

## **Implementation of Performance Based Budgeting**

### **NCBA Presentation**

April 11, 2012

The Budget Advocates recommend that the City implement Performance Based Budgeting which will assist each department in providing better service by allowing it to allocate its scarce resources on a more efficient basis.

Interestingly, 71% of the participants in the Mayor's Budget Survey endorsed a performance Based Budgeting process as does the City Administrative Officer in his report of April 6. Many other states, counties, cities, and municipalities have had great success with this method of budgeting. We don't even have to reinvent the wheel. There are many examples of how to implement the process for all departments.

How does Performance Based Budgeting work. Performance Based Budgeting is a customer based, performance driven, results oriented budget system.

Performance Based Budgeting is characterized by explicitly focusing on the outcomes, as well as evaluation of programs by measuring the relationship between resources and results. It helps assess performance of a program in terms of its effectiveness and efficiency. Enhanced efficiency provides savings that can be reallocated to enhance program delivery or add new services.

Unlike the traditional line-item budget system that allocates resources based on organizational units and line item expenses, Performance Based Budgeting allocates resources based on service performance. Planned and actual performance is measured in terms of service effectiveness and efficiency.

With this much needed information, the budgetary system is capable of providing a data driven mechanism to allow the City to prioritize services and allocate funding on the basis of in-depth programmatic and financial analysis. We can quantify the effectiveness and efficiencies of our city departments.

However, in order for Performance Based Budgeting to be effective, there needs to be strong, competent management teams that have access to accurate and timely data generated by up to date management information systems.

And furthermore, these departmental management teams need to be held accountable.

This may require an experienced Chief Operating Officer to oversee the City's many operating departments to insure that the increasing doubtful citizens of Los Angeles are getting the bang for their buck they deserve.

And to quote our good friend, Councilman Parks, "...that, no matter the budgeting system used, its ongoing success is dependence on a strong, observant, diligent executive who will insure that GMs propose and meet their goals or who will replace them with new GMs who will..."

-Joanne Yvanek-Garb  
West Hills Neighborhood Council