# Table of Contents

## Introduction

### What Is Performance-Based Budgeting? 1.2

## Principles for Implementation

1.3.1 Determine a method for aligning performance-based budgeting with the current budget cycle and process and think about messaging the changes internally early in the process.

1.3.2 Develop guidelines for department or agency budget proposals that include guidance on choosing goals, metrics, and strategies from the city’s existing strategic framework.

1.3.3 Identify an objective interdisciplinary team to evaluate budget requests and proposals and make recommendations based on current fiscal year overview.

1.3.4 Use an executive group to reconcile budget proposals.

1.3.5 Monitor the budget through a defined performance framework.

## Conclusion

1.4

## Worksheet: Guiding Prompts for Performance-Based Budgeting Exploration

1.5

## Appendices

1.6

- Appendix A 1.6.1
- Appendix B 1.6.2
- Appendix C 1.6.3
- Appendix D 1.6.4
- Appendix E 1.6.5
Performance-based budgeting is the allocation of funds based on programmatic results that contribute to organizational goals. For governments, performance-based budgeting uses evidence to maximize the allocation of funds toward programs that work and away from those that don't. This guide details performance-based budgeting and describes how it can be tied into new or existing performance management and analytics programs.

To assist cities in developing performance-based budgeting practices, the Center for Government Excellence at Johns Hopkins University, a partner in the What Works Cities initiative, has created this guide. By learning from the experiences of other cities and following the steps described in this guide, cities will have a greater understanding of performance-based budgeting and be well on their way to rethinking how budgeting can work for them.
Performance-Based Budgeting

What Is Performance-Based Budgeting?

Performance-based budgeting is the allocation of funds based on programmatic results that contribute to organizational goals. For governments, performance-based budgeting uses evidence to maximize the allocation of funds toward programs that work and away from those that don’t. Performance-based budgeting is not intended to punish or reward departments or agencies, but instead to focus on progress toward measurable goals during the budget process. This approach allows cities to make and justify budgetary changes that meet community needs and advance citywide priorities, instead of defaulting to the status quo.

After hearing the call for a new way to budget, Johns Hopkins University Center for Government Excellence has created this guide, detailing performance-based budgeting and describing how it can be tied into new or existing performance management and analytics programs. By learning from the experiences of other cities and following the steps described in this guide, cities will have a greater understanding of performance-based budgeting and be well on their way to rethinking how budgeting can work for them.

Terminology

What GovEx refers to as performance-based budgeting is known by a variety of names: outcome-based budgeting, results-based budgeting, or priority-based budgeting. All of these terms indicate a focus on increasing the use of data and evidence to improve the allocation of resources and achieve programmatic and community goals. This guide uses performance-based budgeting for the sake of clarity and consistency.

Performance-based budgeting allows cities to strengthen the budgetary process in light of competing claims for resources by using objective criteria to:

- determine resource allocation;
- ensure accountability among those responsible for management;
- shift the budget focus to city priorities rather than department- or agency-specific goals;
- make the budget process more transparent; and
- engage the community in the budgeting process.
Especially in times of fiscal constraint, performance-based budgeting helps cities focus on funding programs that advance progress on the determined goals and priorities.

Cities with established performance management systems are well-positioned to take on performance-based budgeting. Cities can incorporate performance budgeting into existing performance management programs, linking budgetary requests to their publicly stated performance goals to truly align resources with results. The guidelines below are not meant to replace a city’s budget process, but are proposed as components that can be integrated into the budget process to more closely align budgeting with city priorities and goals.
Principles for Implementation

Implementing performance-based budgeting is a process that requires clearly defined city priorities and goals, an understanding of performance measurement, and dedicated staff and city resources. Most importantly, implementation takes time, and cities should expect to spend at least one budget cycle preparing for the implementation of performance-based budgeting. Executive leadership commitment is critical; as with many city projects, performance-based budgeting will not succeed without it. Having an executive leader involved in the process signals to the rest of the organization that performance-based budgeting is the way the city is approaching budgeting, frequently alleviating buy-in and culture change concerns and unifying elected officials, senior leadership, and city staff around budget goals.

