TOWN OF MILLIKEN
TOWN BOARD
AGENDA MEMORANDUM

To: Mayor Tokunaga and Board of Trustees From: Patrick Murphy, Treasurer, Director of Finance & Accounting Via: Kent Brown, Town Administrator	Meeting Date: Wednesday, May 13, 2015

Agenda Item #	Action: X	Discussion:	Information:
Agenda Title: Priority Based Budgeting Fiscal Health Tool Authorization			
Attachments: Proposal from the Center for Priority Based Budgeting			

PURPOSE

To authorize the Town Administrator to execute an agreement with the Center for Priority Based Budgeting to develop the "Fiscal Health Diagnostic Tool" as the first step toward implementing Priority Based Budgeting in Milliken.

BACKGROUND

The Town Board appropriated $30,000 in the 2015 Budget for the implementation of Priority Based Budgeting. Town Staff met with the principals of the Center for Priority Based Budgeting in April to discuss the most effective approach to integrating this practice in Milliken. It was agreed that the best first step in this process is to build the web-based "Fiscal Health Tool," which has been considered a leading practice by the ICMA, and implement it in time to assist the Town in prioritizing its budget decisions for 2016. Once in place, the Board will have a better perspective on how and when to move forward with a more comprehensive implementation of Priority Based Budgeting.

The attached proposal estimates that this tool can be implemented and ready to use in three of the Town's Funds (Staff recommends the General, Water, and Sewer Funds) by July, 2015, at a total cost of $4,000, and an annual recurring subscription fee of $3,500.

BUDGET IMPLICATIONS

The proposed fee is well within the budgetary limitations of the appropriation for 2015.

POSSIBLE MOTION

"I move to authorize the Town Administrator to execute an agreement with the Center for Priority Based Budgeting for the development and implementation of its web-based Fiscal Health Tool in accordance with their proposal."

CENTER FOR
PRIORITY BASED BUDGETING

Using a Unique Lens to Focus Community Resources on Results

Development of the
"Fiscal Health Diagnostic Tool"

For the

Town of Milliken, Colorado

Center for Priority Based Budgeting
13701 W. Jewell Avenue, Suite 28
Lakewood, CO 80228

A UNIQUE LENS: FISCAL HEALTH and WELLNESS through PRIORITY BASED BUDGETING

"Challenges facing local governments today literally requires a new way to see. It's as if our vision has been blurred by the extraordinary stress of managing in this complex economic environment. Whether attempting to rebuild in a post-recession climate, or persevering through another year of stagnating or declining revenues, the challenge remains: how to allocate scarce resources to achieve our community's highest priorities. Through the new lens of Fiscal Health and Wellness through Priority Based Budgeting, which provides powerful insights, local governments are making significant breakthroughs."

- Jon Johnson and Chris Fabian, *Seeing Things Differently*, Public Management (PM) Magazine, 2012

Fiscal Health and Wellness represents two strategic initiatives that local governments, school districts, special districts and non-profit entities can implement in order to achieve immediate fiscal stability in the short-term (*achieving **Fiscal Health***), realize alignment of resources with the priorities of citizens in the near-term *(achieving **Fiscal Wellness***), and in doing both, determine a responsible level of taxation as well as achieve fiscal sustainability for the long-term.

The ***Center for Priority Based Budgeting (CPBB)*** is extremely pleased to provide this proposal in response to the Town of Milliken's request to implement the web-based "***Fiscal Health Diagnostic Tool***." This tool has benefited communities in many significant ways, but has most importantly provided a "***new lens***" through which to view an organization's *"Picture of Fiscal Health"* both from the perspective of looking back historically and creating a vision of what the future might hold.

CPBB has seen the "***Fiscal Health Diagnostic Tool***" profoundly change the conversation in local government organizations. Elected officials have adopted the "***Tool***" as their preferred means of communicating with staff regarding any decision before them that potentially might have a fiscal impact – asking staff to "***show us***" those impacts using the "***Red Line / Blue Line***"! Organizations have entered into labor negotiations with their bargaining units, using the "***Tool***" as a way to quickly agree on the assumptions behind the City's fiscal forecasts, therefore establishing a basis of trust in the discussion – then modeling the bargaining units' requests to demonstrate impacts to the Town's fiscal position. The "***Tool***" has even been used to help a Water and Sewer District prioritize capital projects, understand the ongoing impacts of those projects, and effectively develop rate increases by better understanding their ongoing and one-time sources and uses of funding in their operation.

In 2012, the International City/County Management Association (ICMA) established ***Fiscal Health and Wellness through Priority Based Budgeting*** as a leading practice for local governments. We are honored to partner with ICMA through their ***Center for Management Strategies***, to bring our processes and tools to local governments across the Country.

From these experiences, ***CPBB*** strongly believes that this ***"Tool"*** has the needed capabilities to put decisions into a better perspective for your elected officials, to tell the story of your organization's financial condition using a picture, and finally to help manage your ***Fiscal Health*** as you look towards the future. You've recognized the "*dashboard*" qualities of the ***"Tool"***, in that it provides for an immediate and interactive depiction of various scenarios and decisions that face the Town and provides improved clarity in the simple and "unified picture" that everyone can see.

