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TO: COUNCIL MEMBERS
FROM: David Whitaker, Director 
Legislative Policy Division Staff
DATE: May 1, 2020
RE: The Legislative Policy Division's Attempt to Reach Other City Council's
Regarding Outcome Budgeting; City of Detroit's Outcome Budgeting Proposal
Review

Introduction

One of the items that was submitted by the Duggan Administration for the Detroit City Council's consideration during this year's budget cycle, was a proposal to implement a system of outcome budgeting for three City departments as a pilot project.¹ The three departments as proposed are the General Services Department (GSD), the Department of Innovation and Technology (DoIT), and the Detroit Fire Department (Fire).

In order to determine the utility and viability of this proposal, the City Council requested that the Legislative Policy Division (LPD) contact the legislative bodies of several cities that were currently operating under an outcome budgeting system, in order to report back on their level of involvement in the initial process of implementing outcome budgeting and of their of satisfaction of operating under this type of budgetary system. This report is our response to this directive.

LPD's Attempt to Reach Other City Council's Regarding Outcome Budgeting

For comparison purposes, we have selected to contact the cities of **Baltimore, MD** and **Austin, TX**, given that they are two large cities with an outcome budgeting system. We also have contacted **Seattle, WA**, which has a *Performance Based Budgeting*² system, a closely related model to the outcome budgeting model.

¹ Pilot project - activity planned as a test or trial

² A performance budget is one that reflects both the input of resources and the output of services for each unit of an organization. The goal is to identify and score relative performance based on goal attainment for specified outcomes.
<https://www.investopedia.com/terms/p/performance-budget.asp>

Unfortunately, our attempts to contact the legislative bodies of Baltimore, Austin and Seattle were unsuccessful. We spoke to a few administrative staff and analysts, but no one who felt secure enough to discuss the Outcome Budgeting process.

The COVID-19 situation has created an unprecedented impediment in contacting our civil servant counterparts in other cities. The across-the-board stay at home orders throughout the country, led us to discover that during this time, government employees working from home was the rule and not the exception. We also discovered that our counterpart City Councils in other cities, were deeply immersed in addressing the budgetary impacts of COVID-19 and its accompanying issues. For the past two days, we found it was extremely rare for us to find a person who was available to answer a phone and even more so, to find someone willing to respond to a voicemail message or email.

Despite our numerous phone calls and emails, the following seven questions remained unanswered:

1. Approximately how long did it take before your city implemented an outcome based budgeting system?
2. Was your City Council involved from the beginning of that process?
3. Did the Administration give you enough detailed information on outcome based budgeting in the beginning of that process to help your Council make an informed decision on using outcome based budgeting?
4. Was there a community engagement process (for example, public hearings, town hall meetings, etc.) between you and the community before the implementation of outcome based budgeting for your city?
5. Are you satisfied with the results of outcome based budgeting?
6. Do you feel that outcome based budgeting has been an effective tool to better manage your limited resources and have you achieved your desired budgetary results?
7. Beyond your budget process, does your City Council receive any reports from the Administration on the effectiveness of outcome based budgeting, or do you highly rely on any dashboards that are created by the Administration for citizens to monitor the results from the outcome based budgeting process?

LPD's Review of the Outcome Budgeting Proposal

Outcome budgeting appears to have some merits, it can make government programs more result oriented, instead of outlay oriented; it can better measure outcomes of government programs and services to determine whether the money spent meets certain goals and objectives; it can provide a performance measurement tool that helps in a) better service delivery, b) decision-making, c) improving program effectiveness, d) make budgets more cost effective, e) add accountability and f) aid better management.

In its response to LPD dated April 23, 2020 (Attachment I), the rationale the Administration stated for selecting **GSD**, **DoIT**, and **Fire** for the first phase of outcome budgeting, in order to learn how to configure the needed planning, accounting and reporting processes was:

- **GSD** was chosen because it has the broadest plate of responsibilities, with a current account structure that does not clearly reflect its services and their funding levels.
- **DoIT** provides an internal staff agency that was already in the process of working to track their requirements by service, which will help to represent the true/full funding requirements of city services, and assure that City’s system investments are maintained.
- **Fire** was already in the process of working toward the outcome of attaining the highest Insurance Services Office (ISO) risk rating in accordance with NFPA³ standards.

“*Outcomes-based budgeting*” may be defined as: The practice of developing budgets based on the relationship between funding and expected results. It increases visibility into how government policies translate into spending and focuses on the outcomes of a funded activity i.e. the quality or effectiveness of services provided.⁴

Under outcome budgeting, the Administration envisions that the budget process will focus on strategies, services, and results rather than traditional baseline budgeting. Under a pilot program starting in FY 2021, “the FY 2021 budget introduces a new method of resource planning: outcome budgeting. The GSD budget recommendation for FY 2021 reflects an outcome-based analysis of fleet, facilities and parks operations; Fire and DoIT budget narratives have been formatted to show their respective catalogs of services to foster outcome-based analyses of them.”⁵ If City Council approved the GSD, Fire and DoIT outcome budgeting proposes, the Administration envisions a full conversion to outcome budgeting over the course of FY 2021 leading to the FY 2022 budget process.

LPD’s initial concern with an outcome budgeting approach was that some agencies have a multitude of appropriations, which means that if they were considerably consolidated under outcome budgeting, that could severely compromise City Council's oversight role over those appropriations/programs. The chart below illustrates the number of appropriations by department, as proposed in the FY 21 budget:

FY 2021 Appropriations by City of Detroit Department	
Department	Appropriations
(10) Airport	1
(13) Buildings, Safety Engineering and Environmental Department	7
(16) Demolition Department	1
(18) Sinking Interest and Redemption	1
(19) Department of Public Works	9
(20) Department of Transportation	8
(23) Office of the Chief Financial Officer	11
(24) Fire Department	5
(25) Health Department	33

³ The National Fire Protection Association (NFPA) is an international nonprofit organization devoted to eliminating death, injury, property and economic loss due to fire, electrical and related hazards.

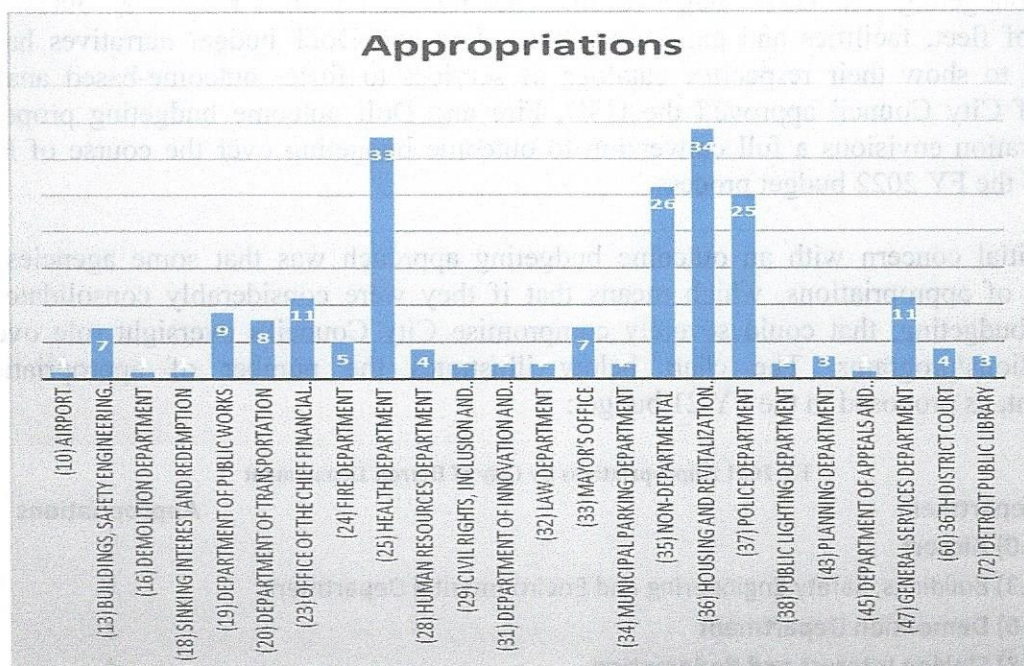
⁴ Source: <https://www.assemblyresearchmatters.org/2016/06/08/outcomes-based-budgeting/>

⁵ FY 2021-2024 FOUR-YEAR FINANCIAL PLAN, page A 2

(28) Human Resources Department	4
(29) Civil Rights, Inclusion and Opportunity Department	2
(31) Department of Innovation and Technology	2
(32) Law Department	2
(33) Mayor's Office	7
(34) Municipal Parking Department	2
(35) Non-Departmental	26
(36) Housing and Revitalization Department	34
(37) Police Department	25
(38) Public Lighting Department	2
(43) Planning Department	3
(45) Department of Appeals and Hearings	1
(47) General Services Department	11
(60) 36th District Court	4
(72) Detroit Public Library	3

*Departments with one appropriation in bold

FY 2021 Appropriations by City of Detroit Department



However, LPD is fine with DoIT going under the outcome budgeting approach since their number of appropriations is going from one to two. LPD is also fine with GSD going under the outcome budgeting approach since their number of appropriations is going from 14 to 9, a reduction of 5 with 3 of the 5 representing grant appropriations that are going away.

