City of Bellevue

MEMORANDUM

Date: February 17, 2010

To: Transportation Commission

From: David Berg, Deputy Director, Transportation Department
Eric Miller, Capital Programming Division Manager, Transportation Department

Subject: Introduction to Budget One:
City's 2011-2012 Budget and 2011-2017 CIP Plan Update Process

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Purpose

The City is embarking on a new and different budget process in 2010. Staff will present an overview of the City's overall current budget status including projected operating budget, Capital Investment Program (CIP) Plan, and Mobility & Infrastructure Initiative funding gaps. Staff will also outline the City's new "budgeting for outcomes" process, dubbed Budget One, which will completely construct a new budget, both operating and capital, from the ground up. Staff seeks any initial feedback the Commission may like to interject on the new process and the role the Commission may play in it.

Background

For years the City of Bellevue has updated its budget on an incremental basis, only adding or cutting the last few percentage points of an approximately $1.1 billion total budget. In large part due to the economic downturn affecting the country and region, the City has a significant budget deficit that is projected to continue for several years. Currently, a total budget deficit of $160 million is projected. This funding gap can be broken out into the following components:

- 2011-2012 Operating Budget: $17 Million
- 2011-2017 General CIP: $96 Million
- 10 Year Mobility and Infrastructure Initiative: $47 Million

Regardless the budget process, the City is going to have make hard choices in 2010 about the future of many important and popular programs and projects.

Budgeting for Outcomes

What is budgeting for outcomes? Budgeting for outcomes is a process that aligns resources with results produced. It changes the budgeting conversation from a department-centric conversation around how much it costs to perform a service, to a citizen-centric perspective of what kind of results can I (the citizens) buy for X amount of money. Staff will present an overview of the budgeting for outcomes concept and the specifics planned for Bellevue's Budget One process at your meeting on February 25th. In the meantime, we have attached two documents to this memo to provide additional background for your review. The first is a news release summarizing the City Councils February 8th, 2010 discussion on the budget. This news brief identifies the seven (7) specific outcome areas that will be the focus of the Budget One process. The second document attached is a May 2007 article from ICMA's Public Management Magazine that does a good job describing budgeting for outcomes and comparing it to the more typical budgeting processes used by public agencies.

Historically, the Commission has played a significant role in the development of biennial funding and priority recommendations for transportation CIP projects and programs to the City Council. Staff will both outline an initially planned roll of the City's boards and commissions in the new process and seek to receive your feedback on this roll and potential modifications.

If you have questions or would like additional information in advance of the meeting, please feel free to contact: Dave Berg at 425-452-6468 or e-mail: dberg@bellevuewa.gov ; or
Eric Miller at 425-452-6246 or e-mail: emiller@bellevuewa.gov .

Attachments

CITY OF Bellevue

News Release

FOR IMMEDIATE RELEASE: Wednesday, February 10, 2010

Council Roundup: Big challenges drafting new budget

The city faces significant fiscal challenges as it begins crafting new operating and capital improvement budgets.

City staff told the City Council this week that analysts forecast a $17 million operating budget deficit for the 2011-2012 biennium due to the recession and its impact on tax revenues.

The 2011-2017 capital improvement program deficit is expected to reach $96 million, and the city's mobility and infrastructure initiative is expected to have a $47 million deficit, staff said.

"Even though we have been able to weather the economic storm up to now better than many communities, we're facing some immense challenges as we move into next year," City Manager Steve Sarkozy said.

"This is going to be an exceedingly tough budget cycle, and a lot of hard choices are going to have to be made."

Bellevue's history of strong fiscal stewardship and its success in attracting new commercial and residential development in recent years has helped the city weather the current economic downturn.

In addition, a series of cost control measures have been implemented to cope with the recession, including expenditure reductions in all departments and a hiring freeze on positions not considered critical.

At its study session this week, the council was briefed on a new budget development process that differs from the one traditionally used by the city.

Typically, city staff working with the council and community, have developed operating and capital budgets largely by looking at the existing budgets in individual departments and shaping spending in those departments to fit available revenues.

Given the current fiscal climate, however, a new process will be used this year that identifies the community's highest priorities, then allocates spending based on those priorities.