The following proposal represents the approach ***CPBB*** recommends to build the web-based ***"Fiscal Health Diagnostic Tool"*** for the Town of Milliken. Once we receive the required data from the Town, we believe the ***"Tool"*** can be implemented and ready to use by July, 2015.

The total proposed cost for **modeling up to three of the Town's Funds is $4,000**. Should the Town wish to model more, or less of their accounting funds, a pricing table is included in the Proposed Budget section of this proposal. As always, we strive to be exceptionally cost-conscious and affordable in our work so that we can remain dedicated to the research and development of these tools that are making a real difference in the communities we work with. If there is anything in our proposal that you'd like to discuss further, we are more than happy to continue our conversation to better meet your needs.

CPBB is honored to have the opportunity to work with the Town of Milliken, and are pleased that we can share our unique ***"Fiscal Health Diagnostic Tool"*** that will truly allow the Town to see things through a "***new lens***." We look forward to working together!

Best Regards,

Jon Johnson Chris Fabian

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ACHIEVING FISCAL HEALTH -
(Using the "Fiscal Health Diagnostic Tool" as the new lens)

Fiscal Health is achieved by properly diagnosing the symptoms and causes of an organization's budget issues, allowing them to *"prescribe"* the correct treatments that can alleviate their fiscal distress. Applying the wrong treatment will not *"cure what ails"* them and may even make matters worse. Once their organization is fiscally healthy, it can then become financially sustainable in the long term by implementing a ***Fiscal Wellness*** regimen that revolves around the principles of ***Priority Based Budgeting***.

CPBB helps lead organizations to fiscal health by uncovering the root cause of its *"ailments,"* and then prescribing and applying the correct and most effective treatment options that will ensure fiscal stability. Prescribing treatments without analyzing the symptoms and causes could lead to an improper diagnosis and a worsening of the organization's fiscal *"dis-ease."* Preventative diagnosis might also uncover potentially unhealthy practices that could easily be corrected before the organization's fiscal health is compromised. Local governments choosing to implement the concepts of ***Fiscal Health*** as a treatment regimen are making substantial progress because they are doing the analytical work required to more accurately diagnosis the reasons behind their fiscal issues and then determining the best treatments that lead to a viable cure.

The following are illustrative of how ***CPBB*** helps organizations diagnose their fiscal problems, and then work to resolve them, based on achieving 5 key principles of ***Fiscal Health***, including the development of the ***"Fiscal Health Diagnostic Tool"***

1) "Spending Within Our Means"- focusing on the alignment between ***ongoing*** sources and ***ongoing*** uses and on the alignment between ***one-time*** sources and ***one-time*** uses.

Specifically, ***CPBB*** *helps communities*:

- Shift the focus of forecasting and budgeting from expenditures to revenues.
- Establish alignment between ongoing revenues and ongoing expenditures and between one-time sources and one-time uses.
- Base resource allocation strictly on available (*and reliable*) ongoing revenues and one-time sources (*as opposed to historical or forecasted expenditures*).
- Distinguish between ***general government*** revenues (*taxes, franchise fees, etc.*) ***program*** revenues (*user fees, grants, permits, etc.*); and understand the relative reliance of each funding source.
- Require that reductions in specific program revenues are offset by equal reductions in expenditures for that same program.
- Minimize reliance on volatile revenues sources to fund ongoing operations.
- Create incentives for departments to seek diversification, manage and monitor their program revenues.

2) Establishing and Maintaining Reserves – focusing on fund balance reserves and the monitoring tools in place to protect those reserves.

*Specifically, **CPBB** helps communities*:

- Establish a written working capital/emergency reserve policy.
- Create an inventory listing of all reserves maintained across the organization and assess the adequacy and appropriateness of reserved and unreserved fund balances, eliminating any that are excessive, unnecessary or duplicated *(having "too much" may be as problematic as having "too little" if there is no plan for how the funds are to be used to benefit the community).*
- Develop appropriate monitoring mechanisms that ensure reserves are being held in full compliance with all required restrictions, reservations or designations of fund balance.

3) Understanding Variances - focusing on disparities between budget projections and actuals to look for opportunities to shift resource allocations from areas where they are not needed and more importantly improve the accuracy of revenue and expenditure forecasts by eliminating the impact of recurring historical variances.

*Specifically, **CPBB** helps communities:*

- Determine specific reasons for the occurrence of variances and adjust future budgets to be more in line with actual experience.
- Identify programs or services where resources have historically been "*over-allocated,*" allowing for those resources to be re-allocated to other areas of need.
- Improve the accuracy of revenue and expenditure forecasts by better isolating and identifying emerging trends as well as eliminating the impact of recurring historical variances.
- Identify where resources have been allocated on a regular basis for one-time or cyclical costs, contingencies and/or worst-case scenarios and re-allocate those ongoing resources where possible.
- Evaluate *"centralization"* versus "*decentralization*" of services
- Develop a salary/benefit projection tool to more accurately budget employee compensation costs and assist in analyzing the impact of variances (*including vacancy savings, turnover issues unanticipated benefit costs increases, etc.).*
- Ensure that expenditures related to multi-year capital projects are budgeted in the years in which costs will be incurred to prevent large unplanned budget appropriations *("carry-forwards").*
- Review the organization's *"Chart of Accounts."*

4) Being Transparent About the "True Cost of Doing Business" – focusing on ensuring that appropriate internal service and administrative costs are shouldered by the programs that benefit from those services, ensuring that fees for services are capturing both direct and indirect costs (*appropriate for cost recovery objectives*) and ensuring that the full cost of offering programs and services is clearly articulated and understood.

