

William C. Statler

Fiscal Policy ■ Financial Planning ■ Analysis ■ Training ■ Organizational Review

Integrating Goal-Setting into the Budget Process

The following is based on a “white paper” I prepared when I was the Director of Finance & Information Technology for the City of San Luis Obispo.

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 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.

“Someday” the City will accomplish all of these. 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 – such as the upcoming budget.

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 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 and the organization.

While the specifics of this process 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 2007-09.

Goal-Setting Process for 2007-09

The City's Financial Plan process for 2007-09 began in July 2006 when the Mayor, City Manager and Director of Finance & Information Technology 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 City Manager later in the process clearly addresses and responds to the hopes and aspirations of the City's elected leadership.

Attached is a one-page "flow chart" summarizing the City's approach to goal-setting and how it is directly integrated into the budget process. The following provides an overview of the five-step process that the Council used in setting goals for the most important, highest priority things to accomplish in 2007-09.

❶ Council Budget Workshop: "Setting the Table"

Held on November 16, 2006, the purpose of this workshop was to "set the table" for upcoming goal-setting workshops by providing in-depth background materials on the:

- Status of General Plan implementation programs.
- Long-term capital improvement plan: needed facility and infrastructure improvements through General Plan build-out.
- Status of 2005-07 major City goals and objectives.
- Status of current capital improvement plan (CIP) projects.
- General fiscal outlook: In preparation for the five-year General Fund forecast in December, an overview of key trends and issues that are likely to affect the City's budget situation in 2007-09.

② Council Budget Workshop: “Building the Foundation”

Held on December 12, 2006, the purpose of this workshop was to lay the framework for preparing the 2007-09 Financial Plan:

- Goal-setting process for 2007-09.
- Financial Plan policies and organization.
- Audited financial results for 2005-06 (Comprehensive Annual Financial Report)
- General Fund Five-Year Fiscal Forecast

About the Forecast. While the forecast provides a detailed assessment of the General Fund’s fiscal outlook based on projected revenues and costs over the next five years, it is not the “budget,” and doesn’t set priorities (that’s the purpose of the goal-setting process). However, it does assess how hard budget balancing will be in light of the forecast results and the goals that emerge from this process.

③ Community Forum

Extensive opportunities for community participation are provided throughout the goal-setting and budget process. The first of these was a “community forum” on January 10, 2007, where the Council considered goals presented by community groups, interested individuals and Council advisory bodies.

Preparing for the Forum. Advance notices about this workshop and the City’s budget process were mailed to about 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 13 Council advisory bodies, and written comments were received from 65 community groups and interested individuals, such as the Chamber of Commerce, ECOSLO, Bicycle Coalition, Residents for Quality Neighborhoods and the Arts Council. Over 600 replies were received in response to the City’s open-ended survey in the community budget bulletin, and about 250 citizens participated in the Forum.

④ Council Goal-Setting Workshop

The Community Forum was followed by an all-day workshop on January 27, 2007, facilitated by an outside consultant specializing in group goal-setting. Council members discussed the specific goals presented by each Council member, resulting in their setting and prioritizing goals for 2007-09.

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.

At the end of this goal-setting workshop, the Council agreed upon 20 goals organized into three priority groupings:

- **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 2007-09 Financial Plan.

If the work program approved by the Council for a Major City Goal is not included in the City Manager's Preliminary Financial Plan, compelling reasons and justification must be provided as to why resources could not be made available to achieve this goal.

- **Other Council Objectives.** Goals in this category are also important for the City to accomplish, and resources should be made available in the 2007-09 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.

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 20 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 60 points in total for each member to allocate towards all goals.

Based on their consolidated rating, each of the 20 goals were placed into the priority groupings noted above.

⑤ Major City Goal Work Programs

Following the goal-setting workshop on January 27, staff prepared detailed work programs for achieving 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 is its relationship to Measure Y priorities (½-cent sales tax measure approved by voters on November 2006)? What are key issues or challenges we can expect in achieving this goal?
- **Stakeholders.** Who are the key groups and individuals that will be affected – both favorably or unfavorably – by this work program?

- **Action Plan.** What are the specific tasks needed to accomplish 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 achieving the goal. When applicable, likely “carryover and spin-off” tasks beyond the next two years are also discussed.
- **Key Assumptions.** What are the key assumptions, such as cost or schedule, that we are making about the program?
- **Responsible Department.** Who is accountable for getting it done?
- **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, 2007. After an in-depth review, the Council conceptually approved the work programs, with modifications in several cases.

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. With only one exception, all of the goals identified by the Council were incorporated into the 2007-09 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 “tough 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 provided to the Council during the two-year Financial Plan process.

- Major goals and work initiatives are identified, agreed upon and clearly communicated to the organization, 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 leaders direct 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