The council has endorsed seven priorities, or outcome areas, to be used this year as the budget development process moves forward. Those areas include:

- Safe community;
- Improved mobility;
- Healthy and sustainable environment;
- Responsive government;
- Economic growth and competitiveness;
- Quality neighborhoods; and

Contact Information

Director of Communications
450 110th Ave. NE
P.O. Box 90012
Bellevue, WA 98009
Contact: Tim Waters
Phone: 425-452-4090
Cell: 206-619-8803
E-mail: trwaters@bellevuewa.gov

- Innovative, vibrant and caring community.

In coming weeks, city staff will develop spending strategies for each priority area. These proposed strategies are expected to be reviewed by the council in April.

The public will have a number of opportunities to weigh in on the proposed budgets before adoption by the council in December. The first opportunity will be at a public hearing this spring.

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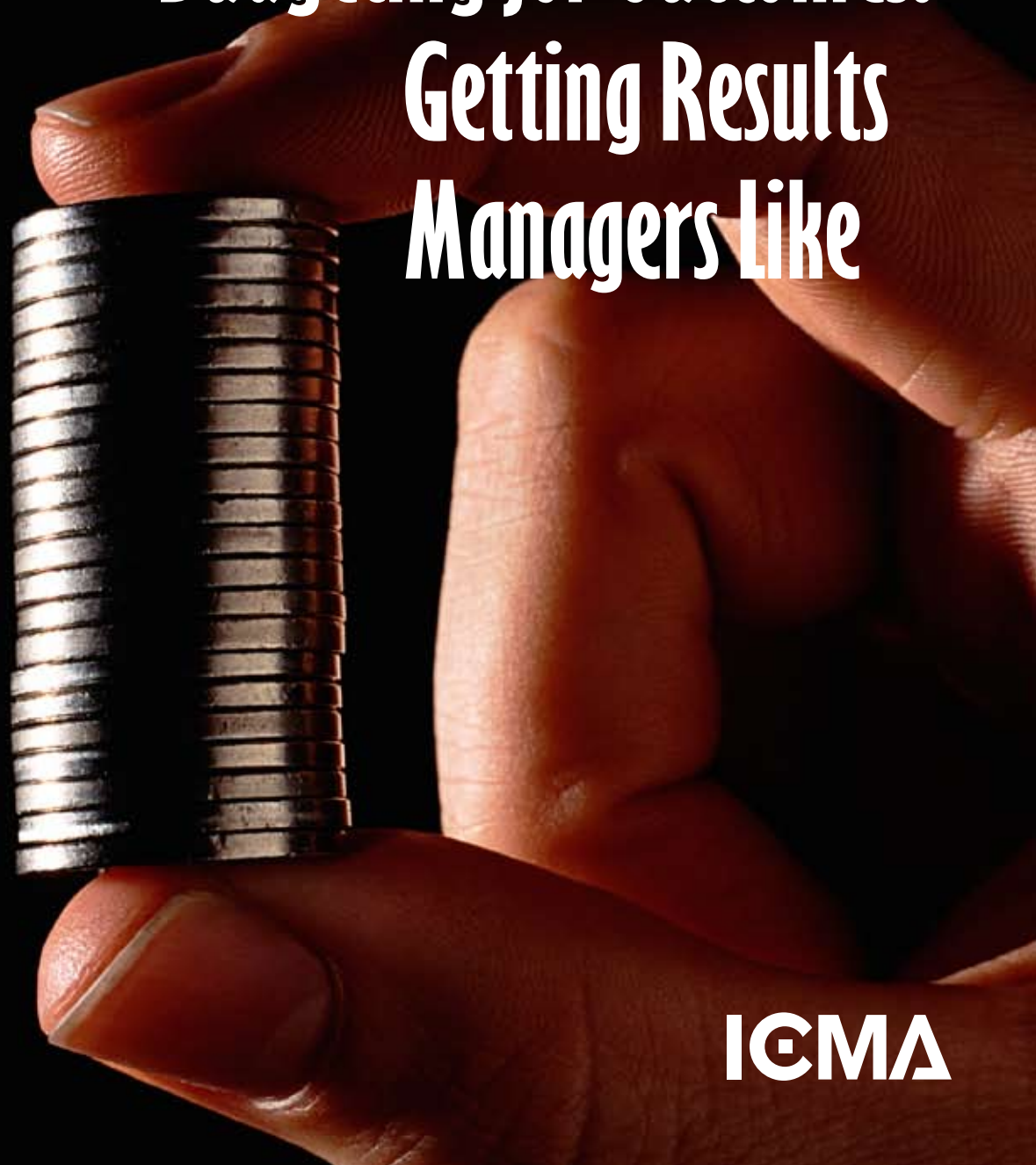
PM

