months	100%

To get started for a given position, in that budget year, ask yourself how much time do they spend on that program in an hour, day, week, month or year?

*Note: When allocating time, a very small or large percentage may indicate a program is too small or too large*

# Why are we in business?

Prioritizing by scoring programs against results

## PROGRAM SCORING

Priority Based Budgeting answers the question ***Why are we in business?*** by defining a list of results that reflect the values of your community. Results are used to score or prioritize programs. Scoring is done internally by the departments and by their peers. Through Peer Review the entire organization will benefit from greater understanding about what services are offered and how these align with results.

## KEY TERMS

### Results

The goals and objectives and their definitions used to evaluate programs

### Basic Program Attributes (BPAs)

All programs are scored against attributes like Mandated to provide a program

### Community Results

Only Community programs are scored against results like Safety and Economy

### Governance Results

Only Governance programs are scored against results like Compliance and Decision Making

## BENEFITS OF PROGRAM SCORING

1

### COMMUNICATE

Scoring describes the many ways programs affect the community

2

### ALIGNMENT

Apply existing strategic plan and values to the services offered

3

### INSIGHT

Know where to allocate resources to make the most significant impact on results

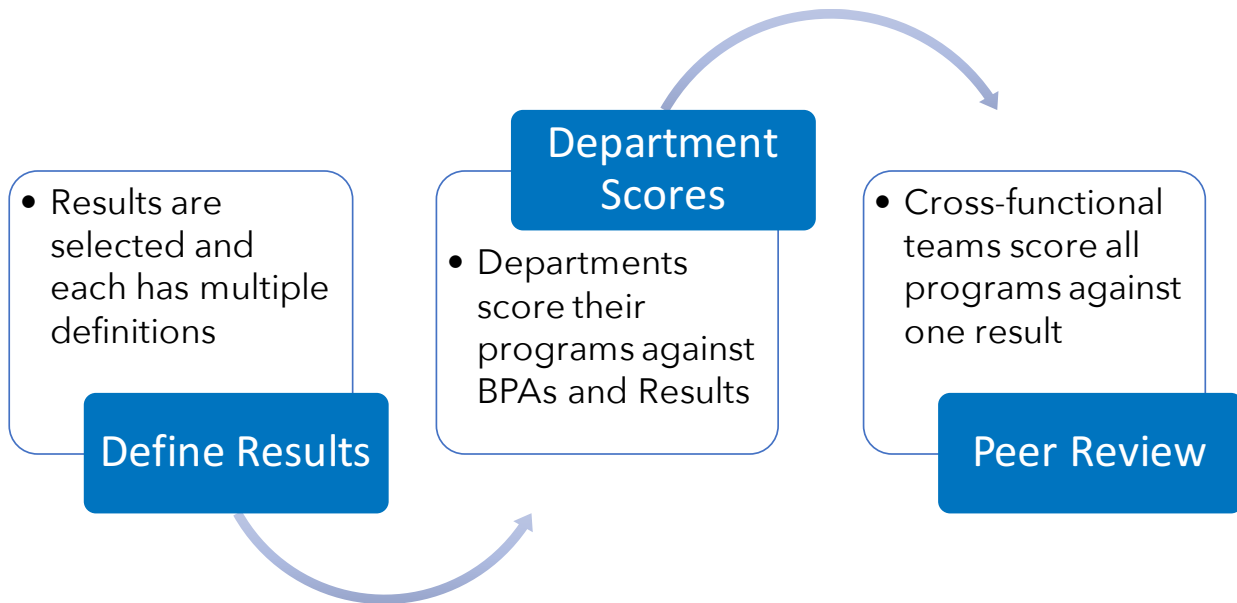
Inventory

Cost

Score

Present

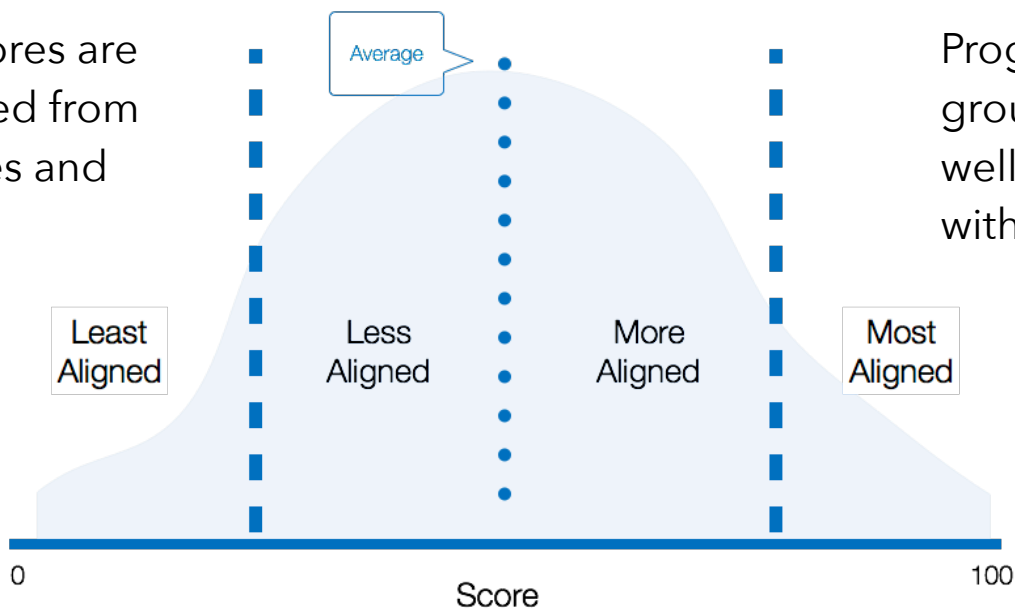
Analyze



### REMINDERS FOR SCORING

- Read through ALL the definitions!
- No program will score perfectly
- Consider what criteria would support a score
- If unsure about a program - ask the department
- For Peer Review sort programs from highest to lowest scores

Final scores are calculated from attributes and results



Programs are grouped on how well they align with results

# How do we explain PBB?

Presenting your work in Priority Based Budgeting

