

City and Borough of Juneau
Priority Driven Budget Process 101
January 11, 2017

Issue:

In response to a 75% reduction in its annual revenue, the State of Alaska is in the midst of a multi-year process to significantly reduce both its workforce and the direct funding it provides to local governments. CBJ's financial condition is impacted in two ways: the direct reduction of funding for programs and services previously paid for by the State, and local economic contraction due to government downsizing that will result in lower property and sales tax revenue.

This situation requires the CBJ to reevaluate and realign the programs and services it provides to the community to match available revenue streams. In order to ensure that its decisions meet the community's needs, the CBJ is engaging in a Priority Driven Budgeting (PDB) process. PDB has been identified by the International City Managers Association (ICMA) and the Government Finance Officers Association (GFOA) as a leading practice in community-engaged budgeting.

Current Financial Condition:

CBJ's overall annual budget is \$330 million for central government operations, education, business enterprises (hospital, airport, utilities & harbors) and capital projects. The portion of the budget funded by General Government (GG) taxes and fees is \$120 million. Beginning in FY14 CBJ took significant steps to reduce expenditures and increase revenues in order to produce a sustainable budget. Over the past four years Assembly and staff actions have reduced annual administrative and department operations costs by \$3.8 million and increased annual GG revenues by \$3.7 million. As result, CBJ's savings and budget reserves has grown to a \$25 million balance.

In August 2016 we received a negative financial surprise as a result of the State budget problems. Subsequent to the Assembly's adoption of the city's FY17 budget in May 2016, the State reduced expected payments for school construction debt reimbursement and Community Revenue Sharing to CBJ by \$3.4 million. This required CBJ to fund \$2.9 million of school debt reimbursement payments from its savings. Even though CBJ has significant savings and budget reserve, it is essential that we are prepared to downsize the city budget when there is a direct loss of State revenue or lower local tax revenues from economic contraction.

How Does the Priority Driven Budget Process (PDB) Work?

PDB provides a way to compare community priorities with the programs and services that CBJ provides. PDB helps the City and community:

- Identify key community priorities
- Evaluate city programs and services based on community priorities
- Engage in strategic decision-making regarding funding for services, and/or changes to service levels for current programs and services

PDB helps the community and employees understand how CBJ expends its financial resources. This method of budgeting contributes to CBJ's long-term financial sustainability by creating

more transparency and encouraging explicit choices. These choices will help CBJ develop a strategic budget that reflects the community’s priorities and ensures optimal delivery of services.

What Is the PDB Process That CBJ Is Following?

The PDB process has four steps and includes input from both internal (staff and Assembly) and external (residents) sources.

	Staff	Assembly
Step 1	Department staff identify programs and services offered and include some operational detail (staffing, costs, revenue recovery). The end result is a document called a <i>Program Inventory</i> .	Identify government priorities based on their understanding of the community. These priorities are broad categories, referred to as <i>Community Priorities</i> that help guide the eventual allocation of resources. Four priority categories were identified: <ol style="list-style-type: none"> 1. Quality, Family Oriented Community 2. Reliable, Well Maintained Infrastructure 3. Safe Community 4. Vibrant Local Economy
	Staff	Staff
Step 2	Department leadership and employee groups score the <i>program inventories</i> against a set of criteria. The criteria includes how the program or service contributes to meeting the <i>community priorities</i> identified in Step 1 and against a set of basic program attributes, such as demand for service, revenue generated, and mandate (Federal or State Law, Charter, code, etc.) for service.	Segregate the program and services between “E”xternal (direct delivery to citizens) and administrative/”G”overnmental focus.
	Staff	Residents
Step 3	The results of the department scoring are used to distribute all programs and services across 4 quartiles according to score. The 1 st and 2 nd quartiles are generally those programs and services that are core governmental functions. The 3 rd and 4 th quartiles are generally those programs and services that are more discretionary and therefore potentially subject to reduction, elimination, or outsourcing.	The Program Inventory, sorted into 4 quartiles, is presented to the public at a series of focus groups for review and comment. Participants are provided basic information about the CBJ budget and the PDB process. Participants are asked to review and validate core government services and to go through a prioritization exercise with discretionary services. The entire community is offered the opportunity to prioritize the distribution of financial resources across <i>community priorities</i> . The information is gathered through the use of a survey tool.

	Assembly and Staff
Step 4	The results of the PDB process are then used by city management and the Assembly to make informed decisions about where to reduce or streamline programs services in response to available resources.

Disclaimer:

This is the city's first effort to implement a PDB process. Many organizations hire consultants to lead them through the process and staff has decided to forgo this. Thus it is very likely that there is room for improvement. The City Manger's recommendation to the community is to focus on whatever in the Program Inventory quartile results causes concerns, then recommend changes to the rankings.

Additional Information Attached:

1. Program Inventory of "Externally" (directly to citizens) delivered program and services.
2. Community Feedback and Communications Plan.