The principles listed below are designed to help cities think through key issues as they launch performance-based budgeting initiatives. Each principle includes an example from a city that is currently doing performance-based budgeting. These examples are simple ways to conceptualize the principles, but the practical application may differ across cities due to any number of factors, including form of government, organizational structure, and staff capacity and involvement.
1. **Determine a method for aligning performance-based budgeting with the current budget cycle and process and think about messaging the changes internally early in the process.**

Since cities already have budget processes that have been in place for decades, ensuring that the transition to performance-based budgeting is as logistically seamless as possible is important for successful adoption and implementation. Aligning the new process with existing schedules and procedures can make it easier for employees to adjust to performance-based budgeting. This also helps ensure that employees focus on progress toward goals--the crux of performance-based budgeting--rather than logistical changes.

In 2011, Baltimore, MD, was very clear in messaging the move to performance-based budgeting to city staff and officials and aligning this process to its previous budgeting schedule. This required reframing the budget conversation from considering last year’s spending on agency goals and debating what to cut to focusing on next year’s strategic goals for citywide priorities and debating what is worth keeping in the budget. In Baltimore, performance-based budgeting is connected to its CitiStat program, strategic plan, and agency performance agreements and aligns with the city’s goal of being a performance-based city so it seemed like a natural addition to city staff.

![OLD WAY vs. NEW WAY](image)


Providing timelines and coaching to explain how performance management fits in with the existing budget process is the first step to ensuring that departments and agencies understand and use performance-based budgeting effectively. Baltimore, like many cities, has historically had a long and detailed process for developing and submitting agency budgets, beginning in September and lasting through July when the budget is adopted. To
Determine a method for aligning performance-based budgeting with the current budget cycle and process and think about messaging the changes internally early in the process.

make it easier for agencies to align their budget requests with the performance-based budgeting and performance metrics, Baltimore’s budget office includes step-by-step guidance for agencies detailing the mayor’s priority outcomes (see Appendix A for examples of citywide priorities in performance-based budgeting), informed by the annual citizen survey, and indicators of emphasis for the fiscal year budget process. By clearly defining the budgeting expectations and process up front, the city ensured staff participation and buy-in, reconciling a $500 million budget deficit in four fiscal years.

Source: http://bbmr.baltimorecity.gov/OutcomeBudgeting/AboutOutcomeBudgeting.aspx
2. **Develop guidelines for department or agency budget proposals that include guidance on choosing goals, metrics, and strategies from the city’s existing strategic framework.**

If a city is already using performance management, there is probably a strategic framework that organizes priorities, breaks them down into goals, and uses metrics to track progress. The city may even be using a prevailing measure known as a Key Performance Indicator (KPI) for its priority areas. Cities may use this strategic framework to develop guidelines for budget proposals, requiring that proposals include references to existing priorities and show anticipated progress towards goals based on existing metrics and KPIs. Chattanooga, TN, uses its performance management initiative, ChaosData, as a strategic framework for its performance-based budgeting program. In 2016, Chattanooga held training sessions for city staff and nonprofits interested in learning about the city’s performance-based budgeting process. There were five sessions:

1. How performance-based budgeting relates to ChaosData
2. How to set a goal that aligns to the five citywide priorities
3. What a good performance metric looks like
4. How to go about setting a target
5. What’s the key to bringing all these components together in a budget proposal.

City leaders were impressed by the number of stakeholder participants these events and participants left asking for more performance management and performance-based budgeting training sessions throughout the year. By following clear guidelines for the budgeting process and gaining a deeper understanding of how goals, metrics, and targets fit into the process, writers produce high-quality proposals, lessen the time it takes to evaluate these proposals, and feel in control of and involved in the budgeting process.