Consequently, our initial reaction of Fire going under the outcome budgeting approach since their number of appropriations is going from 9 to 5, it was our opinion that too many former appropriations were being consolidated into 3 appropriations under outcome budgeting. Our

impression was that this major consolidation could severely compromise Council's oversight role, by allowing the Fire Director the ability to shift funds without having to come to Council for approval. Based upon extensive discussions with the Office of Chief Financial Officer (OCFO) Budget, OCFO Budget is willing to reconfigure Fire into a more acceptable level of appropriations to maintain Council's oversight, while still being able to implement outcome budgeting, or at least move toward outcome budgeting. The reconfigured Fire budget under an outcome budgeting approach is illustrated in the following chart:

Proposed Changes to Fire Department
Outcome Budgeting Format

Expenditure	Current	Outcome Budget Changes	Revised
1000 - General Fund			
24 - Detroit Fire Department	121,861,234		121,861,234
10151 - Fire Casino Municipal Services Fire	121,861,234		121,861,234
241000 - Casinos - Fire Fighting	2,933,836		-
241010 - Casinos - Fire Marshal	1,024,764	(1,024,764)	-
241015 - Casinos - EMS	567,917	(567,917)	-
241015 - Casinos - EMS	1,341,155	(1,341,155)	-
25240 - Increased Public Safety - DFD - Fire Suppression	114,249,347		87,679,333
240065 - Fire Communications Administration	661,836		661,836
240075 - Fire Communications Dispatch	2,328,126		2,328,126
240080 - Fire Systems Support	669,503		669,503
240191 - Fire Fighting Administration	4,625,712		4,625,712
240195 - Fire Fighting Operations	76,348,158		76,348,158
240205 - Fireboat Marine Operations	485,854		485,854
240220 - Fire Training	1,355,380		1,355,380
240240 - Fire Marshal Administration	2,226,392	(2,226,392)	-
240250 - Fire Marshal Inspection	908,272	(908,272)	-
240260 - Fire Marshal Arson Investigation	2,010,061	(2,010,061)	-
240320 - E.M.S. Administration	6,474,790	(6,474,790)	-
240340 - E.M.S. Field Operations	15,509,414	(15,509,414)	-
240350 - E.M.S. Training	465,849	(465,849)	-
240400 - Hazardous Material Incident Mitigation	180,000		180,000
241000 - Casinos - Fire Fighting		1,024,764	1,024,764
25241 - Increased Public Safety - DFD - Fire Marshal			5,712,642
240240 - Fire Marshal Administration		2,226,392	2,226,392
240250 - Fire Marshal Inspection		908,272	908,272
240260 - Fire Marshal Arson Investigation		2,010,061	2,010,061
241010 - Casinos - Fire Marshal		567,917	567,917
25242 - Increased Public Safety - DFD - Emergency Medical Services			23,791,208
240320 - E.M.S. Administration		6,474,790	6,474,790
240340 - E.M.S. Field Operations		15,509,414	15,509,414
240350 - E.M.S. Training		465,849	465,849
241015 - Casinos - EMS		1,341,155	1,341,155
29240 - Effective Governance - DFD	4,678,051		4,678,051
240010 - Fire Department Administration	3,428,679		3,428,679
240020 - Fire Community Relations	479,135		479,135
240100 - Fire Legal & Labor	185,877		185,877
240110 - Fire Apparatus Stores	536,517		536,517
240120 - Fire Facilities Management	47,843		47,843
Revenue			
1000 - General Fund			
24 - Detroit Fire Department	23,773,000		23,773,000
25240 - Increased Public Safety - DFD - Fire Suppression	23,773,000		23,773,000
240220 - Fire Training	23,000		23,000
240240 - Fire Marshal Administration	4,620,000	(4,620,000)	-
240320 - E.M.S. Administration	19,130,000	(19,130,000)	-
25241 - Increased Public Safety - DFD - Fire Marshal			4,620,000
240240 - Fire Marshal Administration		4,620,000	4,620,000
25242 - Increased Public Safety - DFD - Emergency Medical Services			19,130,000
240320 - E.M.S. Administration		19,130,000	19,130,000

In addition, the OCFO Budget is willing to completely take Fire off the table as a pilot outcome budgeting project.

Baltimore's Outcome Budgeting System

According to the website of Baltimore's Bureau of the Budget and Management Research (BBMR), which formulates the City's annual operating budget and recommends annual capital expenditures to the Director of Finance, "Baltimore's outcome-based budgeting system is now a national best practice serving as a model for local governments across the country."⁶

In a 2018 case study by the independent research group, Results for America, provided a case study of Baltimore's budgeting system entitled "Baltimore's Advanced Outcome Budgeting System Allows City Leaders to Invest Taxpayer Dollars in Programs and Services that Matter Most" (Attachment II). The study indicated the following:

- **Prior to implementing an Outcome Budgeting system, Baltimore's city budget made it hard to determine which services and programs were moving the needle on outcomes.**⁷
- **In 2010, the City of Baltimore developed an advanced outcome budgeting system to focus resources on the most effective and promising services and programs to meet the City's priority needs, based on performance data and evidence of impact.**
- **Baltimore's ground-breaking outcome budgeting system has led to innovative service delivery mechanisms and a cultural shift within local agencies.**
- **Greater use of data and evidence across the City of Baltimore has generated improved outcomes for residents in many of the top city priorities.**
- **Baltimore's budgeting system is now serving as the prototype model for nine local governments across the country.**⁸ **These governments are learning from Baltimore how to implement program elements into their budgets.**

Since its full implementation of Outcome Based Budgeting in the 2011 fiscal year, the City of Baltimore has utilized performance data as evidence, which has impacted its budget process. The transition to an outcome-based budget was a fundamental shift away from an agency-centric process—used by most local governments across the country—to one that is focused on delivering results to the City's highest priority outcomes. Since the shift, each year the City undertakes a multi-step process to create an accurate and clear vision for how city funds should be allocated to achieve the best results for the highest priority outcomes.

For City Council's edification, Attachment III represents a description of Baltimore's outcome budget process for FY 2020.

⁶ <https://bbmr.baltimorecity.gov/outcome-budgeting>

⁷ In 2008, cities across the United States, including Baltimore, were facing difficult budget decisions due to the emerging Great Recession. City leaders quickly realized that they would not have enough resources to meet all of the City's needs with decreased tax revenue projections. However, they also recognized that during a recession, residents' needs for city services would likely increase, particularly in areas such as employment and public health. Previous annual budgets had relied on across-the-board increases or decreases in agency spending, which were arbitrary and often punished high value programs and services that focused on areas such as youth violence prevention and afterschool programming while simultaneously protecting less effective programs. Then Baltimore Mayor Shelia Dixon was frustrated by the budget process which focused on marginal annual adjustments rather than structural changes to the base budget. There was both a desire and a need to make the best use of the city resources available moving forward.

⁸ Atlanta, Dallas, Houston Madison, Montgomery County (MD), Los Angeles, Philadelphia, Seattle, and Tulsa.

Please let us of know if we can be of more assistance.

Attachments

cc: Auditor General's Office
David Massaron, CFO
John Naglick, Deputy CFO/Finance Director
Tanya Stoudemire, Deputy CFO/Budget Director
Steven Watson, Deputy CFO/Deputy Budget Director
Avery Peoples, Mayor's Office

1914
The following is a list of the names of the persons who were present at the meeting held on the 15th day of May, 1914, at the residence of Mr. J. H. Smith, in the town of Smithfield, New Hampshire.

Name	Address
Mr. J. H. Smith	Smithfield, N.H.
Mr. W. H. Jones	Smithfield, N.H.
Mr. T. H. Brown	Smithfield, N.H.
Mr. C. H. Green	Smithfield, N.H.
Mr. F. H. White	Smithfield, N.H.
Mr. G. H. Black	Smithfield, N.H.
Mr. L. H. Gray	Smithfield, N.H.
Mr. M. H. Blue	Smithfield, N.H.
Mr. N. H. Red	Smithfield, N.H.
Mr. O. H. Yellow	Smithfield, N.H.
Mr. P. H. Purple	Smithfield, N.H.
Mr. Q. H. Pink	Smithfield, N.H.
Mr. R. H. Orange	Smithfield, N.H.
Mr. S. H. Green	Smithfield, N.H.
Mr. T. H. Blue	Smithfield, N.H.
Mr. U. H. Red	Smithfield, N.H.
Mr. V. H. Yellow	Smithfield, N.H.
Mr. W. H. Purple	Smithfield, N.H.
Mr. X. H. Pink	Smithfield, N.H.
Mr. Y. H. Orange	Smithfield, N.H.
Mr. Z. H. Green	Smithfield, N.H.

Attachment I

OCFO Budget's Responses to LPD's Questions on the Outcome Budgeting
Proposal in the FY 2021 Budget



**OFFICE OF CHIEF FINANCIAL OFFICER
OFFICE OF BUDGET**

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Detroit, Michigan 48226

Phone 313•224•6260
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MEMORANDUM

TO: David Whitaker, Director
Detroit City Council, Legislative Policy Division

FROM: Tanya Stoudemire *Tanya Stoudemire*
Deputy CFO/Budget Director

DATE: April 23, 2020

RE: **Legislative Policy Division Outcome Budgeting Questions for Proposed Fiscal Year 2021 Budget**

Our responses to the questions are as follows:

1. **Should we understand that these departments are a first phase and that other departments will be included in the next few years?**

Response:

We plan that next year's budget process will sort and analyze every proposed expenditure under the outcome budgeting framework: relating specific services with deliverables under five broad strategies. GSD, DoIT, and DFD are a first phase in order to learn how we should configure the needed planning, accounting and reporting processes.

2. **Why were these three departments - GSD, Fire, DoIT - chosen for the first phase?**

Response:

GSD was chosen for the first phase because it has the broadest plate of responsibilities, along with a current account structure that does not clearly reflect its services and their funding levels. There are cost centers which fund multiple disparate activities, and we will propose significant changes to these once the scope of each service is clarified and accurately tracked. An example of this is parks: costs to operate parks are found in eleven different cost centers, commingled with activities unrelated to parks, such as corridor cleanup and litter removal at city buildings. The inability to cost out the requirements of our parks has left them under-served when other pressing requirements surface, and it has left us unable to fundraise outside operating support.



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DFD has already been working toward the outcome of attaining the highest Insurance Services Office (ISO) risk rating in accordance with NFPA standards, so they were a natural for the pilot. We want to get on track for costing out the various requirements under ISO, and assuring the flexibility for meeting each requirement.

DoIT provides an internal staff agency for the pilot, and they have already been working to track their requirements by service, which will help us to represent the true/full funding requirements of city services, and assure that our system investments are maintained.

3. **Will all departments ultimately fall under the five broad strategies note on page A2 in the proposed Executive Budget—**
 - a. **Improved public safety**
 - b. **Vibrant and beautiful City**
 - c. **Increased economic opportunity and reduced poverty**
 - d. **Strengthened city operations**
 - e. **Effective governance**

Response:

These five broad strategies are a comprehensive statement of the city government role, and every expenditure we make will fall under one and only one strategy. The strategies should produce an ongoing discussion within city government, across departments and with our constituents, and may be reset from time to time. We are expecting that would occur every four years, in sync with a robust four-year financial plan. At any given time, we want every department to know exactly the purposes behind each of its activities, and we want a long-term outlook.

4. **Using the Fire Department as an example, how does merging functions that are funded by separate appropriations—Dispatch (911), EMS, Fire Suppression and Fire Marshall—into one appropriation with separate cost centers, assist in the outcome of “Increased public safety”?**

Response:

Fire’s current appropriation structure is aligned generally to its organizational chart. With these cost centers in one appropriation, the organizational unit will not be an end in itself and Fire can nimbly adjust to changing public safety priorities. For example, an unexpected increase in HazMat incidents may be absorbed with Communications surplus, and vice versa. Public engagement will be easier to navigate with this simplicity as well, as particularly shown in the GSD proposal.

