

The East Palo Alto Budget Process

In its budget process, the City of East Palo Alto must decide how to allocate resources other than just money. Other resource decisions include choices of computer equipment and software programs, what types of investments are made in equipment and capital improvements, and which strategic thrusts and priorities will consume top management's time.

These allocation decisions are made annually when the City Council goals and objectives for the upcoming year are established, and when the annual budgets are developed. Our annual allocation decisions are made based on multi-year policies and plans. To make both long and short-range allocation decisions, we follow the budget model described below.

Budget Model

The model follows three basic principles which help provide continuity to decision making:

1. Assess current conditions, problems, needs, strengths and weaknesses to best prepare plans to meet those demands.
2. Develop goals and objectives, policies, and plans to determine the work program.
3. Implement those plans and policies and prepare to evaluate their effectiveness and shortcomings.

Long-Range Planning Process

In Fiscal Year 2006-2007, staff introduced to the East Palo Alto City Council, the use and benefit of a long-range policy and financial planning process to guide it's decision-making. A **multi-year financial plan** will be used as the framework for developing the annual budgets. The anticipated outcome of the financial planning concept is to maintain stable service levels by accumulating cash reserves in growth periods and then using those reserves when revenues decline in recessionary periods. During a February 2006 retreat and an open follow-up meeting in March, the City Council developed focus areas for the City, which is intended to guide the annual work plans, presented in more detail in the City Council Focus Areas section of this document.

The budget model described above is employed in our long-range planning, as shown below:

Assess Conditions

- Evaluate past and current plans and goals. When formulating the Financial Plan and the City Council Policy Goals, Objectives, and Focus Areas, we will periodically evaluate financial plans for trend analysis and goals and objectives for effectiveness.
- Assess future needs of the community. Throughout the five-years affected, we will examine the economic, social, and political changes expected in order to determine what residents want and what the City will need in the future.

- Examine the health of the economy. While implementing and formulating financial plans, we research economic indicators, such as employment and interest rates. We study revenue and expenditure trends and financial forecasts to help project the future health of the economy.
- Project future revenues and expenditures. Using the information gathered throughout the process, we formulate and change assumptions to make the best projections of future revenues and expenditures.

Develop Policies

- Formulate City Council Goals and Objectives. The multi-year goals and objectives will be developed 12 to 18 months prior to their effective date (for example, the 2009-2010 Goals and Objectives will be developed in 2008-2009).
- Prepare a multi-year Financial Plan. While this is prepared one to two years prior to the year in which it takes effect (for example, preparation of the 2009-2010 Financial Plan begins with the Annual Budget Process for 2008-2009), the plan is altered as needed, as condition assessments change.

Implement Program

- Develop City Manager’s annual Key Issues. The multi-year strategies and financial plans are implemented through these Key Issues. The Manager, with City Council approval, sets 15 to 20 organizational goals for special attention that year to help meet the City Council’s Goals and Objectives, and address unexpected issues.

Short-Range Planning

The City Manager’s annual Key Issues, annual service group and departmental objectives, and annual budget are developed from the multi-year City Council Policy Goals and Objectives and the Financial Plan. These instruments guide allocation decisions in any given year. We will also use the budget model in these decision-making processes, as shown below. More detailed descriptions of these activities follow:

Assess Conditions

- Evaluate performance toward meeting goals of current and past years. To address problems and

new concerns, we will monitor progress quarterly and periodically make amendments to Key Issues and group and departmental objectives (Ongoing).

- Conduct a citizen needs survey. We will annually solicit input from citizens regarding their perceived service and capital improvement needs. Their responses will be published in an Annual Needs Statement (November–December).
- Conduct an internal service evaluation survey. We will measure staff satisfaction with the service provided by internal service departments such as Finance, Human Resources, City Administration, and Information Technology (January).
- Perform a productivity and staffing analyses. Staff will conduct internal analyses of City operations to determine service delivery improvements, cost saving opportunities, administrative changes, service needs, and staffing levels (Ongoing).
- Develop a capital investment inventory. Staff will regularly review the condition of existing infrastructure and recommend projects for future funding (Ongoing).

Develop Annual Work Plans

- Formulate an annual City Manager’s Key Issues. Using the City Council policy goals, focus areas, and addressing current issues, the City Manager will identify 15 to 20 special activities for the organization to focus on during the upcoming year (January – February).
- Develop annual group and departmental objectives. Objectives are established between the City Manager’s Office and departmental staff to determine work plans for the following fiscal year (February – March).
- Develop annual departmental budgets. After objectives are established, budgets are developed between departments and the City Manager’s Office (March – April).
- Identify Capital Improvement Project funding. The Public Works Department and the City Manager’s Office will evaluate capital projects and determine which ones will be recommended for funding for the upcoming fiscal year (Ongoing).

Implement Program

- Deliver services and implement capital projects established in plan approved by City Council (Ongoing).
- Maintain records for service evaluation (Ongoing).