Priority Based Budgeting (PBB)
& Strategic Management Leadership

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Overview

- The Importance of Strategic Planning
- Know Your Role
- Case Study – Washington County
- Leadership and not Management
- Results Driven Government
When you think of Strategic Planning, what do you think?

Stop Seeing S.P.O.T.S. – Strategic Plan on the Shelf

‘Culture eats strategy for breakfast’
- Peter Drucker
Start with Why - Simon Sinek

- Short video: https://www.youtube.com/watch?v=IPYeCltXpxw
- “People don’t buy what you do, they buy why you do it.”
- Local governments do different things in different ways, so: “Start with why.”
Start with Why – Simon Sinek

“Why” has become a buzzword in recent years, but it’s easy to forget why it’s such an important concept. Many organizations are so focused on the “What” and the “How” that they overlook the “Why.”

People already know the “Why” – they just need help getting there. By communicating our purpose (“Why”) first, we communicate in a way that drives decision-making and behavior.

Knowing the “Why” also helps drive decisions on programming and resource allocation (“How” and “What”).

Priority Based Budgeting (PBB) isn’t a budgeting tool, it’s a roadmap to culture change.
Changing Culture with “A New Lens”

Relationship of Strategic Plan Elements

Organizational Values

Mission → Vision → Strategic Goals & Objectives → Specific Performance Goals → Performance Measures → Performance Targets → Performance Output → Performance Results

What are we called to do?
How does our leadership want to accomplish our Mission?
If we did these things, we would succeed in our Mission?
How can we know that we are on the right track?
How can we verify that we are on track?
Benchmarks and mile stones that tell us how we are doing along the way
Concrete results of our efforts

Examples:
- Promote integrity, accountability, improvement of org...
- To be one professional team, strengthen integrity, efficiency, effectiveness
- Improve economy, efficiency of org, people, programs, operations;
- Reach $ per $1 budgeted
- % of recommendations acted upon
- ROI % Reports on key areas
- Recommendation actions acted on
- $ target, # reports, # areas
- Actions
- Have we made a difference?
- Improved Company actions

Strategic Goals and Performance Metrics will always link back to the Mission:
How does the Goal help achieve the mission? What progress does this Metric reflect?

Strategic Questions

1. How much do we have available to spend? - (not “How much do you need”?)
2. Why do we need to keep “money in the bank”?
3. What’s the “difference”?
4. “It costs how much” ?????????
5. “What’s the plan and what could cause it to change?”
6. What does the future look like?
7. What if………..???
Changing Culture with “A New Lens”

Recipe for Washington County’s Success

Integrating Strategic Planning & PBB

Steps to SUCCESS - Priority Based Budgeting

1. Determine Results
   - Accurate prioritization of programs, reflecting the organization’s stated objectives, depends on the comprehensive identification of the Results it is in business to achieve

2. Clarify Result Definitions
   - Precision in prioritization depends on the articulation of the cause and effect relationship between a program and a Result
   - Using clearly defined “Result Maps”, detailing the factors that influence the way Results are achieved, the organization can minimize subjectivity in the process of linking programs with its Results

3. Identify Programs and Services
   - Comparing individual programs and services as opposed to comparing departments that provide those services allows for better prioritization

4. Value Programs Based on Results
   - With the right Results that are clearly defined, the organization can more accurately “value” a program relative to its influence on achieving Results

5. Allocate Resources Based on Priorities
   - Using "Resource Alignment Diagnostic Tool"
PBB & Strategic Leadership - The Players

"ALL THE WORLD’S A STAGE"

FROM "AS YOU LIKE IT" (ACT 2, SCENE 7)
BY WILLIAM SHAKESPEARE

GREATESTAUDIOBOOKS.COM
PBB & Strategic Leadership - The Players

Navigators of the roadmap to culture change:

- Board/Council
- Citizens
- Departments/Department Heads
- Chief Administrative Officer
- Budget Team
The Players: County Board

COUNTY BOARD

EXECUTIVE COMMITTEE
(Budget & CIP)
7 Members: Chair, Vice-Chair, 5 Standing Committee Chairs

Economic Development & Tourism
County Board Office
Administration
County Attorney

ADMINISTRATIVE COMMITTEE

County Clerk
Human Resources
Facilities
Information Services
Finance
Treasurer
Register of Deeds
Ag. & Indus. Society
Historical Society
Library

