Priority Based Budgeting (PBB) & Strategic ~~Management~~ Leadership

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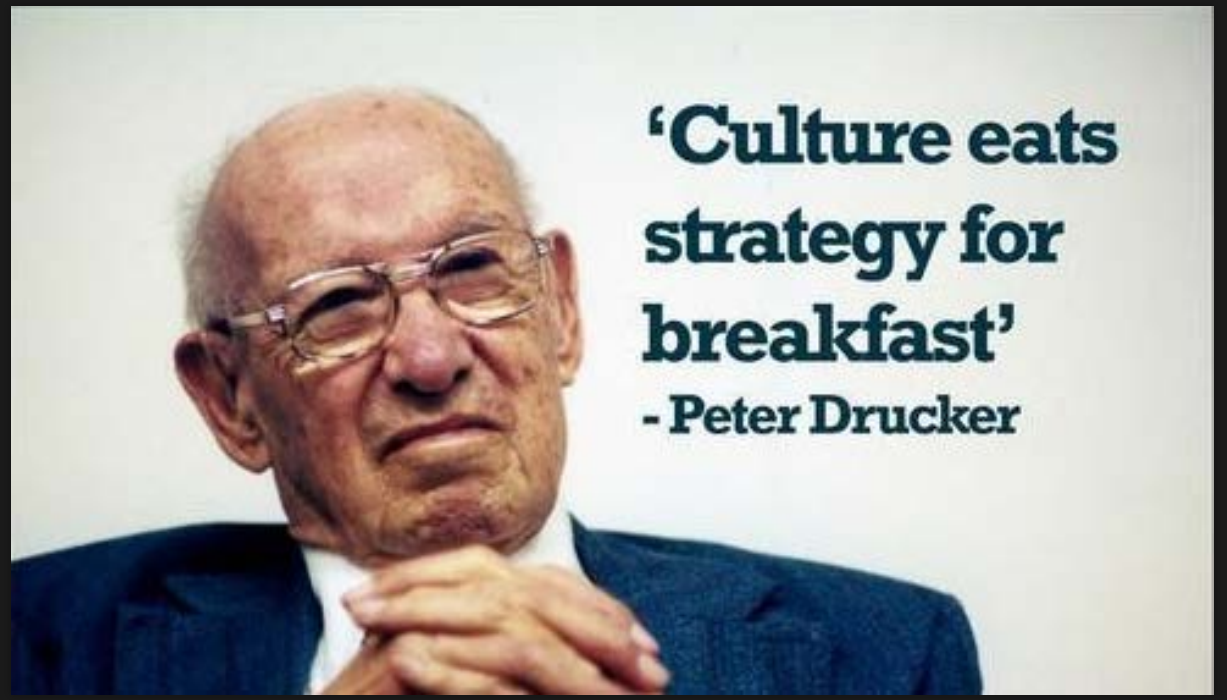
Overview

- The Importance of Strategic Planning
- Know Your Role
- Case Study – Washington County
- Leadership and not Management
- Results Driven Government

Strategic Planning (Photo Credit – www.thebridgefieldgroup.com & inspiredtoreality.com)

When you think of Strategic Planning, what do you think?

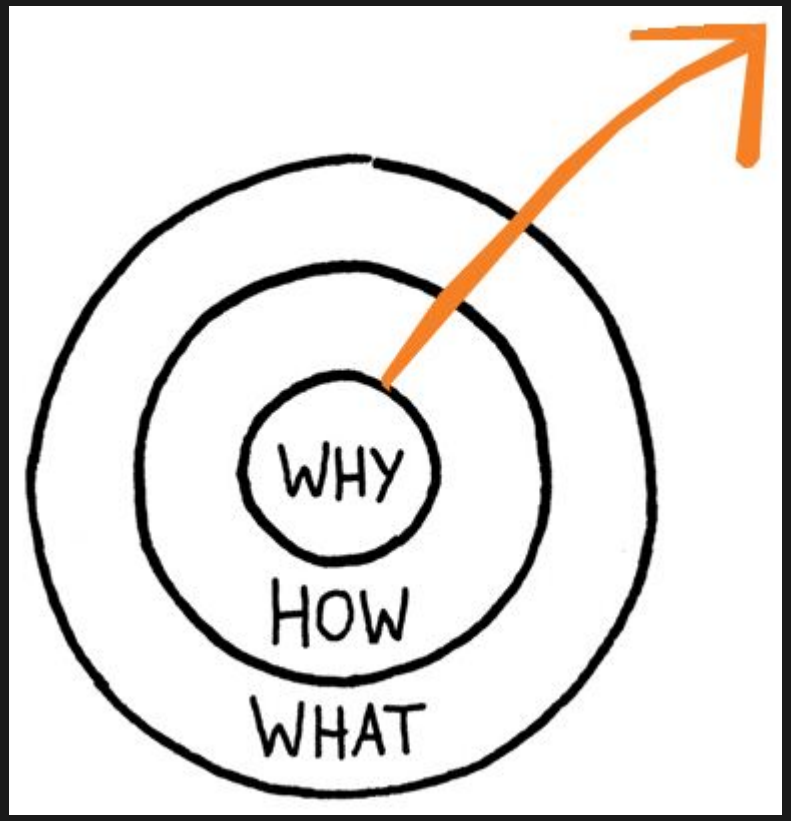


Start with Why – Simon Sinek

- Short video: https://www.youtube.com/watch?v=lPYeCltXpxw
- “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

"The Golden Circle"



- We are so busy focusing on the "What" and the "How" we forget "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"

(Photo Credit – Incolors.club & CPBB)

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 we verify that we are on track	Benchmarks and milestones that tell us how we are doing along the way	Concrete results of our efforts	The achievement of what we set out to do.

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?

Examples:							
Promote integrity, account-ability, 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 Recom-mendations acted upon	ROI % Reports on key areas Recommend-ations acted on	$ target # reports, # areas # Recom's	Statistical data Actions	Have we made a difference? Improved Company actions

CENTER FOR PRIORITY BASED BUDGETING

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.....???*

PBB CENTER FOR PRIORITY BASED BUDGETING

Changing Culture with "A New Lens"

(Photo Credit – socialventurepartners.org & CPBB)