Specifically, ***CPBB*** *helps communities:*

- Allocate appropriate internal and indirect costs so that the burden is shared by the programs (*and other accounting funds*) that demand and use those services.
- Ensure that fees for services, where some level of cost recovery is expected, capture both direct and indirect costs associated with providing the service.
- Identify opportunities to establish internal service funds for those departments that exist primarily to provide services to internal customers.
- Assist with the implementation of internal service funds, where appropriate, to align cost and level of service with customer demand.
- Identify the total cost (*including direct and indirect costs*) of providing all programs.
- Encourage the use of a formal ***Cost Allocation Plan*** or other internal cost allocation process to establish the methodology by which overhead and administrative costs can be allocated to user departments and/or to various accounting funds, potentially relieving the burden on the General Fund where these types of costs normal "*reside*."
- Develop asset replacement/maintenance plans and perform asset utilization studies.
- Perform "*sourcing*" analysis for identified programs and services, developing recommendations and comparative costing studies.

5) Incorporating Long-term Planning into Decision Making – focusing on the inclusion of all long-term plans prepared by the organization into financial forecasts and the budget process as well as the associated incorporation of relevant external economic influences. Additionally, insuring that the organizations use clear and concise modeling tools to communicate forecasts, assess impacts of treatment solutions and identify impacts of budget decisions.

Specifically, ***CPBB*** *helps communities:*

- Understand the impact of relevant external economic influences and incorporate them into forecasts and budget projections.
- Identify and incorporate all long-term plans prepared throughout the organization into long-term forecasts.
- Develop revenue and expenditure forecasting methodology.
- Prepare a comprehensive Capital Improvement Plan (*CIP*) that spans a period of at least five years and includes all potentially significant one-time expenditures as well as any associated ongoing operating costs.

- Assimilate all elements of fiscal health into our ***"Fiscal Health Diagnostic Tool,"*** a scenario planning model that helps ensure decisions are made with an understanding of their impact on the organization's future financial picture while upholding the objectives of ***Fiscal Health***.
- Through the ***"Fiscal Health Diagnostic Tool,"*** developing a simple, graphic communication device that is used consistently to provide decision makers with financial information at a summarized level.

Development of the *"Fiscal Health Diagnostic Tool"*

This graphic is a depiction of the ***"Fiscal Health Diagnostic Tool,"*** created by ***CPBB,*** to help illustrate how an organization utilize a simple model to communicate its fiscal *"condition,"* monitor its ***Fiscal Health*** and do interactive, real-time scenario planning and forecasting with decision makers.

The screen capture above is from the web-based "Fiscal Health Diagnostic Tool"

The implementation process to develop the web-based ***"Fiscal Health Diagnostic Tool"*** is described in further detail on the pages that follow.

Initial Data Collection – May 2015

Depending on the amount of financial history that the Town of Milliken wants to incorporate and how easily the most accurate and complete financial records can be produced, ***CPBB*** will assist the Town in accumulating the data required to sufficiently populate the model. ***CPBB*** recognizes that the Town is in the process of working to accumulate records of past and current year data, and so will work with the Town to determine what is available and useful. In addition there may be other financial information and data that will have to be manually gathered. An example of data that may not reside in the organization's financial system, but is relevant to the construction of the model might be a copy of the organization's reserve policies in the General Fund (*as well as the other accounting funds being modeled*), or a minimum reserve threshold in the utility funds. ***CPBB*** will develop this data request and refine it as necessary, based on where the date is (or isn't) available, to meet the organization's needs. With regard to the data that is pertinent to future financial forecasts, ***CPBB*** will work with the organization to determine what (if any) data exists already that could aid in the development of future scenario plans (*see Financial Forecasting Workshop).*

Ongoing versus One-time Analysis – May 2015

CPBB will work with the Town to engage in an analysis of revenues and expenses, in order to differentiate between "***ongoing"*** and "***one-time***" sources and uses. Throughout this analysis, ***CPBB*** will confer with the Town to appropriately classify the sources and uses as "***ongoing***" or "***one-time***" in nature, and in some instances may propose that a portion of a particular source or use be split between a classification of "***ongoing"*** and "***one-time***" - where a portion of the source or use is determined to be reliable or predictable, and another portion is more volatile or speculative.

- ***Revenue Analysis:*** For each of the funds being modeled, the total sources of revenue to the organization will be differentiated between "***ongoing***" sources – those that are reliable or predictable sources of income - and "***one-time***" sources – those that can only be "*spent*" once. Examples of "***ongoing***" revenue streams include the "*reliable*" component of sales tax revenues, franchise fees, utility rates and charges based on system demand, and perhaps a conservative estimate for interest income revenues associated with reserved fund balances. Examples of "***one-time***" sources include fund balance (*reserved or unreserved*), grants that are one-time in nature or have a certain "expiration" date, fees for a specific projects or initiative, and potentially volatile interest income.