ICMA PUBLIC MANAGEMENT MAGAZINE

MAY 2007

Budgeting for Outcomes: Getting Results Managers Like



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Ethics: School Superintendent Wants Manager's Support

ICMA

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Cover photo: Microzoa/ Getty Images

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A large pictorial display at city hall shows the results that have been produced in Fort Collins, Colorado, using the budgeting for outcomes process. Photo courtesy of Fort Collins.

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Your Budget: From Axe to Aim

Managers can take several approaches as they prepare their budgets:

Abacus: Budgeting is primarily a numbers game. Make the revenue match the expenses. Show lots of complicated financial information. The motto: "Trust me; it all adds up."

Abracadabra: Budgeting is magic. The manager is the magician. The motto: "You just tell me what you want, and I'll make it work."

Axe: Budgeting means start chopping. Make across-the-board cuts where all programs and services are diluted. The motto: "Do more with less."

Aim: Budgeting focuses the organization on outcomes people care about at a price they are willing to pay. The motto: "What's the best way to get these results?"

So, here is a new manager faced with the most challenging budget in the local government's history. This is a story of how the manager used the financial challenge to transform the budgeting process and the organization. He moved from Axe to Aim.

The reality for this new manager is: a national recession has hit the local economy, there's a downturn in the high-tech industry, and increasing regional competition has caused sales and use-tax revenues to go from double-digit growth to nearly flat growth. Costs have been quickly outpacing revenues. Departmental budgets have been cut by approximately $6 million (or 6 percent) and services reduced, and employee compensation has been frozen for three years.

This was the situation when this article's author, Darin Atteberry, was appointed as interim city manager of Fort Collins, Colorado (population 139,908), in June 2004. His appointment was changed from interim manager to city manager in December 2004, and it was clear that the first order of business was to get a handle on the budget situation.

When a new mayor and three new city councilmembers were elected in April 2005, they reinforced that something had to change. The budget was due to the council in September 2005 for a fiscal year beginning in January 2006.

In February 2005, author Camille Barnett met Atteberry in Fort Collins. She explained a new approach to budgeting that might help him balance the budget and begin some fundamental changes in the organization. The challenge: Will there be enough time? An aggressive workplan was developed, and they got started.

The first meeting was a significant turning point. Atteberry knew it was a tight schedule, and he knew it was a risk to start a new approach. But he also knew that the old approach was not working. So he took the chance and put his credibility on the line to make it work.

The approach taken was not the typical budget Axe; it was a budget that would improve the city's Aim. Budgeting for outcomes (BFO) is an approach that is based on collaboration, transparency, and delivering the services that matter most to the public.

Changes often are made by a new administration, but nothing changes in the budget process. If the budget system does not support the new direction, those changes will not last. Since the budget touches everything, changing it will begin to change everything. The budget process has great leverage.

WHAT IS BUDGETING FOR OUTCOMES?

BFO (also known as results budgeting or purchasing results) is a budget process that aligns resources with results produced.[1] Instead of starting with the previous year's budget and justifying increases from that base, BFO starts with a set of results and encourages creative ways of achieving them. The budget is prepared through an inclusive and interactive process that is different from the traditional budgeting process. BFO does not enable the players in the budget to become better at the game; it changes the rules of the game.

Budgeting for outcomes is not a panacea. It is a practical tool for implementing fundamental change in the way the local government works. It is an approach that integrates strategic planning, long range financial planning, budgeting, and performance management.

People pay attention to money. The most important resource allocation decisions of a community are made with the budget process. That process can support change or inhibit it. Budgeting can demonstrate effective, ethical, transparent, innovative, and inclusive ways of doing business—or not.

BUDGET PROCESS

Budgeting for outcomes can be described as a series of basic steps. These steps correspond to the basic questions that the budget answers:

- Determine how much revenue will be available.
- Determine what results matter most to citizens.
- Decide how much to spend to achieve each result.
- Decide how best to deliver the results that citizens expect.