## SHARING THE STORY

Priority Based Budgeting often leads to the question, *How do we explain PBB?* Putting context around PBB is important for those in the organization, elected officials, or constituents. The easiest way to do this is to use the tools to explain who is using PBB, how program budgets are different from a line item budget, and how results and prioritization can share new information about the budget.

## KEY TERMS

**Program Budget**  
Line item costs were allocated to programs to determine the true cost of services

**Community Results**  
Only Community programs are scored against results like Safety and Economy

**Governance Results**  
Only Governance programs are scored against results like Compliance and Decision Making

**Alignment**  
Programs in PBB are described as being very aligned or less aligned with the results

## THREE KEY PARTS TO EXPLAIN PBB

1

### BEST PRACTICE

Recommend by ICMA, GFOA, and NLC

2

### PROGRAMS

Explain how the line item budget was used to create a Program Based Budget

3

### RESULTS

Demonstrate how the values of the organization were used to prioritize programs

Inventory

Cost

Score

Present

Analyze

## Where PBB fits in your organization?

PBB is a part of an organization's overall **impact on the community**



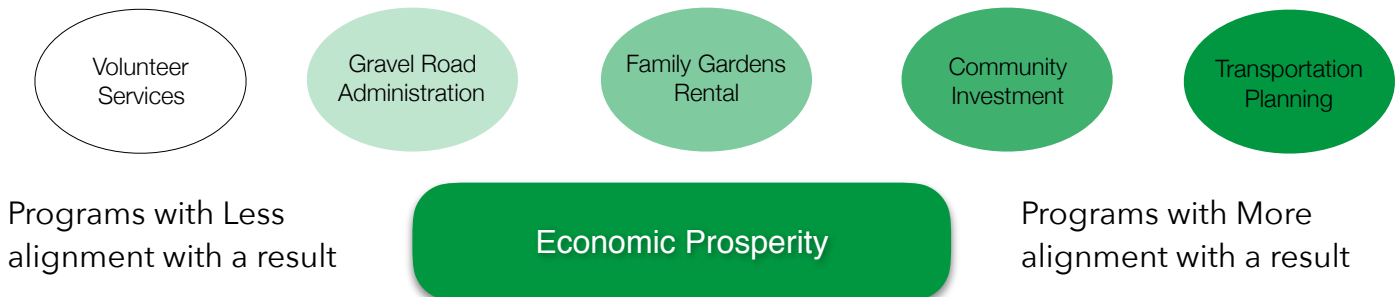
PBB links the **budget** to 4-7 results from the strategic plan

PBB is a recognized **best practice** by ICMA and GFOA

- Internal and External services are described with programs
- The Line item budget is allocated to programs to determine a cost of each service
- Programs are scored against the priorities and attributes

## How PBB is used by your organization?

For example, a Community that identifies Economic Prosperity as a Priority would evaluate all services against this result



Aligning programs with your results allows your organization to better understand how and which services help you reach your goals



# What to do with PBB data?

Analyzing data and taking action to achieve results

## TAKING ACTION – ANALYZING PROGRAMS

Congratulations on completing Priority Based Budget, now the question is, ***What to do with the PBB data?*** Each community's approach is unique, some will incorporate it into their budget book and discuss with their constituents, others will coordinate internally to begin to allocate resources to higher quartiles. We recommend starting by asking the right questions.