5. **Again using the Fire Department’s example, the proposed FY 2021 budget consolidates eight appropriations used in FY 2020 into two. By limiting the number of appropriations, Council has less ability to impact specific services or purchases in**



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the Fire Department. According to the City Charter, Council approves the budget at the appropriation level. LPD's view of Baltimore's Fire Department budget seems to indicate that service levels are appropriations. Please explain why the outcome budgeting process, which has an end goal of making government programs more result oriented, cannot be used for the eight appropriations as configured in Fire's FY 2020 budget?

Response:

The change in appropriations does not change Council's impact or role in budgeting and purchasing. City Council will still approve the budget for departments and citywide strategies and priorities to deliver results for Detroiters. In Fire's case, a broader appropriation will prevent procurement delays that may be associated with reservation of funds in the bid process. With increased reporting on service delivery in the coming fiscal year, City Council will likely have a clearer picture of component services. Under outcome budgeting, City Council will see more detail about service delivery, and The Body will be better able to compare across cities. There will be more transparency.

The current appropriations do not reflect service-delivery outcomes, so their respective dollar allocations have not been not ends in themselves. The discussion has only focused on how allocations will be spent, and not on whether this is achieving results or if they even achieve the results we want. Fire Vehicle Management and Supply and Fire Communications and Systems Support are only as good as the emergency responses they each support. Managing to those allocations is not results-oriented. By the next fiscal year, after the pilot phase, City Council will see better information about what support costs should be, in order to achieve and maintain the highest response.

6. Is it thought that some established silos will be diminished by rolling these appropriations into one?

Response:

In the case of GSD, the current account structure is muddled and not reflective of the services delivered, the costs of those services, or the tangible results. The parks example (operating out of parts of 11 different cost centers) is one; note that current appropriations include "Facilities and Grounds Maintenance (11830)" and "Grounds Maintenance (13336)". The change of appropriations in GSD clarifies the outcomes that resources are allocated toward. It changes the conversation from how we are spending money, to what we are getting for those resources. This is also the case in DoIT: the addition of an appropriation that separates the costs of public safety systems assures that those systems will be given budget priority. In the case of Fire, the reduction of appropriations does diminish potential funding silos.



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7. Will Fire at some point be more closely tied to Police for the purpose of Increased public safety?

Response:

Fire and Police already have joint operations, such as in the area of arson investigation. There is much need for close ties, but the outcome budgeting system will only clarify the costs of their joint services, it will not dictate administrative arrangements.

8. Ultimately will all public safety functions be rolled into one appropriation along with fewer departments? Has this happened in Baltimore or other older cities?

Response:

No, all public safety functions will not be rolled into one appropriation, nor is any change to the number of departments inherent to outcome budgeting. Departments will continue to have their own appropriations, so any department with dedicated public safety appropriations will have its own public safety appropriation. In fact, DoIT increases from one appropriation to two in the Mayor's proposed budget, so that its public safety work is never subordinated to general city service goals. We may find other support departments warrant their own new public safety appropriations as well, in order to assure priority on that work.

9. Please provide similar explanations for GSD and DoIT.

Response:

DoIT actually increases from one appropriation to two in the proposed budget, in order to highlight and prioritize the requirements of its public safety work supporting in-vehicle IT, the RTCC and 911 systems.

Net of grants and blight funds, for which our approach is in development, GSD appropriations decrease from 8 to 4 in the proposed budget. A number of its cost centers will be reorganized in the FY22 proposed budget, to provide more clarity of services within those appropriations. For example, you will see all costs related to the operation of parks in one place. In the city of Austin, the budget detail rolls up to these overall strategies, and the management information behind the budget expenditures is posted throughout the year, to assure ongoing monitoring.



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10. Have the changes to the budgets in Baltimore and Austin been similar through the years?

Response:

Baltimore and Austin have been in significantly different positions: one, combatting urban decline; the other, managing growth. Yet, both have better focused on their particular issues using outcomes system. The emphasis is on the costs of delivering a service, and much of this conversation occurs through strategic planning discussions and community engagement, rather than at budget hearings. We are beefing up our planning processes, and will work with City Council to develop community engagement characterized by better transparency in expenditure and service levels, and more citizen input at the front end of priority setting.

11. How have their changes to the budget structure improved either the services or the outcomes to citizens? Can you provide examples?

Response:

According to the 2018 Results for America case study of Baltimore (<https://results4america.org/wp-content/uploads/2018/01/Final-Baltimore-Case-Study.pdf>), outcome budgeting has allowed Baltimore to make significant improvements in infant mortality rates (38% decrease from 2009-2015), usage of recreation programs (up 89% from 2011-2016), and the Emerging Technology Center business incubator credited with increasing jobs and employment in city from 2010-2016. It revealed that neighborhood development assistance and mentoring of prisoner children were not leading to intended results. "One big benefit of this approach is how it opens up the black box of the base budget ... Shedding light on spending and impact is at the heart of a well-managed government."

Interviews of leaders in Baltimore's Bureau of Budget and Management Research revealed that the segregation of costs for building services allowed the General Services Department to pass on, and recover more of, agency building occupancy costs.

Both Baltimore and the City of Austin have integrated capital budget planning with operating budget development, so that the true costs of programs are better understood. The asset replacement requirements inform day to day operating expenditures.



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12. Using Baltimore as an example, was their budget historically approved by Council at the appropriation level or did their charter have a different approval process?

Response:

The City of Baltimore budget approval occurs through the Board of Estimates, a Charter-mandated body consisting of the Mayor, the City Council President, the Controller, the City Solicitor and the Public Works Director. Budget and Procurement approvals are formulated and overseen by this Board and not by the full City Council.

13. Have other city councils found that they have less opportunity to be involved in the budgetary process through the fiscal year since there are fewer appropriations?

Response:

It is hard to compare governance across jurisdictions, since they do not all have the same structures of government as we have. Baltimore has a Board of Estimates, led by the City Council President, over all fiscal policy decisions. Austin has a City Manager model. But legislative involvement has increased with respect to community engagement. Legislators in the City of Austin appear to have much involvement in clarifying service delivery models.

14. Outcome budgeting seems to have some merits: it can make government programs more result oriented, instead of outlay oriented; it can better measure outcomes of government programs and services to determine whether the money spent meets certain goals and objectives; it can provide a performance measurement tool that helps in a) better service delivery, b) decision-making, c) improving program effectiveness, d) make budgets more cost effective, e) add accountability and f) aide better management.

Response:

A major concern with outcome budgeting, besides the potential of Council losing its oversight of program when there is a major consolidation of programs, is the potential displacement of City employees and City contractors if a service is deemed nonproductive and there is no ability to shift these employees/contractors to other City programs. However, if there is a financial crisis, then the reduction of services may be warranted. Please provide your comments on these observations.

The merits of outcome budgeting continue to draw jurisdictions to incorporate elements of it. Added oversight is at the heart of its benefits: a direct look at the true costs of programs; a direct look at the units of service that are being delivered. For outcome budgeting to be successful, City Council will not lose oversight of agency programs, but will gain oversight with visible results.



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A financial crisis may warrant reduction of services, and fiscal stewardship always requires us to maximize productivity. Outcome budgeting will not change that – only the quality of information we use to do that. We will be more informed to maximize our expenditures.

Please let me know if you have any questions.

Enclosure: Outcome Budgeting Deck

cc: David P. Massaron, CFO



City of Detroit Outcome Budgeting System

Outcome Budgeting systems manage service delivery toward citywide strategies. Several cities have had success with these systems.

We want robust public input, better costing of city services and cataloging of results toward industry standards, and stronger long-term planning.

Proposed FY2021 budget pilots an outcome-based approach in GSD, DoIT and Fire:

- Appropriations align to citywide strategies, making the strategies trackable
- Services are identified, with meaningful results
- Budget narratives give clear picture of strategies and results



City of Detroit Outcome Budgeting System: benchmarks

Long-term
planning for every
resource

Focus on service
delivered vs
organization

Appropriations
tied to outcomes,
cost centers tied
to services

Service tied to its
measurable
results

Broad outcomes
measured, re-
set

CITIES WITH OUTCOME BUDGETS: Baltimore, Austin, Seattle.

- Strategic outcomes and metrics in place, referencing industry standards
- Operating budget tied to capital / assets plans, and to vehicle plan, staff planning, and other resource planning processes
- Service “business lines” tied to results, with community engagement

ALSO USE INDUSTRY STANDARDS FOR SPECIFIC SERVICES



City of Detroit Outcome Budgeting System: the need

Old Way

In FY20, where would you find parks?

Approp No. 11830 GSD Facilities	FY20 \$21.2M
Property Management	\$0.8M
Facilities Management	\$11.1M
Landscape Design	\$1.5M
Park Development	\$2.5M
Building Services	\$3.3M
Security	\$1.5M
Hart Plaza Management	\$0.5M
Approp No. 13336 GSD Ground Maintenance	FY20 \$15.6M
Ground Maintenance	\$10.8M
Ground Maintenance Seasonal	\$2.6M
Floriculture	\$0.9M
Bus Shelter Clean up	\$1.3M

New Way

Parks Budget is more Transparent

Strategies	Services	Results
Vibrant and Beautiful City Approp No. 26470 \$17.9M	Well-maintained parks accessible to all Future Parks Cost Center \$12.7M*	<ul style="list-style-type: none"> Industry standard amenities Better cost recovery

Only a portion is for parks

Service Example: Parks

We want to manage our resources toward best practices in parks services

* FY21 recommended reflects \$700,000 savings over FY20 in seasonal staff not needed due to service-based analysis



Crosswalk: Outcome (Appropriation) to Services (Cost centers)

Outcome: Vibrant and Beautiful City

GSD Appropriation: Parks, Greenspace, Events, Historic/Entertainment venues

Existing Cost Centers:

470011, 470012, 470200, 470300, 472180; parts of 470198, 470199, 472200

Possible Future Cost Centers to segregate costs:

Park design,
Amenity
maintenance, Grass
cutting

GSI storm water,
greenways, floriculture,
vacant lot cutting

Berm, medians,
trees

Events, partners

Aretha, Golf, Hart,
Spirit, Campus,
Cemeteries, marinas,
dock/launches



Budget Narrative: Services and Four-Year Target Outcomes

STRATEGIC OUTCOME / PROP FY21 APPROPRIATION	FOUR-YEAR PLAN SERVICE RESULTS	COMPONENT SERVICES	GSD FOUR-YEAR PLAN KEY TARGET OUTCOMES
<p>Vibrant and beautiful City</p> <p>#26470 (old approp #12154, 13336, 11830, 11825)</p> <p>RELATED ACTIVITIES IN ONE PLACE</p> <p>(old approp #20435)</p> <p>(old approp 13990)</p>	<p>Well-maintained parks and greenspaces within 10 minutes of everyone</p> <p>CLEAR, SIMPLE PRIORITIES, MOST SPECIFICS YET GIVEN</p>	<ul style="list-style-type: none"> • 307 parks totaling 4800 acres • 19 types of park amenities • 98,600 Vacant lots cut • 55 miles of boulevards, medians • 7 Freeway berms • 334,000 sq ft of flower beds • Joe Louis Greenway development • Green stormwater infrastructure @Chandler Park • Sustainability planning • Spirit Plaza 	<p>Increases in parks/recreation operating cost recovery, from current 13.7% [NRPA national average = 27%];</p> <p>\$53.22 cost / Detroit (lower than \$78.69 national avg)</p> <p>Industry average park amenity counts [Trust-Public Land]</p> <p>Establish GF Cost per participant</p> <p>Establish % Increase in total investment in the assets (all sources)</p>
<p>COMMUNITY ENGAGEMENT and BEST PRACTICE FOCUS, LONG-TERM and UNIT COST ANALYSIS</p>			<p>Establish GF Cost per participant</p> <p>Establish % Increase in total investment in the assets (all sources)</p> <p>COMMUNITY ENGAGEMENT and BEST PRACTICE FOCUS, LONG-TERM and UNIT COST ANALYSIS</p>



Tracking to Outcomes: City of Baltimore General Services Department

Baltimore's budget tracks to outcomes

<http://openbudget.baltimorecity.gov/>

Baltimore City Office of Mayor Catherine E. Pugh Bureau of the Budget & Management Research f Search by Service Department

\$34.72 Million General Services 2018

Where's it going? How's it funded?

Open Budget
 Operating Budget \$2.90 Billion - 100.00% of all Operating Budget
 Program Facilities Management \$34.72 Million - 1.20% of all Operating Budget
 Outcome Sustainable Infrastructure... \$34.72 Million - 1.20% of all Operating Budget
 Department General Services \$34.72 Million - 1.20% of all Operating Budget

Building Maintenance \$20.00M
 Capital Reserve \$10.00M
 Unallocated State Grants
 Surplus School Management
 War Memorial
 Historic Properties Program
 Transfers

Snapshot
 Pie Chart
 Over Time
 Show As \$ %
 Sort Total (Descend)...
 Hide

Activity	Recommended	%	Approved	%	Actual	%
Building Maintenance	\$29,069,285	83.72%	\$29,069,285	100.00%	\$0	0%
Capital Reserve	\$3,873,100	11.16%	\$3,873,100	100.00%	\$0	0%
Unallocated State Grants	\$2,000,000	5.76%	\$2,000,000	100.00%	\$0	0%
Surplus School Management	\$462,631	1.33%	\$462,631	100.00%	\$0	0%
War Memorial	\$452,895	1.30%	\$452,895	100.00%	\$0	0%
Historic Properties Program	\$170,298	0.49%	\$170,298	100.00%	\$0	0%
Transfers	\$-1,307,803	-3.77%	\$-1,307,803	100.00%	\$0	0%

Ledger Details

\$2.90 Billion Operating Budget 2018

Where's it going? How's it funded?
 Operating Budget broken down by Outcome

Back

Safe Neighborhoods \$888,800,346
 Sustainable Infrastructure \$792,023,380
 Thriving Youth & Families \$434,430,483
 Other \$242,005,006
 Healthy Communities \$235,193,927
 Vibrant Economy \$159,624,530
 High Performing Government \$144,120,697

Outcome	Recommended	%	Approved	%
Safe Neighborhoods	\$888,800,346	30.65%	\$888,800,346	100.00%
Sustainable Infrastructure	\$792,023,380	27.34%	\$792,023,380	100.00%
Thriving Youth & Families	\$434,430,483	15.00%	\$434,430,483	100.00%
Other	\$242,005,006	8.36%	\$242,005,006	100.00%
Healthy Communities	\$235,193,927	8.12%	\$235,193,927	100.00%
Vibrant Economy	\$159,624,530	5.52%	\$159,624,530	100.00%
High Performing Government	\$144,120,697	4.98%	\$144,120,697	100.00%

Ledger Details



City of Detroit Outcome Budgeting System: it's a system

Outcome: Effective Governance

GSD ROLE: Industry standard occupancy cost for 100+ Municipal Facilities
2185 vehicles available for city services at industry standard cost

Metrics:

1. BOMA Expenditures per sq ft by building service, by building type
2. Repair costs for vehicles within lifecycle, by types

Budget:

Vehicle Daily Need citywide
50% of unit cost for repair over life;
Losses funded by users
Appropriation by service
Plan for core to State of Repair
Standard mtc/janit/security/grounds

Management:

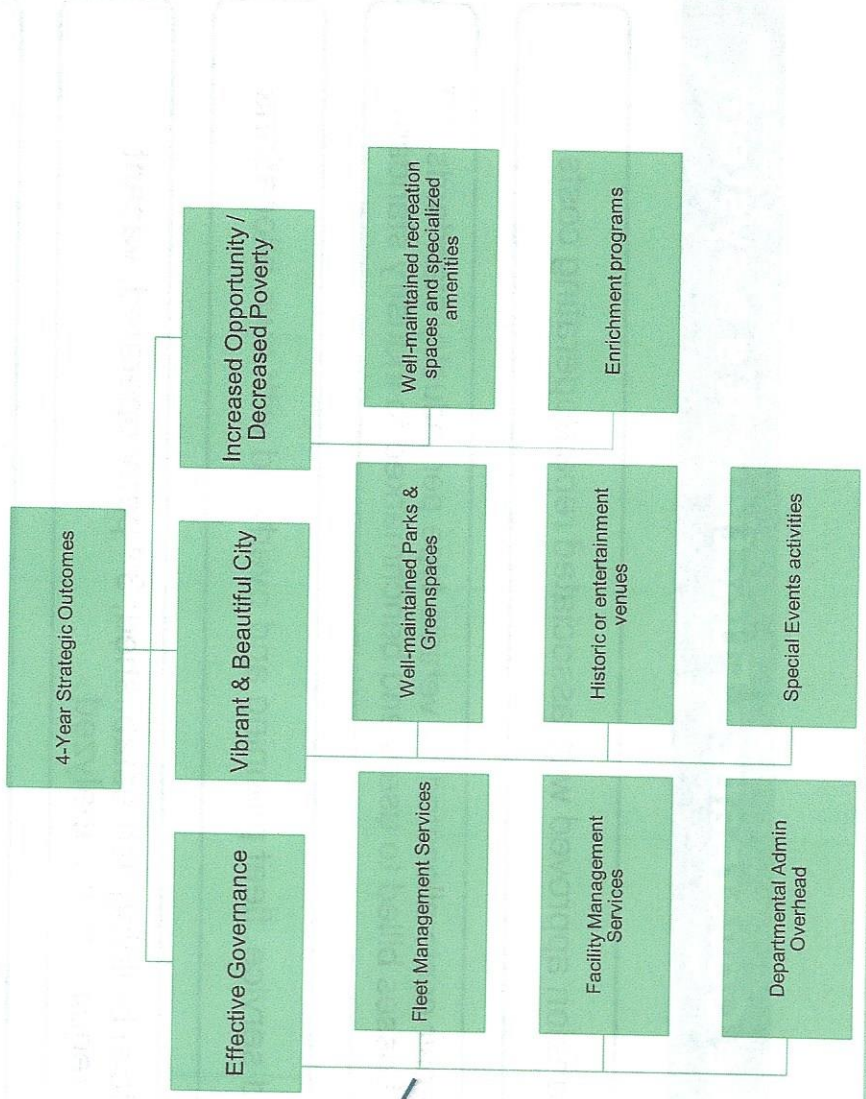
Vehicles per mechanic/contract
Repair cost per asset
Usage tracking: pm's, losses, etc
Prioritize reinvestment: Capital need/asset value index
Hours per bldg & per occupant



City of Detroit Outcome Budgeting System: it's a system

- 6 Component Services:**
1. REGULAR MTC/REPAIR
 2. LOSSES
 3. GARAGE OVERHEAD
 4. FLEET PLANNING
 5. ROAD SERVICE
 6. FUEL (incl. hardware, staff)

- 1. Regular Mtc/Repair:**
- Budgeted per predictable costs for each unit in base lifecycle
 - Allowance for units not in lifecycle
 - Managed per scheduled mtc, by vehicle type





Framework for Effective Governance Function: it's a system

Budgeting:

- Costs of meeting Vehicle Daily Need
- 50% of unit cost spent lifetime on regular repair; Users fund losses
- Allocate by service
- Plan for core buildings to State of Good Repair
- Standard maintenance, custodial, security, grounds resource levels

Metric 1

- Fleet expansion approved with associated repair/operating costs

Metric 2

- Regular repair costs allocated by vehicle type per industry standards; OT specified; Losses billed to users and benchmarked to industry standard

Metric 3

- Fuel, road service, fleet planning and overhead with own allocations

Metric 4

- Core "official building list" established; 3rd party operated, vacant buildings requirements analyzed

Metric 5

- For SGR buildings, standard \$ per sq ft allocated for each service

Additional management metrics kept by each agency







City of Detroit Outcome Budgeting System

4-Year Plan Priorities

- Improved public safety
- More vibrant and beautiful City
- Increased economic opportunity and reduced poverty
- Strengthened city service operations
- Effective management and messaging

Successful Results for GSD

metrics	
Animal bites Dangerous buildings	 <p>Increased Public Safety</p> <ul style="list-style-type: none"> • Fewer stray animals and quicker response to them • Bright-free neighborhoods
\$ per site per capita Prop values ROI	 <p>Vibrant and Beautiful City</p> <ul style="list-style-type: none"> • Special Events reaching the greatest number at the lowest cost • Well-maintained Parks and Greenspaces within 10 minutes of everyone • Venues for history and entertainment reaching greatest number at lowest cost
Participants per \$ % cost recovery	 <p>Increased Opportunity / Decreased Poverty</p> <ul style="list-style-type: none"> • Enrichments that increase well-being of vulnerable populations • Advocacy that increases the visibility and participation in all cultural activities • Well-maintained recreation spaces and specialized amenities that have optimal use
Occupancy \$ for sq ft Repair \$ per vehicle	 <p>Strengthened City Service Operations</p>
	 <p>Effective governance</p> <ul style="list-style-type: none"> • Industry standard occupancy cost for 100+ Municipal Facilities • Right amount of vehicles available every day for city services



Example of engagement: City of Austin

City of Austin 'Challenge Statements' under the Strategic Direction 2023

- "Outcome teams" created one-page "Challenge Statements" to focus budget development around. Actual public discussions:
1. "How might we improve our approach to facilities and infrastructure management to ensure a high-quality, efficient, and sustainable portfolio that supports both staff and the customer?"
 2. "How might we improve engagement to include voices of our most vulnerable populations, demonstrate the impact of public input, and generate meaningful outcomes for the community?"