The Government Finance Officers Association (GFOA) has recently adopted this approach to budgeting as a "recommended practice." GFOA describes the steps in the process as:

1. Determine how much money is available.
2. Prioritize the results.
3. Allocate resources among high priority results.
4. Conduct analyses to determine what strategies, programs, and activities will best achieve the desired results.
5. Budget available dollars to the most

THE OLD BUDGET GAME VERSUS THE NEW GAME

	Cost/Agency–Based Budget	Budgeting for Outcomes
Starting point:	Last year as the base "entitlement."	Price of government: how much citizens are willing to spend for services.
Focus:	Add or subtract from base entitlement.	Buying results that matter to citizens from competing offers.
Addition:	Autopilot increase = new base.	Since there is no base, there is no adding and subtracting.
Subtraction:	"Cut" from new base.	
Submission:	Justification for needs and costs, plus extra.	Offer to deliver results at the set price.
Incentives:	Build up cost and make cuts hard.	Produce the most results that matter, at a set price.
Analyst's job:	Find hidden or unnecessary costs.	Validate offers or find better choices.
Elected official's job:	Choose to cut services or raise taxes, and get blamed (or blame someone else).	Choose the best offers in order to get the most results for citizens at the price they will pay.
Debate:	What to cut; what to tax.	How to get even better results.

© David Osborne and Peter Hutchinson, *The Price of Government: Getting the Results We Need in an Age of Permanent Fiscal Crisis* (New York, Basic Books, 2004), page 66.

significant programs and activities.
6. Set measures of annual progress, monitor, and close the feedback loop.
7. Check what actually happened.

Each of these steps in the process is described in this article. Throughout this process, BFO changes the focus of the budget process from inputs used (like dollars and people) to results produced (like improved public safety and a stronger economy).

Step 1: Determine how much money will be available. The process starts with deciding what revenue is available to the local government. This decision is usually the last step in a traditional budget process. Part of this step is to present financial information in a way that is understood by key stakeholders in the process: mayor and council, managers, workforce, and the public.

Even though it was obvious for several years that Fort Collins was in the midst of a fiscal crisis, and the city had taken actions each year to bring expenses and revenues into balance, it became evident early in the BFO process that the organization and the community lacked a fundamental understanding of the magnitude of the city's fiscal condition. Some thought the problem was exaggerated or would just go away on its own with time; others thought that there was not a lasting problem and that the organization should continue with business as usual.

Management had to greatly increase communication with the organization to help create a common understanding of the city's fiscal issues and why a new approach to addressing its fiscal issues had to be adopted. The city had to similarly undertake an aggressive community-wide outreach program as well.

To decide the revenue available, Fort Collins used all revenue sources of the city, including taxes, fees charged, enterprise revenue, all state and federal monies, grants, everything. By including all revenue sources, Fort Collins encouraged departments to work together to produce a result.

The city council decided at an early retreat that raising taxes or other revenues would be a last resort. So Fort Collins had to live within its decreased means and still address the top public priorities.

Step 2: Prioritize the results. At that same early council retreat, policymakers chose a set of results to be achieved. They asked "What results matter the most to our citizens? Later, the council reviewed staff recommendations and formally adopted the results and measures to show progress on achieving the results. A key to making these decisions strategic was to limit the number of results to no more than 10, and the number of measurements per result to three. These are the results:

- Improve economic health.
- Improve environmental health.
- Improve neighborhood quality.
- Make a safer community.
- Improve cultural, recreational, and educational opportunities.
- Improve transportation.
- Make a high-performing government.

Step 3: Allocate resources among high priority results. The city manager and his leadership team then decided how much to spend to achieve each result. Even when you have chosen the "vital few" results that matter the most to the public, people's priorities will differ among those results. The leadership team did not ask "How much did we spend on this last year?" Rather, they asked "What would it be worth to our citizens for us to achieve this result?" (See Figure 1 on page 11.)

Step 4: Conduct analyses to determine what strategies, programs and activities will best achieve the results. The next step is to decide how best to deliver the results that citizens expect. Budgeting for outcomes uses a marketplace analogy to decide how best to achieve each result at the price allocated. There are buyers and sellers.