Recipe for Washington County's Success

Integrating Strategic Planning & PBB

CENTER FOR PRIORITY BASED BUDGETING

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

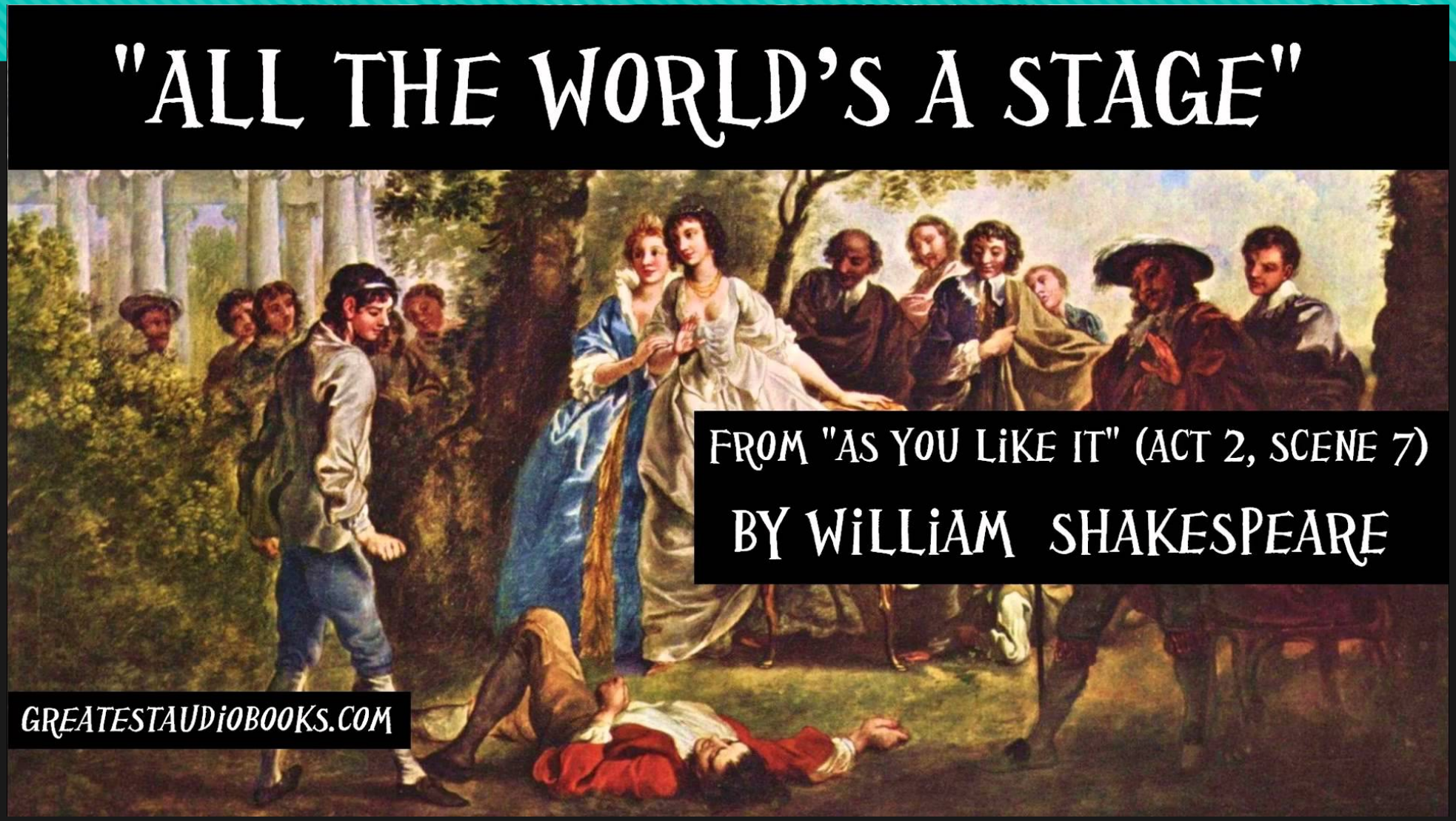
4. *Value Programs Based on Results*

- 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

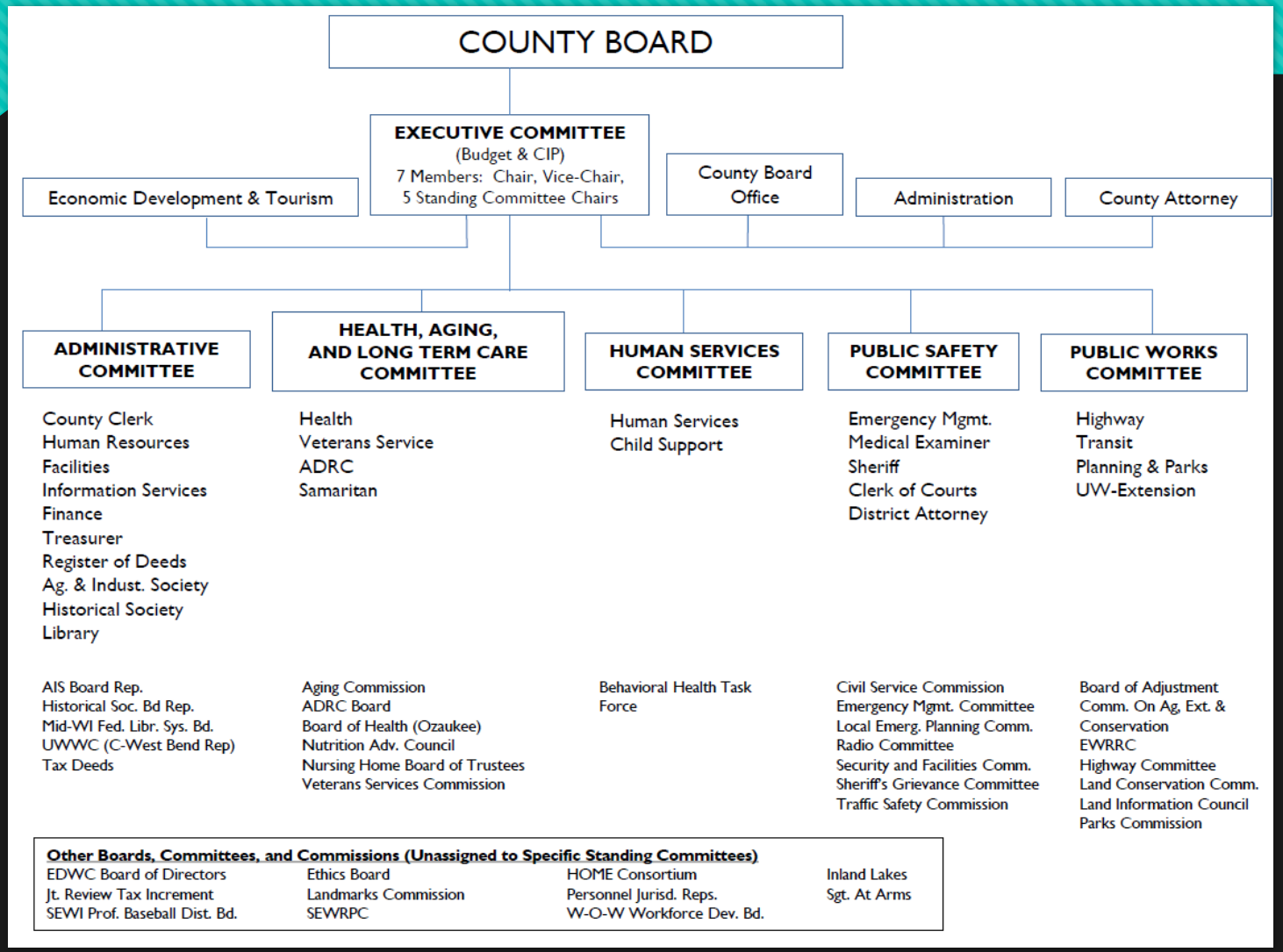


PBB & Strategic Leadership- The Players

Navigators of the roadmap to culture change:

- Board/Council
- Citizens
- Departments/Department Heads
- Chief Administrative Officer
- Budget Team

The Players: County Board



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)

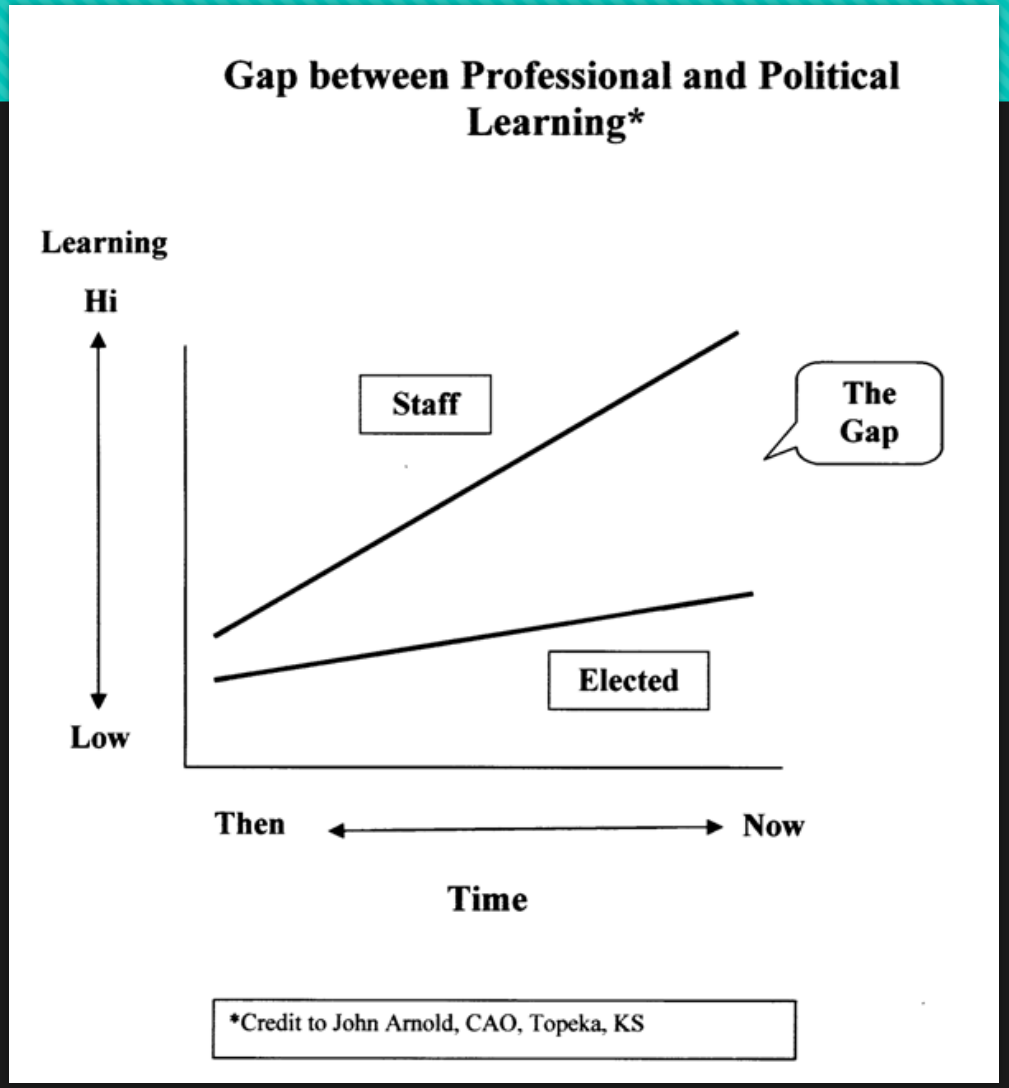
Characteristics	Politics	Administration
Activity	Game/Problem Solving	Problem Solving
Players	Representatives	Experts
Conversation	"What do you hear?"	"What do you know?"
	• Passion • Dreams • Stories	• Data • Plans/goals • Reports
Pieces	Intangible:	Tangible:
	Interests and symbols	Information, money, people, equipment
Currency	Power (stories)	Knowledge (deeds)
Dynamics	Conflict, compromise, and change	Predictability, cooperation, and continuity

