Strategic Budgeting

The District continues to improve budgetary and financial execution practices to provide accurate and timely financial data to decision-makers. Over the years there have been a number of strategic projects to improve fiscal and performance management. This chapter outlines the current status of these initiatives.

Performance-Based Budgeting

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

- Program Name;
- Agency strategic result goals;
- Estimated total program, activity, and service costs;
- Program overview describing activities;
- Program performance measures;
- Estimated program costs;
- Full-time equivalents (FTEs) for the prior, current, and next fiscal year; and
- Program benchmarks providing comparisons with other jurisdictions.

Performance-Based Budgeting links spending to programs, activities, and services, allowing results to be measured. This linkage enables public officials, program managers, and the public to evaluate whether funding is being spent wisely on a program that is meeting its goals, or if the money could be better spent on other services, and it was documented in each agency's Strategic Business Plan. The implementation of PBB is complete, and as new agencies are created and existing agencies restructured, their fiscal information will be reported in the PBB format.

Since the above legislation was passed and implemented, several practices have evolved. Based on Mayoral guidance in FY 2007, selected agencies transitioned their Strategic Business Plans into Performance Plans. As part of this process, agency performance measures underwent a rigorous review and validation. These revisions led to updated or enhanced agency-wide performance measures. During FY 2010, selected agencies further transitioned to Division-Based Budgeting, and the Performance Plans were expanded from the agency level down to the operating divisions within the agency. Additional measures were developed to assess performance within the agency's divisions, and objectives were created for the divisions. In the FY 2011 Budget and Financial Plan, approximately 30 agencies have performance data reported at the division level.

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 both within each agency and across the District. The AMP

can include up to 15 activities, depending on whether the agency performs that function. The AMP was retained in the division-based agencies and there is no change from the prior year. A partial listing of the activities includes:

- Personnel - provides human resource services to the agency so that they can hire, maintain, and retain a qualified and diverse workforce;
- Training and Employee Development - provides training and career development services to agency 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 the agency in a timely, efficient, and effective manner in keeping with current District operations, industry standards, and best practices;
- Information Technology - provides network, telephone, and computer hardware and software support and information services to agency staff so that they can use technologies to produce, communicate, and manage information; and
- Court-Ordered Supervision - identifies the administrative expenses of court supervision or oversight of the agency or any of its functions.

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 Fiscal 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. The AFO program was retained in the division-based agencies, and there is no change from the prior year.

Agency fiscal 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 District's senior leadership in managing agency finances. The ACFOs represent the following areas: Government Operations, Economic Development and Regulation, Government Services, Human Support Services, and Public Safety and Justice. With the exception of the District of Columbia Public Schools, Agency Fiscal Officers (AFOs) for the respective agencies under each area report to their respective ACFO.

Service-Level Budgeting

Performance-Based Budgeting has created a uniform reporting structure within every agency. Agencies manage divisions/programs; divisions/programs are made up of sub-divisions/activities; and sub-divisions/activities consist of services. The District primarily budgets at the sub-division/activity level. Starting in FY 2006, District law required the presentation of selected agency budgets at the service level. Service-level budgeting has value in that it allows for greater clarity and transparency in agency budgets by informing stakeholders about the operations of government.

Benchmarking

For the District, benchmarking is a comparison between the District and comparable jurisdictions to assess performance and efficiency. Benchmarking helps identify potential program efficiencies by comparing them with similar programs in comparison jurisdictions. These jurisdictions are selected based on several factors, which include size, similar service delivery techniques, and proximity. Another benefit of benchmarking is the development and fostering of a culture of program management focused on continuous improvement. The FY 2009 benchmarking study incorporated higher level outcomes into the benchmark listing, and that practice is continued in FY 2011. The benchmarks are located at **www.cfo.dc.gov** on the Annual Operating Budget and Capital Plan page.

Cost Driver Study

The Cost Driver project will bring the District a new, systems-based dimension to financial and management analysis, mainly volume counts (for example, number of meals served) that correspond to key cost components of an agency. A reliable database of such counts, integrated with the District accounting system of record, will make possible the development of unit cost trends (for example, cost per meal served)

over time and relative to other organizations. Unit cost trends and comparisons to unit volume trends will help management pinpoint cost areas that require more research to explain causes driving the trends and to compare actual costs with projected costs based on actual utilization levels. In FY 2009, OBP worked with 57 agencies, representing a gross operating budget of $5.3 billion, on cost driver data.

Information Systems

In FY 2004, OBP developed the CFO$ource Executive Dashboard, which brought financial information together in one web-based application. The system provided powerful tools to District stakeholders, allowing them to make data driven decisions, and included the Budget Formulation Application (BFA) to allow for a systematic approach to budget formulation. Since its initial rollout, the CFO$ource system has been expanded in use and functionality year after year to provide richer analysis, more powerful data management, and robust infrastructure.

The technology supporting the CFO$ource solution reached the end of its useful life in FY 2009. This solution was modernized and replaced by the new CFOSolve system. CFOSolve retains the data analysis and budgeting functionality of CFO$ource. It enhances data integrity by providing a single source for all financial data, as well as the ability to bring data together from many sources such as the Procurement Automated Support System (PASS), PeopleSoft, and other District systems, thereby allowing District stakeholders the ability to cross reference and analyze multi-faceted data for enhanced decision making.

In FY 2009, the OCFO also released a new financial application called the Agency Operational Dashboard (AOD) as part of the CFOSolve system. The AOD is designed to provide a snapshot of an agency's financial performance, including the ability to track procurements, purchase orders, payments, vendors, operating budgets, capital projects, and Human Resource (HR) information. The dashboard is intended to provide a link between programmatic and financial information, thus allowing District managers and decision-makers ready access to key data that is most relevant to them. The AOD also provides a platform to add many additional data repositories and analysis tools.

Within the BFA, several enhancements were made to provide further automation within the bud-get formulation process. Enhancements allow OBP to better track and manage budget changes from year to year. Changes were made to the capital budget modules to track the estimated life cycle costs of capital projects, as well as providing the ability to re-allocate existing current year allotment balances across the capital project portfolio. These tools will enhance the ability of the Executive and the Council to make judicious budgetary decisions. The position budgeting modules were also enhanced to automatically track fringe benefits, step increases, and the ability to move a position from one agency to another.

During FY 2010 and FY 2011, the OCFO plans to continue to enhance the CFOSolve system by providing public-facing financial dashboards, enhancing the transparency of the OCFO's budget and financial data, and by providing an interactive, user-friendly version of the District's budget catalog online for taxpayers. This project was started in FY 2010 with the introduction of CFOInfo. Moreover, the OCFO is interested in initiating a project in conjunction with the Executive and the Council to modernize and replace the BFA solution with a robust industry-proven public sector budget development solution. This project will significantly improve the District's ability to develop, analyze, approve, and implement the District's budget, allowing for scenario-based planning, trend analyses, cost drivers, and automatic integration with HR, procurement and financial systems of record.

Summary

The projects within the District's strategic management efforts are dynamic. Strategic management processes must provide a broad-based capability to provide timely financial information to city leaders and our efforts must positively impact management's ability to improve the effectiveness and efficiency of the delivery of city services. This task is not without challenges, but it is an achievable goal for a city and government determined to achieve world-class status.