- ***Expenditure Analysis:*** For each of the funds being modeled, total expenditures will also be differentiated between "***ongoing***" costs - those expenses for costs related to the ongoing operations of the organization – and those uses that are more "***one-time*** in nature. Examples of "***ongoing***" costs include personnel *(salary and benefits*), supplies, energy, regular maintenance and other daily expenditures association with the day-to-day "running" of the organization. Examples of those expenditures that are more "***one-time***" in nature include capital project expenditures, other projects or initiatives undertaken once or on a less than annual basis, emergency / contingency initiatives, or other non-recurring expenses.

The graphic below illustrates the process of organizing revenues and expenses into either "Ongoing" or "One-time" (or both) categories

Fund: General Fund

Income (Add Year)

	Ongoing	One Time	Total				
2009	$1,000,000	$100,000	$1,100,000 (-)	2010	$1,100,000	$0	$1,100,000 (-)
2011	$1,200,000	$0	$1,200,000 (-)	2012	$1,300,000	$0	$1,300,000 (-)
2013	$1,400,000	$0	$1,400,000 (-)	2014	$1,500,000	$0	$1,500,000 (-)
2015	$1,550,000	$0	$1,550,000 (-)	2016	$1,600,000	$0	$1,600,000 (-)
2017	$1,620,000	$0	$1,620,000 (-)	2018	$1,620,500	$0	$1,620,500 (-)

Fund Balance (Add Year)

	Ongoing	One Time	Total				
2010	$0	$100,000	$100,000 (-)	2011	$0	$200,000	$200,000 (-)
2012	$0	$900,000	$900,000 (-)	2013	$0	$1,515,000	$1,515,000 (-)
2014	$0	$2,145,450	$2,145,450 (-)	2015	$0	$2,391,814	$2,391,814 (-)
2016	$0	$2,391,814	$2,391,814 (-)	2017	$0	$2,391,814	$2,391,814 (-)
2018	$0	$2,391,814	$2,391,814 (-)	2019	$0	$4,012,314	$4,012,314 (-)

Sales Tax (Add Year)

	Ongoing	One Time	Total				
2011	$500,000	$0	$500,000 (-)	2012	$515,000	$0	$515,000 (-)
2013	$530,450	$0	$530,450 (-)	2014	$546,364	$0	$546,364 (-)
2015	$546,364	$0	$546,364 (-)	2016	$546,364	$0	$546,364 (-)

Initial "Fiscal Health Diagnostic Tool" Development – June 2015

The culmination of the analysis of "***ongoing***" and "**one-time**" sources and uses, combined with the additional data collected that relates to the Town's financial policies (*for instance, the organization's reserved fund balance policies*) will provide ***CPBB*** with the requisite information to build the customized, web-based "***Fiscal Health Diagnostic Tool***". The initial "***Tool***" development will depict a perspective of the organization's current ***Fiscal Health,*** complete with the historical data for prior years. The final step of the process (*see Financial Forecasting Workshop*) will generate the information required to allow the organization to develop future planning assumptions sufficient to support the use of the "***Tool***" as a "*scenario-planning*" dashboard.

Financial Forecasting Workshop – June 2015

The maximum value of the ***"Fiscal Health Diagnostic Tool"*** is the ability to visually display a variety of historical, projected and "*what-if*" data, in an analytical format - a "dashboard" approach. This will provide a way for the Town to assess and explore future scenarios and initiatives in an interactive and "real-time" environment. ***CPBB*** will work with the Town to review future assumptions to be built into the model, as well as potential decisions that the organization wishes to model and then evaluate the impacts of those decisions.

As an example, ***CPBB*** will facilitate a discussion with the Town to determine an appropriate assumption (*or range of assumptions*) for future sales tax growth (*or decline*) and demonstrate how this assumption impacts the model. ***CPBB*** will demonstrate the "sensitivity" of the model with respect to these

assumptions, and recommend to the organization where certain assumptions (like the growth or decline of sales tax revenues) should be considered a readily changeable variable, whereas other assumptions (for instance, a very small and less consequential revenue source such as donations made to the organization) are less impactful and therefore won't be included in the model's dashboard.

CPBB will also work with the Town to develop an inventory of known future decisions, both of an "***ongoing***" and "***one-time***" nature that may impact the organization's future "*picture of **Fiscal Health.***" Clearly, a list of what is included in the organization's Capital Improvements Plan (*CIP*) relative to the accounting funds being modeled is an example of the types of future "decisions" that could be accepted, denied, or sequenced over various time periods, with each scenario producing a different outcome for the organization's future ***Fiscal Health***.

Final Refinement of the "Fiscal Health Diagnostic Tool" – July 2015

With each of the assumptions developed, ***CPBB*** will complete the organization's "***Fiscal Health Diagnostic Tool***" and train the appropriate staff as to how the models can be easily updated.