City Manager, Senior Staff, and Mayor

- County Administrator serves as conduit between staff & politicians
- This requires thorough understanding of department issues & related politics

The Players: Chief Administrative Officer

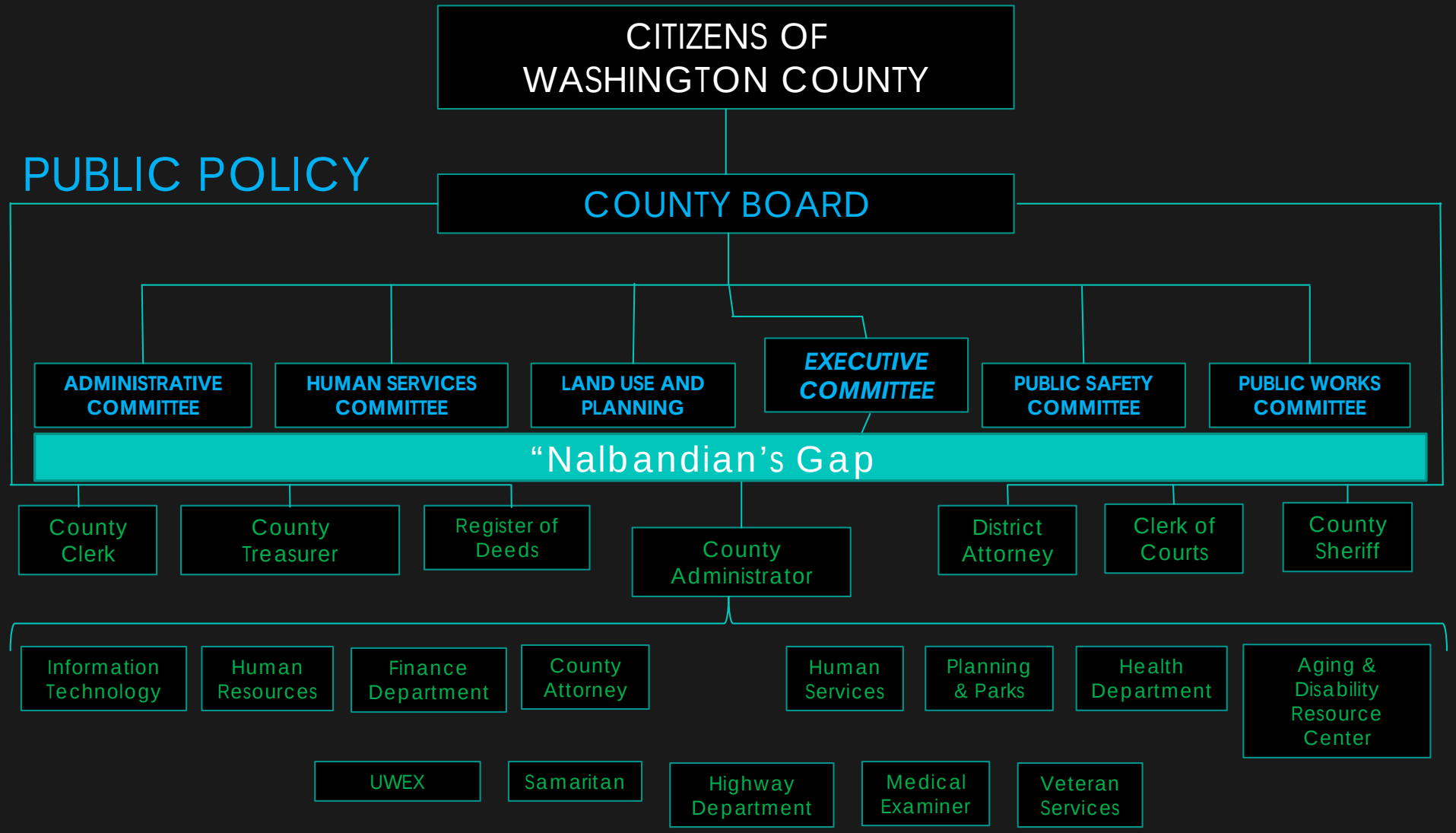
Credit – Professor John Nalbandian (KU)



Role: Managing the "Gap"

- Staff = Administratively Feasible
- Elected = Politically Acceptable
- An unmanaged "Gap" creates an increased likelihood of micromanagement and unnecessary politics

WASHINGTON COUNTY OPERATIONS ORGANIZATIONAL CHART



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

Washington County Case Study

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”

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

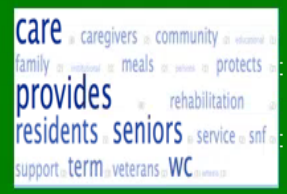
Developing “Strategic Results” and “Results Definitions”

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

WASHINGTON COUNTY, WISCONSIN

Result: ACCESS to BASIC PHYSICAL, BEHAVIORAL and SOCIO-ECONOMIC NEEDS

If the WASHINGTON COUNTY _____, then it will have successfully achieved the result of providing ACCESS to BASIC PHYSICAL, BEHAVIORAL and SOCIO-ECONOMIC NEEDS

Partners to ensure the community's basic socio-economic needs are met, included quality, diverse housing options and employment opportunities; providing care and assistance to improve the circumstances	*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-oriented community, providing resources and activities that support a positive quality of life for youth, parents and seniors*	*Collaboratively ensures the availability of treatment and preventative services for those with behavioral, emotional or dependency issues as well as their caregivers*	*Provides for the physical, emotional and social well-being of its senior population; ensuring they are feel productive, safe and included in the community*
				
active relationship between government and non-profits	facilitates access to available resources through accessible transportation disabled persons are able to meet their basic needs	active relationship between government and non-profits	active relationship between government and non-profits	care and compassion for citizens
assists the homeless in finding shelter and improving their current situation	maintain roads in proper condition	care and compassion for citizens	care and compassion for citizens	is responsive to client needs/complaints
care and compassion for citizens	provides a safety net for those that are in need	collaborates and funds non-profit agencies that also serve this clientele	collaborates and funds non-profit agencies that also serve this clientele	protects and empowers its elderly population to continue to lead productive lives
creates self-sustaining citizens (those who do not rely on continuing social services such as food stamps)	provides exceptional trampoline (compared to safety net) services for children, challenged and seniors	help families help themselves	intervenes with mentally ill to reduce jail costs	provides exceptional trampoline (compared to safety net) services for children, challenged and seniors
delivers measurable results by improving the lives of at-risk population	provides transportation services	promotes strong families by supporting a family culture	is responsive to client needs/complaints	Provides Meals on Wheels serving 88,241 meals per year to residents of the Community in Washington County

Developing "Strategic Results" and "Results Definitions"