The buyers—cross-functional "result teams" in Fort Collins—represent the policymakers and the public. Their job is to get the best results for the money. They developed a request for results (RFR) that is like a request for proposal. The RFR includes:

- The result to be produced and how it will be measured.
- A results map—a visual description of what the buyers think produces the result (see below).
- Purchasing strategies or a description of what kind of offers (proposals for programs and activities) the buyers want to see. The purchasing strategies are the result of the analysis that is depicted in the results map.

The Fort Collins RFR for improved neighborhood quality, for example, included a results map (shown on page 8). The RFR for improving neighborhood quality also included purchasing strategies based on the analysis shown in the results map. Since the buyers know what causes the results, they want proposals from the sellers that follow those successful strategies. Here are some examples of purchasing strategies to improve neighborhoods:

- We want offers (proposals) encouraging and fostering good neighborhood relationships. Specifically, we want offers improving relationships between students, landlords, renters, and homeowners.
- We want offers encouraging voluntary compliance with parking regulations and city codes, in addition to innovative enforcement efforts.
- We want offers collaborating with Colorado State University (CSU) administration and Associated Students of CSU to improve neighborhood quality.
- We want offers providing and maintaining attractive public spaces within neighborhoods.
- We want offers to create more affordable housing opportunities, giving preference to offers based on collaboration and partnerships.

The sellers are the departments and other providers of services. Their job is to make offers (proposals)—with a price tag—to produce the results. Since there is no base budget, everything the city does that you want to continue to the next year will be expressed as part of an offer.

The sellers' job is to make sure everything they do contributes to producing one of the desired results. Since there is no base budget, existing programs and new ideas compete on the same basis. Innovations and best practices are encouraged.

Step 5: Budget available dollars to the most significant programs and activities. The sellers make several offers to result teams. Each team then ranks each of the offers based on how well it produces the desired result. Then the result teams take the amount of money allocated to the result and buy from the prioritized list until they run out of money. Then they draw a line. Everything above the line is in the budget; everything below the line is not.

Fort Collins calls this priority ranking of proposals a "drilling platform." The offers that ranked high included a code enforcement and neighborhood services program, a new one-stop customer service shop that consolidated administrative staff from three different departments, and a university/community liaison program that is jointly funded by the city and Colorado State University. Offers that did not rank well and were not funded included a new neighborhood parking and traffic calming program and two new police substations. More budget information can be found on the Fort Collins Web site at http://fc gov.com/budget.

The result teams take the amount of money allocated to the result and buy from the prioritized list until they run out of money. Then they draw a line. Everything above the line is in the budget; everything below the line is not.

Steps 6 and 7: Set measures of annual progress, monitor, and close the feedback loop. Check to see what actually happened. As Fort Collins begins its next round of budgeting, these steps will have special attention. Setting up an effective performance management system to track progress on the results is a challenge the staff still is working to perfect.

Budgeting for outcomes is intellectually easy to understand—we all want to explicitly link our strategy to operations, produce desired outcomes, and measure our performance. A process like BFO, however, flies in the face of traditional local government budgeting, traditional budgeting "rules" established over a long period of time, and the traditional roles of local government staff and officials—frontline employees, management, and elected officials—in the budget process. The changes that have come to Fort Collins as it has used BFO have greatly improved the overall resource allocation process, but it has not been easy.

BUDGETING BENEFITS

The BFO process led to these key successes:

It created a higher level of credibility between the city and the community. An editorial in the *Fort Collins Coloradoan* on November 18, 2005, summed up what many in the community felt about the process: "Installing budgeting for outcomes, which was only proposed early this year, in such a swift manner came with its share of difficulties, but the city council, City Manager Darin Atteberry, and particularly city staff deserve credit for getting this much-needed process under way.

Not everybody, including the *Fort Collins Coloradoan* editorial board and two city councilmembers, agree with the specifics of what was funded in the end. But the advantage of budgeting for outcomes is that it makes city government more transparent in its budgeting decisions."

With BFO, the budget holds no surprises for elected officials or the community. Trade-offs are clear.

It strengthened the partnership with city council. According to Fort Collins Mayor Doug Hutchinson, "Previous budget processes focused primarily on funding city departments, rather than

on providing services to citizens. With BFO, council had an unprecedented level of involvement, setting the priorities and identifying the outcomes that matter most to our citizens."