Fiscal Health is a concept promoted and highlighted by such associations as the Government Finance Officers Association (*GFOA*), ICMA and the Alliance for Innovation. With the "***Fiscal Health Diagnostic Tool***", the Town of Milliken will have the capacity to:

- Communicate the Town's "***picture of fiscal health***" to Elected Officials, Town administration, staff, bargaining units, residents and other community stakeholders.
- Graphically depict the alignment of "***one-time***" and "***ongoing***" funding sources with the "***one-time***" and "***ongoing***" expenditure needs of the organization.
- Effectively monitor the Town's ***Fiscal Health*** position to ensure that decisions made do not impact the level of financial health achieved.
- Access the impact of capital decisions on the Town's financial position, including the evaluation of the impacts of "**ongoing**" operational costs associated with those "***one-time***" expenditures.
- Model the Town's financial forecasts and document the assumptions on which they are based.
- Engage in interactive and "*real-time*" scenario planning.
- Demonstrate the impact of "*today's*" decisions on the Town's five to ten year forecasts

Approach to Pricing

CPBB's commitment is to provide services that are achievable and affordable. The budget required for assistance in developing a customized, web-based "***Fiscal Health Diagnostic Tool***" for **modeling three Town Funds is $4,000.** This represents ***an annual subscription*** to the web-based "***Tool***" that may be renewed each at the beginning of each fiscal year. This annual fee of $3,500 will remain permanent as long as the Town continues to subscribe to this service.

CPBB attempts to offer as much flexibility in it's approach to providing the ***"Fiscal Health Diagnostic Tool"*** as possible. For instance, some organizations may want to initiate their work in the first year by modeling their General Fund, and considering the addition of other accounting funds in subsequent years – this is a great approach, and CPBB is completely open to organizations changing their subscriptions on a year-by-year basis.

The following table includes CPBB pricing for the online ***"Fiscal Health Diagnostic Tool"*** good for 2015. For all organizations that subscribe to the model in 2015, these rates are "locked in" and will not change for the duration of their subscription. In other words, the annual subscription rate will remain permanent and will not increase as long as the Town continues to subscribe to this service.

CPBB

CENTER FOR
PRIORITY BASED BUDGETING

"FISCAL HEALTH DIAGNOSTIC TOOL" Subscription Structure

Number of Accounting Funds	Number of Users	Total Initial Annual Subscription	Total Ongoing Annual Subscription
1	1-3	$ 3,500	$ 3,000
2-3	1-3	$ 4,000	$ 3,500
4-6	4-10	$ 5,500	$ 4,500
7-10	11-20	$ 7,500	$ 6,000
11-20	20-25	$ 9,500	$ 8,000
Over 21	Over 26	$ 11,000	$ 10,000

The quotation of fees and compensation shall remain firm for a period of 120 days from this proposal submission. Travel costs will be billed separately on an occurrence basis. ***CPBB*** agrees to work cooperatively with the Town in order to reduce such costs to the greatest extent possible while still meeting the requirements specified in this proposal.

Company Credentials

The Center *for Priority Based Budgeting* prides itself in providing creative solutions to local governments struggling to address their own fiscal realities. Our mission is to share our experience and technical knowledge of government financial operations and budget development with organizations that are seeking to achieve ***Fiscal Health and Wellness*** that is sustainable for the long-term. Above all, ***CPBB*** strives to be viewed as a trusted advisor and a dependable, objective resource that assists local governments who are seeking service excellence, transparency to their stakeholders and a strong desire to achieve the *Results* that are important to their community. In particular, our experience in dealing with finance-related issues combined with our backgrounds in performance measurement, achievement of efficiencies, and genuine community engagement, makes the ***Center for Priority Based Budgeting*** a truly unique and beneficial partner in dealing with fiscal issues and budgetary concerns, especially in these unprecedented and turbulent times.

CPBB was formed in 2010 by Jon Johnson and Chris Fabian to further the initiative of ***Fiscal Health and Wellness,*** a methodology they developed while serving as local government practitioners for the largest county government in Colorado. ***CPBB*** operates as a mission-driven, S-corporation located at 13701 W. Jewell Avenue, Suite 28, Lakewood, Colorado, 80228,.

Prior to the creation of ***CPBB,*** Jon and Chris worked as independent local government advisors during 2009 after leaving their positions with Jefferson County, Colorado. During that time they were associated with the International City/County Management Association (*ICMA*) as consulting contractors as well as serving as trainers and speakers for the Government Finance Officers Association (*GFOA*) and the Alliance for Innovation. Before becoming local government advisors, Jon served local governments as a finance/budget practitioner for over 25 years, while Chris served as both a local government budget professional and a management consultant to government organizations, specializing in outcomes-based budgeting initiatives.

The ***Center for Priority Based Budgeting*** proudly offers its services in helping local government organizations address their fiscal realities both in the short-term and long-term through a new and creative process that is actively being implemented across the country. These "hands-on" practitioners have developed the ***Fiscal Health and Wellness*** process to help cities counties, school districts, special districts and non-profit agencies find the answers to the most relevant questions of the day:

- *How do we **"stop the bleeding"** and properly diagnose our fiscal issues in order to apply the proper treatments?"*
- *How can our organization "**spend within its means**?"*
- *How do we allocate scarce resources to **"top priority"** programs?*
- *How can we link our budget with our strategic goals/objectives and then "**measure**" their performance?*
- *How does our organization head down a path of long-term "**financial sustainability**?"*

CPBB offers the professional expertise, analytical skills and diagnostic tools needed to help your jurisdiction turn these tough times around. For the short-term we can provide you with the tools and techniques you need to assess and monitor your organization's ***"picture of Fiscal Health"***. For the long-term, we can assist your organization in clearly defining its goals and objectives and lead you in a process that prioritizes your spending to align with these goals. Our objective is to help you:

- Diagnose the root cause of your fiscal problems
- Identify effective treatment options
- Establish clearly defined goals for your organization
- Prioritize resource allocation to your most valuable programs and services
- Engage the community in determining what they highly value and expect
- Provide decision-makers with better information about the impacts of their decisions
- Develop the tools you need to see things more clearly through a "*new lens*" with our unique "***Fiscal Health Diagnostic Tool***" and our "***Resource Alignment Diagnostic Tool***"

The ***Center for Priority Based Budgeting*** offer several levels of services to meet the individual needs of your organization as it addresses its short-term and long-term fiscal concerns. These flexible and attainable approaches can be tailored to work with any level of engagement your organization is ready to embark upon. Many approaches are available to your organization depending on what suits your needs most effectively. Jon and Chris are available to talk through these alternative approaches and find the best one that meets your particular needs. Our main objective is to find the best way to assist your organization in dealing with its fiscal stress and reaching a stable and sustainable level of ***Fiscal Health and Wellness.***

Among the wide range of services available through the
Center for Priority Based Budgeting:

- ***Priority Based Budgeting*** Process Implementation
- ***"Resource Alignment Diagnostic Tool"*** Development
- ***Fiscal Health*** Diagnostic Assessments
- ***"Fiscal Health Diagnostic Tool"*** Development
- Utility Rate Modeling (*using our* ***"Fiscal Health Diagnostic Tool"***)
- Facilitated Goal-Setting / Strategic Planning Retreats *and* Workshops
- Citizen Engagement Facilitation
- ***Fiscal Health and Wellness*** Workshops
- Financial Policy Development
- Revenue Forecasting Support
- Revenue Manual *and* Program Inventory Development
- ***Capital Improvement Plan*** *(CIP)* Development *and* Prioritization
- Performance Measures *and* Metrics Assessments
- Internal Service Fund Analysis *and* Development
- Program Costing Support (*direct, indirect and overhead components)*

Please visit our website: www.pbbcenter.org

Staff Credentials

JON JOHNSON

Jon is co-founder of the ***Center for Priority Based Budgeting***, a Denver-based organization whose mission is to help local governments achieve ***Fiscal Health and Wellness*** during these challenging economic times. Jon has more than 25 years of experience as a practitioner in financial administration for municipalities, counties, school districts and public universities. Throughout his career as a finance/budget director, he has been responsible for the management of all aspects of local government finance operations for both small and large organizations. Jon brings with him not only the "hands-on" technical skills associated with the day-to-day financial operations of local governments, but also the ability to apply a diagnostic approach to the analysis needed to assess the ***fiscal health*** of an organization and the management experience to implement the resulting solutions from that diagnostic analysis.

Most recently, Jon served as the Director of Budget and Management Analysis for Jefferson County, Colorado. Previous to that position, he was Assistant Director of Finance for Douglas County, Colorado. Prior to moving to Colorado in 2002, Jon served as the Director of Finance for several municipalities in Missouri, including the City of Blue Springs, the City of Joplin, and the City of Kansas City (MO) Aviation Department. He has also been associated with ICMA as a Senior Management Advisor and with GFOA as a regional trainer and workshop presenter. Jon holds a B.A. in political science and a B.S. in accounting from Missouri Southern State University, as well as a master's degree in College Administration from Pittsburg (KS) State University.

CHRIS FABIAN

Chris co-founded the ***Center for Priority Based Budgeting***. During his career, Chris has provided consulting and advisory services to numerous local governments across the country. His consulting experience has focused on public entities at all levels, advising top municipal managers, department heads and program directors from over 60 organizations concerning the fundamental business issues of local government. Of most significance, his work has centered on the budget process as a lever to produce results, accountability and change; performance and outcome-based management; purpose, productivity, and efficiency in operations; and rigorous financial analysis and strategy. Pursing the objectives of "*Budgeting for Outcomes*" (*BFO*), Chris was a partner of the consulting team that implemented BFO in Ft. Collins, Colorado, one of the leading organizations using this approach and is now assisting with their conversion to the ***Priority Based Budgeting*** model he developed in partnership with Jon.

Most recently Chris has served as a budget practitioner with Jefferson County, Colorado, where he incorporated the lessons learned from BFO into the development of the ***Priority Based Budgeting*** process. He holds a B.S. in engineering from the Colorado School of Mines.

Jon and Chris have been featured speakers at numerous national and regional conferences webinars, and workshops sponsored by the ***International City/County Management Association*** (ICMA), the ***National League of Cities*** (NLC), the ***National Association of Counties*** (NACo), the ***Government Finance Officers Association*** (GFOA), and the ***Alliance for Innovation*** as well as numerous state and regional organizations such as the ***Municipal Managers Association of Southern California*** (MMASC), the ***Municipal Managers Association of Northern California*** (MMANC), the ***Virginia Local Government Managers Association*** (VLGMA) the ***Tennessee Municipal League*** (TML), the ***Colorado Government Finance Officers Association*** (CGFOA) and the ***Senior Executive Institute at the University of Virginia*** (SEI). They have co-authored several articles describing their approach to ***Fiscal Health and Wellness through Priority Based Budgeting*** for local governments including:

- ***"Getting Your Priorities Straight"*** published by ICMA in the June 2008 issue of ***PM Magazine***
- ***"Leading the Way to Fiscal Health"*** published by Government Finance Officers Association (*GFOA*) in their December 2008 issue of the ***Government Finance Review***
- ***"It's All in the Questions: The Manager's Role in Achieving Fiscal Health"*** a two-part article appearing in the September and October 2009 issues of ***PM Magazine***
- ***"Anatomy of a Priority Based Budget Process,"*** co-authored with Shayne Kavanagh of GFOA, published in the May, 2010 issue of the ***Government Finance Review***
- ***"Anatomy of a Priority Based Budget Process,"*** a white paper on "**Priority Based Budgeting**" as a best practice, published by GFOA in March 2011, co-authored with Shayne Kavanagh
- "***Seeing Things Differently***," published by ICMA in the September 2012 issue of ***PM Magazine***

Who has looked through the "Unique Lens"…

- **City of Walnut Creek, California** - Ms. Lorie Tinfow, Assistant City Manager, at 925-943-5899 or Tinfow@walnut-creek.org.
- **City of Boulder, Colorado** - Mr. Bob Eichem, Chief Financial Officer, at 303-441-1819 or Eichemb@bouldercolorado.gov.
- **City of Monterey, California** - Mr. Don Rhoads, Director of Finance, at 831-646-3940 or rhoads@ci.monterey.ca.us or Mr. Mike McCann, Assistant Director of Finance at 831-646-3947 or McCann@ci.monterey.ca.us.
- **City of Cincinnati, Ohio** – Ms. Lea Eriksen, Budget Director at 513-352-1578, or lea.eriksen@cincinnati-oh.gov
- **City of Wheat Ridge, Colorado** – Ms. Heather Geyer, Administrative Services Director at 303-235-2826, or hgeyer@ci.wheatridge.co.us
- **Douglas County, Nevada** – Mr. Stephen Mokrohisky, County Manager at 775-782-9821 or smokrohisky@co.douglas.nv.us or Ms. Christine Vuletich at 775-782-9097 or cvuletich@co.douglas.nv.us
- **City of Fort Collins, Colorado** – Mr. Darin Atteberry, City Manager at 970-221-6505 or datteberry@fcgov.com
- **City of Sacramento, California** – Ms. Leyne Milstein, Director of Finance at 916-808-8491, or LMilstein@cityofsacramento.org
- **Town of Cary, North Carolina** – Mr. Scott Fogleman, Budget Director at 919-462-3911 or Scott.Fogleman@townofcary.org
- **City of Chandler, Arizona** – Ms. Dawn Lang, Management Services Director at 480-782-2255 or Dawn.Lang@chandleraz.gov
- **City of Edmonton, Alberta** – Mr. Todd Burge, Branch Manager, Client Financial Services at 780-423-1362 or todd.burge@edmonton.ca or Ms. Jodie Buksa, Director of Financial Strategies and Budgeting Planning at 780-5342 or jodie.buksa@edmonton.ca
- **Town of Queen Creek Arizona** – Ms. Wendy Kaserman, Assistant to the Town Manager at 480-358-3092 or wendy.kaserman@queencreek.org
- **City of Billings, Montana** – Ms. Tina Volek, City Administrator at 406-657-8430 or VolekC@ci.billings.mt.us
- **City of Sacramento, California** – Ms. Leyne Milstein, Director of Finance at 916-808-8491, or LMilstein@cityofsacramento.org
- **City of Blue Ash, Ohio** – Mr. David Waltz, City Manager at 513-745-8538 or DWaltz@BlueAsh.com, or Ms. Kelly Harrington, Assistant City Manager at 513-745-8503 or kharrington@blueash.com
- **City of Plano, Texas** – Ms. Karen Rhodes-Whitley, Finance Director at 972-941-7472 or Karenr@plano.gov

... and What have they seen!

"Councilmen Larry Carney and Scott Dugan praised Pederson and Brown for the prioritization process. They called it a logical and understandable method of making some difficult decisions to come."

- ***Grand Island (Nebraska) Independent Newspaper***

Using ROI for City Budgeting: Business Planning Meets Government Spending - the city of Boulder is going about this full spectrum analysis of the highest ROI where "return on investment" is the return of City programs on the results our citizens expect in the community.

- ***"Boulder Tomorrow" – Colorado Business Association on Priority Based Budgeting process***

Budget process requires clear priorities, vision - *By examining each of the 365 programs that are directed out of City Hall, the administration, mayor and city council are looking under every rock for ways to save taxpayer dollars and keep core services intact. It is a responsible and rational ways to control expense growth on programs that may be well intended, but do not significantly support the community in the four core areas.*

- ***Grand Island (Nebraska) Independent Newspaper***

"I read with both pleasure and envy the recent article on the city's (Grand Island) new Program Prioritization process. Pleasure because a discerning approach like this is the type of focused decision-making model that successful businesses use. I am glad to see its use in our city's governance. I am envious because it is the type of approach the Unicameral is moving toward with our recently initiated planning committee process. In this instance, the city of Grand Island is well ahead of the state of Nebraska."