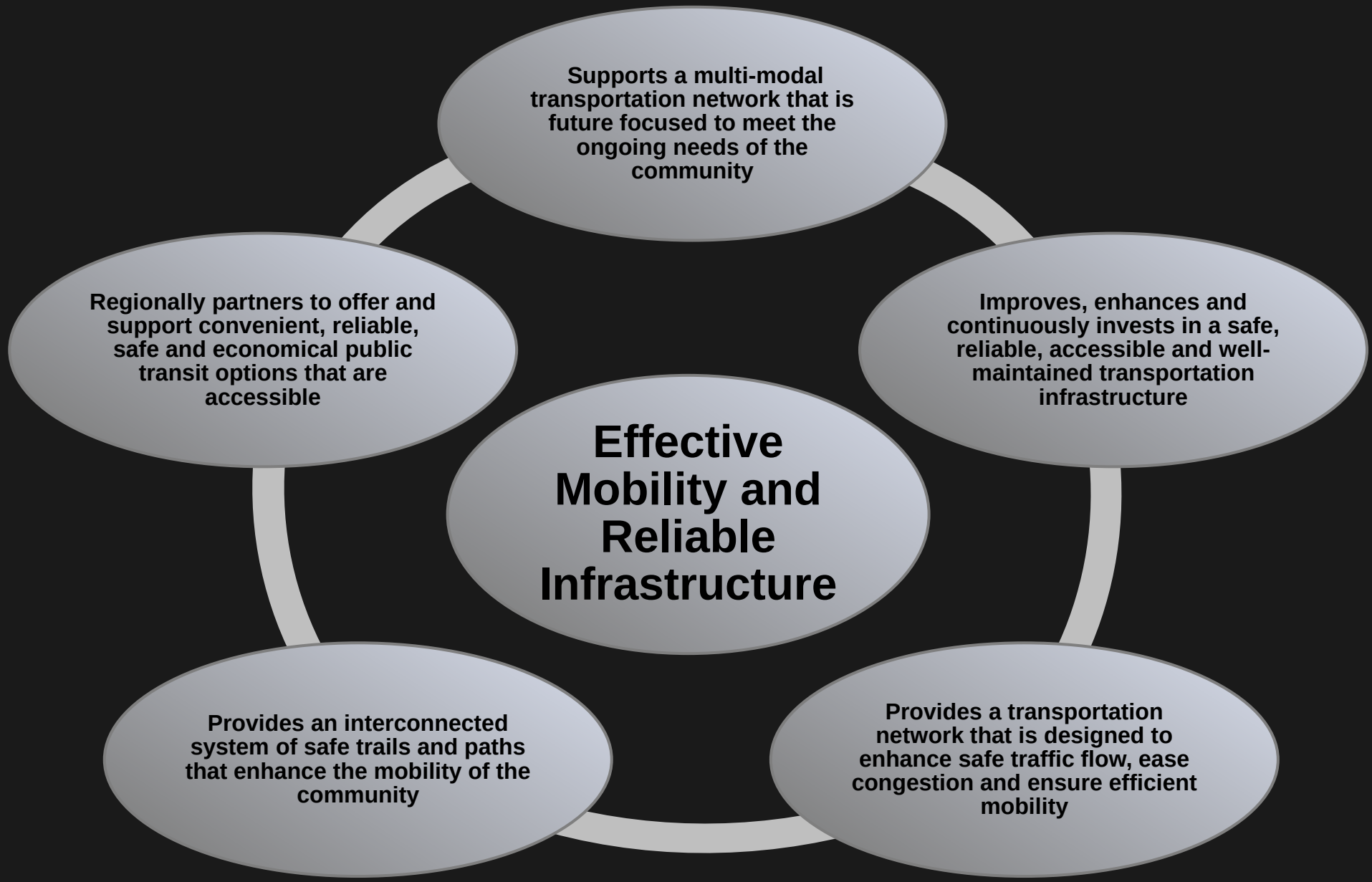
Final Product – Results Maps

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

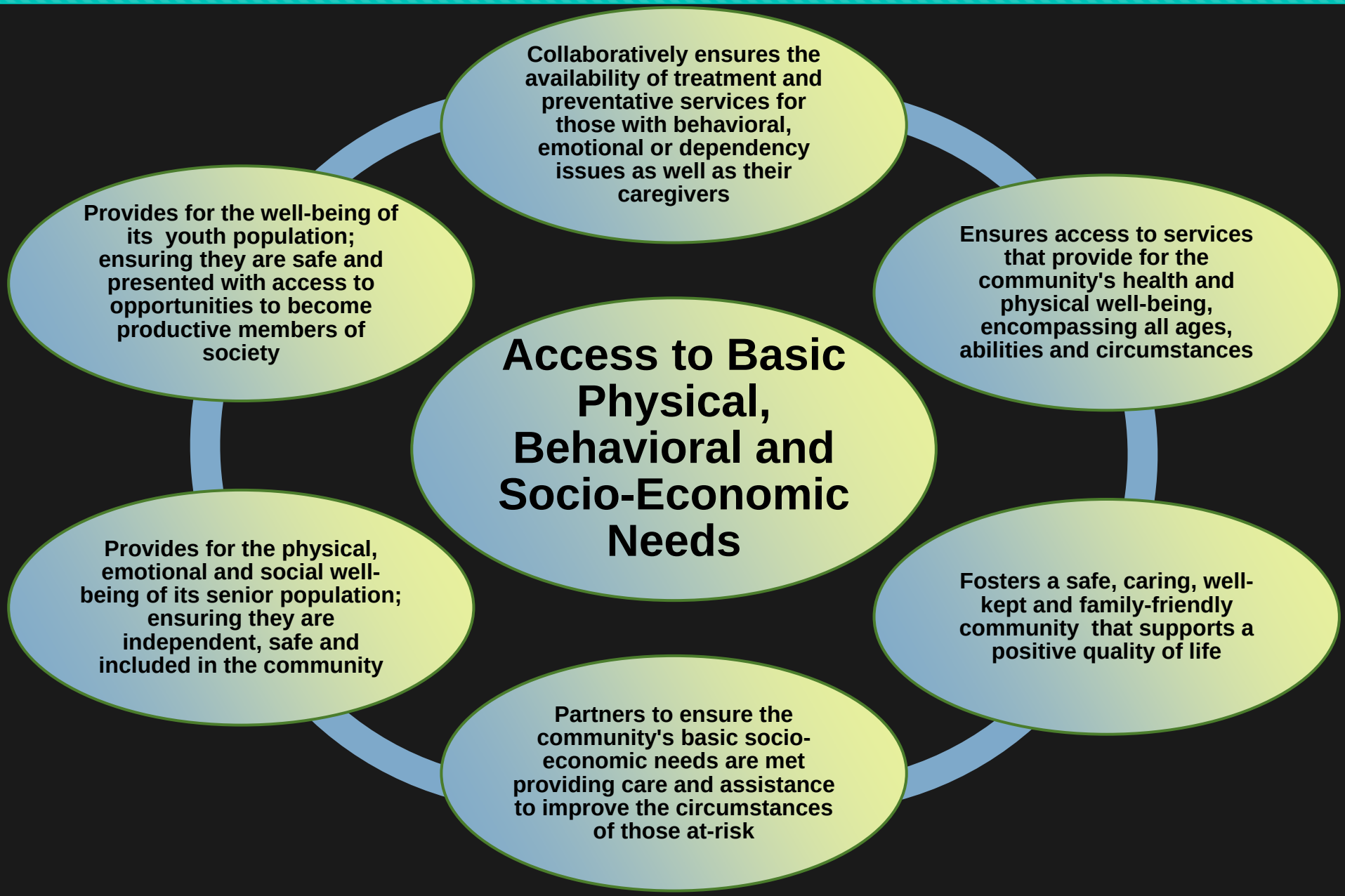
Washington County Results Maps

Washington County Results Maps

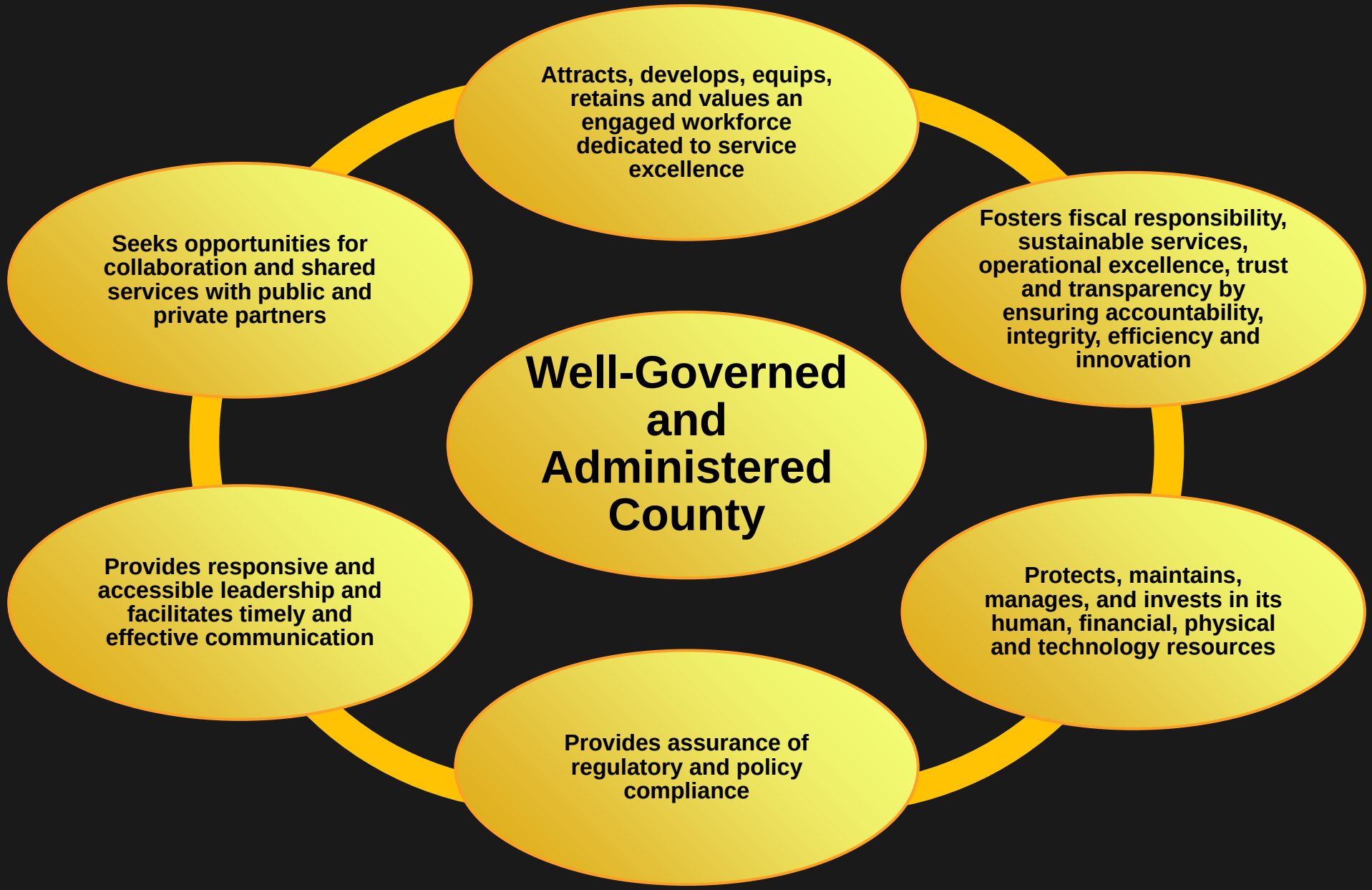
Washington County Results Maps



Washington County Results Maps

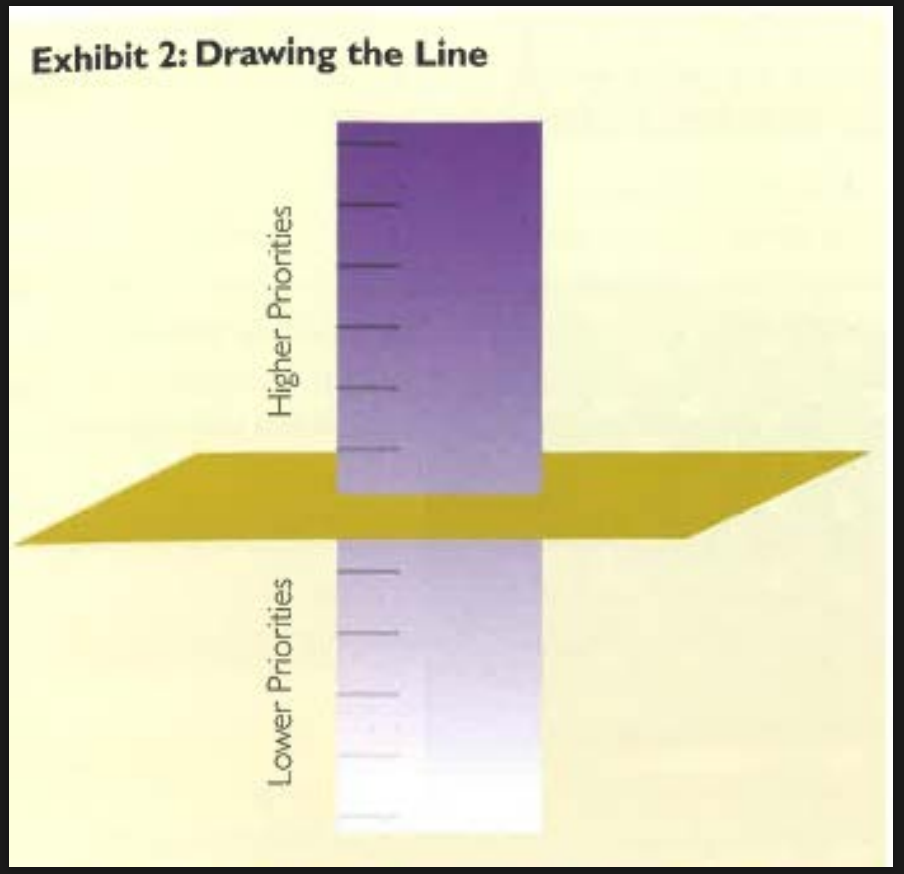


Washington County Results Maps