See: https://assets.austintexas.gov/financeonline/downloads/safety_challenge_statements.pdf

2019-20 Proposed Budget, Austin, TX

PARKS AND RECREATION

Operating Budget	2016-17 Actual	2017-18 Actual	2018-19 Estimated	2018-19 Amended	2019-20 Proposed
Expenditures by Strategic Outcome					
Expenditures by Strategic Outcome	0	8,828,065	8,975,643	8,983,432	8,744,366
Culture and Lifelong Learning	0	194,301	443,066	443,066	830,219
Government that Works	0	59,833,222	65,498,383	66,006,123	81,889,875
Health and Environment	0	1,334,007	1,382,097	1,382,092	1,840,658
Mobility	0	10,395,179	12,876,763	12,793,913	2,788,631
Safety	0	10,414,988	10,424,720	10,424,720	11,766,027
Transfers and Debt Service	0	90,899,762	99,878,672	100,013,335	106,819,774
Total by Strategic Outcome	0	90,899,762	99,878,672	100,013,335	106,819,774
Expenditure by Program					
Community Services	48,353,188	50,182,189	54,538,420	54,787,423	56,505,177
Parks, Planning, Development & Operations	21,857,169	23,195,125	28,905,317	29,027,092	30,786,253
Support Services	6,765,589	7,033,762	5,271,309	5,333,194	6,782,317
Transfers, Debt Service, and Other Requirements	10,235,615	10,608,708	10,865,926	10,865,626	11,766,027
Total by Program	87,211,561	90,999,762	99,878,672	100,013,335	106,819,774
Revenue By Fund					
General Fund	11,886,865	12,610,160	14,010,807	14,297,407	14,659,628
General Fund	7,294,878	8,276,058	8,412,529	8,158,801	8,540,915
Golf Fund	19,051,541	20,886,218	22,423,136	22,426,208	23,200,543
Total Revenue	69,275	69,775	716,25	716,25	728,75
Civilian FTEs	271,000	186,000	886,000	886,000	177,500
Grants	3,00	3,00	3,00	3,00	2,00
Grant FTEs	3,00	3,00	3,00	3,00	3,00



Necessity of Structuring Community Engagement

Public education:

What are the functions of City government?
How are they funded? What does City tax receipts pay for?

- Dashboards, OCFO decks, annual agency reports
- Interactive budget (online and on-site pop-up's)
- Agency presentations

Outcomes discussions:

What specific outcomes should the City target? How will we measure success? What policies should guide our strategies?

- Public input by function
- "Guidance Documents" to approach issues

Service priorities:

How well are services delivered? How much to spend on each? For what results?

- U-M DMACS survey
- City Council district forums



FOR FURTHER STUDY: Other Outcome-oriented Jurisdictions

Jurisdictions interviewed	Broad Outcomes with Measures	Agency Services List	Outcome-based Budget Process?	Reporting by Outcome & Service
Baltimore	Mayor's Office	YES	YES	CitiStat, "Open Budget Baltimore" (Socrata)
Austin	"Strategic Direction 2023"	YES	YES	Data.austintexas.gov (open portal)
Seattle	4-Yr Strategic Plan	YES	Agency Business Plan	Limited by service
Oakland County	NO	NO	Agency Business Plan	Limited by service
Industry Standard	<i>Parks function - NRPA, TPL; Fleet function - Jorgensen Ford; Building function - BOMA</i>			

Notes:

- Most jurisdictions reviewed have Strategic Outcomes and Measures – Oakland County is working on it
- All jurisdictions reviewed tie operating budget to capital / assets plans, and some tie to additional resource planning processes
- Many jurisdictions explicitly identify Service "business lines" with results, staffed with service-side analysts; service-level reporting is limited
- Have not benchmarked GSD's blight and animal control services

Attachment II

“Baltimore’s Advanced Outcome Budgeting System Allows City Leaders to Invest Taxpayer Dollars in Programs and Services that Matter Most” Case Study

CASE
STUDY


Baltimore's Advanced Outcome Budgeting System Allows City Leaders to Invest Taxpayer Dollars in Programs and Services that Matter Most



THE CHALLENGE: For generations, Baltimore's city budget—like that of most local governments—made it hard to determine which services and programs were moving the needle on outcomes that matter most to residents. Facing severe budget constraints, the City needed a better way to make funding decisions.

THE APPROACH: The City of Baltimore developed an advanced outcome budgeting system in 2010 to focus resources on the most effective and promising services and programs to meet the City's priority needs, based on performance data and evidence of impact.

THE RESULTS: Baltimore's ground-breaking outcome budgeting system has led to innovative service delivery mechanisms and a cultural shift within local agencies. Greater use of data and evidence across the City of Baltimore has generated improved outcomes for residents in many of the top city priorities. Baltimore's budgeting system is now serving as the exemplar model for nine local governments across the country. These governments are learning from Baltimore how to implement program elements into their budgets.

 **RESULTS**

FOR AMERICA

January 5, 2018

INTRODUCTION

Since 2010, the City of Baltimore has used outcome budgeting to shed light on the impact of city investments and direct local taxpayer dollars towards results-driven and evidence-based solutions. This annual budget process, which is led by Andrew Kleine, former Baltimore Budget Director and former Results for America (RFA) Local Government Fellow, in partnership with his staff of budget analysts, the Mayor and her leadership team, and a broad range of local government agency staff and engaged residents, allows Baltimore City government to make the best use of its limited financial resources by aligning city priorities with effective and promising strategies.

THE CHALLENGE

In 2008, cities across the United States, including Baltimore, were facing difficult budget decisions due to the emerging Great Recession. City leaders quickly realized that they would not have enough resources to meet all of the City's needs with decreased tax revenue projections. However, they also recognized that during a recession, residents' needs for city services would likely increase, particularly in areas such as employment and public health. Previous annual budgets had relied on across-the-board increases or decreases in agency spending, which were arbitrary and often punished high-value programs and services that focused on areas such as youth violence prevention and

“With the right ownership from city leaders, there's tremendous power in this [budget] solution.”

— ANDREW KLEINE
Former Baltimore
Budget Director

afterschool programming while simultaneously protecting less effective programs. Then—Baltimore Mayor Shelia Dixon was frustrated by the budget process which focused on marginal annual adjustments rather than structural changes to the base budget. There was both a desire and a need to make the best use of the city resources available moving forward.

THE APPROACH

After learning from the experiences of Washington State's budget transformation to outcome budgeting in the early 2000s, former Baltimore Budget Director Kleine presented that budgeting approach to then-Baltimore Mayor Shelia Dixon. Together with mayoral staff and the City's Finance Director, they concluded that the most rational and defensible system for making hard budget choices would be to focus funding decisions on supporting the programs and services that were delivering, or had the potential to deliver, the best results for the highest priority resident outcomes. During one of the

What is Outcome Budgeting?¹

Baltimore defines outcome budgeting as a budget process that aligns resources with results. Under this process, the budget is organized around the City's priority outcomes—the results that matter most

to citizens—and funds are allocated for those services that will achieve the desired outcomes. Traditional budgeting is organized around city agencies and uses the previous year's spending as the starting point for any agency budget increase or decrease.

THE APPROACH (CONTINUED)

most challenging budget years in generations, fiscal year 2011, Baltimore embraced outcome budgeting and embedded performance data and evidence of impact into its budget process. The transition to an outcome-based budget was a fundamental shift away from an agency-centric process—used by most local governments across the country—to one that is focused on delivering results to the City's highest priority outcomes.

Since the shift, each year the City undertakes a multi-step process to create an accurate and clear vision for how city funds should be allocated to achieve the best results for the highest priority outcomes.

Baltimore's outcome budget process requires the following steps:

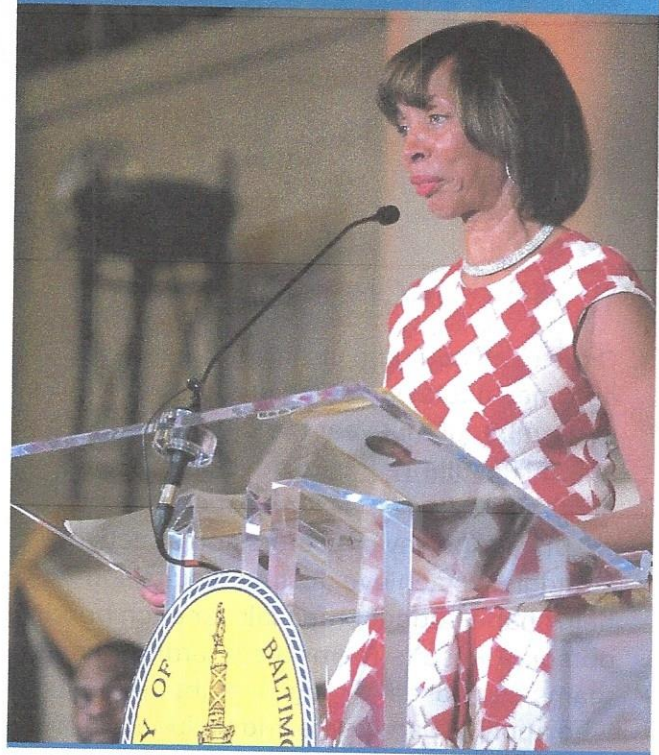
1. First, the mayor and her/his cabinet establish city priorities which are based on input from the [citizen community survey](#), regular public outreach, and research on challenges facing residents. Baltimore's community survey, based on a representative sample of residents, identifies trends in behavior and attitudes regarding quality of life indicators and city services.