The budget document changed from an accounting manual to an open and transparent map of the services we deliver. Rather than spreadsheet upon spreadsheet, the new budget document includes easy-to-read pages of key purchases.

People understand the budget. Citizens, council, and a majority of city staff now have a much greater understanding of Fort Collins's finances and what it costs to provide the level of service that the Fort Collins community desires and expects.

In November 2006, Fort Collins voters overwhelmingly approved a property tax mill levy increase to fund a new library district. Throughout the BFO process, city staff communicated repeatedly on the "cost of quality" and the choices facing citizens on the level of service desired.

The library vote demonstrates that people heard the message. Library services contribute greatly to the quality of life in Fort Collins, but these services come with a price tag. It was encouraging to see the community respond in a way that shows not only that people value and desire quality library services but that they're willing to pay for them.

People worked together. In Fort Collins, more than 300 city employees from all departments and organizational levels participated directly. The council involvement took place earlier in the process and was in much more depth than in the past.

Employees became more aware of services provided by other departments and, by thinking creatively, were able to cooperate with other city departments to find more cost-effective ways of accomplishing goals and delivering services.

As a result of BFO, for example, there is significantly more collaboration between the ClimateWise program of the city's natural resources department and the energy efficiency and water conservation programs of the local utilities. Not only does utilities now fund a big portion of the ClimateWise budget, but staff from the two departments now coordinate to a far greater extent, creating a more seamless program for ClimateWise business partners.

In another situation, five different departments with somewhat related functions each had separate staff to cover administrative and customer service duties. These five departments created a one-stop administrative-service pool that minimized redundancies in efforts like phones and reception, mailings, board support, and customer service staffing. As a result, 3.75 positions have been eliminated, costs are lower, and customer service representatives are now cross-trained and able to readily answer questions without transferring calls to other departments.

LESSONS LEARNED

Along the way, important lessons were learned:

BFO will change your role and the roles of your management team and staff. It all begins with challenging who really makes decisions regarding budget issues. The city's budget process had become extremely complex over the years, with many funds, dedicated funding streams, complex reserves, and a nearly 500-page budget book. These elements made the process complex for the elected officials, which made the staff the "experts" in the process, and, as a result, staff were really driving the decision-making process. Prior to BFO, changes to the budget made by elected officials tended to be somewhat limited.

BFO creates transparency in the budget process, which means people's roles change. For the first time, elected officials thoroughly understood the policy, fiscal, and operational choices before them in the budget process as they identified the overarching "results" they were seeking from their investment through the budget process. BFO empowered the elected officials to drive the overall process as they had not been able to do in the past.

The role of the management team and employees also changes with BFO. A traditional budget process has a lot of people involved in developing the budget, but only a few have the responsibility of making decisions regarding the recommended budget. The BFO process got hundreds of people involved in a meaningful way by making specific suggestions for programs and services to be funded,

PM Look to ICMA

ICMA's newly revised best-selling book *Budgeting: A Guide for Local Governments* looks at budgeting from the manager's point of view: how to manage conflict in the budgeting process, how to use the budget to introduce change, how to link budget decisions to community needs, how to make the transition from line-item to outcome budgeting. A great update on how to use the manager's most powerful tool (2007, hard copy, Item number 43470, $53, ICMA members; $63 nonmembers).

ICMA's *IQ Report* "Budgeting for Outcomes: Better Results for the Price of Government" explores what residents really want and need to keep costs and revenues in balance. Every community can learn to ask the questions that ensure it provides necessary and valued services at acceptable costs (2005, *IQ Report*, hard copy, Item number 43043, $16.95; IQ Report E-Document, Downloadable file size 2495k, Item E-43220, $14.95).

More information on ICMA publications can be viewed at ICMA's Bookstore&More Web site, at bookstore.icma.org. No shipping and handling charges for downloadable e-documents. Secure ordering is available online, or call ICMA's distribution center at 800/745-8780.

by suggesting innovations and changes that could be implemented to create efficiencies, and in making recommendations regarding the programs and services that would be funded and those that would not.

Don't blame the budget for the financial problems. The city's fiscal condition was serious, and BFO was used as a means to address it. Effectively communicating this point often during the process is essential. The city could have elected to use other processes to address the fiscal issues it was facing; in our case, BFO was the best fit.

