



City of Houston

AP 4-10 Training



Handouts

- Executive Order 1-53 – Effective Financial and Performance Management
- Administrative Procedure 4-10 – Effective Financial and Performance Management
- August 30, 2016 Budget and Fiscal Affairs Presentation: Building a Better Budget Through Public Engagement



Purpose of EO 1-53

- **The purpose of Executive Order 1-53 is “to improve transparency and accountability in the provision of City services and capital assets while moving to eliminate the cycle of budget shortfalls.**
- Objectives of EO 1-53 include:
 - Focus budget, capital, and spending decisions on specified, measurable results and outcomes.
 - Fully link the City’s operating budgets, Capital Improvement Plan, and performance metrics to clear, measurable short- and long-term goals.
- AP 4-10 provides more details as to how these objectives will be met.
- All departments will need to be engaged and work as a team to accomplish the implementation of EO 1-53 and AP 4-10



OBJECTIVE: Focus budget, capital, and spending decisions on specified, measurable results and outcomes.

- We are transitioning from incremental budgeting to Outcome-Based Budgeting
- What is Outcome-Based Budgeting?
 - Also referred to as Performance-Based Budgeting, is the practice of developing budgets based on the relationship between funding and expected results
 - Where line-item based budgeting communicates how much the City is spending on things, Outcome-Based Budgeting will communicate how much the City is spending to do things (“services” and “programs”)
 - Instead of allocating budget to “office supplies” or “management consulting,” allocate budget to “homicide investigations” or “supplier diversity”
 - Then, the City can allocate budget to programs based on expected results, or desired outcomes



OBJECTIVE: Focus budget, capital, and spending decisions on specified, measurable results and outcomes.

- What are Programs and Services?
 - **PROGRAM**
 - A plan of action aimed at accomplishing a clear objective and specified outcomes, with details on what work is to be done, by whom, when, what means or resources will be used, and what important community need(s) and priorities are being addressed and reflected
 - Groupings of services directed at achieving a common outcome
 - **SERVICE**
 - Subsets of Programs



OBJECTIVE: Focus budget, capital, and spending decisions on specified, measurable results and outcomes.

- For COH, what will be different?

BEFORE:

