

The East Palo Alto Budget Process

In its budget process, the East Palo Alto City Council 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 discuss and establish its goals and objectives for the upcoming year; and, when the annual budgets are developed. The City's 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** is used as the framework for developing the annual proposed budget. The anticipated outcome of the financial planning concept is to maintain stable service levels by accumulating cash reserves during growth periods and using those reserves when revenues decline in recessionary periods. During a January 12, 2009 retreat, City Council initiated the process for a Strategic Plan which includes the establishment of a Mission Statement as well as three-year goals (2009-2012) for the City. A public discussion was held on May 5, 2009 to flush out the next steps in completing the Strategic Plan and the City Council Goals and Objectives in order to establish the organizational vision and values intended to guide the annual work plans. City Council held a retreat in June 2009 and again in December 2009 to strengthen and finalize the goals and objectives. Council directed staff to update the community every two-months. More details are presented in the City Council Strategic Plan 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 Strategic Goals and Objectives, we will periodically evaluate financial plans for trend analysis and goals and objectives for effectiveness.
- Assess future needs of the community. Throughout the three to five-years affected, will be examined 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, economic indicators, such as employment and interest rates will be researched. Revenue and expenditure trends and financial forecasts, to help project the future health of the economy, will be studied.
- Project future revenues and expenditures. Using the information gathered throughout the process, assumptions will be formulated and changed 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 2011-2012 Goals and Objectives will be developed in 2010-2011).
- 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 2011-2012 Financial Plan begins with the Annual Budget Process for 2010-2011), 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 8 to 10 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 budgets 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. The budget model is also used 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. 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. To 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 Strategic Plan goals and objectives as well as address current issues, the City Manager will identify 8 to 10 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 upcoming fiscal year (February).
- Develop annual departmental budgets. After objectives are established, budgets are developed between departments and the City Manager’s Office (March).

- 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).