City staff found that, as the BFO process was being implemented, some employees and to a lesser extent the community blamed BFO for the fiscal, operational, and organizational changes that had to be made. Staff and officials had to continuously remind people that change was inevitable; the BFO process was simply the tool to facilitate needed changes.

It can't be overcommunicated within your organization why change is needed in the first place. You can't have employees, elected officials, and the public confuse the need for change with the adoption of BFO as a process to facilitate positive changes.

Don't ask if you don't want to know. Most people love the idea of open and honest communication. The reality of open communication in the case of Fort Collins turned out to be different from our initial thoughts. Organizational culture around communication had been more top-down in the past. BFO opened up the organization to a lot of information, ideas, and thoughts that were new to a lot of staff members.

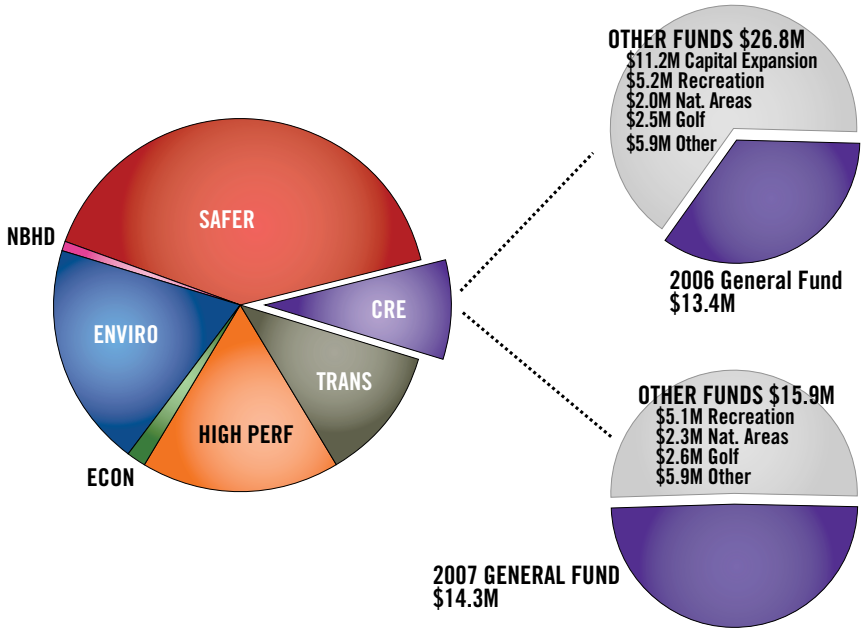
Suddenly, there was a tidal wave of information flowing from the front lines of the organization regarding ideas for making improvements, ideas for changes, and so on. This tidal wave of information was at times challenging to deal with and brought into question the role of the employee versus the role of the manager in decision making and budgeting. BFO definitely fostered significant employee involvement and communication. Thinking about how you will address this is important to consider.

One example of how the communication floodgates opened was a proposal that came from our frontline managers to create a one-stop development shop and, in the process, eliminate positions. This recommendation made perfect business sense and has since been implemented, but at the time the fact that this idea was not hatched at the management-team level affected decision making and department roles in the development review process. Eliminating staff caused great conflict. Fort Collins is much stronger as a result of this open dialogue, but open dialogue also comes with challenges.

Our organization is not data driven. The BFO process makes some assumptions that an organization has access to quite a bit of operational, financial, and performance data to support the entire process and to help in making strategic funding decisions.

2006-2007 BUDGET RESULTS

5. IMPROVE CULTURAL, RECREATION AND EDUCATION OPPORTUNITIES



KEY PURCHASES

- Existing recreation facilities (City Park Pool, Center and Railway, EPIC, Youth Activity Center, Senior Center, Mulberry Pool, Pottery Studio, Rolland Moore Racquet Complex, Skate Park facilities, the Farm at Lee Martinez and the Gardens on Spring Creek)
- Operations and maintenance of new Northside Center in '07
- Reduced Parks maintenance (funded by General Fund and Conservation Trust dollars)
- Recreational trail development and maintenance
- Library, Museum and Lincoln Center programs
- Art in Public Places Program
- Maintenance for cemeteries/memorial parks
- Natural Areas public improvements

EXAMPLES OF WHAT'S NOT PURCHASED

- Youth Activity Center in 2007 (Gymnasium to remain open)
- Southeast Branch Library
- Existing level of publicity/marketing in recreation, cultural services and Library & Cable 14 "City Happenings" program
- Library operations reduced by 4 hours per week

Figure 1. Larger pie chart shows allocations of the budget to each result. The two smaller pie charts show the funding source for the result of improving cultural, recreation, and education opportunities. Text below shows what is in the budget and what is not.