Plan Houston

Departments

↳ Divisions: FTE ; \$xxx,xxx,xxx

Performance Measures

↳ Departments

↳ Key Performance Indicators (KPI)*

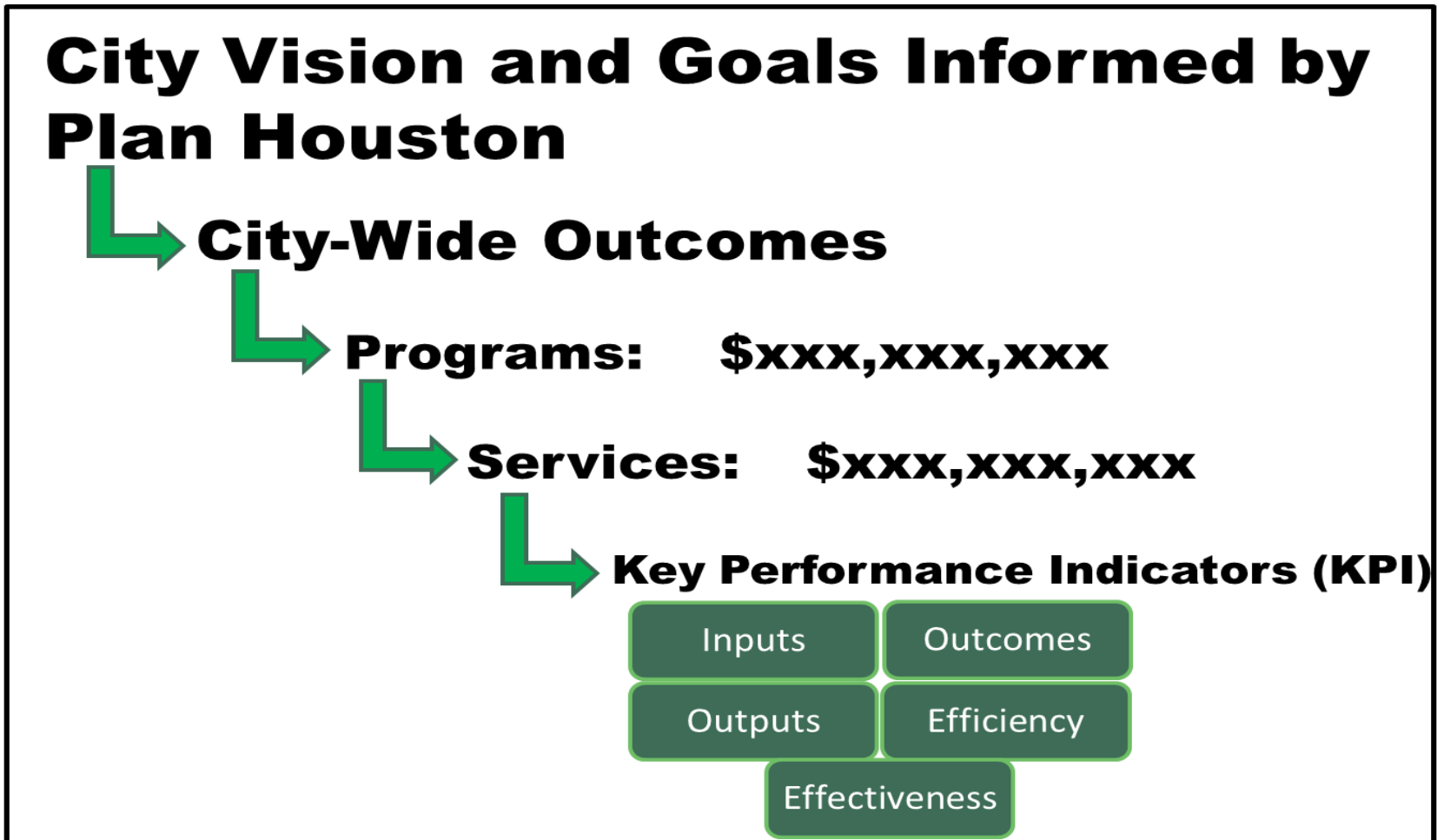
*Not tied to budget items, or reported alongside expenditures



OBJECTIVE: Focus budget, capital, and spending decisions on specified, measurable results and outcomes.

- For COH, what will be different?

AFTER:





OBJECTIVE: Focus budget, capital, and spending decisions on specified, measurable results and outcomes.

Budget Format Comparison:

City of Houston - Current


Plan Houston

Department

- Division: FTE ; \$xxx,xxx,xxx
- Division: FTE ; \$xxx,xxx,xxx

Performance Measures

Department

 Key Performance Indicators (KPI*)


*Not tied to budget items, or reported alongside expenditures

City of Houston - Future


Plan Houston
City Vision and Goals

City-Wide Outcomes

- Program \$xxx,xxx,xxx
- Program \$xxx,xxx,xxx

 -Service \$xxx,xxx,xxx

- Service \$xxx,xxx,xxx

 Key Performance Indicators

- Input
- Output
- Outcome
- Efficiency
- Effectiveness



OBJECTIVE: Focus budget, capital, and spending decisions on specified, measurable results and outcomes.

- Multi-year endeavor:
 - Budget process re-engineering begins in FY18 Budget
 - Focus for FY18 includes:
 - Completion of a Program Performance Model (required by AP 4-10) which will:
 - Organize department's G/L account level budgets by Services provided by the department
 - Organize and add Key Performance Measures (KPIs) by Services provided by the department
 - Grouping the Services provided by departments into Citywide Programs
 - Issuing an Outcome-Based Prototype Budget Book alongside the traditional budget book



OBJECTIVE: Focus budget, capital, and spending decisions on specified, measurable results and outcomes.

- “Services” are the building blocks of the PPM, which will be grouped into “Programs”
- Workshops with departments will create a “Services Inventory”





OBJECTIVE: Focus budget, capital, and spending decisions on specified, measurable results and outcomes.

