by Chris Fabian, Scott Collins, and Jon Johnson

Getting Your Priorities Straight

IS PERMANENT FISCAL CRISIS OUR TOP CONCERN?

All local government managers have seen what sometimes happens. Revenue growth is slowing, expenses are increasing, fund balances are dwindling, and it's perceived that these conditions will persist for the foreseeable future. As David Osbourne and Peter Hutchinson proclaim in their 2004 book, *The Price of Government,* we are in an "age of permanent fiscal crisis!"[1] The National League of Cities identifies "local fiscal conditions" as a top issue,[2] while the U.S. Government Accountability Office anticipates "persistent fiscal challenges."[3]

But why do local government professionals believe that this is the crisis? What assumptions do we hold so firmly and that so calcify our thinking to convince us that changing fiscal conditions represent our crisis? Would higher revenues and lower expenses allow us to operate crisis free? Or does the true crisis exist when, despite our fiscal realities, we don't focus on those priorities and objectives that ensure the success of our communities?

THE CRISIS IS NOT FISCAL

In *Reengineering the Corporation,* Michael Hammer writes that organizations suffer from "inflexibility, unresponsiveness, the absence of customer focus, an obsession with activity rather than result, bureaucratic paralysis, lack of innovation, and high overhead." Why?

"If costs were high, they could be passed on to customers. If customers were dissatisfied, they had nowhere else to turn."[4] Should we in government only now be concerned with flexibility, responsiveness, customer focus, and results because we can no longer afford not to be?

Perhaps the biggest concern we face is not a fiscal crisis. Fiscal trends and conditions are by and large out of our control and simply represent a reality with which we need to cope. The real crisis on our hands is whether our organizations have the capabilities to address current fiscal realities and still meet the objectives of government and the expectations of our constituents.

When facing declining growth in revenues, government leaders have approached the issue of balancing the budget in similar ways. A recent article describes California's approach to managing its fiscal reality:

The spokesman for the Governor said, "In our view, an across-the-board approach is designed to protect essential services, by spreading those reductions as evenly as possible so no single program gets singled out for severe reductions." In response the state legislative analyst wrote, "the governor's approach would be like a family deciding to cut its monthly mortgage payment, dining-out tab, and Netflix subscription each by 10 percent rather than eliminating the restaurant and DVD spending in order to keep up the house payments."[5]

The *Price of Government* describes more thoroughly the "7 Deadly Sins" or the seven most commonly implemented strategies that local governments use to manage their fiscal realities:[6]

1. Rob Peter to pay Paul.
2. Use accounting tricks.
3. Borrow.
4. Sell assets.
5. Make something up.
6. Nickel and dime the employees.
7. Delay asset maintenance or replacement.

Although these strategies lead to balanced budgets, do they really assist us in reaching our greater objective—that of achieving results and meeting citizens' demands? Don't they ultimately lead to cost cutting that

Step 1: Getting the Right Results

The figure for step 1 shows the five results developed by Jefferson County, Colorado.

Results	*Description of Results*
Fiscally responsible government	Our organization is committed to providing cost effective services. We will work diligently to be accountable for the funds entrusted to us and to seek innovative ideas to being efficient and effective.
Predictable growth and development	Our approach to land use planning and development produces predictable results based on the overall land use vision for the county. Our planning processes result in balanced communities that focus on primary job creation, provision of open space, and attractive neighborhoods and communities.
Mobility options	Our transportation system is effective and well maintained. The transportation network is effectively planned providing eased congestion, regularly maintained streets, and new options for mobility including the Northwest Parkway.
Quality customer service	Our employees are responsive to the needs of our customers. Employees are ethical in their behavior and communicate effectively with our customers.
Safe communities	Our approach to providing safe communities is a combination of proactive public safety services and courts, combined with appropriate enforcement of codes and standards.

Source: Jefferson County, Colorado

Objectives:

- **Results are clear, understandable, and measurable.**
- **Results are the objectives and priorities of the board or council and the citizens.**
- **Results accommodate potentially diverse board or council views.**
- **Results incorporate majority as well as minority opinions.**
- **Results are definable**

Keys to Success:

- **Strive to establish between five and 10 results. These should be the main priorities of the government. Not everything can be a priority.**
- **Be broad but precise. "Safe community" as a result is broad, but it is also distinct. You can talk about what it is and what it isn't. "Quality of life" as a result is broad, and it is also too ambiguous and subjective.**
- **Results are the objectives and priorities of your council or board and the citizens. These are the primary stakeholders who must be directly engaged in influencing the results–development process. Revise results periodically, especially when these stakeholders change.**
- **Recognize there are internal as well as external stakeholders. Draw a distinction between results of public programs and internal operating programs. The differing results will lead to differing evaluation and measurement.**
- **Each member of the board or council does not need to agree on the value of each result if the opportunity exists for each to express individual beliefs about which results should be of higher value.**

Figure 1. County-wide Program Prioritization

Note that the top-ranking program in this county-wide program prioritization was snow removal, while the bottom-ranking program was natural resources and horticulture. Snow removal scored highest because the program was proven to have a significant influence on all of the county's results. The horticulture program had the least amount of influence of the results. This is the very definition of "Bang for the Buck" as, for every dollar spent on snow removal, Jefferson County achieves more of the results.