The most recent Baltimore City government [priorities](#) listed in the fiscal year 2018 budget include:

- Thriving Youth and Families
 - Safe Neighborhoods
 - Healthy Communities
 - Vibrant Economy
 - Sustainable Infrastructure
 - High Performing Government
2. Next, during the fall of that year, the mayor and leadership team determine total spending amounts for each of the outcome categories for the upcoming fiscal year. To facilitate difficult conversations about how

“ I want our city to be an international leader when it comes to innovation and developing best practices in the delivery of services to our residents.

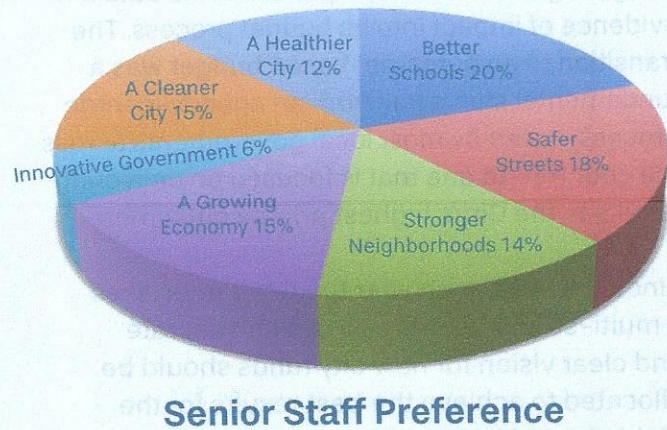
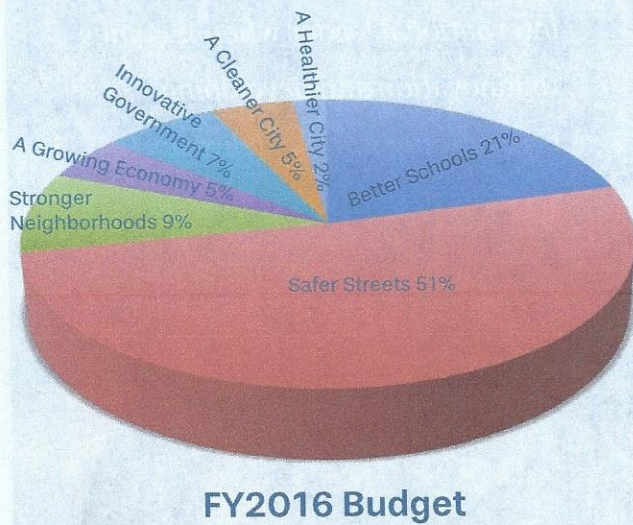
— CATHERINE PUGH
Mayor of Baltimore



to allocate finite resources, the Baltimore budget team implemented a simple game using Monopoly™ board game money to help city leadership determine financial priorities. By beginning with the question, "How would you allocate funding in a perfect world?" city leadership is able to identify how their goals differ from actual financial allocations. As a result, this approach has allowed Baltimore to highlight the differences between actual and desired spending, and shift some funding from public safety to other priority outcomes.

OUTCOME ALLOCATIONS

Fiscal Year 2016 Actuals vs. Senior Staff Preference Developed During Monopoly™ Money Exercise



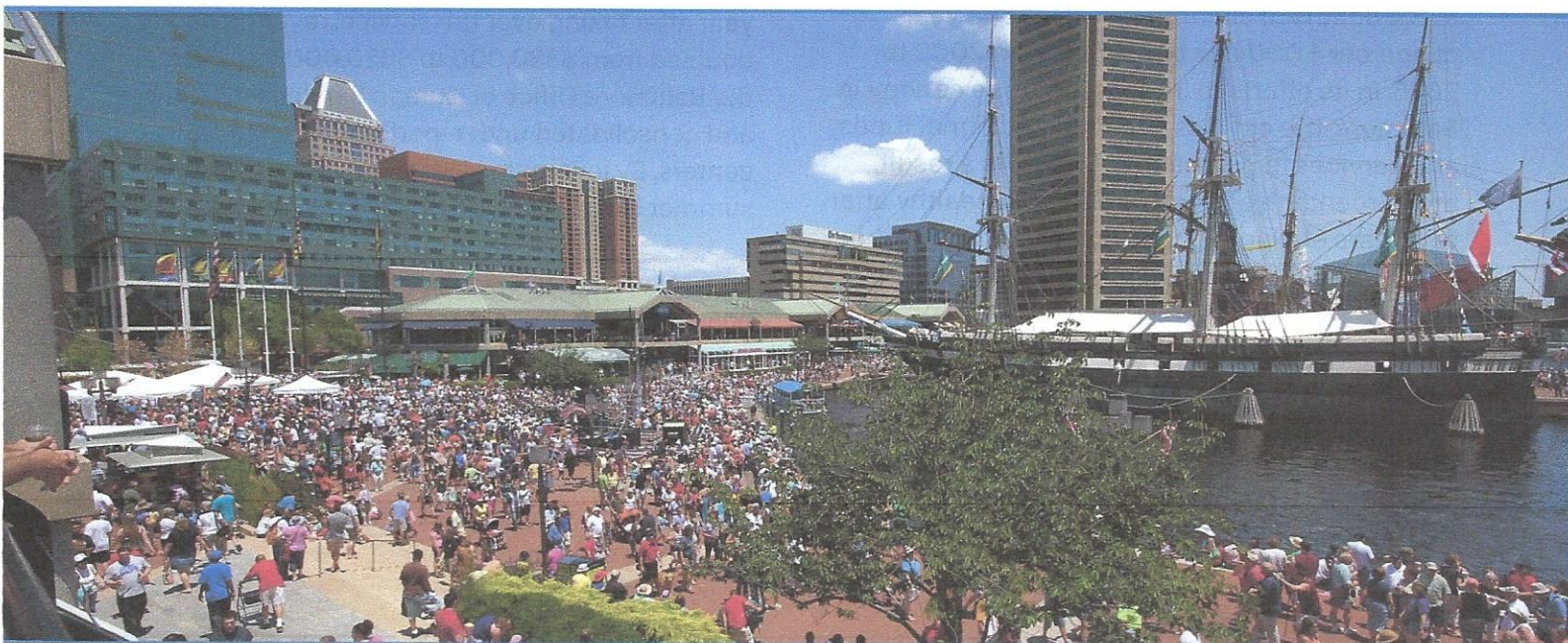
SOURCE: BALTIMORE BUREAU OF THE BUDGET AND MANAGEMENT RESEARCH

THE APPROACH (CONTINUED)

- Once each outcome priority has been assigned a total spending amount, in September of that year the City forms annual Results Teams to develop guidance documents, known as Requests for Results, which outline key indicators and effective strategies to achieve desired results and help shape budget proposals for each priority outcome. Results Teams are interdisciplinary teams composed of roughly eight members who apply to participate and include a cross-section of City department staff, a mayoral representative, budget and performance staff, and two citizen members. Results Teams issue guidance for all proposals in October of that year.
- City agencies then have until early December of that year to use the guidance documents provided by the Results Teams and spending parameters set by the mayor to draft and submit their proposals to the Results Team for which services will help achieve a given priority outcome. Proposals for any outcome can come from any department. They can also be jointly developed by multiple departments, or one department can propose to take over services from another. All proposals are submitted to the Results Team for the relevant priority outcome for review and input.
- The Results Teams meet with each agency to discuss their proposals, request additional information, and ultimately, rank all requests for a given priority outcome by the end of March. After solidifying the rankings, each Results Team drafts a memo and meets with the mayor to recommend services and funding for each priority outcome.
- Next, the Baltimore Bureau of the Budget and Management Research compiles all recommendations and presents a balanced budget to the mayor and leadership team who then make final decisions in February about the mayor's proposed budget to City Council.
- Finally, throughout April, May, and June, the Board of Estimates and then City Council holds hearings on the proposed budget and votes to approve or modify.

TIPS FOR REPLICATION

- **Get Ready for a Fundamental Shift:** Outcome budgeting shifts the attention from agencies to outcomes and results. One big benefit of this approach is how it opens up the black box of the base budget and allows government to prioritize spending based on desired outcomes. Shedding light on spending and impact is at the heart of a well-managed government. Yet, most governments budget and manage by agency and may bristle at a new approach.
- **Leaders Need to "Own It":** Mayoral buy-in and participation is crucial, but to achieve the full potential of outcome budgeting, the mayor and her/his leadership team needs to **own** the process and make all major budget decisions through this framework in order for it to become the new normal.
- **Create an Environment for Collaboration:** Previously, it was uncommon for Baltimore agency fiscal and program staff to work together to develop budget proposals or ways to improve operations. Outcome budgeting creates opportunities for conversation and collaboration both within and across departments in order to propose a new, more effective way of delivering services.
- **Seek Strategies to Prevent Burnout:** There is an inherent level of burnout with a collaborative-heavy, multi-step, annual outcome budget process. One way to alleviate burnout and sustain longevity is to shift to a biennial budget process. Also, to keep city leadership engaged, consider linking budgeting to the strategic plan and performance measurement, introduce [innovation funds](#) to spur new ideas from within agencies, and use the concept of [lean government](#)² to improve business processes that tie back to budget and performance.
- **Communication is Key:** Agency leadership may hesitate to tie funding to performance for fear of losing funding. Reduce hesitation by communicating how agencies can keep or increase funding if they show that their services are a high-priority and have an improvement plan backed by evidence.
- **Provide Opportunities for New Leaders to Emerge:** The Results Team structure has identified promising young professionals who have acquired extensive agency knowledge, made connections, and enhanced collaboration through their involvement with the budget process. Currently, over 150 applications are received each year for Results Team members and the City now uses this process to recognize new talent.



BALTIMORE'S OUTCOME BUDGET PROCESS³

OLD WAY	NEW WAY
Starting Point: Last Year's Spending	Starting Point: Next Year's Goals
Funding Targets: By Agency	Funding Targets: By Priority Outcome
Agency Submission: How Allocation will be Spent	Agency Submission: Proposal to Achieve Results
Debate: What to Cut	Debate: What to Keep

SOURCE: BALTIMORE BUREAU OF THE BUDGET AND MANAGEMENT RESEARCH

THE RESULTS⁴

Outcome budgeting has enabled Baltimore to enhance effective and high-priority services during difficult budget years including: maternal and child health, afterschool programs, and the Emerging Technology Center business incubator. Rather than cut these high-need services, Baltimore has focused on the results they want to achieve. For example, through its continued investments in home visiting services for at-risk expectant mothers, Baltimore has experienced a significant drop in infant mortality, from 13.5 to 8.4 deaths of children less than one year of age per 1,000 live births between 2009 to 2015. In its efforts to increase the tree canopy in Baltimore, the city has invested additional funds and services in proactive pruning. As a result, the percentage of trees that remain healthy after two years of planting has increased from 72% in fiscal year 2013 to 94% in fiscal year 2016.