## KEY TERMS

### **PBB BluePrint**

A process flow to consider what changes are possible for your programs

### **Resource Alignment**

Use filters by Program Type, Fund, or Result to identify programs for further study

### **PBB Quartiles**

Groups of programs determined by the scoring process, Q1 programs were most aligned with results and Q4 programs were least aligned

### **Policy Questions**

Preset filters based on PBB best practice used to identify opportunities

## QUESTIONS TO ASK WHEN ANALYZING PBB DATA

**1**

### WHAT STANDS OUT?

Look at the highest and lowest programs based on cost

**2**

### WHAT SCORED WELL?

Review the highest and lowest scoring programs

**3**

### WHAT TYPES OF CHANGES?

Use the five policy questions filters or reports to find programs for specific changes

Inventory

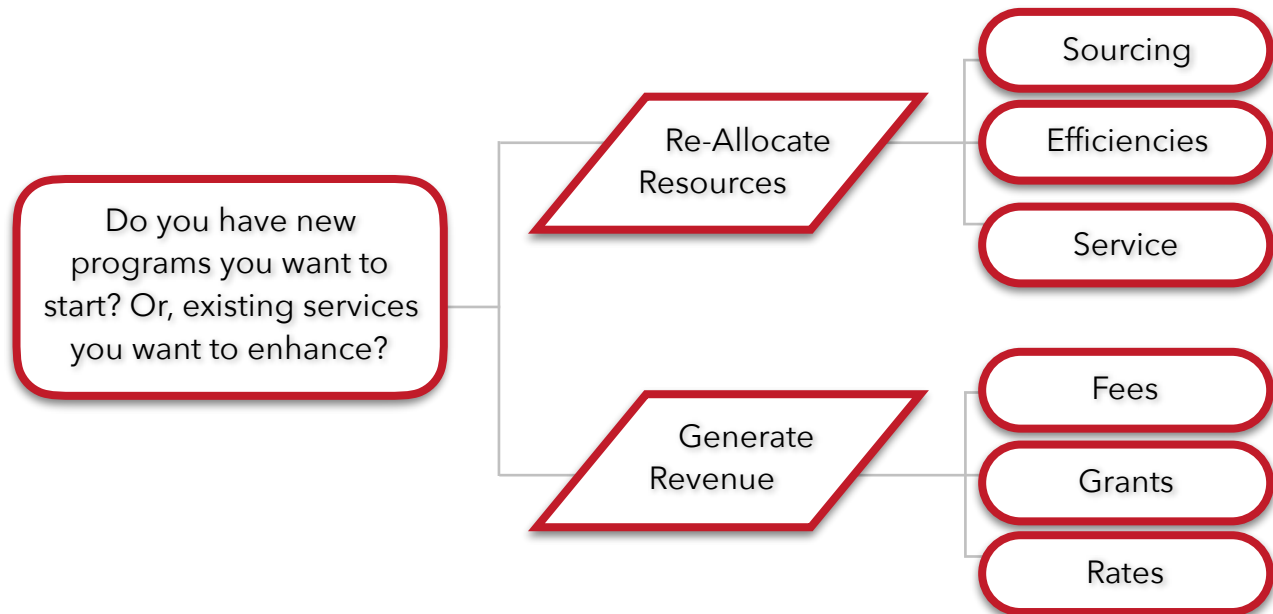
Cost

Score

Present

Analyze

## How to take action on the data?



All organizations have constraints on time and budget, **maximize the impact**, by finding ways to re-allocate existing resources to the areas of greatest need

### Finding Opportunities using Policy Questions

Sourcing	Is there an opportunity for a partnership?
Efficiencies	Is there a technology or process that can free up resources?
Service Levels	Is it possible to reduce service levels in one area to free them up for another?
Fees	Do our fees cover the costs of the service?
Grants	Are we reporting the true costs of services to grant agencies?
Rates	Would it be possible to increase rates or taxes?