Source: Jefferson County, Colorado

impacts highly desired services at the same level as services that are relatively unimportant to citizens?

Don't they endanger government's ability to provide statutorily mandated services while preserving those services that are simply nice to have? And furthermore, what does this say about the strategies that governments would use to allocate resources when more revenue was available?

The true crisis governments face is hardly fiscal; it's a crisis of priorities. How strategic are we, as local government professionals, about understanding what we do, why we do it, and (in times of scarcity as well as abundance) how we should invest our resources to achieve the results our communities need? While focusing on priorities sometimes takes a back seat to other issues during times of fiscal stress, it's actually even more critical to make prioritization a top priority.

PRIORITIZATION, A BETTER WAY TO DEAL WITH THE CRISIS

Prioritization is a way to provide clarity about how a government should invest resources in order to meet its stated objectives (and about what services could be funded at a reduced level without impacting those objectives). Prioritization as a process helps us better articulate why the programs we offer exist, what value they offer to citizens, how they benefit the community, what price we pay for them, and what objectives and citizen demands are they achieving.

The objectives of implementing a successful prioritization initiative allow us to:

- Evaluate the services we provide, one versus another.
- Better understand our services in the context of the cause-and-effect relationship they have on the organization's priorities.
- Provide a higher degree of understanding among decisionmakers as they engage in a process to rank services based on priorities.
- Articulate to people in the organiza-

tion and to the public how we value our services, how we invest in our priorities, and how we divest ourselves of lower-priority services.

While we are not advocating that public sector organizations mimic our colleagues in the private sector, we find context in an unusual and unique private sector perspective from Jack Welch, famed chief executive officer of GE:

Every company has strong business or product lines and weak ones and some in between. Differentiation requires managers to know which is which and invest accordingly . . . [T]o do that you have to have a clear-cut definition of "strong."

At GE, "strong" meant a business was No. 1 or No. 2 in its market. If it wasn't, the managers had to fix it, sell it, or close it . . . differentiation among your businesses requires a transparent framework that everyone in the company understands.[7]

To meet our real crisis, a comparable approach should be applied by government leaders whereby our programs are prioritized, which in turn encourages decisionmakers to recognize high-priority resource allocations and differentiate them from those of low priority.

THE PROCESS OF PRIORITIZATION

The logic behind prioritization is that effective resource allocation decisions are transparent when the results of an organization can be identified and defined, when programs and services can be distinctly (and quantitatively) evaluated as to their influence on any of the results, and when programs can be valued relative to one another and ultimately prioritized on the basis of their impact on results.

Successful execution of prioritization depends on three factors:

- **The right results.** Accurate prioritization of programs depends on the comprehensive identification

Step 2: Getting the Right Definitions

The figure in this step is from Fort Collins, Colorado's initiative to define the result of "improved transportation." Fort Collins used the Kaplan-Norton strategy mapping technique.*

Note that the five categories in the oval closest to the result statement (traffic flow, quality travel surfaces, and so forth) are what the city believes are the primary factors or indicators demonstrating the achievement of the result.

Objectives:

- **Definitions should encompass all conceivable influences, causes, factors, and indicators that spell out the meaning of the result. These factors could be external to your organization.**
- **Definitions should be clear, comprehensive, logical, and measurable. They should depict the cause-and-effect relationship between the result and all identified influences on the result.**

Keys to Success:

- **Focus on identifying all possible, logical influences and causes for each result. Complete definitions are the key to linking programs and services to the results they influence. Clear definitions for each result make it easier to determine a program's value.**
- **Use teams to develop the definitions for results to ensure organizational buy-in. Even if the board or council does not agree with all the identified influences and factors for a particular result, members can identify which influences and factors they believe are most critical to the achievement of a result in the scoring process.**
- **Be concise in writing result definitions. Avoid eloquent, overly articulate, and lengthy paragraphs. The purpose of result definitions is to guide and facilitate program scoring based on that program's influence on results.**
- **Solicit the advice of subject-matter experts within your organization when developing results definitions; this adds value to the final product.**

*Robert S. Kaplan and David P. Norton, *Strategy Maps: Converting Intangible Assets into Tangible Outcomes* (Boston: Harvard Business School Press, 2004).