Outcome budgeting has also helped identify low-performing programs without an improvement plan such as a program designed to mentor children of prisoners and a program to help neighborhoods with development projects that were well-intentioned but ineffective.

Shining a light on these issues empowers the City to provide additional support and funding, where warranted, or cut unnecessary spending.

Focusing on results creates opportunities for innovation and efficiency. For example, city agencies are invited to propose the takeover of another agency's service to the appropriate Results Team, if they can make the case that they can deliver that service more effectively and efficiently. For example, the Housing Department now administers burglar alarm registration that was once managed by the Police Department. The year after taking over the service, revenue nearly doubled from \$330,000 to \$620,000. In addition, the Baltimore Office of Human Services took over and consolidated under-performing child care centers. By leveraging Head Start, they provided summer learning for 1,100 additional youth.

As a result of outcome budgeting, Baltimore has accomplished numerous efficiencies and improvements including:

- An innovative collaboration between the Baltimore Fire and Health departments assigns nurses to frequent 911 callers to address root causes, which has reduced their calls by 50%.

THE RESULTS (CONTINUED)

- Shifting the rat control service from a small office in the Baltimore Health Department to Baltimore's Public Works, street and alley cleaning crews in fiscal year 2011 reduced costs by 42% while increasing rat baiting from 37,000 in fiscal year 2010 to 94,000 in fiscal year 2013. Rat baiting has since reduced dramatically to 27,000 in fiscal year 2016, as the number of identified burrows on public property and service requests have declined.
- The Baltimore Department of General Services increased preventive building maintenance from 6% of its work to 46% in two years, in part by outfitting a van to more efficiently manage government facilities in the outer reaches of the City.
- The Baltimore Office of Civil Rights achieved a 40% increase in negotiated settlement of discrimination complaints by improving employee training and shedding non-core functions that interfered with achieving the Office's mission.

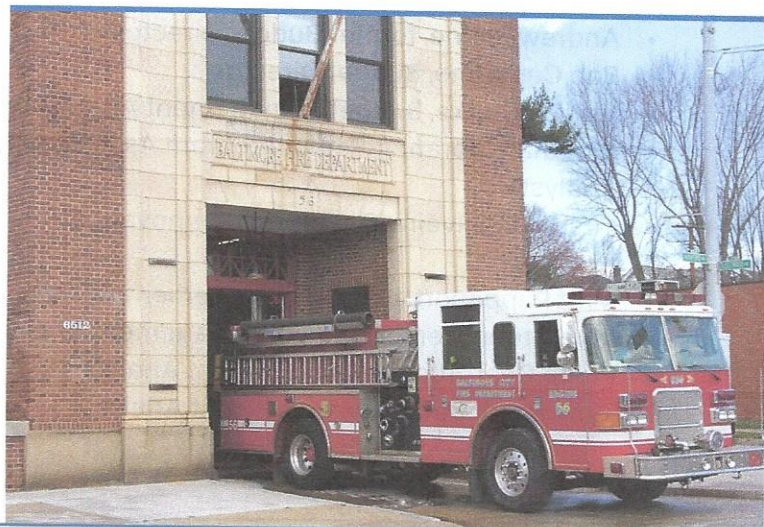
Outcome budgeting enables the City to prioritize spending and ensure it is working towards delivering results on the City's highest priority outcomes. City Council members increasingly ask about outcomes rather than budget information, signaling a cultural shift towards using data and evidence in decision-making. As a testament to the value of Baltimore's budgeting system, it has been sustained across three Mayors—Mayor Sheila Dixon, Mayor Stephanie Rawlings-Blake and now Mayor Catherine Pugh. Over time, enhancements have also been made, better linking outcome budgeting to [CitiStat](#) and developing an [OutcomeStat](#) process to more fully align budgeting, performance management, and strategic planning across the government.

Baltimore is a leader in investing city resources in services and programs that deliver outcomes for residents. Since outcome budgeting began,

Baltimore has improved outcomes in most priority areas:

- Infant mortality rates dropped 38% between 2009 and 2015;
- Property crime decreased 2.2% between 2011 and 2016;
- The employment rate for 16–64 year olds increased 11.6% from 2010 and 2015;
- The number of jobs in Baltimore increased 6.2% between 2010 and 2016;
- 23% more people are reportedly walking and 40% more people are reportedly biking between 2009 and 2015;
- Watershed bacteria levels are down 70% between 2011 and 2016; and
- Usage of recreational facilities increased 89% between 2011 and 2016.

In an ongoing effort to mimic Baltimore's budgeting success, cities and counties across the country are learning from Baltimore staff how to create outcome budgeting in their government including Atlanta, Dallas, Houston Madison, Montgomery County (MD), Los Angeles, Philadelphia, Seattle, and Tulsa. Through the increased use of data and evidence in the budgeting process, these local governments are expected to experience greater success in service delivery and program outcomes, ultimately improving the well-being of their residents.



ABOUT RESULTS FOR AMERICA'S LOCAL GOVERNMENT FELLOWSHIP PROGRAM

Results for America's Local Government Fellows program was founded in September 2014 to provide an advanced group of local government leaders in diverse and influential cities and counties across the country the knowledge and support to implement strategies that consistently use data and evidence to drive policy and budget decisions on major policy challenges.

With the support and guidance of Results for America, the Local Government Fellows lead their governments toward advanced stages of data-driven and evidence-based policymaking in order to address major policy challenges in their communities. The **16 cities** and counties represented in the Fellowship collectively represent more than **28 million** people and **\$148 billion** in local government spending.

Due to involvement with the Results for America Local Government Fellowship, Baltimore is

currently collaborating with researchers to evaluate program effectiveness in a number of high priority policy areas including youth homelessness, recycling, and employment. The results from these evaluations will build evidence for service delivery strategies, future budget proposals for priority outcomes, and help the City better understand their impact on the lives of residents.

RFA engages its Local Government Fellows in:

- Defining short- and long-term policy goals;
- Developing research partnerships with academics;
- Sharing best practices and demonstration projects;
- Problem solving among peers;
- Receiving individual feedback and coaching; and
- Participating in a national network and peer cohort.

ACKNOWLEDGEMENTS

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- Kirsten C. Silveira, Government Innovation Analyst
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- Mira Green, Senior Budget Management Analyst
- Philip Gear, Budget Management Analyst
- Tony Scott, Budget Management Analyst

ADDITIONAL RESOURCES

- See Baltimore budget details at <https://bbmr.baltimorecity.gov/budget-publications>
- Results for America and The Bridgespan Group's report, "[Geek Cities: How Smarter Use of Data and Evidence Can Improve Lives](#)" (November 2013)
- Listen to Andrew Kleine talk about outcome budgeting in this Gov Innovator podcast: <http://govinnovator.com/andrew-kleine/> (April 23, 2012)
- Baltimore's switch to outcome budgeting was inspired by, "[The Price of Government: Getting the Results We Need in an Age of Permanent Fiscal Crisis](#)" by David Osborne and Peter Hutchinson
- Learn more about Results for America's **Local Government Fellowship** at <http://results4america.org>

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2. US EPA, OA. "Lean Government." Overviews and Factsheets. US EPA, May 3, 2016. <https://www.epa.gov/lean/lean-government>. Lean Government helps improve the speed and quality of processes by eliminating wastes such as document errors, unnecessary process steps, and waiting time. Lean Government initiatives help: identify and eliminate waste in programmatic and

operational processes, improve efficiency and effectiveness, improve the quality, transparency, and speed of their processes.

3. Andrew Kleine, City of Baltimore OutcomeStat, Microsoft PowerPoint, Maryland, Baltimore.
4. Source information for all statistics in the "Results" section can be found in Baltimore's [Fiscal Year 2017 Summary of the Adopted Budget](#) (Pages 145–end) and Fiscal Year 2018 Agency Detail [Volume 1](#) (page 183) and [Volume II](#) (page 473).

PHOTOS

Cover Photo: Hank Mitchell—baltphoto.org.

Page 2: Office of the Maryland Governor.

Page 5: Hank Mitchell—baltphoto.org.

Page 7: Hank Mitchell—baltphoto.org.

ABOUT THE INVEST IN WHAT WORKS POLICY SERIES

This report is part of Results for America's Invest in What Works Policy Series, which provides ideas and supporting research to policymakers to drive public funds toward evidence-based, results-driven solutions. Results for America is committed to improving outcomes for young people, their families, and communities by shifting public resources toward programs and practices that use evidence and data to improve quality and get better results.

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Attachment III

Baltimore's Budget Process for FY 2020 (which provides an overview of its
outcome budgeting process)

1900

1900

Baltimore's Budget Process

Prior to Fiscal 2011, Baltimore used a traditional agency-centric budget process similar to what was used by other local governments across the country. Each year, funding was allocated to agencies based on available resources and prior-year spending patterns, and agencies were given freedom to allocate their resources among a variety of functions. Although this process kept the City's budget in balance from a financial perspective, it was unclear which agency functions were most important to citizens and which were demonstrating results.

In Fiscal 2011, Baltimore implemented an innovative process called Outcome Budgeting. The process required agencies to make service-level budget proposals that justify investments in strategies geared towards achieving City-wide outcomes and goals. Although the process has evolved significantly over the past decade, the underlying principle remains the same: to not only keep Baltimore's budget sustainably balanced, but also to get the best use of City resources by devoting resources to services that achieve the best results for our citizens.

The ultimate goal of the budget process is to establish a virtuous cycle: first, developing a strategic plan; next, budgeting resources in a manner informed by the strategic plan; and finally, tracking performance against the plan. To provide more insight into Baltimore's budget process, we have provided a description of each step of the budget process.