HEALTH, AGING,
AND LONG TERM CARE
COMMITTEE

Health
Veterans Service
ADRC
Samaritan

HUMAN SERVICES
COMMITTEE

Human Services
Child Support

PUBLIC SAFETY
COMMITTEE

Emergency Mgmt.
Medical Examiner
Sheriff
Clerk of Courts
District Attorney

PUBLIC WORKS
COMMITTEE

Highway
Transit
Planning & Parks
UVW-Extension

Other Boards, Committees, and Commissions (Unassigned to Specific Standing Committees)

EDWIC Board of Directors
Ethics Board
HOME Consortium
Inland Lakes

B. Review Tax Increment
Landmarks Commission
Personnel Jurid. Reps.
Sgt. At Arms

SEWIC Prof. Baseball Dist. Bd.
SEWRPC
W-O-W Workforce Dev. Bd.
The Players - County Board

1. A Desire to have Priorities
   - Hope & Dreams of the Community
   - Strategic Direction for the Organization
   - Public Policy Makers
   - Safe Guard - Politically Acceptable
The Players - Citizens

- This looks different for every local government
- “Citizen Engagement”
  - Prime opportunity (based on urgency)
    - Focus Groups, Surveys, etc.
- Washington County
  - Strong sense of representative democracy
    - Input through their elected representatives.
  - Disconnect between what we “should” be doing vs. what we “have” to do.
    - County government is an arm of the state.
The Players - Departments/Department Heads

- Department Heads
  - Partners in Strategic Planning
    - Vision, Mission, Values & Priorities/Results
    - Advocates at best...Detractors at worst
    - Critical partners in getting the work of PBB done
  - Departments
    - The knowledge base of answer the “What” & “How”
    - Critical partners in identifying specific programs & costs
**The Players: Chief Administrative Officer**
Credit - Professor John Nalbandian (KU)

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<th>Administration</th>
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<td>Knowledge (deeds)</td>
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<tr>
<td>Dynamics</td>
<td>Conflict, compromise, and change</td>
<td>Predictability, cooperation, and continuity</td>
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- County Administrator serves as a conduit between staff & politicians
- This requires thorough understanding of department issues & related politics
The Players: Chief Administrative Officer

Credit - Professor John Nalbandian (KU)

Role: Managing the “Gap”
- Staff = Administratively Feasible
- Elected = Politically Acceptable
- An unmanaged “Gap” creates an increased likelihood of micromanagement and unnecessary politics

*Credit to John Arnold, CAO, Topeka, KS
The Players - Budget Team

- Liaison between departments and Administrator/Finance Director.
- Provide consistency for financial communications to/from departments and central administration (and PBB consultant).
- Provide financial/analytical expertise to departments in need of this skillset.
Pause
Washington County Case Study

Strategic Planning Progression:

- Pre – 2014
  - Major case of S.P.O.T.S.
  - Modest effort, modest plans
  - Focused on the “What” and the “How”, never “Why”
  - Status quo programs & corresponding resource allocation - shoehorned into strategic plan.
  - Organizational culture adapts aimlessly
    - Departmental resource competition, rivalries, or self-preservation.
    - Several Independent Plans (i.e. Comp Plan, CIP, Farmland Preservation, Transportation, etc.)
Washington County Case Study: History in Brief

- **Pre-1999**
  - No Administrative Leader
  - County largely run by: 1) County Board Chair 2) County Attorney 3) HR Director
  - 30 County Board Supervisors
  - Very Powerful Committee Chairs

- **1999-2014**
  - Administrative Coordinator
  - 10 Standing Committees - Department Heads reported to Chairs and Coordinator
  - 30 County Board Supervisors

- **2014 – Present**
  - County Administrator
  - 5 Standing Committees
  - 26 County Board Supervisors
Washington County Case Study

- Pre-2014 (Particularly post-2008)
  - Annual planned Budget Deficits of $1.5M+
  - Across the board cuts
  - Fighting amongst CB Supervisors
  - Lack of trust between CB Supervisors & Department Heads
  - Limited to no long-term financial projections or planning
Cue Priority Based Budgeting (PBB) + Strategic Leadership:

- Focused on the “Why”
- Why we exist = Priorities or “Strategic Results”
  - “What are we in the business of doing?”
- Establish our priorities, and fund to those.
  - “We can’t be all things to all people”
  - “Doing less with less”
- PBB isn’t a budgeting tool, it’s a roadmap to culture change.
**Washington County Case Study**

- Answering the “Why”
- Vision, Mission, Values—developed in conjunction with PBB “Result Identification”

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**Our VISION...**
As trusted stewards of Washington County’s future, we provide innovative and cost effective core public services.

