
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

District Code requires the presentation of budgets in a Performance-Based Budgeting (PBB) format. 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.

Since the above legislation was passed and implemented, several practices have evolved. In FY 2007, agencies transitioned from Strategic Business Plans to 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.

Agency Management Program

An additional benefit of PBB is the District's ability to track specific types of expenses across multiple agencies.

The Agency Management Program (AMP) was developed 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 or not. The AMP was retained in the Division-based agencies, and there is no change to the AMP from the prior year. A partial listing of the AMP 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

The purpose of the Agency Fiscal Operations (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 in the AFO program 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, Primary and Secondary Education, Economic Development and Regulation, Government Services, Human Support Services, and Public Safety and Justice.

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 continues in FY 2013. 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 brings 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's accounting system of record, makes 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 help management pinpoint cost areas that require more research in order to explain the root causes driving the trends. Additionally, analyses of cost drivers facilitate the comparison of actual costs with projected costs based on actual utilization levels. In FY , the District Council began using Cost Driver data as part of the agency oversight process, and the Cost Driver database formed the financial starting point for the City Administrator's One City Performance Review analysis. Approximately 60 agencies are involved with the study, representing a gross funds operating budget of \$5.6 billion.

Information Systems

In FY 2004, the CFO\$ource Executive Dashboard – a web-based tool which brought financial information together from various sources – was brought online. The tool provided District stakeholders with critical financial data that allowed them to make data-driven decisions. In addition, the Budget Formulation Application (BFA) was developed as a tool that allowed for a systematic approach to budget formulation. Since their initial rollouts, CFO\$ource and the BFA have been enhanced each year, as needed, to provide richer analysis, more powerful data management, and a 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 CFO\$olve system. CFO\$olve retains the data analysis functionality and is a District web-based financial reporting tool. It enhances data integrity by providing a single source for reporting financial data. It affords District stakeholders the ability to cross reference and analyze multi-faceted data that it has gathered from source systems such as the Procurement Automated Support System (PASS), PeopleSoft Human Resources, PeopleSoft Payroll, and the System of Accounting and Reporting (SOAR).

In FY 2009, the OCFO also released a new web-based tool called the Agency Operational Dashboard (AOD) as part of the CFO\$olve system. 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 provides 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 the automated budget formulation process enabling the ability to better track and manage budget changes from year to year. These improvements also enhance the ability of the Executive and the Council to make judicious budgetary decisions. Changes were made to the capital budget modules to track the estimated life cycle costs of capital projects and to provide the ability to re-allocate existing current year allotment balances across the capital project portfolio. Improvements to the position budgeting modules include the ability to move a position from one agency to another and to automatically track fringe benefits and step increases.

During FY 2010, CFO\$olve was enhanced with a public-facing financial dashboard named CFOInfo. This dashboard contains four fiscal years of data, which includes two years of actual expense data and two years of budget data. Users can view data in graphical or tabular views and can create comparisons and cross-tabs for user-defined analysis of budget data. All data mirrors the information contained in the District's budget books, but some reports are available at more detailed levels than can be printed in the budget books. This dashboard enhanced the transparency of the OCFO's budget and financial data by providing an interactive, user-friendly version of the District's budget catalog online for taxpayers.

The OCFO is in the process of replacing both the budgeting and accounting systems. The new budgeting system, the Budget Management and Planning System, is the Oracle Hyperion Public Sector Planning and Budgeting System. This system will be used for both budget formulation and execution of the FY 2014 budget. The plan is to implement it in phases with the first phase scheduled to be implemented on July 1, 2012, which is when the formulation of the FY 2014 budget starts. All the phases are planned to be completed by October 1, 2013. The old accounting system, SOAR, is being replaced by the Oracle Enterprise Business Suites. The planning, design and implementation started in 2010. Integration testing is in process currently with the plan to "go-live" on October 1, 2012. The replacement solutions will significantly improve the District's ability to develop, analyze, approve, and implement the 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 these 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.