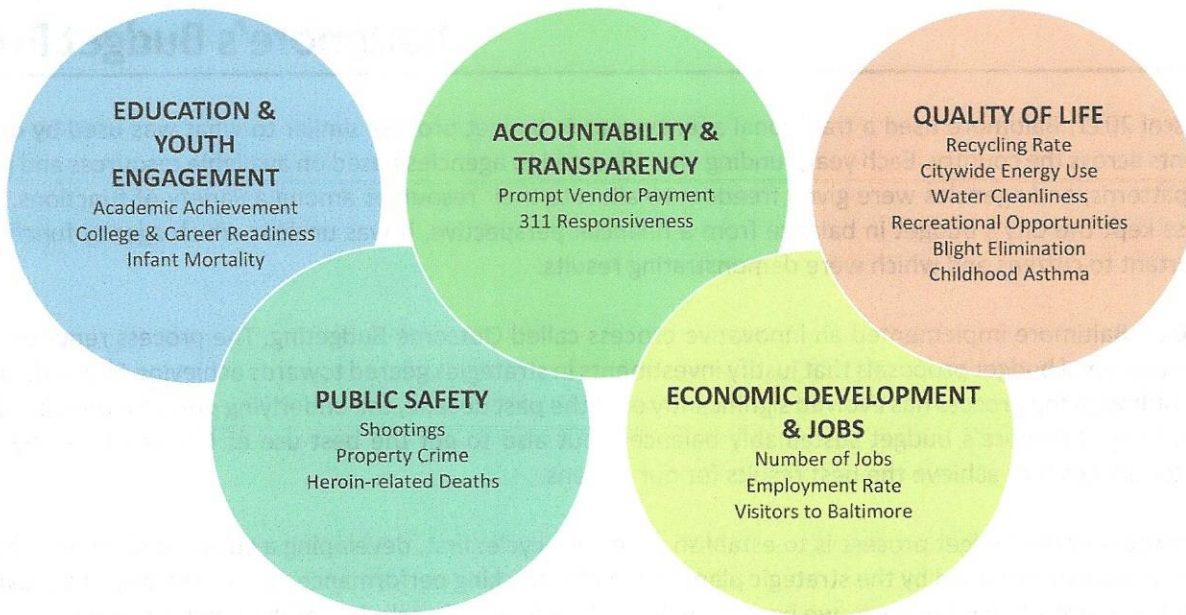
Strategic Planning

Priority Outcomes and Indicators

The Mayor and Senior Team first decide on a set of Priority Outcomes and indicators. Priority Outcomes are broadly-defined goals for the City. Although these have been modified and adjusted to reflect the priorities of each Mayoral administration, similar themes are common. The Fiscal 2020 budget was built around five Priority Outcomes: Public Safety, Education and Youth, Economic Development and Jobs, Quality of Life, and Accountability and Transparency.

Next, under each Priority Outcome, three to five indicators are chosen to serve as a measure of how well the City is advancing the Priority Outcome. Indicators should be measured annually and use an external source to ensure integrity of the data. Taken together, these Priority Outcomes and indicators serve as a report card on how well the City is doing.

Baltimore's Priority Outcomes



Service-Level Budgets

Each agency organizes its budget around services with simple descriptions and clearly identified costs. Budgeting by service deliberately changes the focus from agencies to services, and allows us to understand exactly what it costs to carry out each specific function of government. Service descriptions were overhauled and re-organized for the Fiscal 2011 budget.

One key advantage of this approach is that services are evaluated based on which Priority Outcome they advance rather than which agency manages the service. For example, the Department of Transportation has a wide range of functions that address different Priority Outcomes. Services such as Traffic Safety and Street Lighting support Public Safety, while Parking Management and Special Events support Economic Development and Jobs. This approach allows us to identify and eliminate duplication of efforts across agencies, and isolate services that are not contributing to desired results.

A listing of the services and funding levels by Priority Outcome can be seen in the Summary of Operating Budget Recommendations Section on page xx.

Service-Level Performance Measures

Agencies work with the Bureau of the Budget and Management Research (BBMR) and the Mayor's Office of Sustainable Solutions (MOSS) to develop performance measures for each service. Internally, performance measures allow the City to assess the service's performance over time, and to make corrections if necessary. Externally, performance measures allow the agency to communicate the value that citizens get for their tax dollars.

There are four types of performance measures:

Type	Description	Example for Service 609: Emergency Medical Services
Output	How much service is being delivered	Number of EMS responses
Efficiency	The cost in dollars and/or time per unit of output	Percent of EMS fees collected versus total billable
Effectiveness	How well the service meets standards based on customer expectations	Percent EMS responses within 9 minutes
Outcome	How much better off is the customer	Percent of patients surviving cardiac arrest

Performance measures must meet the S.M.A.R.T. test:

Label	Type	Description
S	Specific	Measure is clear and focused
M	Measurable	Can be quantified and allow for analysis
A	Ambitious	The target should stretch the service to improve performance
R	Realistic	The target should make sense given the organization's fiscal constraints
T	Time Bound	There should be a clear timeframe for achieving the targeted performance

Service level performance measures were first developed in Fiscal 2011 for larger agencies and in Fiscal 2012 for smaller and medium-sized agencies. In Fiscal 2018, MOSS launched a comprehensive review of all service-based performance measures citywide. All performance measures, including past years' actuals and the next budget year's target, are reflected in each year's Agency Detail budget publication.

Budgeting

Proposals

Agencies are asked to submit a budget proposal for each service. The budget proposal is a formal request from the agency to BBMR for resources for the next fiscal year. The budget proposal includes both financial information and details about how the service impacts the City. Agencies are asked: How does your service align with the Priority Outcomes? How does your service drive improvement in one of the city-wide indicators? And, what steps will the service take to improve performance? Agencies are also provided the opportunity to submit enhancement funding requests. Enhancement requests are for projects that would improve efficiency and effectiveness of agencies.

Results Teams

Budget proposals and enhancement requests are reviewed by BBMR staff in conjunction with Results Teams. Results Teams are small teams composed of the "best and brightest" within City government and include mid-level managers, analysts, or front-line operational experts.

In Fiscal 2020, the City deployed its Results Team to focus on evaluating agency enhancement requests across all Priority Outcomes. The team was made up of the following members:

Member	Agency
Sarah Buzogany, Food Resilience Planner	Department of Planning
Terrence Jennings, Special Assistant to the Chief of Strategic Alliances	Mayor's Office
Chris Harrington, Budget and Management Analyst	Department of Finance
Chichi Nyagah-Nash, Assistant Deputy Director	Department of Human Resources
Melanie Shimano, Data Automation and Technology Analyst	Department of General Services
Andrew Vaught, Executive Director of Operations	Baltimore Police Department
Josh Wilson, CitiStat SMART Analyst	Mayor's Office of Sustainable Solutions

Budget Recommendations

Next, the Department of Finance shares all information with the Mayor and Senior Team, and develops the Preliminary Budget which is released in March. In April, the Mayor and BBMR work to incorporate feedback from the Board of Estimates and Taxpayers' Night to develop a final budget recommendation, which is submitted to the Board of Estimates in May. Once the Board of Estimates approves the budget it is passed on to City Council for review. In May and June, the City Council holds hearings with agencies and hosts a Taxpayers' Night. In June, the City Council votes on the budget and the budget is submitted to the Mayor for final passage. The final budget must be acted on the City Council at least five days before the start of the fiscal year.

Performance Management

Once the budget is approved, regular performance management sessions are held between the Mayor's Office, CitiStatSMART team and agency leadership to discuss performance, identify problems, diagnose causes, and direct resources to solve problems. BBMR, Department of Human Resources (DHR), and Baltimore City Information and Technology (BCIT) staff also participate in these meetings. Currently, there are four regular performance management meetings: Mini Stat, Violence Reduction Initiative, Neighborhood Revitalization Initiative, and Procurement, Inclusion, and Equity (PIE). Mini Stat meetings are agency specific and based on performance agreements between the Mayor's Office, CitiStatSMART team, BBMR, and agency leaders establishing priorities, goals, objectives, measures, and data collection plans to track and evaluate performance. Agencies currently participating in monthly Mini Stat meetings include the Police Department, Department of Transportation, Department of Public Works, Fire Department, and Department of Recreation and Parks. Violence Reduction Initiative meetings are held daily, while Neighborhood Revitalization Initiative and PIE meetings occur monthly. Performance management is a vital component of Baltimore's budget process and ensures that agencies are meeting goals and advancing the City's Priority Outcomes.

New Developments

In looking to the future of Baltimore's budget process, BBMR is working to expand community input in the budget process and beginning the work of budgeting for equity.

Community Outreach

A key part of BBMR's role is to provide residents with insights into the budget and the budget process. Over the years, BBMR has embraced this role with the development of the Budget Pop-Up at the Board of Estimates Taxpayers' Night, presentations and workshops in the community, and social media presence. BBMR invested in expanding this initiative in Fiscal Year 2019 with the hiring of a Baltimore Corps Fellow. During this time, BBMR conducted five community presentations as of March 2019 with over 150 attendees, hosted an Ask Me Anything session on Reddit about the Preliminary Budget, and coordinated the 2019 Taxpayers' Night with over 100 attendees. In efforts to continue and expand this work, BBMR is planning to host more presentations and workshops that will provide residents the opportunity to share input on the budget, which will be compiled and shared with decision makers during the development of the budget.

Equity in the Budget

In the summer of 2017, Baltimore's Department of Planning began analyzing where capital projects occurred in the City based on race, income, and age group. In 2018, the City Council established an Equity Assessment Program (Council Bill 18-0223) with the intent to eliminate structural and institutional racism and other forms of discrimination. As BBMR begins the process of formalizing equity in our work, we plan to build equity into the measures we use to assess the City's progress under the Priority Outcomes, explicitly ask about equity in the budget proposal process, and incorporate equity into our City Council bill responses. Working towards equity in Baltimore is a process and we still have a long way to go. We have begun the work internally by developing a working definition around which we are basing our planning and process.

An equitable Baltimore means that quality of life outcomes are not predicated on race, gender, class, and sexual orientation. At BBMR, we recognize the racialized context and history of Baltimore City, and value racial equity as central to our efforts. We believe that achieving equity is a process requiring intentional evaluation and transformation of policies, processes, and systems in order to dismantle barriers to quality of life outcomes. Since a City's budget represents the priorities of its leaders, we believe infusing equity in our work is vital to achieving an equitable Baltimore. Working for equity in our role starts with examining our internal policies and operations, the City's funding sources and allocations, public engagement with the budget, and the budget process itself in order to identify actions to help attain an equitable Baltimore.

We plan to share concrete next steps and actions throughout the process through future publications, website, and social media accounts.

Budget for Baltimore

BBMR considers the budget process to be a collaborative effort led by the Mayor, with input from agencies, Council members, and Baltimore City residents. BBMR is committed to building and upholding an open and equitable process.