**Example of ChaosData Goal Taxonomy from Budgeting Training**

<table>
<thead>
<tr>
<th>Citywide Priority</th>
<th>Safer Streets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Citywide Goal</td>
<td>Reduce Violent Crime by 20% by June 30, 2016</td>
</tr>
<tr>
<td>Citywide Key Performance Indicator (KPI)</td>
<td>Average Monthly Violent Crime Incidents</td>
</tr>
<tr>
<td>Fire Department’s Budget Proposal Desired Outcome</td>
<td>Reduce violent crimes; Reduce juvenile crimes</td>
</tr>
<tr>
<td>Fire Department’s Budget Proposal Description of Output Measured</td>
<td>Evaluation of fire investigation activities and arson conviction rate to ensure measures receive due attention; if high conviction rate changes, data can help determine course of action to correct; also to ensure juvenile arson numbers remain low</td>
</tr>
</tbody>
</table>
See Appendix B for an example of how Baltimore, Lincoln, and Richmond align their priorities, goals, and key performance indicators.

Chattanooga has also published clear guidelines for department and nonprofit budget proposals on its performance-based budgeting website. The website defines the budgeting process and walks proposal writers through the proposal requirements, which include aligning the proposal to one of the city’s priorities, listing supporting performance metrics and targets, and discussing strategies to reach the expected outcome of this budget proposal. The city even links to sample proposals from city staff and nonprofits in the community to demonstrate exactly what it is looking for. See Appendix D for more information on how Chattanooga incorporates nonprofits into its performance-based budgeting process.
3. Identify an objective interdisciplinary team to evaluate budget requests and proposals and make recommendations based on current fiscal year overview.

For each priority, cities should consider who will review and evaluate the proposals and make recommendations for funding to the mayor, city manager, or senior leadership. The team is often an interdepartmental group of leaders, but may also include executive and central administration staff or even community members. The team will be charged with scoring and ranking budget proposals that will advance progress on these citywide goals. They may also be responsible for working through the performance-based budgeting process with proposal writers, providing feedback and guidance along the way. Usually, the team will evaluate proposals based on KPIs, guidelines, and criteria distributed to departments in preparation for budget proposals, as described above.

Bellevue, WA, uses Results Teams to evaluate proposals through its performance-based budget program, Budget One. There is one team for each priority area that is charged with evaluating budget proposals, working with proposal writers to improve their proposals, and providing funding recommendations to the city’s Leadership Team. The city manager selects Results Team members and being chosen is seen as an honor. Members come from different departments and levels of the organization (from professional staff and frontline workers to managers), bringing unique mindsets to the evaluation process. While all Results Team members are city staff, they are conscious about evaluating proposals from a community and resident perspective. For more information about Bellevue’s Results Teams and their role in performance-based budgeting, see pages 5-4–5-6 in the city’s 2015–2016 Budget and 2015–2021 Capital Investment Program Plan.

Bellevue is in the process of revamping its scoring criteria for budget proposals to further encourage collaboration between Results Teams and proposal writers by providing multiple occasions to discuss and revise the proposals, while also elevating the quality of the performance metrics supporting these proposals. During this budget cycle, Results Teams will score both the performance metrics and proposal as a whole with a high-medium-low scale. Proposals must meet a minimum score on their performance metrics before being recommended for funding.

<table>
<thead>
<tr>
<th>Bellevue’s Performance Metric Scoring</th>
</tr>
</thead>
<tbody>
<tr>
<td>Are the metrics well-rounded and comprehensive (a family of measures)?</td>
</tr>
<tr>
<td>Are the metrics actionable (departments can impact or influence these metrics)?</td>
</tr>
<tr>
<td>Are the metrics outcome-oriented?</td>
</tr>
<tr>
<td>Is the data source identified and reliable?</td>
</tr>
<tr>
<td>Is the data updated with the appropriate frequency for decision making?</td>
</tr>
<tr>
<td>Are the metrics’ targets aspirational and also realistic?</td>
</tr>
</tbody>
</table>