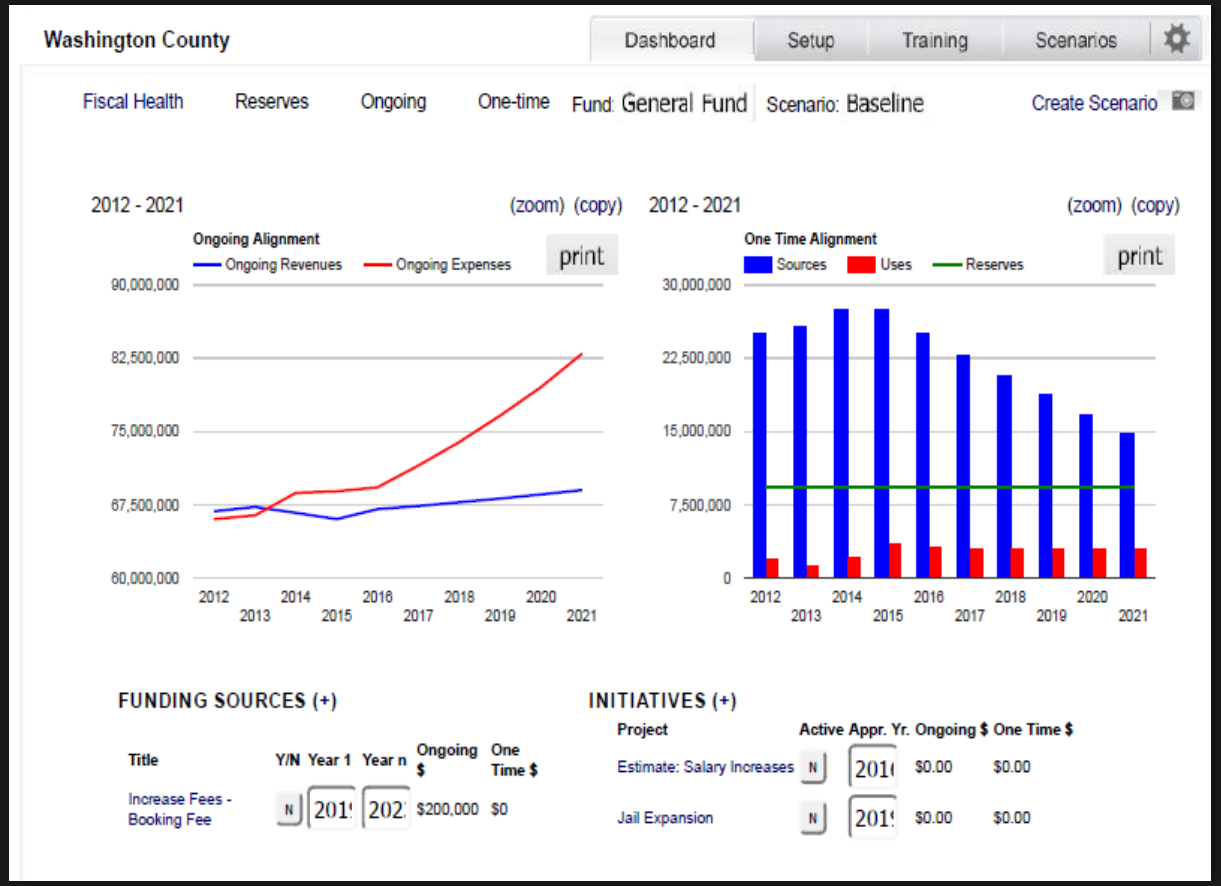
Washington County Case Study

- 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.**



Assess Fiscal Health – Fiscal Health Tool

- 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

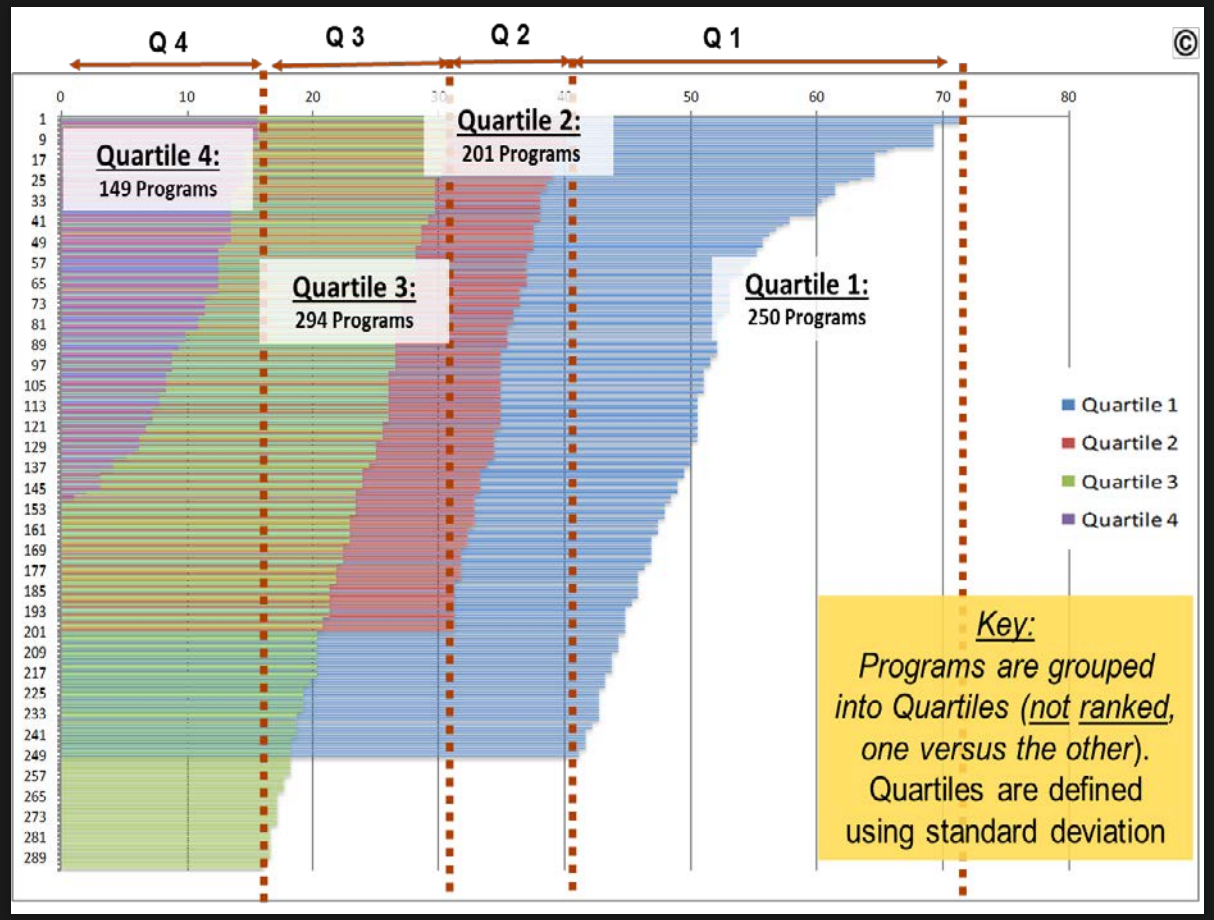
- Applies the “how” to the “what”
- Enable key players to see how resources are used to support operations
- Steps:
  - FTE/Personnel Costs for all positions allocated across all programs.
  - All non-personnel costs allocated across all programs.
  - All revenues aligned/allocated to corresponding programs.

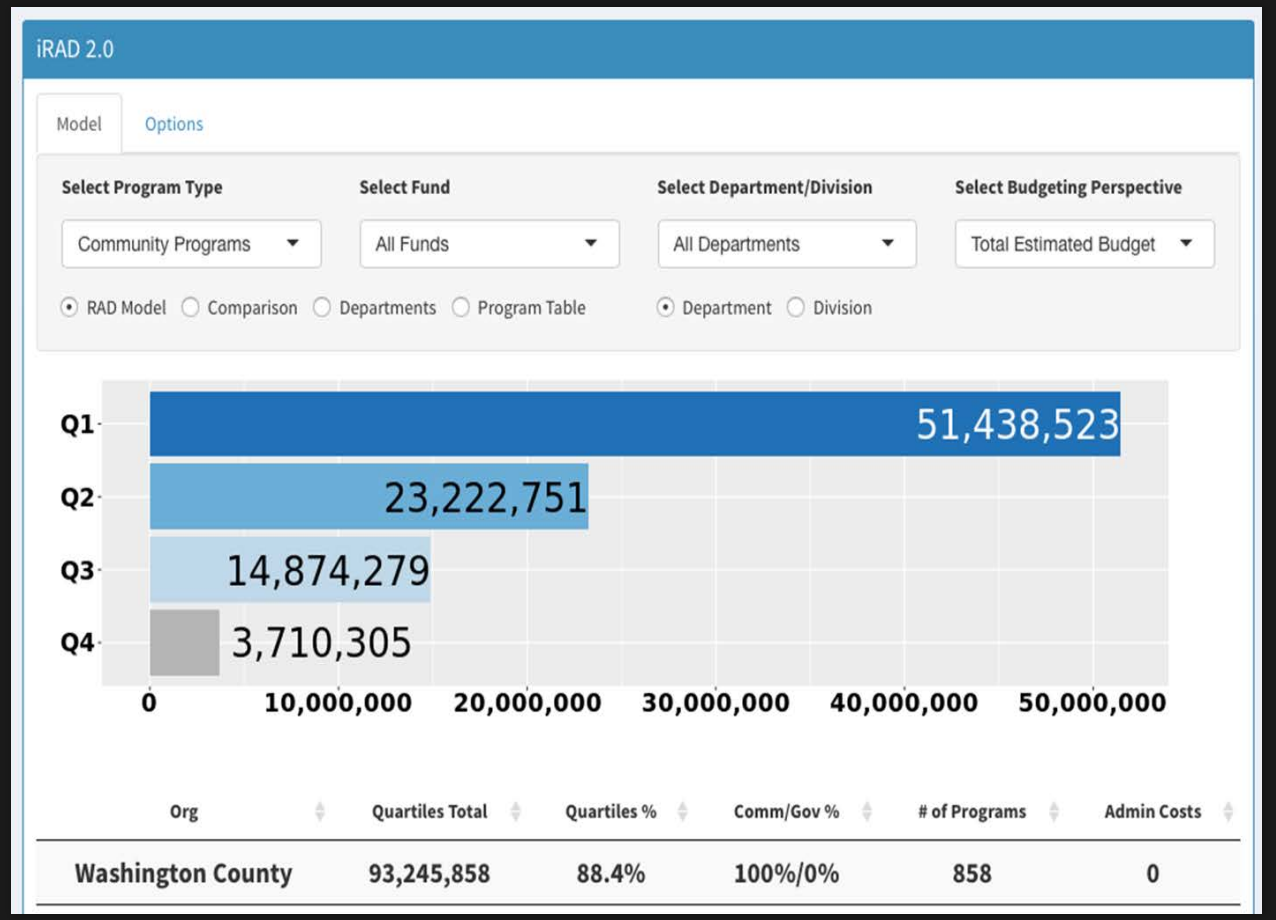
Program Scoring

- 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.

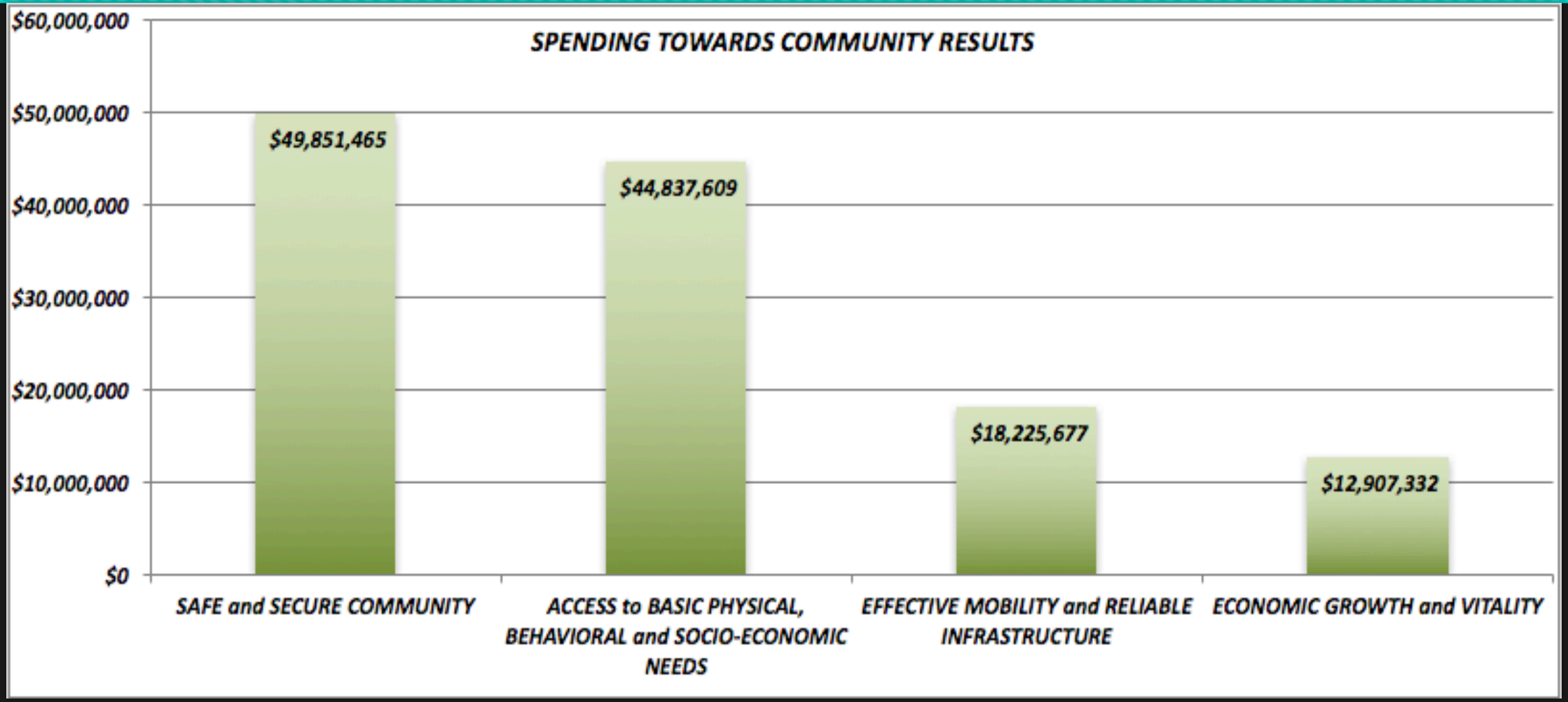
End Product: RAD Tool and Quartile Groupings