- ***Nebraska State Senator Mike Gloor on the Priority Based Budgeting Process***

Walnut Creek, California, which must close a $20m (€14m, £12.5m) deficit for the 2010 financial year, is polling citizens on what services they value most, so it can make targeted cuts. Lorie Tinfow, assistant city manager, also expects the expansion of volunteer programs such as checking on the elderly at home. *"We are rethinking what services the city provides, what we are paying for them and what we are expecting as American taxpayers to get for that dollar,"* Ms. Tinfow said.

- ***Financial Times, quoting Lorie Tinfow, City of Walnut Creek, California***

The City of Monterey is launching a public review of its budget priorities this fall and your participation is vital to the success of the Priority-based Budgeting project. In good times, the City allocated its resources to a wide range of programs and services. Now, the City needs to adjust to "the new normal" of reduced revenues. In Monterey, revenue from hotel, sales and property taxes have fallen to levels not seen in years. Significant recovery is unlikely for the next several years. So, the City needs to tighten its belt just like other municipalities, businesses and citizens have done.

- ***Press Release -City of Monterey, California***

"The process is called Priority-based Budgeting and it recasts the budget into programs instead of line items."

- ***Monterey County (California) Herald Newspaper***

The city of Boulder is looking to change the way it manages its annual budget. Under the new model, the programs that best help the city achieve the community's goals of having a safe, economically sustainable and socially vibrant place to live will receive top priority for funding. *Those programs that are duplicated, waste money or don't meet the community's goals could be cut.*

- ***Boulder (Colorado) Daily Camera Newspaper***

"Although Boulder is in a better financial condition than many of its peer cities, the economic outlook continues to be uncertain," said City Manager Jane Brautigam. "In response, we're taking a prudent and strategic approach to the 2011 recommended budget by focusing on achieving greater efficiencies in how services are delivered to the Boulder community. In many cases we have been able to reallocate staff and funding to those areas most likely to achieve community goals, and are reducing duplication of services to hold the line on spending at 2010 levels."

- ***Boulder (Colorado) Daily Camera Newspaper***

The new list divides the city's 443 programs into four categories, ranking them from highest to lowest priority, based on whether they help meet the community's general goals of cultivating a safe, economically sustainable and socially thriving community.

- ***Boulder (Colorado) Daily Camera Newspaper***

With budgets getting tighter across the country, more cities are turning to Prioritization. "*I just feel like we need to begin to put proactive steps in place so we can prepare the organization for what is ahead,*" said William Harrell, City Manager. *"Sure, we can just start eliminating things. But then is that what the citizens are saying? Is that what council is saying to us? This is a more disciplined and analytical approach."*

- ***(Chesapeake) Virginia Pilot Newspaper***

"It sounds intuitive but what we found was there was no real methodology to connect all of the things that government does" to what policymakers want to see for their cities."

- ***(Chesapeake) Virginia Pilot Newspaper***

Recent information from **Moody's** (the nation's largest bond rating agency) confirms that prioritization processes such as what Blue Ash is going through demonstrate a strategic approach to managing the current fiscal environment. So where do we go from here? The local government advisors developed a unique tool that Blue Ash can utilize for years to come as a part of the city's annual budgetary planning process. This tool will be valuable in assisting the council and administration in determining what services and programs contribute directly to the city's overall objectives, including the evaluation of any future new programs or services being considered.

- ***Press Release - City of Blue Ash, Ohio***

Even cities with a relatively well-off population are facing difficult choices due to falling revenues. In the eastern San Francisco bay area city of Walnut Creek, as in many other cities around the state, local officials faced the unpleasant task of cutting programs in 2009 due to budget shortfalls, and the more unpleasant task of explaining this to the public. Building on an ongoing tradition of collaboration with residents and community building programs, city staff and officials worked with consultants and adopted a multi-stage public engagement ***Fiscal Health and Wellness*** prioritization process to educate and gather informed input from hundreds of residents.

- ***Institute for Local Government on Priority Based Budgeting process***

"PBB is attractive to the City because it relies on community input and the work of employees to be successful. In contrast to past years, decisions on potential funding reductions are expected to occur at the program level rather than at the level of individual budget line items that run across multiple programs. The results of this process are anticipated to enable decision makers to reallocate funding between programs based upon changing needs and priorities."

- ***Internal Memo - City of Fairfield, California***

San Jose Outcomes of Prioritization Approach:

- Increased connection of budget to City's Priority Results
- Stakeholder engagement in program priorities
- Rationale for reducing or eliminating programs that have the least impact on achieving the City's Priority Results

- ***City Manager's Budget Message, City of San Jose, California***

The Program Prioritization effort will inform the development of the City's 2010-2011 Proposed Budget and serve as a tool to identify potential service reductions and eliminations. The evaluation of programs as part of this process may also identify potential duplication of efforts or opportunities to consolidate similar programs and/or services that can delivered through partnership with other governmental agencies, non-profit agencies, or the private sector.

It is important to note that a high rating of a program will not guarantee that a program will be retained; nor does it guarantee that a lower-ranking program will be proposed for elimination. Also, the rankings do not reflect whether a program is being delivered in the most efficient manner. The prioritization process will provide valuable information for budget proposal development and City Council deliberation. It will not be the "only answer" to how best to rectify the City's budget shortfall.

- ***City Manager's Budget Message, City of San Jose, California***