See Appendix C for performance-based budgeting scoring criteria from Baltimore and Chattanooga.
Identify an objective interdisciplinary team to evaluate budget requests and proposals and make recommendations based on current fiscal year overview.
4. **Use an executive group to reconcile budget proposals.**

Departments and agencies are responsible for preparing budget proposals that are responsive to the goals, strategies, and criteria discussed above. In some cases, multiple groups may submit proposals in support of one goal and one group may submit proposals in support of multiple goals. The shift in focus from departments to citywide goals and programs shifts the focus away from department-driven decision making and enables departments to frame their decisions in terms of community goals. Usually, the mayor’s office, city manager’s office, or the central budget department is responsible for aligning budget requests and proposals to ensure that efforts to accomplish citywide goals are coordinated.

Notably, some cities expand the focus on coordinating priorities to include nonprofits applying for city funding and requiring these organizations to submit budget requests in alignment with citywide goals. This helps ensure that all entities participating in the budget process are focusing on citywide goals. *See Appendix D for more information on how Chattanooga incorporates nonprofits into its performance-based budgeting process.*

Richmond, VA, relies on the city’s budget staff, chief administrative officer, mayor, and city council to review submitted budget requests for its performance-based budgeting program. After the citywide budget proposal evaluation teams have reviewed and evaluated budget proposals, they hold working sessions with the mayor to discuss issues and concerns in making funding decisions for both the operating and capital budgets. Once the mayor has a deep understanding of the budget proposals and how they align with each other and Richmond’s citywide priorities, the budget is presented to city council for additional review and coordination of proposals. Finally, public hearings are held before the budget is adopted so the community can give input on the budget proposals. *See sections 3 and 4 of Richmond’s Adopted Biennial Fiscal Plans for Fiscal Years 2014 and 2015 & Adopted Capital Improvement Program for Fiscal Years 2014–2018.*
5. **Monitor the budget through a defined performance framework.**

Between budget cycles, cities should monitor progress on the KPIs and metrics for each goal and priority area. Tracking progress by goal area through the city performance management system allows for easy comparison across departments and agencies and helps to drive cooperation and focus on citywide goals. Tracking in this manner also integrates the work of performance-based budgeting into the work of departments throughout the year. Year-round goal and metric monitoring helps embed the work of budgeting as a regular practice instead of an annual exercise separate from “real” work. It can be beneficial to encourage collaboration between the budget and performance teams (if they are separate in your government) during this process to ensure there is a deep understanding of their joint efforts and coordination of their roles and responsibilities.

Cities across the country use a variety of methods (performance management programs, stat meetings, balanced budget scorecards, and executive leadership meetings) to monitor budget allocations and ensure that departments and agencies are making progress toward their desired outcomes.

Lincoln, NE, tracks its budget allocations in executive leadership meetings and community stakeholder events during the year through its Taking Charge initiative. Additionally, the city monitors funding allocations, program and service delivery prioritization information, and Taking Charge changes on its website, providing insight into why these decisions were made. City staff and residents alike are able to engage with this information, increasing trust in government in Lincoln and creating a unified vision for the city’s performance-based budgeting process.
Conclusion

Performance management is a natural precursor to performance-based budgeting. The focus on using data and evidence to understand which programs and initiatives are furthering progress towards goals should lead an organization to think about which programs and initiatives should be funded. Many cities are building on existing performance management efforts to expand into performance-based budgeting. By thinking strategically about how performance-based budgeting aligns to current budgeting efforts, developing clear guidelines for proposals and the revised budgeting process, and building in opportunities for revisioning and monitoring, cities can dramatically shift their budgeting conversations from what should be cut to what should be kept, while building consensus internally and externally for those decisions.
Worksheet: Guiding Prompts for Performance-Based Budgeting Exploration

List the current publicly stated outcomes that the administration hopes to achieve. Consider performance management priorities, campaign priorities, department-specific missions, strategic framework, sustainability plans, economic development plans, etc.