**Our MISSION...**
Washington County is a collaborative leader in providing efficient and effective public services for the well-being of our citizens.

**VALUES...**
Washington County Case Study

- Developing “Strategic Results” via PBB process:
  - Results similar across most organizations.
  - Results “definitions” unique to Washington County.
  - Full slate of key players involved in development.
    - County Board
    - Department Heads (including Administrator)
    - Opportunity for Citizen Engagement
Developing “Strategic Results” and “Results Definitions”

- Survey methodology
  - Major focus on “Core” Services
- Workshops (cross-pollinated)
  - Board = Results
  - Department Heads = Vision, Mission, Values
- Word clouds to identify common terms
Developing “Strategic Results” and “Results Definitions”

Final Product – Results Maps
- Strategic Result in Center
- Results Definitions in outside bubbles.
- County demonstrates the strategic result when it does x (results definition).

Safe and Secure Community

- Offers protection from harm and wrong-doing, enforces the law, fairly administers justice and is well-prepared and equipped to promptly respond to emergencies
- Sustains a secure, sensibly-regulated and well-maintained environment that is healthy, attractive and fosters a feeling of personal safety
- Promotes a visible, accessible presence that proactively focuses on crime reduction, reduced recidivism and intervention
- Provides assistance, prevention and education programs that support the physical, emotional, socio-economic and safety needs in the community
- Ensures a safe public transportation network that is well-maintained, accessible and enhances safe traffic flow and mobility
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Economic Growth and Vitality

Partners to attract, retain and develop a well-balanced, diverse mix of commercial, industrial and agriculture businesses that are sustainable and benefit the economy.

Creates a safe, business-friendly and sensibly regulated environment that stimulates business development and increases the tax base.

Effectively plans for a reliable, well-maintained and accessible transportation network that meets the current and future growth needs of the community.

Encourages and promotes quality employment opportunities by ensuring ready access to a skilled, educated and work-ready workforce.

Offers access to unique amenities and natural resources to attract businesses and visitors.

Provides a secure, attractive and desirable place to live and work, offering access to core services.
Effective Mobility and Reliable Infrastructure

- Supports a multi-modal transportation network that is future focused to meet the ongoing needs of the community
- Improves, enhances and continuously invests in a safe, reliable, accessible and well-maintained transportation infrastructure
- Regionally partners to offer and support convenient, reliable, safe and economical public transit options that are accessible
- Provides an interconnected system of safe trails and paths that enhance the mobility of the community
- Provides a transportation network that is designed to enhance safe traffic flow, ease congestion and ensure efficient mobility
Collaboratively ensures the availability of treatment and preventative services for those with behavioral, emotional or dependency issues as well as their caregivers.

Ensures access to services that provide for the community's health and physical well-being, encompassing all ages, abilities and circumstances.

Fosters a safe, caring, well-kept and family-friendly community that supports a positive quality of life.

Partners to ensure the community's basic socio-economic needs are met providing care and assistance to improve the circumstances of those at-risk.

Provides for the well-being of its youth population; ensuring they are safe and presented with access to opportunities to become productive members of society.

Provides for the physical, emotional and social well-being of its senior population; ensuring they are independent, safe and included in the community.

Access to Basic Physical, Behavioral and Socio-Economic Needs
Well-Governed and Administered County

- Attracts, develops, equips, retains and values an engaged workforce dedicated to service excellence
- Fosters fiscal responsibility, sustainable services, operational excellence, trust and transparency by ensuring accountability, integrity, efficiency and innovation
- Protects, maintains, manages, and invests in its human, financial, physical and technology resources
- Provides assurance of regulatory and policy compliance
- Provides responsive and accessible leadership and facilitates timely and effective communication
- Seeks opportunities for collaboration and shared services with public and private partners
Washington County Case Study

- Eliminate across the board cuts.
- “Doing less with less.”
- Remainder of PBB Process:
  - Evaluate Fiscal Health
  - Program Inventory
  - Program Costing
  - Program Scoring

- **PBB is a roadmap for culture change.**
Enable organization to see and communicate fiscal reality for next several years.

