
Strategic Budgeting

The District government continues to make strides in financial management and improvements in service delivery. Balanced budgets and timely, clean Comprehensive Annual Financial Reports are the norm. As the District makes much of its financial activities routine, we continue to examine our business operations and seek to leverage our management reforms and other tools to improve the quality of government and the services provided to residents, businesses, and visitors.

These initiatives range from very focused and targeted to global in reach. While there should be no illusions that any of these efforts will instantly transform the District's government into a world class organization, they do help the District build on the Mayor's success in stabilizing basic program delivery and reforming management practices.

The District no longer focuses solely on centralizing information for planning and allocating resources. It now emphasizes empowering program, activity, and service managers with accurate real-time information so that they can make informed management decisions and deliver better results.

With Mayor and Council support, the Office of the Chief Financial Officer (OCFO) has initiated several projects to improve budgetary, performance, and financial practices to provide accurate, real-time financial and performance data to decision-makers at the top for prioritizing programs and at the bottom for efficient execution of programs, so that both groups can make well-informed management decisions. These projects have resulted in changes to the District's methodologies for managing performance and budgets. This chapter outlines the current status of these initiatives.

PERFORMANCE-BASED BUDGETING

The District is transforming the way it articulates what the government does and how it funds programs, as well as how it reports results. Performance-based budgeting (PBB) links spending to programs and activities, allowing results to be measured. This linkage enables public officials, program managers, and the public to evaluate whether money is being spent wisely on a program that is meeting its goals or if the money could be better spent elsewhere.

In FY 2001, the Council passed legislation (DC 47-308.01) requiring the Mayor's budget to be performance-based. The law specified that the following must be included in the budget presentation:

- Program name;
- Agency strategic result goals;
- Estimated total program, activity, and service costs;
- Program overview describing activities provided;
- Program performance measures;
- Estimated program costs;
- Full-time equivalents for the prior, current, and next fiscal year; and

- Program benchmarks providing comparisons with other jurisdictions.

Later legislation modified some of these requirements for specific agencies, including service-level costs and benchmarks.

Planned as a multi-year project, PBB replaces organizational budget structure with a structure that shows programs, activities, and services. These plans incorporate an agency's mission, major initiatives, and short and long-term goals with performance measures for the programs, activities, and services they provide. As new agencies are created and existing agencies restructured, the implementation of PBB will continue as appropriate. Table 2-1 lists the fiscal year and the agencies transitioned.

PBB Impact on Budget Development and Budget Execution

Moving to PBB blurs the lines that have clearly marked the beginning (distribution of the bud-

get instructions to agencies) and ending (Council/Congress adoption of the budget) of the budget development period. PBB shifts the focus to a continuous process of planning, budgeting, and evaluating programs. By putting planning activities before the budget process and program performance after budget adoption, the planning, financial management, and performance evaluation functions merge to become an effective agency management and budgeting tool.

The technical elements of budgeting, such as estimating revenues, projecting personnel costs, and accounting for inflation, do not change under PBB. However, as the District's PBB implementation matures with improved performance data collection and reporting processes, the budget development process is intended to shift focus from technical budgeting to program costs and program results.

Table 2-1
District PBB Phases of Implementation¹

FY 2003 - Phase I

Department of Public Works	Department of Transportation
Metropolitan Police Department	Department of Motor Vehicles
Fire and Emergency Medical Services Department	Department of Human Services
	Office of the Chief Financial Officer

FY 2004 - Phase II

Office of the Mayor	Office of the City Administrator
Office of Personnel	Office of Contracting and Procurement
Office of the Chief Technology Officer	Office of Property Management
Department of Housing and Community Development	Office of the Deputy Mayor for Planning and Economic Development
Department of Employment Services	Department of Corrections
Department of Consumer and Regulatory Affairs	Office of Cable Television and Telecommunications
Department of Insurance, Securities, and Banking	Commission on the Arts and Humanities
D.C. Emergency Management Agency	Office of the Chief Medical Examiner
Department of Health	Office of Human Rights
Office on Aging	Department of Recreation and Parks
Department of Mental Health	Child and Family Services Agency
State Education Office	

¹ Not all agencies represented in the District's budget will be transitioned to PBB. Those not transitioning to PBB are regional enterprises and/or enterprise funds that do not report to the Mayor and/or Council.

Table 2-1(continued)

District PBB Phases of Implementation

FY 2005 - Phase III

Judicial Nomination Commission	D.C. Energy Office
Office on Latino Affairs	Office of Veteran Affairs
Office of Asian and Pacific Islander Affairs	D.C. Taxicab Commission
D.C. Lottery and Charity Games Board	D.C. Public Library
University of the District of Columbia	Office of the People's Counsel
Public Service Commission	Office of Zoning
Alcohol and Beverage Regulation Administration	Board of Real Property Assessments and Appeals
D.C. Sentencing Commission	Office of Local Business Development

FY 2006 - Phase IV

Advisory Neighborhood Commissions	Office of the D.C. Auditor
Contract Appeals Board	Board of Elections & Ethics
Office of Campaign Finance	Public Employee Relations Board
Office of Employee Appeals	Office of the Inspector General
Office of Administrative Hearings	D.C. Office of Risk Management
Office of Finance and Resource Management	

FY 2007 - Phase V

Department of Youth Rehabilitation Services	Office of Unified Communications
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Performance-Based Budgeting also impacts budget execution. Because an agency's new program structure aligns agency resources to the work the agency performs, agency spending is shown more clearly, allowing policy makers to know exactly where an agency is spending its allotted dollars.