How long is your current budget process? How can performance-based budgeting be aligned with the standard budget cycle? How can employees be trained and prepared to switch from the standard to performance-based budgets?

Determine the goals that will help the city progress toward each desired stated outcome. Indicate which departments and management activities are responsible for which goal. Remember, goals that span multiple departments encourage more robust budget discussions.

How would you engage residents in the budget process? Consider ways to solicit resident input and share feedback.

Who will be on the team that will review the budget for each priority? Consider agencies, nongovernmental actors, community members.
Appendix A - Priority Areas in Examples Cities

**Baltimore, MD’s Fiscal Priority Outcomes**

- Better Schools
- Safer Streets
- Stronger Neighborhoods
- A Growing Economy
- Innovative Government
- A Cleaner City
- A Healthier City

**Bellevue, WA’s Community Outcomes**

- Responsive Government
- Healthy and Sustainable Environment
- Innovative, Vibrant and Caring Community
- Quality Neighborhoods
- Safe Community
- Improved Mobility
- Economic Growth and Competitiveness

**Chattanooga, TN’s Citywide Priorities**

- Smarter Students, Stronger Families
- Safer Streets
- High Performing Government
- Growing Economy
- Stronger Neighborhoods

**Lincoln, NE’s Outcome Areas**

- Safety & Security
- Livable Neighborhoods
- Economic Opportunity
- Efficient Transportation
- Accountable Government
- Healthy & Productive People
• Environmental Quality
• Identity Lincoln (what makes Lincoln special)

Richmond, VA’s Focus Areas

• Unique, Healthy, & Inclusive Neighborhoods & Communities
• Economic Growth
• Community Safety & Well Being
• Transportation
• Education & Workforce Development
• Sustainability & the Natural Environment
• Well Managed Government
Appendix B - Key Priority Indicators (KPIs)

Baltimore, MD, has identified Safer Streets, which makes up 33% of Baltimore City’s $2.549 billion operating budget, as a priority outcome, with six key strategies that support the priority outcome. The strategies outline diverse agency actions such as code enforcement, zoning classification, outreach to at-risk youth, etc. Five goals support the priority outcome, and each goal is accompanied by a KPI. The KPIs may not be representative of all activities for which an agency is responsible.
<table>
<thead>
<tr>
<th>Priority Goal</th>
<th>Agency</th>
<th>KPI</th>
<th>YTD Data (FY 2013)</th>
<th>Previous Year (FY 2012)</th>
<th>Goal/Benchmark</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase the percentage of citizens that rate the City safe or very safe.</td>
<td>Mayor's Office</td>
<td>Baltimore Citizen Perception of Safety “Very Safe” or “Safe” Responses</td>
<td>66.25%</td>
<td>65%</td>
<td></td>
</tr>
<tr>
<td>Reduce violent crime rate.</td>
<td>Baltimore City Police Department</td>
<td>Baltimore's Violent Crime Rate per 100,000 People</td>
<td>1,426</td>
<td>1,406</td>
<td></td>
</tr>
<tr>
<td>Reduce property crime rate.</td>
<td>Baltimore City Police Department</td>
<td>Baltimore's Property Crime Rate per 100,000 People</td>
<td>4,717</td>
<td>4,650</td>
<td></td>
</tr>
<tr>
<td>Increase the percentage of Fire responses that meet national standards.</td>
<td>Baltimore City Fire Department</td>
<td>Percent Fire Responses that Meet National Response Standards</td>
<td>87.8%</td>
<td>87.8%</td>
<td>90% (national standard)</td>
</tr>
<tr>
<td>Percent of Fire and EMS 911 calls meeting national response time standards.</td>
<td>Baltimore City Fire Department</td>
<td>EMS Response Time Meeting Standards</td>
<td>38.5%</td>
<td>40.1%</td>
<td></td>
</tr>
</tbody>
</table>

Source: Section 1: Mayoral Objectives

Richmond, VA, is in the process of aligning its priorities, goals, and metrics. The city has identified 44 KPIs in its seven focus areas to track progress toward the city’s strategic priorities. Richmond tags each KPI to the associated initiative and is in the process of calculating baseline data to accurately determine expected outcomes in the performance-based budgeting process.