ICMA UNIVERSITY

Calendar of Events

For information about ICMA-U events
Visit ***icma.org/icmaucalendar***

MAY

May 2–4 *Restoration 2007,* Visit restoration2007.org

May 3–4 *Great Open Spaces City Management Association Meeting*, Kalispell, MT

JUNE

June 1 *Credentialing Deadline*

June 3–9 *Leadership ICMA, Senior Executive Institute*, Darden Executive Business School, Charlottesville, VA

June 14–15 *Designing and Implementing Viable International Development Programs Workshop*, Boulder, Colorado

JULY

July 15–27 *Leadership ICMA, Senior Executive Institute*, University of Virginia, Charlottesville VA

AUGUST

August 1 *Leadership ICMA Application Deadline*–for admission to the Leadership ICMA 2009 class

OCTOBER

October 1 *Credentialing Deadline*

October 7–10 *ICMA 93rd Annual Conference,* Pittsburgh, Allegheny County, PA

One of the most significant revelations from the BFO process in Fort Collins was how out of date our organization was regarding collecting, tracking, and analyzing this information. Our organization is in the midst of designing and implementing numerous performance management and financial-tracking processes.

The BFO process revealed some significant weaknesses in our approach to managing organizational performance. The city's budget system lacked some fundamental functionality and reporting tools to allocate costs, produce financial reports based on activity costs, and carry out other functions. More important, the staff members found that many operations lacked performance data that would help them understand how much of a service they produced, its quality, and its cost.

Part of the BFO process is identifying performance measures related to programs and activities that are funded through the process. Staff found that an organizational emphasis on performance management and data collection activities was needed to better understand how effectively and efficiently the city is providing services.

Massive change, obviously, is not easy. It is trite to say that change is hard, but change really *is* hard! The BFO process challenged so many aspects of our organization, our beliefs, and our thinking that it was at times overwhelming. We will survive the organizational, financial, and operational changes that were implemented through the BFO process, and we will be a better organization because of it, but it has been challenging work.

The long-term benefit of BFO is that the Fort Collins staff will have a process that will better allow them to react to a changing environment, foster creativity and innovation, focus on producing measurable results, and clearly articulate our priorities and our approach to working on these priorities.

A guide helps. Fort Collins benefited from having an outside voice and guide in this process. We learned about the process, got tips when we got stuck, and were challenged to do more than we thought we could.

Commitment is the key. Embarking on BFO or any change-related process absolutely requires the unwavering support of the city council, city manager, and staff. The process forces an organization to take a long, hard look at itself, and sometimes what you will see is not pleasant. You have to be prepared for this reality and deal with it openly.

Do not start a process like this without first committing to systemic, long-term changes in the organization.

IT WORKS

From the city's perspective, BFO is a good tool, but it is just a tool. It is helping Fort Collins to achieve a much bigger objective—that is, to be an organization that demands and consistently delivers excellence and accountability.

For years, Fort Collins has delivered exceptional service, and it has frequently been recognized on "best of" lists for families, seniors, entrepreneurs, and others. The days of resting on our past record and saying "just trust us" are over.

We are setting clear goals, measuring our performance, and benchmarking against other local governments and private sector companies. Staff and elected officials are working in partnership, citizens and employees are more engaged, and local government is more open and transparent than ever before.

We no longer wield a budget Axe; we have improved our Aim. **PM**

[1]BFO is described in the book, *The Price of Government: Getting the Results We Need in an Age of Permanent Fiscal Crisis,* written by David Osborne and Peter Hutchinson, and published by Basic Books in 2004. BFO is also described in "Budgeting for Outcomes: Better Results for the Price of Government," ICMA, *IQ Report*, February 2005.

Darin Atteberry is city manager of Fort Collins, Colorado (datteberry@fcgov.com). Camille Cates Barnett is strategic consulting director, Public Financial Management Group (barnettc@pfm.com), Washington, D.C.