PROGRAMS

ANIMAL SHELTER OPERATIONS

Citywide Goals: Public Services & Place (*Plan Houston*)

Outcome: Support the Development of Sustainable and Strong Neighborhoods

Description: This program provides staff to impound animals received at animal shelters; manages shelter facilities; provides safe and secure housing, food, and humane care for impounded animals; quarantines sick or dangerous animals and animals held as evidence; assists in providing adoption and live-release of animals.

Total Budget for Program: Sheltering (\$1,500,000) + Animal/Pet Placement (\$1,000,000) = \$2,500,000

Service	Provider	Key Performance Indicators (KPIs)	KPI Type	KPI Actual	KPI Target
Sheltering	B.A.R.C.	% Change in Animal Intake (<i>Fiscal YR-to-date</i>)	Outcome	-9%	-10%
Animal/Pet Placement	B.A.R.C.	Animal Live Release Rate (<i>Fiscal YR-to-date</i>)	Outcome	82%	90%

SERVICES

SHELTERING

Budget: \$1,500,000

Inputs: Revenue/Money, Facilities, FTEs/Headcounts, Equipment

Performance Measures (MAY)	PM Type	PM Actual
Total # of Animal Intakes	Output	2,759
% Change in Animal Intake (May)	Outcome	-2%
# of Intakes – Over the Counter	Output	2,103
# of Intakes – Field	Output	656
% Stray	Efficiency	53%
% Owner Turn-in	Efficiency	38%

Performance Targets: Achieve a 10% reduction in the number of animals entering Houston Animal Shelters by end of FY2017.

Animal/Pet Placement

Budget: \$1,000,000

Inputs: Revenue/Money, Facilities, FTEs/Headcounts, Equipment

Performance Measures (MAY)	PM Type	PM Actual
Animal Live Release Rate (May)	Outcome	76%
% of Intake Animals Adopted	Efficiency	32%
# of Intake Animals Adopted	Output	656
# of Intake Animals Returned to Owner (RTO)	Output	96
% of Intake Animals Transferred to Rescued Pets Movement	Efficiency	38%

Performance Targets: Increase the Live Release Rate to 90% or higher.



OBJECTIVE: Focus budget, capital, and spending decisions on specified, measurable results and outcomes.

- All departments, except Enterprise Funds, will have a PPM Workshop before Thanksgiving
 - Workshops for Enterprise Funds will occur for the FY19 budget
 - Workshops already completed for OBO, SWD, HITS, FMD; HFD scheduled
- The workshop is a full day -- completion of the PPM is due 2 weeks later
- **AGENDA OF THE WORKSHOPS**
 - Identify the Department's Services, define them and related goals
 - Map the Department's FY17 Adopted Budget to the list of identified services by FTEs and by line-items for supplies and services
 - Map the Department's performance measures ("KPIs") to the list of identified services. Identify additional KPIs as needed
- Who should attend the workshop?
 - The Department's executive staff (finance and operations)
 - The goal: define the department's operations as a set of services and then to identify what resources have been budgeted to those operations



OBJECTIVE: Focus budget, capital, and spending decisions on specified, measurable results and outcomes.

- **SIGN UP FOR A WORKSHOP!**
 - Handouts are available listing available dates
 - CFOs: Contact Danielle Page to schedule your department's workshop
 - http://citypointe/FASvcs_DEPT/DEPT/Finance/OBB/SitePages/Home.aspx





OBJECTIVE: Focus budget, capital, and spending decisions on specified, measurable results and outcomes.

- Once these workshops are complete and we have a Services Inventory, then the services need to be grouped into Citywide Programs
- **CITY PROGRAMS TEAM: Intensive sessions December 2016 to group the Services Inventory into “Programs” for the FY18 Budget to be submitted for approval to the Mayor’s Executive Team (“MET”)**



OBJECTIVE: Focus budget, capital, and spending decisions on specified, measurable results and outcomes.