**Focus Area 1: Unique, Healthy, and Inclusive Neighborhoods & Communities**
<table>
<thead>
<tr>
<th><strong>Poverty Rate</strong></th>
<th><strong>Baseline</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>To decrease the percentage of population living at or below the poverty line</td>
<td>26.3%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>City Health Ranking</strong></th>
<th><strong>Baseline</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>To obtain targeted health goals including infant mortality, low birth weight, and obesity.</td>
<td>125/131</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Neighborhoods and Community Amenities/Assets Index</strong></th>
<th><strong>Baseline</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase percent of population that has access to key amenities (schools, parks, recreation facilities, retail, etc.)</td>
<td>Under Development</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Cultural Events</strong></th>
<th><strong>Baseline</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase the number of cultural events in the City</td>
<td>Under Development</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Blighted and Derelict Property</strong></th>
<th><strong>Baseline</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Decrease the number of properties with code violations to 500</td>
<td>2140</td>
</tr>
</tbody>
</table>

- Increase SNAP Participation Rate
- Teen Pregnancy
- Develop Office of Multicultural Affairs
- Resource Centers
- Food Policy Task Force
- Office on Aging and Persons with Disabilities
- Breastfeeding Commission
- Riverfront Plan
- Swimming Pool Renovations
- School Construction
- Cannon Creek
- Monroe Park Improvements
- Southside Community Center
- Pedestrian, Bike and Trails Initiative
- Virginia Capital Trail
- Library Renovations
- Increase Cultural Events at Libraries
- Blight Abatement
- Eastview
Mixed Income Housing Availability in RRHA
Increase the percent of housing units available for middle and lower income individuals

Under Development
-Eastview Whitcomb Initiative
-East End/ Nine Mile Road Transformation
-Dove Court Revitalization
-Hull Street Corridor Revitalization

Source: Adopted Biennial Fiscal Plans for Fiscal Years 2014 and 2015 & Adopted Capital Improvement Program for Fiscal Years 2014–2018

Lincoln, NE, developed 132 performance indicators to measure the City’s progress toward the 39 goals in the eight outcome areas. On its Taking Charge website, the city displays justification and support for each performance measure and describes the strategy to achieve each goal.

Outcome Area: Healthy & Productive People

Goal 1: Maintain community’s health status

![Graph showing youth smoking rate below 20%](image-url)
schools; the Nebraska Department of Health and Human Services conducts the YRBS every other year in high schools across the state.

Why this is important: More than 80% of adult smokers began smoking before 18 years of age. Every year 2,000 youth in Nebraska under age 18 become new daily smokers. If current smoking trends continue, 36,000 children and youth now alive in Nebraska will likely die prematurely from smoking related illnesses. Preventing youth from starting to use tobacco is far more effective than helping them break the addictive behavior.

What is being done: Youth continue to experiment with tobacco in succumbing to peer-pressure, tobacco advertising, and emulating negative behavior of adult role models. LLCHD, TFLC, City departments and community partners strive to prevent initiation of tobacco use and reduce current rates of youth tobacco use by:

- Monitoring retailer compliance of illegal sales of tobacco products to minors
- Educating youth on the dangerous consequences of tobacco use
- Educating youth on the impact of tobacco advertising
- Assist youth sports organizations in establishing tobacco-free policies
- Promote tobacco free environments
- Utilizing peer support to prevent tobacco initiation

Source: Lincoln’s Taking Charge Performance Indicators
Appendix C - Budget Proposal Funding Criteria

For the Safer Streets priority, Baltimore, MD’s Results Team is made up of representatives from the Police Department, Office of Emergency Management, Transportation, Budget Analyst, Health Department, a community member, and a Mayor’s Office liaison. In addition to giving priority consideration of funding to proposals that would advance its goals and strategies, Baltimore requires agencies to respond to the following criteria.