Step 3: Getting the Right Valuations

The figure in this step is from Jefferson County, Colorado, and it shows the scoring process used for several programs offered by the sheriff's office.

Individual Program Grading Sheet
Tuesday, March 11, 2008

Directions: *For every program the County provides to it's citizens, your job is to help us understand how that program influences our ability to provide the results of government.*

		Evaluation Criteria							
		Basic Program Attributes			BCC / Public Results				
		Mandated to Provide Program	Program Sustained by Direct User Fee	Demand for Service	Accessible and Efficient Transportation	Safe Community	Planned Growth and Development	Quality Customer Service	Fiscally Responsible Government
		0-10 Scale (10=Federal Mandate, 5=Local Mandate, 0=No Mandate)	0-10 Scale based on Percentage (100-90%, 9-80%, 1-10%, 0-0%)	-4 to 4 Scale (Increasing significantly decreasing, 0=demand stays the same, increasing)	On a scale of 0 to 4 points: 0 = program has no influence on achieving the result; 1 = program has some influence on achieving the result; 2 = program has a fair amount of influence on achieving the result; 3 = program has a strong influence on achieving the result; 4 = program is essential to achieving the result				
Department Providing Program	Program Name	Grade	Grade	Grade	Grade	Grade	Grade	Grade	Grade
Sheriff	*Crime Investigations*	10	0	2	0	3	0	0	0
Sheriff	*Detentions*	10	5	2	0	2	0	0	0
Sheriff	*Emergency Management and Critical Response*	5	0	3	0	2	0	0	0
Sheriff	*Drug Enforcement*	10	3	-2	0	2	0	0	0
Sheriff	*Crime Prevention and Education*	5	0	4	0	2	0	0	0
Sheriff	*Court Security*	5	0	-1	0	2	0	0	0

Source: Jefferson County, Colorado

Note that the programs are scored on the basis of their relationship to each result (see BCC/Public Results) as well as the basic program attributes. The county recognized that a program's influence on the stated results alone was not adequate to understanding the program's overall priority.

Objectives:

- Each program, service, and project needing to be funded should be identified by name, by cost, and then rated as to its believed influence on results.
- Scoring criteria should be established to allow programs to be compared, one with another, based on overall value to the citizens.
- Scores should be reasonably assigned to programs on the basis of measurable evidence, not opinion.

Keys to Success:

- When defining programs, make sure they are neither too big (the sheriff's office is not a program) nor too small (answering e-mails is not a program).
- Link programs, services, and projects with a result by assigning scores based on their influence on that result.
- Evaluate every identified program.
- Expand the grading criteria beyond results to include other factors that give programs a higher priority. (Jefferson County believed the more a program could pay for itself—in other words, be sustained by user fees—the lower would be the investment of county taxes in funding the program and, therefore, the higher the priority of the program was to the county.)
- Program scoring is inherently subjective. Minimize subjectivity by requiring performance metrics and other measurements to demonstrate how the program influences the result. Where measurements don't already exist, require program managers to develop theories about the cause-and-effect relationship a program has on a result, and test the theory.
- Require justification for all scores given. Tie performance evaluations to the scores.

of the results we are in business to achieve.

- **The right definitions.** Precision in prioritization results from the articulation of the cause-and-effect relationship between a program and a result. With clearly defined causality and an understanding of the influences on results, we can minimize subjectivity in linking programs with results.

- **The right valuation.** With the right results and with clear definitions we can accurately value our programs relative to their influence on achieving results. Steps 1, 2, and 3 show how two jurisdictions addressed this issue.

SUMMARIZING PRIORITIZATION: PUTTING IT ALL TOGETHER

The final steps in the prioritization process involve weighting the results, calculating program scores, and developing a top-to-bottom summary of all programs, in approximate order of priority. It is critical that this process be completed before making any budget decisions.

This is a significant deviation from the budgeting-for-outcomes process because with the premise outlined in this article, prioritization is the beginning of any resource allocation discussion. As in GE's differentiation process, using prioritization assumes that regardless of the amount of revenue an organization generates, regardless of a reasonably calculated price of government, and regardless of what amount of funding a board, council, or citizenry feels a particular result should receive, it is only when confronted with the end product of prioritization that resource allocation discussions can begin.

CASE STUDY: JEFFERSON COUNTY, COLORADO

Figure 1 shows the result of the Jefferson County's prioritization process, with a top-to-bottom profile of every program offered to the public. The bar measurements indicate the prior-

ity score (the scale is 0 to 100, and higher scores indicate a high-priority program).