- Once we have organized the City's budget into Services and Citywide Programs, how will spending decisions be made based on these?
 - A Budget Scoring Matrix needs to be developed that scores how well the City's Programs align to the Administration's goals and priorities
 - **BUDGET SCORING MATRIX TEAM: Intensive sessions December 2016 to develop the criteria, methods of scoring each criteria, and weights assigned to each criteria**



OBJECTIVE: Focus budget, capital, and spending decisions on specified, measurable results and outcomes.

- What changes will there be in the budget process for developing the FY18 budget?
 - The focus of changes this year is to re-organize how the budget is presented from line-items to City Programs and Services
 - Utilizing the completed PPM from each department and the Budget Scoring Matrix, the Administration will identify increases or decreases to budgets by Programs and Services as necessary to balance the FY18 budget
 - Much of it will remain the same
 - Budget Targets will be sent per usual
 - This does entail that “incremental” budgeting is still present for creation of the FY18 budget – expect further changes to this process for the FY19 budget



OBJECTIVE: Focus budget, capital, and spending decisions on specified, measurable results and outcomes.

- In the transition to Outcome-Based Budgeting, the focus of the FY18 Budget is to organize the City by Services and Programs
- FY19 Next Steps will be to base spending decisions on measurable results and outcomes
- To prepare:
 - The City needs an initial set of outcome measures utilized in FY18 to set a baseline level of performance using the PPM
 - KPI Training will be made available – details to come
- **OUTCOME KPI TEAM: Intensive sessions January 2017 to review, selected, and refine a set of outcome-based measures for the FY18 Budget to be submitted for approval to the MET**



Your Participation is WANTED

OUTCOME-BASED BUDGET DESIGN TEAMS

Looking for volunteers (sign-up sheets available)

- Citywide Programs Team
- Budget Scoring Matrix Team
- Outcome KPI
Team





OBJECTIVE: Focus budget, capital, and spending decisions on specified, measurable results and outcomes.

- **MILESTONES**

- August - November 2016: PPM Workshops
- December 2016 - January 2017: Outcome-Based Budget Design Teams
- January - February 2017: FY18 Budget Decisions based on Administration's priorities
- February - March 2017: Send Department's budget target letters
- April 2017: Release FY18 Preliminary GF Summary
- May 2017: Release traditional budget book and prototype