The Mayor and Council can use the program structure to make decisions about where they should place additional resources or where to reduce spending. The idea of targeted reductions based on policy priorities is not new. However, if structures are not in place to show the work performed, cuts are often made across the board or at the agency level without knowing what will be affected.

Agency Management Program

An additional benefit of PBB is the District's ability to track specific expenses across various agencies. In FY 2004, the Office of Budget and Planning (OBP) and the Office of the City Administrator (OCA) developed

the Agency Management Program (AMP) to track costs for common administrative expenses across the District. The completed PBB agency strategic business plans include the AMP and up to 13 of its associated activities, depending on whether the agency performs that function. Among these activities are²:

- **Personnel** – Provides human resource services to agencies so that they can hire, manage, and retain a qualified and diverse workforce.
- **Training and Employee Development** – Provides training and career development services to department staff so that they can maintain/increase their qualifications and skills.
- **Labor-Management Partnership** – Creates a structure in which agencies can collaboratively resolve workplace issues.
- **Property Management** – Provides real estate and facility services to agencies in a timely, efficient, and effective manner in keeping with current District operations, industry standards and best practices.

² For a complete list, please see the glossary under Agency Management Program.

- **Information Technology** – Provides network, telephone, and computer hardware and software support and information services to departmental management and staff so that they can use technologies to produce, communicate, and manage information.
- **Financial Services** – Provides financial and budgetary information to departmental program/administrative units to ensure the appropriate collection/allocation, utilization and control of District resources.

The AMP brings consistency in budgeting and performance reporting to the District's administrative services and allows for more accurate tracking of administrative costs.

Agency Financial Operations

As part of the process for developing the FY 2005 proposed budget, the funding and FTE count for all OCFO FTEs assigned to the agencies were separated into a program called Agency Financial Operations (AFO). The purpose of the AFO program is to provide comprehensive and efficient financial management services to and on behalf of all District agencies.

Agency financial operations are managed by the Associate Chief Financial Officers (ACFOs) who serve as the key contact between the Office of the Chief Financial Officer and the Deputy Mayors in managing agency finances³.

The five ACFOs each represent one of the major appropriation titles in the District's budget: Government Operations, Economic Development and Regulation, Government Services, Human Support Services, and Public Safety and Justice. Agency fiscal officers report to their respective ACFO.

The Future of PBB

As agencies make the transition to PBB, the District is working toward a new level of performance integration – performance-based management. Some of the PBB Phases I, II, and III agencies will revisit their strategic business plans and update them as needed. While performance measures should ideally remain constant to provide historical information, agencies do have the opportunity to update their strategic goals, pro-

gram, activities and services. These revisions may lead to updated or enhanced performance measures, as some agencies gain experience using performance measures throughout the year as a management tool.

Service-Level Budgeting

Performance-based budgeting has created a uniform structure within every agency for presenting the work they do. Agencies manage programs; programs are made up of activities; and activities consist of services. Previously, the District budgeted at the activity level. However, during the development of the FY 2005 budget, the District Council identified 20 services for which it requested service-level costing information. Service-level budgeting has value in that it allows for greater clarity and transparency in agency budgets, informing stakeholders about the operations of government. It also assists in identifying program cost drivers and unit cost information that may contribute to better-informed budget and management decisions. Table 2-2 identifies which activities are presented at the service level in FY 2007.

BENCHMARKING

For the District, benchmarking is a comparison between District programs and those comparable in external governments to assess performance and efficiency. Benchmarking helps identify potential program efficiencies by comparing them with similar programs in other cities. Another benefit is developing and fostering a culture of program management focused on continuous improvement.

As part of the FY 2007 budget process, PBB agencies were asked to develop benchmarks at the program level. These benchmarks are included in the *Special Studies* chapter on Benchmarking, published with the Mayor's proposed budget on March 20, 2006.

Strategic Partnership with the Office of the City Administrator

OBP and the OCA have embarked on a strategic partnership to integrate the finance and program elements of the District's performance management system. The shared responsibilities of OBP and OCA include reviewing agency performance

³ For more detail on the Agency Financial Operations program, please see the glossary.

measures and facilitating the strategic business planning process.

CFO\$ource: Empowering Real-Time Decision-Making

In FY 2004, the Office of Budget and Planning developed the CFO\$ource Executive Dashboard, which brought financial information together in one software program. The Dashboard provides agency heads, managers, and their staff with the ability to get financial and programmatic information to help them in decision-making. This web-based application provides online standardized financial reports from SOAR, the District's financial system of record. Analytical cubes called "Dynamic Views" let users look at high-level financial data while drilling down to specific programs, activ-

ities, funds, or objects for operating, capital, and grants. Information related to budget, payroll, procurement, and agency performance is currently linked to the application. Links to published monthly financial reports and strategic business plans give users the necessary information to effectively monitor their agencies. Since its initial release in July 2004, upgrades were added in a new release, providing users enhanced tools for inquiring about vendor/procurement information. It allows users to filter, sort, and view history of procurements for any vendor.

Table 2-2

Service-Level Budgets for the FY 2007 Budget and Financial Plan

Department of Transportation	Metropolitan Police Department
Transportation Safety	Regional Field Operations
	Investigative Operations Support
Department of Public Works	Police Personnel
Public Space	Business Services
Sanitation Collections	Office of Professional Responsibility
Parking Regulations Enforcement	Property Management
Sanitation Disposal	Information Technology
Property Management	Fleet
Enforcement	
Fleet Consumables	Department of Corrections
	Inmate Personnel
Department of Motor Vehicles	Inmate Health
Vehicle Inspections	External Security
Ticket Processing	
	Office of the Attorney General
Fire and Emergency Medical Services	Enforcement
Fire/Rescue Operations	Administration & Customer Support
Emergency Medical Services Operations	