Figure 2 profiles the dollar amounts spent by Jefferson County on programs offered to the public, in order of priority (where the top 25 percent of programs are Priority 1, the second 25 percent are Priority 2, and so on).

Without addressing the fiscal reality facing Jefferson County, we can see that these extremely telling figures make statements about the appropriateness of this county's resource allocation. Is the level of spending for Priority 3 or Priority 4 programs acceptable? Should the county consider shifting more dollars Priority 1 programs?

If a significant revenue downturn suddenly occurred, should the county implement across-the-board budget cuts, or might the county use the prioritization information to consider other alternatives about where to look first for potential spending cutbacks? Conversely, if revenues were unexpectedly higher, would the county implement across-the-board spending increases, or should the additional investment be made in top priorities first?

Jefferson County, at the end of 2006, projected a $12 million budget shortfall in the general fund alone. With the adoption of the 2008 budget, 37 full-time positions were eliminated or not funded, and the budget in total was reduced by $13.7 million . . . without a single layoff. County Administrator Jim Moore observed: "This is the first year that a county budget has been less than the previous year. This is especially remarkable given the rising costs that we must pay for fuel and other supplies and expenses."

Of more significance, however, according to Todd Leopold, administrative services director, was "that the discussions with the board and the departments shifted from funding levels for programs to how those programs contributed to the county's overall mission and goals. At the end of the process, there was a much better understanding of what we do and why we do it."

Figure 2. County-wide Resource Allocation, by Priority

CRISIS AVERTED

The biggest challenge we face in government is not the ever-changing fiscal conditions. Instead, the issue most often is a crisis of strategy. Recognizing this, we believe that implementing prioritization is an effective way to combat crises. All organizations, especially those that are stewards of public resources, establish values and objectives to meet the expectations of those for whom they exist to serve.

Resources contributed by the community or other constituencies are dedicated to achieve those established objectives, regardless of the current fiscal condition. As we evaluate the inventories of all programs and services offered, we would find it implausible to believe that each achieves those objectives to an equal extent.

Prioritization offers an objective process that allows those responsible for resource allocation decisions to ensure that those programs of higher value to citizens, those programs that achieve the organization's objectives most visibly and effectively, can be sustained through adequate funding levels regardless of the fiscal crisis du jour.

Whether there are more resources to distribute or fewer to allocate, prioritization guides that allocation toward those programs most highly valued by the organization and, most important, by the citizens who depend on those programs for their well-being, their comfort, and their expected quality of life. **PM**

Look to ICMA

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[1]David Osborne and Peter Hutchinson, *The Price of Government: Getting the Results We Need in an Age of Permanent Fiscal Crisis* (New York: Basic Books, 2004).

[2]Christine Becker, "Local Fiscal Conditions, Public Infrastructure Important Issues to NLC Members," *Nation's Cities Weekly*, December 3, 2007.

[3]"State and Local Governments: Persis-

tent Fiscal Challenges Will Likely Emerge within the Next Decade," Report no. GAO-07-1080SP (Washington, D.C.: U.S. Government Accountability Office, July 18, 2007).

[4]Michael Hammer and James Champy, *Reengineering the Corporation: A Manifesto for Business Revolution* (New York: Harper-Business, 1993).

[5]Mike Zapler, "Governor's Depiction of Finances Accurate, Solution Falls Short," *Mercury News*, Sacramento Bureau, January 15, 2008.

[6]Osborne and Hutchinson, *The Price of Government*.

[7]Jack Welch, *Winning*, with Suzy Welch (New York: Harper Business Publishers, 2005).

Chris Fabian is business process analyst, Jefferson County, Colorado (cfabian@jeffco.us); Scott Collins is senior budget analyst, city and county of Denver, Colorado (Scott.Collins@denvergov.org) and a former budget analyst, Jefferson County; and Jon Johnson is budget director, Jefferson County (jxjohnso@jeffco.us).

Look to ICMA

Relationship Skills and Approaches That Effective Managers Use

- Take a personal interest in others.
- Offer help during a crisis.
- Honor the ego needs of others.
- Find a shared interest with colleagues.
- Clarify expectations.
- Listen carefully to learn the needs and agendas of others.
- Eat together.
- Earn trust by sharing credit, keeping confidences, and being trustworthy.
- Take the first step.
- Engage in joint training.
- Use humor.
- Make interactions authentic.

Source: *IQ Report*. 2007. "The Fine Art of Managing Relationships," published by ICMA, Washington, D.C. (For information, visit bookstore.icma.org.)