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





End Product: RAD Tool (ctd.)



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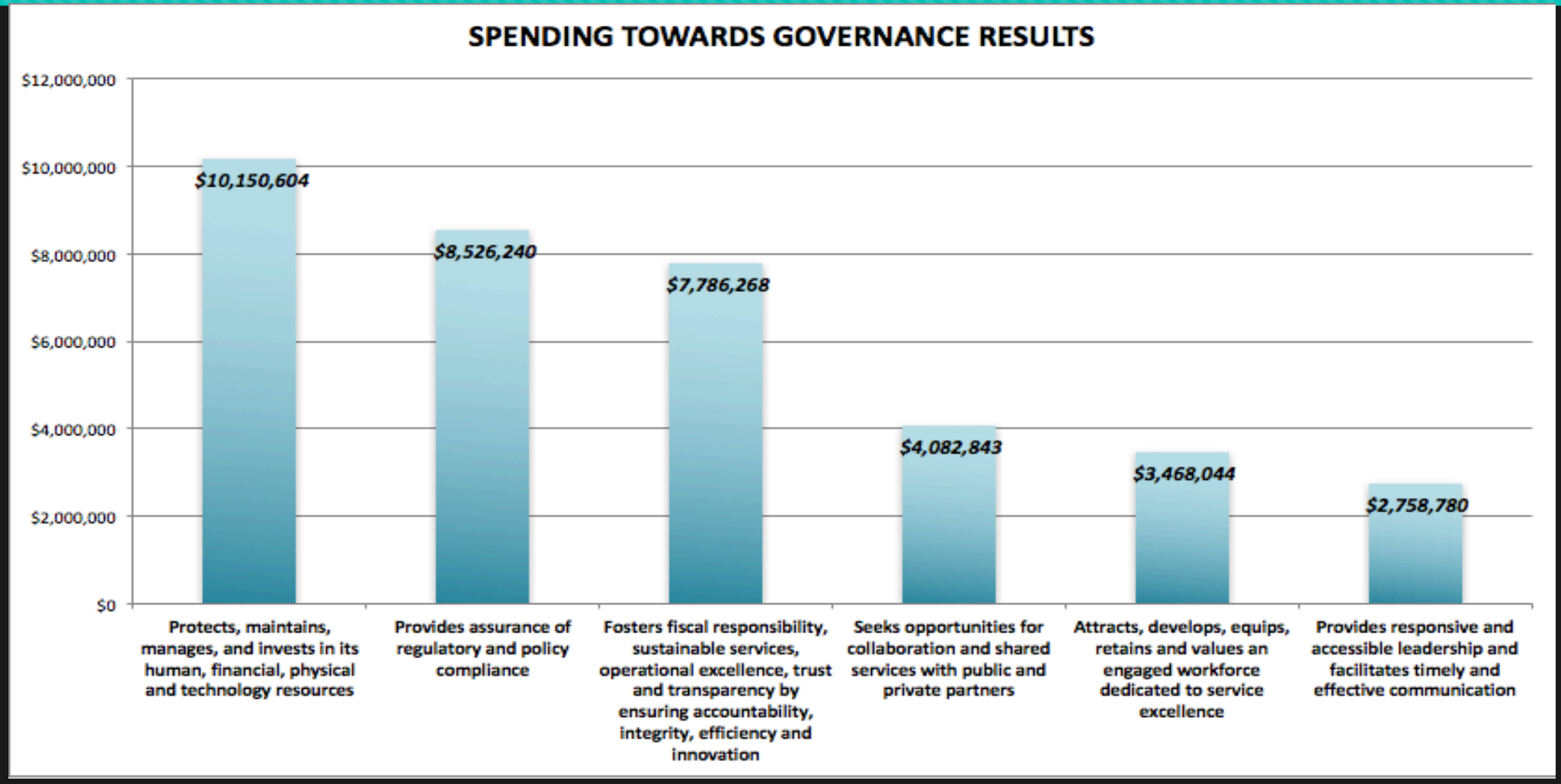


Pause

Strategic Planning is Irrelevant Unless You Use It

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

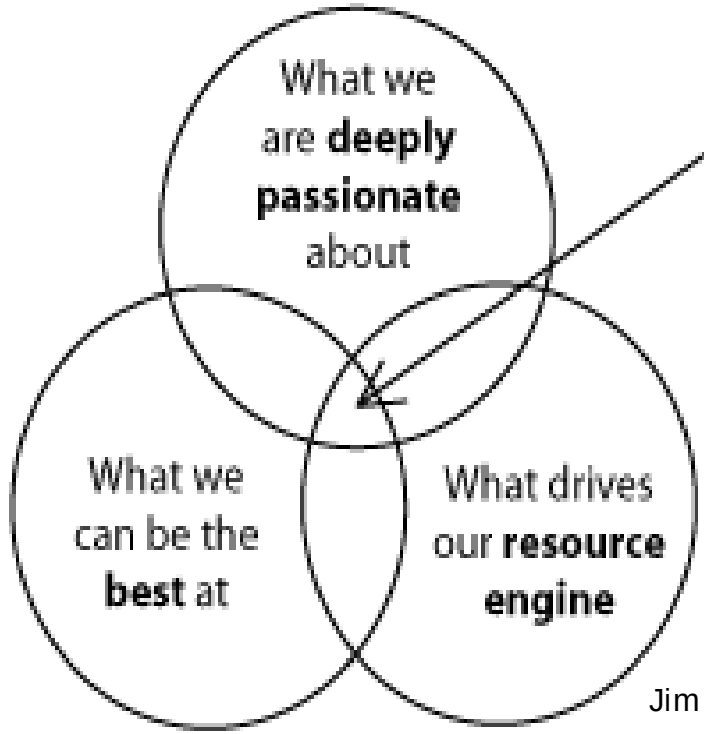
HEDGEHOG CONCEPT

(Simplicity within the Three Circles)

- Ancient Greek parable:
  - ✓The fox knows many things
  - ✓The hedgehog knows one big thing
- Foxes pursue many ends and see the world in all of its complexity.
- Hedgehogs simplify the world into a basic principle, see what's essential, and ignore the rest.

Jim Collins, "Good to Great"

The Hedgehog Concept



Jim Collins, "Good to Great"

Strategic Planning is Irrelevant Unless You Use It

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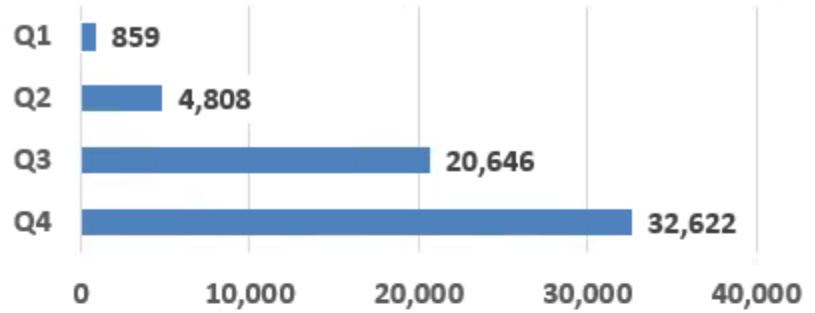
- Get the right people on the bus.
- Get the right people in the right seats.
- Get the wrong people off the bus.
- **PBB is a roadmap for culture change.**

Results Driven Government

Use data to evaluate vacancy/hiring decisions:

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



Q1	859	0	0
Q2	4,808	0	1
Q3	20,646	0	1
Q4	32,622	0	2
Dept	29,746	0	2
Admin	56,100	1	4
Fixed	0	0	0
Total	85,846	1	6

Program Inventory Perspective			Accounting Perspective							Basic Prog
Department	Program	Quartile	Cost Type	AcctNumber	Cost/Position	ID#	Cost	FTE	Allocation	Manda
Planning and Parks	Reservations -County Park System	3	Personnel	2801001	OFFICE MANAGER PLANNING & P/	63020.2	10730.500	0.125	0.500	0
Planning and Parks	Planning & Parks Website Updates	3	Personnel	2801001	OFFICE MANAGER PLANNING & P/	63020.2	3219.150	0.038	0.150	1
Planning and Parks	Planning & Parks Customer Inquiri	4	Personnel	2801001	OFFICE MANAGER PLANNING & P/	63020.2	2146.100	0.025	0.100	1
Planning and Parks	Golf Course Marketing & Social Me	4	Personnel	690	OFFICE MANAGER PLANNING & P/	63020.1	944.350	0.011	0.110	1
Planning and Parks	Park and Open Space Planning Res	2	Personnel	2804001	OFFICE MANAGER PLANNING & P/	63020.5	1631.150	0.019	0.190	2
Planning and Parks	Multi-jurisdictional Comprehensiv	1	Personnel	2804001	OFFICE MANAGER PLANNING & P/	63020.5	858.500	0.010	0.100	4
Planning and Parks	Site Development Program	2	Personnel	2804001	OFFICE MANAGER PLANNING & P/	63020.5	1717.000	0.020	0.200	2
Planning and Parks	Planning and Parks Department Sc	4	Personnel	2804001	OFFICE MANAGER PLANNING & P/	63020.5	343.400	0.004	0.040	1
Planning and Parks	Bike & Pedestrian Plan Research, \	2	Personnel	2804001	OFFICE MANAGER PLANNING & P/	63020.5	1459.450	0.017	0.170	0
Planning and Parks	Cash Management and Reporting	3	Personnel	690	OFFICE MANAGER PLANNING & P/	63020.1	6696.300	0.078	0.78	2

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

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

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.

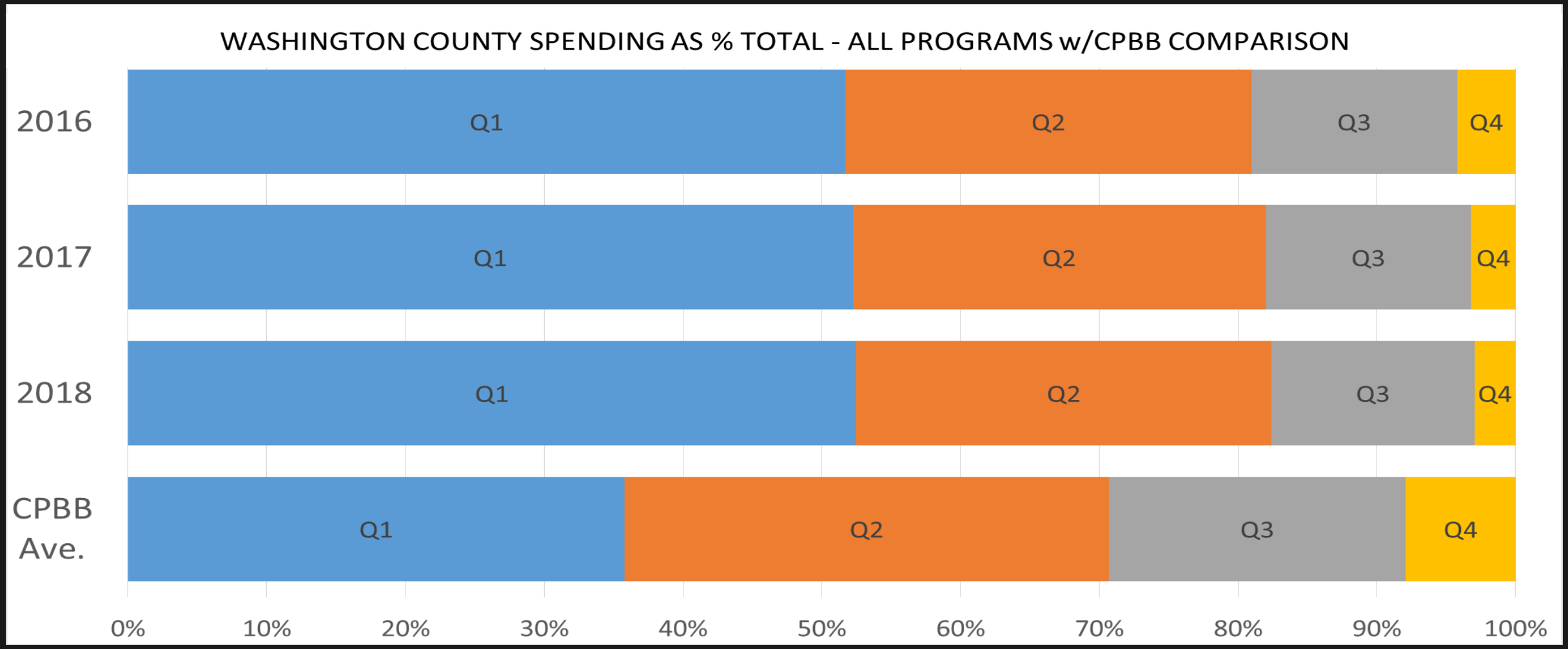
Results Driven Government

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.

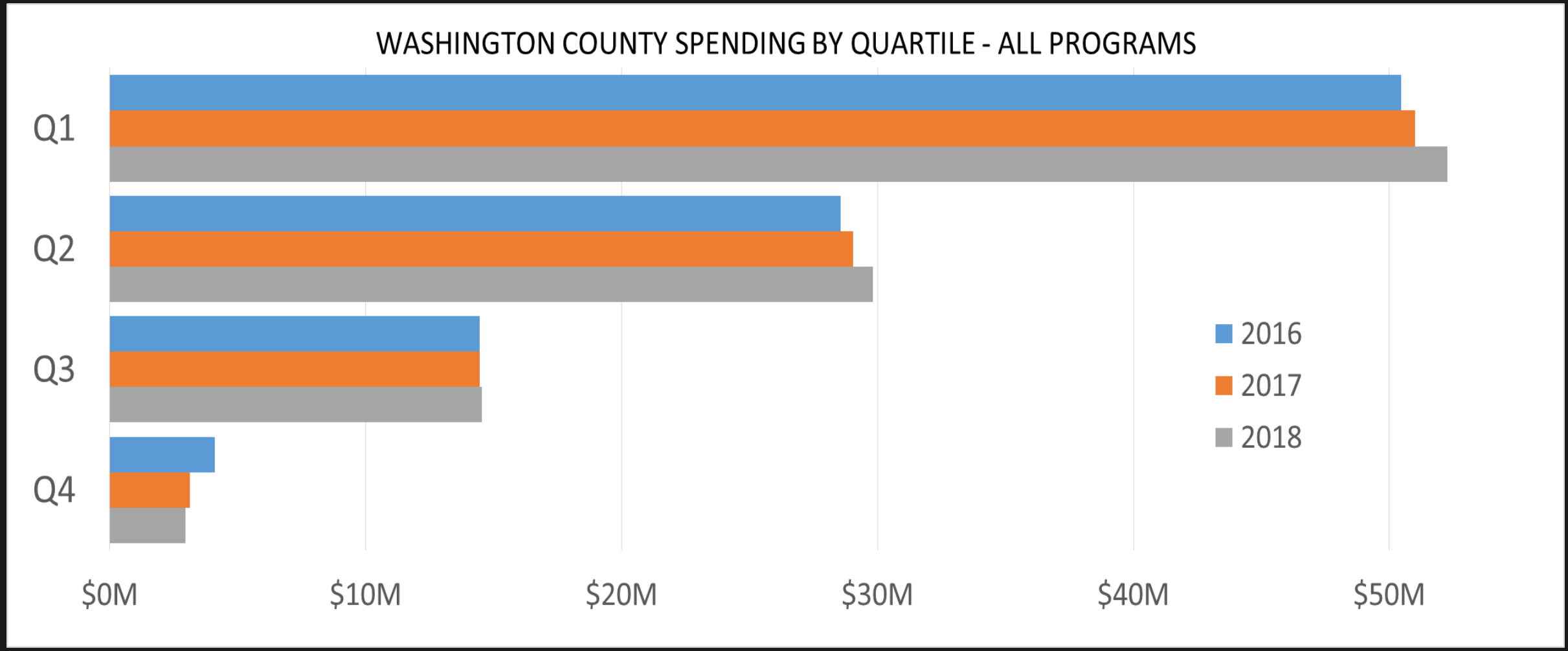
Results Driven Government – How Are We Doing?

- 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?