

Priority Based Budgeting (PBB)

in Duluth, MN

PBB

Priority Based Budgeting (PBB) is a unique and innovative approach used by local governments across the country to:

- Match available resources with community priorities
- Provide information to elected officials that lead to better informed decisions
- Meaningfully engage citizens in the budgeting process
- Escape the traditional routine of basing "new" budgets on revisions to the "old" budget

WHY ARE WE IN BUSINESS?

PBB helps to articulate why the services we offer exist



WHAT DOES IT COST?

PBB helps to answer what price we pay for the services we offer



WHAT VALUE DO OUR SERVICES OFFER CITIZENS?

PBB helps to answer what value the services we provide offer citizens





Principles of Priority Based Budgeting

- **Prioritize Services.** Priority Based Budgeting evaluates the relative importance of individual programs and services rather than entire departments. It is distinguished by prioritizing the programs a government provides, one versus another.
- **Do the Important Things Well.** Cut Back on the Rest. In a time of a deficit, a traditional budget process often attempts to continue funding all the same programs it funded last year, albeit at a reduced level (e.g. across-the-board budget cuts). Priority Based Budgeting identifies the programs that offer the highest value and continues to provide funding for them, while reducing service levels, divesting, or potentially eliminating lower value services.
- **Question Past Patterns of Spending.** An incremental budget process doesn't seriously question the spending decisions made in years past. Priority Based Budgeting puts all the money on the table to encourage more creative conversations about services.
- **Spend Within the Organization's Means.** Priority Based Budgeting starts with the revenue available to the City, rather than last year's expenditures, as the basis for decision making.
- **Know the True Cost of Doing Business.** Focusing on the full costs of programs ensures that funding decisions are based on the true cost of providing a service.
- **Provide Transparency of Community Priorities.** When budget decisions are based on a well-defined set of community priorities, the government's goals are not left open to interpretation.
- **Provide Transparency of Service Impact.** In traditional budgets, it is often not entirely clear how funded programs make a real difference in the lives of citizens. Under Priority Based Budgeting, the focus is on the results the program produces for achieving community priorities.
- **Demand Accountability for Results.** Traditional budgets focus on accountability for staying within spending limits. Beyond this, Priority Based Budgeting demands accountability for results that were the basis for a program's budget allocation.

Prioritize



Why are we in business?

Priority Based Budgeting (PBB) is a unique and innovative approach to budgeting that matches available resources with community priorities. PBB evaluates the relative importance of individual programs and services rather than entire departments. This holistic approach helps to provide decision-makers with a “new lens” through which to frame better-informed financial and budgeting decisions and helps ensure that our community is able to identify and preserve those programs and services that are most highly valued.

The City of Duluth has identified the following priorities that answer the question “Why are we in business?” Programs offered by the City should align with the following priorities:

Infrastructure

Safe and Secure Community

Livable Neighborhoods and Affordable Housing

Dynamic and Diverse Economy

Culture and Recreation

Green Space and Energy Conservation

Innovation and Excellence in Service

Provide



What does it cost to provide services to the community?

Using Priority Based Budgeting, the City allocates the line item budget, both personnel and non-personnel, to identified programs. This helps show the true costs of services the City provides in a meaningful way. This also allows better comparisons and shows how our workforce is associated with programs we offer.

Allocating employees' time spent on a program and other costs needed to operate the program illustrates the value of that program and allows us to tell the story of what Duluth is offering to our citizens. It takes the line items and brings them to life in an easy to understand and transparent way.

Program costing creates a transparent, better understanding of the true costs of a service. It provides more meaningful comparisons for decision makers.



Allocate



What value do our services offer our citizens?

City staff worked diligently to identify over 600 programs offered by the City. Costs were allocated to the programs and programs were measured based on how essential each program is to achieving the City's priorities. By aligning the City's programs with our priorities, we are better able to understand which programs help us to reach our goals.

Unlike the traditional incremental approach to government budgeting, where the current year's budget becomes the basis for the next year's spending plan, the PBB process allows our community to understand our core values and how the budget relates to these values.

PBB framework allows the City to make better short-term resource allocation decisions based on the relative priority of the programs and services it offers. PBB also provides a new way to link budget decisions to the strategic results and outcomes that the City wishes to achieve for the long-term. The City can move toward establishing a framework and providing a "new lens" through which the organization can clearly see where opportunities exist - therefore making more effective use of finite resources and continuing to serve in the most effective, efficient, and fiscally responsible manner possible.

The PBB model provides a comprehensive review of the entire organization's operating budget, identifying and ranking services (programs) offered on the basis of the community's priorities. The diagnostic process enables policy makers to link funding decisions to priorities in the strategic plan. The PBB philosophy involves "priorities", which are the fundamental reason an organization exists, and what the organization is in business to provide. Priority definitions detail and expand on the factors influencing the results the organization aims to achieve - and for which all services/programs will then be evaluated and ranked. Programs offered by the City should align with the City's priorities of:

Infrastructure

Safe and Secure Community

Livable Neighborhoods and Affordable Housing

Dynamic and Diverse Economy

Culture and Recreation

Green Space and Energy Conservation

Innovation and Excellence in Service

Align



Opportunities for the City of Duluth

Priority Based Budgeting provides tools to assist in finding opportunities using policy questions.

Sourcing Is there an opportunity for a partnership?

Efficiencies Is there a technology or process that can free up resources?

Service Levels Is it possible to reduce service levels in one area to free them up for another area?

Fees Do our fees cover the costs of the service?

Grants Are we reporting the true costs of services to grant agencies?

Opportunity