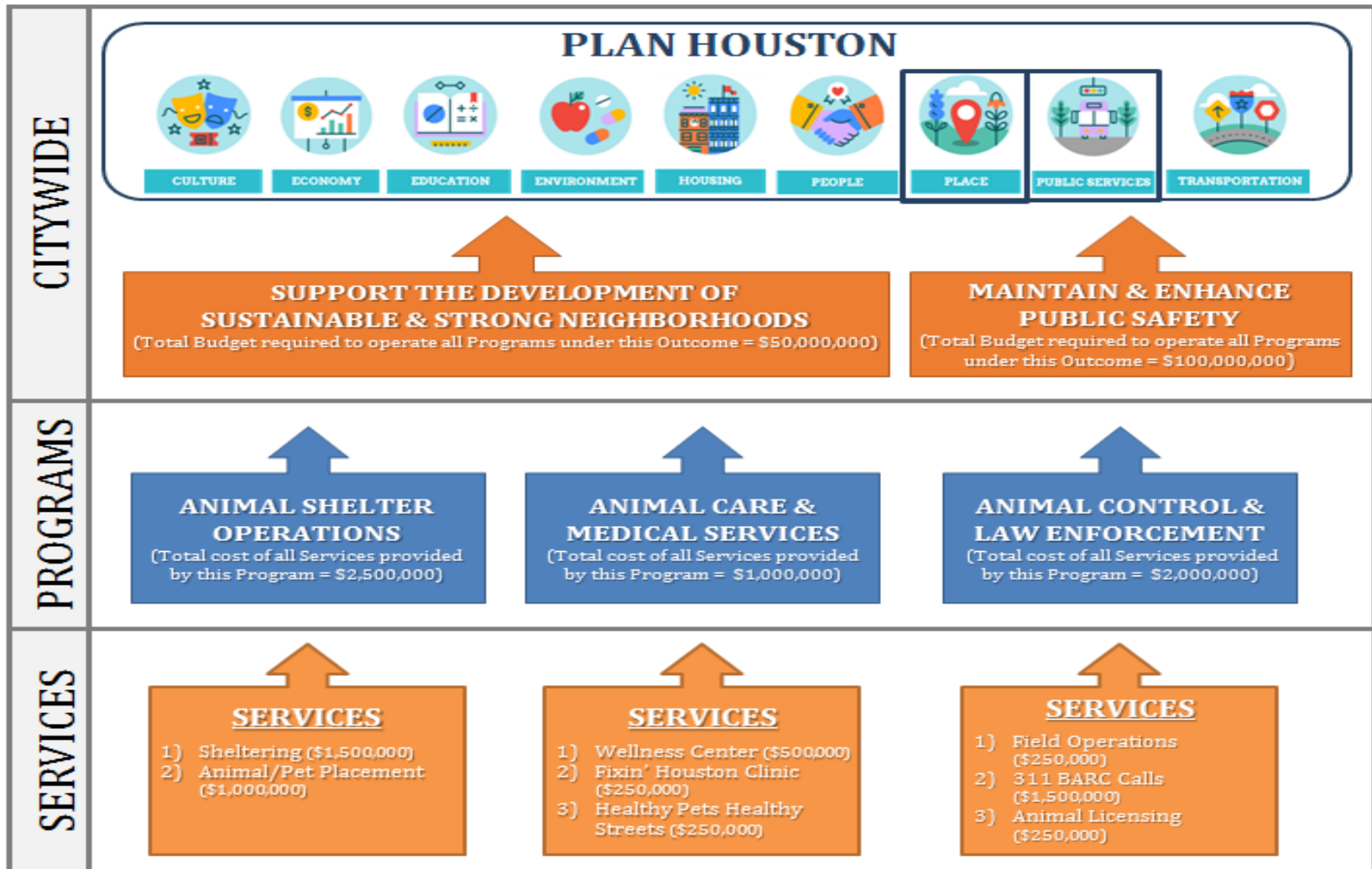
OBJECTIVE: Fully link the City's operating budgets, Capital Improvement Plan, and performance metrics to clear, measurable short- and long-term goals.

- **HANDOUT:** August 30, 2016 Budget and Fiscal Affairs Presentation: Building a Better Budget Through Public Engagement
- Encourage citizen and City Council input during Fall, before budget decisions finalized
- November/December 2016: Mayor finalizes FY18 budgetary outcomes/priorities and communicates to departments
- January 2017: Begin FY18 budget development
- **RESULT:** A Better Budget
 - Increased emphasis on outcomes in budget decision-making



OBJECTIVE: Fully link the City's operating budgets, Capital Improvement Plan, and performance metrics to clear, measurable short- and long-term goals.

- The PPM with Plan Houston:





OBJECTIVE: Fully link the City's operating budgets, Capital Improvement Plan, and performance metrics to clear, measurable short- and long-term goals.

- The engagement plan will likely focus on short-term goals. What about long-term goals?
 - Long-range financial plan: Council approved contract with consultants (PFM) in September
 - Ten-year road map to a sustainable, structurally balanced budget – open to ideas regarding revenues and expenditures
 - PFM's experience includes long-range financial planning for other large cities including Baltimore, Philadelphia, Memphis and Providence
 - "... Focus on achieving annual budgets that are structurally balanced and clearly aligned with the achievement of short- and long-term goals."



Recap/Conclusion

- EO 1-53 and AP 4-10 set the stage for new approach to budget development and management at COH
 - Focus budget, capital, and spending decisions on specified, measurable results and outcomes
 - Fully link the City’s operating budget, Capital Improvement Plan, and performance metrics to clear, measurable goals
- Outcome-based budget focuses on results – what did the taxpayers receive for their investment
- Expanded engagement with public and Council informs Mayor’s selection of priorities
- Long-range financial plan places short-term work in context of its effects on our future and charts a course to long-term structural budget balance
- Your help is essential to making this work – please join a team (programs, budget scoring, and/or KPIs)