Baltimore's Criteria for Budget Proposals
<table>
<thead>
<tr>
<th><strong>Value</strong></th>
<th>Proposals that demonstrate good value tell us what we can expect to be delivered per dollar spent. Value is a measure of both efficiency and the effectiveness of a service.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Strength of alignment with the Priority Outcome, Goals, and Strategies</strong></td>
<td>Innovative proposals demonstrate new solutions or the degree to which the service improves or re-engineers the way a service is currently delivered. Even high-value services, as they currently are delivered, have areas for improvement.</td>
</tr>
<tr>
<td><strong>Innovation</strong></td>
<td>We seek proposals that demonstrate the ability to address multiple Priority Outcomes concurrently.</td>
</tr>
<tr>
<td><strong>Multiple Priority Outcomes</strong></td>
<td>We seek proposals that demonstrate the ability to leverage other funds or resources for service delivery, and/or collaborate with other internal or external entities. Partnerships can also be with neighborhood groups or other non-service providers.</td>
</tr>
<tr>
<td><strong>Leverage</strong></td>
<td>We seek proposals that deliver a service that is proven effective through empirical data or professional best practices. This can be an agency's data gathered through CitiStat or some other performance measurement effort, or reliable data gathered by another organization.</td>
</tr>
<tr>
<td><strong>Evidence-based</strong></td>
<td>We seek proposals that advance an existing or emerging strategic plan. Strategic Plans outline clear goals and objectives with specific action items, funding sources, individual roles, and time lines. Examples include the Sustainability Plan, Comprehensive Master Plan, Ten Year Plan to End Homelessness, Birth Outcomes Plan, etc.</td>
</tr>
<tr>
<td><strong>Part of a Strategic Plan</strong></td>
<td>We seek proposals that focus on providing excellent customer service. Think of customers broadly and to include internal customers, such other City agencies or City staff members, and external customers, including citizens and users of City services.</td>
</tr>
</tbody>
</table>

Chattanooga, TN, releases its budget proposal scoring criteria to ensure a level playing field for all proposal writers. In 2016, the city revised its proposal framework and concentrated on the following five areas to clarify the process for writers and reduce the amount of time its Results Teams were spending evaluating each proposal.

**Chattanooga’s Budget Proposal Scoring Criteria**
<table>
<thead>
<tr>
<th>Scoring Criteria</th>
<th>Guiding Assessment Questions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impact on Chattanooga</td>
<td>To what extent does this improve the lives of Chattanooga residents?</td>
</tr>
<tr>
<td>Advances Priority Results Area</td>
<td>To what extent will this advance City priorities? (Smarter Students, Stronger Families; Safer Streets; High Performing Government; Growing Economy; Stronger Neighborhoods)</td>
</tr>
<tr>
<td>Implementation Plan</td>
<td>Does the proposed implementation plan provide a clear, feasible roadmap to achieve your outcome goals?</td>
</tr>
<tr>
<td>Measures</td>
<td>Do you have the measures in place to know if you are achieving the proposed outcomes?</td>
</tr>
<tr>
<td>Approach</td>
<td>Does the offer choose the optimal route to achieve the outcomes? (Demonstrated with benchmarks, proven methods, partner collaborations, and with clarity on how your solution fits into the larger work on the issue being addressed)</td>
</tr>
</tbody>
</table>
Appendix D: Nonprofit Funding Instructions

Chattanooga, TN, includes nonprofits in its performance-based budgeting program, asking them to apply for funding in the same manner as city departments and align their request with one of the city’s six citywide priority areas. Previously, the nonprofits were required to procure a letter of support from the city department leader with whom they would coordinate the spending of city funds. The following is the guidance and requirements from Chattanooga for nonprofit funding requests.