Shows importance of focusing on and funding the “why”

Shifts focus to:

- What’s available to spend (not “how much do you need?”)
- Why we need reserves.
- Understanding budget to actual variances.
Program Inventory

- Cataloging the “What”
- All services offered – to both external and internal customers.
- Shift focus to “program budgets” rather than “line-item budgets”
- Complete picture of what we do for all the players to see.
- Current inventory: 1,070 programs.
Program Costing

- Applies the “how” to the “what”
- Enable key players to see how resources are used to support operations

Steps:
- FTE/Personnel Costs for all positions allocated across all programs.
- All non-personnel costs allocated across all programs.
- All revenues aligned/allocated to corresponding programs.
Program Scoring

- Evaluates the “What” and the “How” against the “Why.”
- All programs scored in relation to relevance to each Strategic Result.
- Consideration also given to mandates, demand, outsourcing opportunities, cost recovery, and portion of community served.
- Scored by departments, then peer reviewed by teams comprised of key players.
End Product: RAD Tool and Quartile Groupings

- All data loaded into database: Resource Alignment Diagnostic (RAD) Tool.

Key:
Programs are grouped into Quartiles (not ranked, one versus the other). Quartiles are defined using standard deviation.
End Product: RAD Tool (ctd.)
End Product: RAD Tool (ctd.)

SPENDING TOWARDS GOVERNANCE RESULTS

- Protects, maintains, manages, and invests in its human, financial, physical and technology resources: $10,150,604
- Provides assurance of regulatory and policy compliance: $8,526,240
- Fosters fiscal responsibility, sustainable services, operational excellence, trust and transparency by ensuring accountability, integrity, efficiency and Innovation: $7,786,268
- Seeks opportunities for collaboration and shared services with public and private partners: $4,082,843
- Attracts, develops, equips, retains and values an engaged workforce dedicated to service excellence: $3,468,044
- Provides responsive and accessible leadership and facilitates timely and effective communication: $2,758,780
Strategic Planning is Irrelevant Unless You Use It

- PBB is a roadmap to culture change - but someone must drive the bus!

Jim Collins, “Good to Great”
Strategic Planning is Irrelevant Unless You Use It

- PBB is a roadmap to culture change - but someone must drive the bus!

- Get the right people on the bus.
- Get the right people in the right seats.
- Get the wrong people off the bus.

- **PBB is a roadmap for culture change.**
Results Driven Government

Use data to evaluate vacancy/hiring decisions:

- Compare incumbent duties to priorities.
- Evaluate potential for duty/position sharing or position elimination.

![Data Table]

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Strategic Planning is Irrelevant Unless You Use It

- PBB is a roadmap to culture change – but someone must drive the bus!

- Compensation Plan Redesign
- “Drive” by Daniel Pink
- Autonomy, Mastery, Purpose
- PBB is a roadmap for culture change.
Strategic Planning is Irrelevant Unless You Use It

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Be Deliberate!

- “There are no organizations without institutional habits. There are only places where they are deliberately designed, and places where they are created without forethought, so they often grow from rivalries or fear.”
  
  - Charles Duhigg, “The Power of Habit”

- Use small, incremental wins to build momentum.
  
  - Pick these out ahead of time, by design.
Washington County Case Study

- **Actions:**
  - Town hall meetings with all county staff.
  - Core value awards ceremony.
  - Speak the language of PBB: Frame all resource allocation discussions around priorities and the “Why”
  - Tell everyone that will listen: top to bottom, Board to Citizens.

- **Results:** Washington County cultural progression across PBB process
  - Beginning (year 1): Uncertainty/fear/criticism
  - Intermediate (year 2): Reluctant acceptance/compliance
  - Advanced (years 3+): Mindset change/focus on priorities/PBB and the “Why” as a common language.
Results Driven Government

Phase taxpayer funded resources out of non-priority areas:

○ Planning and Parks Fiscal Sustainability Plan:
  ○ Get off the tax levy in 3 years via: user fees, revenue enhancement, establishing and funding priority parks, common-sense cost sharing/partnerships.

○ Economic Development Washington County (EDWC) Sustainability Plan:
  ○ Double-down on County Sales Tax to reach Revolving Loan Fund goals thru 2021 - then funding ends
  ○ Phase-down County funding of EDWC operating budget

○ 2050 Transportation Network Sustainability Plan:
  ○ Funds maintenance, resurfacing, and reconstruction of all county highways for the next 3 decades

○ Additional Sustainability Plans Pending.
County spending was already well allocated in high priority areas (Q1 and Q2), when compared to all Center for Priority Based Budgeting clients.
Results Driven Government – How Are We Doing?

- Existing spending is being shifted out of low priority areas (Q3 and Q4)
- Expenditure growth is taking place in high priority areas (Q1 and Q2)
In Summary

- Strategic planning is important, but it’s most effective to start with the “Why.”
- PBB isn’t a budgeting tool, it’s a roadmap to culture change. But someone must drive the bus.
- Know your role.
- Leadership, not management.
Thank You!

Questions?