Community Organization Support Instructions for Requesting Funds from the City of Chattanooga

- A one-page Cover Letter specifying:
  - The name and address of the non-profit organization
  - The name, address and telephone number of a specific contact person within the non-profit organization relative to any request for appropriation of funds
  - The agency mission
  - The amount of money being requested from the city (per offer and grand total)
    - For each offer, provide the Name(s) of Offer along with their individual request amount(s) from the City of Chattanooga and the Result Area the offer is being submitted under.
      - Safer Streets
      - Smarter Students Stronger Families
      - Stronger Neighborhoods
      - High Performing Government
      - Growing Economy
      - Innovation
- An Executive Summary of no more than two pages, signed by the Chief Executive Officer of the organization, which includes the following:
  - A brief summary of the amount and proposed usage for any financial assistance appropriated by the City of Chattanooga
  - A brief description of the specific programs of the non-profit organization which serve the residents of the City of Chattanooga
  - A statement by the chief executive officer of the non-profit organization indicating that the non-profit organization will, upon request, provide the following:
    - Detailed accounting of how and for what purpose the municipal funds were spent by the non-profit organization;
    - List of accomplishments or outcomes achieved through the use of municipal
funds;
- Copies of Annual Audits of the non-profit organization (performed by an independent Certified Public Accountant in accordance with Generally Accepted Auditing Standards;)
- Copies of other financial and operational information upon request.

- Agency Documents required:
  - Copy of the Agency-Wide, board approved Annual Operating Budget for the non-profit organization effective at the time of the request for appropriation of funds from the City of Chattanooga;
  - Copy of the Charter of the non-profit organization filed with Tennessee Secretary of State. If the Name on the Charter does not match the Agency’s current name, please ensure any amendments or merger documents filed with the State;
  - Copy of the document indicating Non-Profit Tax Exemption Status for the non-profit organization under the Internal Revenue Code, such as an IRS Determination Letter;
  - Copy of the most recent IRS Form 990 as filed with the IRS;
  - Copy of the most recent Annual Audit of the non-profit organization, prepared by an independent Certified Public Accountant in accordance with Generally Accepted Community Agency Support Instructions for Requesting Funds from the City of Chattanooga Page 4 of 4 Auditing Standards. Must be for 2014 or later (Fiscal Year 2014 Audited Financial Statements are preferred);
  - A list of BOARD OF DIRECTORS, including position, contact information, and number of years served;
  - Local Government Funding/Service Statistics (Template B1)
  - Program Beneficiary Statistics (Template B2)
  - Schedule of Positions, Salaries, and Wages (Template B3)
  - Major Sources of Funding for the Past Five Years (Template B4)

- Offer Packet(s)
  - Copy of the Offer Worksheet which includes a description of the proposed usage, proposed outcomes, and proposed budget related to request for appropriation of Funds. (Template A1) Note: Each offer submitted must have a separate Offer Worksheet completed
  - Copy of the Offer Summary (Template A2) Note: this copy will be submitted with each offer.
  - Copy of Budget related to Offer (Template A3)
  - Copy of FY15 BFO Agency Performance Results Update (Template A4)
  - Copy of Letter(s) from Collaborating City Department Head acknowledging the mutual agreement to collaborate on the Offer.

Links:
Appendix D

- Template A1 – Budgeting for Outcomes Offer (Template Provided)
- Template A2 – Agency BFO Summary (Template Provided)
- Template A3 – Budget Template (Budget Related to Offer – Template Provided)
- Template A4 – FY15 BFO Agency Performance Results Update
- Template B1 – Local Government Funding and Service Statistics
- Template B2 – Program Beneficiary Statistics
- Template B3 – Schedule of Positions, Salaries, and Wages
- Template B4 – Major Sources of Funding for the Past Five Years
Appendix E: Additional Resources

Government Accounting Office’s “Performance Budgeting: Current Developments and Future Prospects”

Local Government Center’s “Performance Measurement, Benchmarking & Outcome-Based Budgeting for Wisconsin Local Government”

USC Institute for Public Service and Policy Research’s “Performance-Based Budgeting Systems”