



OUTCOME BASED BUDGETING (OBB)

FY24 Operating Budget
Council Update



Transforming Houston's Budgeting Practices



VISION

To **transform** the way City leadership makes **decisions** on the allocation of financial resources by **focusing** on the expected **results** and **outcomes** of City services and programs.

GUIDING PRINCIPLES

- ✓ Clearly communicate what is needed from City stakeholders and how it will support decision-making
- ✓ Evaluate leading budgeting practices and tailor elements based on the City's needs and readiness for change
- ✓ Introduce process efficiencies, when possible, to address current pain-points
- ✓ Adopt and refine process changes first to prepare for a more seamless budget system upgrade and implementation



Impactful Benefits of OBB



Informed Decision-making

Help City Leadership make informed choices through increased visibility into departmental budgets, resource allocations, and service provision.



Measurable Results

Focus budget, capital, and spending decisions on specified, measurable results and outcomes.



Linkage to Goals

Link the City's operating budgets, capital improvement plan, and performance metrics to clear, measurable short and long-term goals.



Efficiency

Maximize City resources by eliminating waste, inefficiency, and redundancy within and across departments.



Transparency

Increase public understanding of City programs/services and the value City government provides.

OBB benefits will be increasingly realized as the City's budget processes mature over time

PROVEN SUCCESS

"It forced us to focus on what residents really want from their local government, to prioritize those things and to innovate and collaborate to achieve them"

— Fort Collins City Manager

"When leaders demonstrate that the tough decisions, they have made are designed to deliver the results most important to citizens, citizens respond"

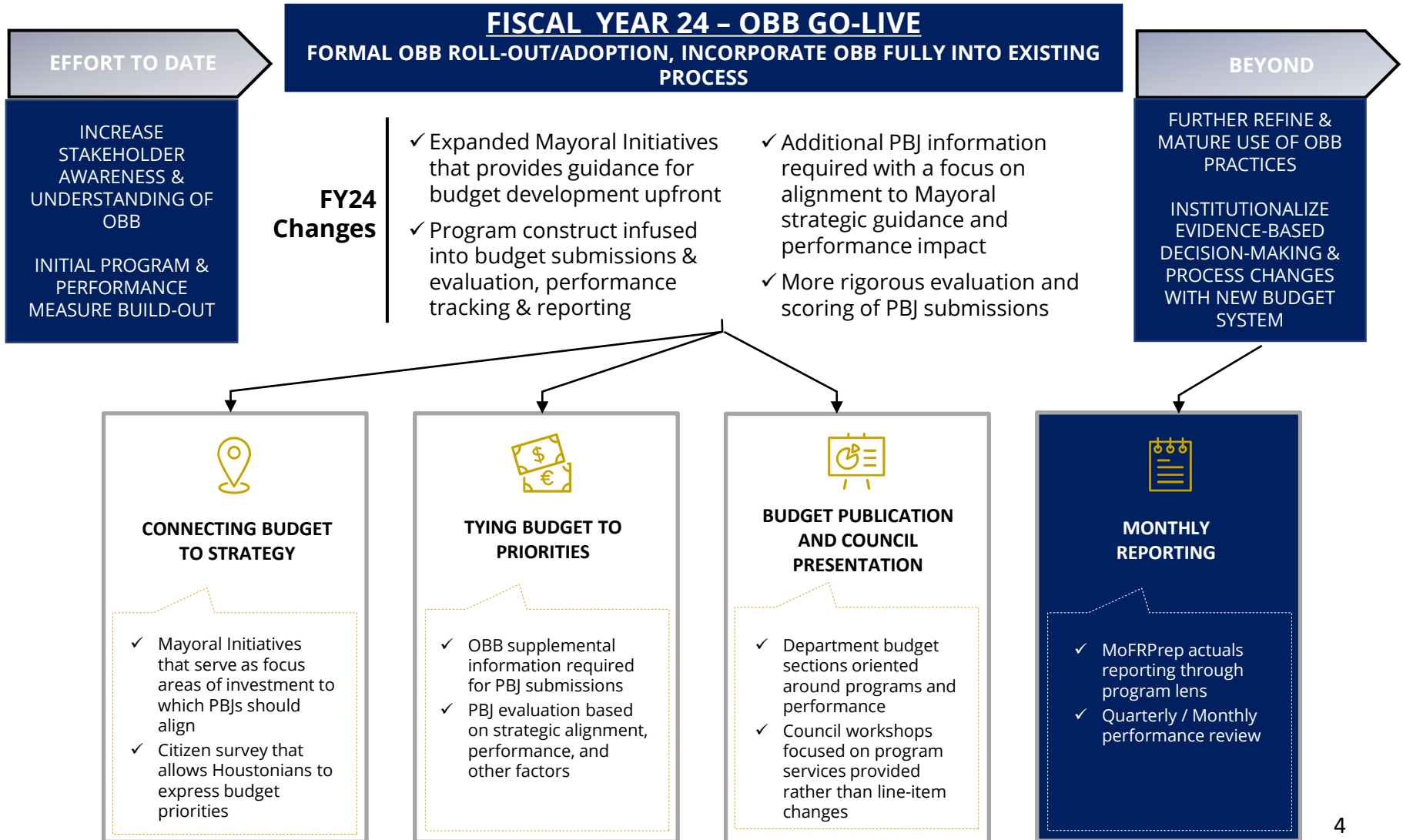
— Washington State Deputy Director

"Using budgeting for outcomes allowed the city to fund high priority goals and to protect from budget cuts to the most effective services"

— Former Baltimore Budget Director



OBB Adoption Roadmap





FY24 Development OBB Prep Work

Departments established a strong OBB foundation by defining their program structures, allocating cost centers to programs, and linking performance measures to programs. During FY24 budget development, departments refined and finalized the following OBB building blocks prior to publication

Program Structure

Program names and narrative information were written with external audiences in mind. Finance reviewed department program workbooks and followed up with departments regarding any additional changes required. Program structure was then finalized.

- *Ex: Consistency across **Administrative Services** program names and descriptions*

Program Definition Considerations



Programs have a **clear purpose and measurable results**



Programs are **discrete** and not overly dependent on other services to achieve its results



Programs have **clear lines of accountability** for performance and financial management

Performance Measures

Departments developed and refined performance measures to represent the metrics that best evaluate how successful program expenditures are in achieving their desired outcomes

Resource allocation decisions will be increasingly based on measurable results understanding that quality measures and targets will take time to develop

Performance Measure Best Practices



Departments should select relevant measures that Houstonians will care about for each program



Performance measure targets should account for approved PBJ (enhancement) submissions



Ideally, each program should have a mix of different measure types (outcome, efficiency, effectiveness input, output)



Houstonian Survey Summary

To assist with the development of the Mayor’s Strategic Guidance, **nearly 2,500 Houstonians** were surveyed in 2022 about the priorities that are the most impactful and most important to their communities.



AUDIENCE

Respondent Age and Council District

50-65 years

Most frequent respondent age

C G A

Top council districts represented



IMPORTANCE

Respondents rated each priority on a scale of 1 (not Important) to 5 (very Important). The following priorities were most frequently rated “very important”.

70%

Public Safety

63%

Service & Infrastructure

44%

Sound Financial Management



IMPACT

Respondents selected the singular Mayoral Priority that they felt was most impactful in their neighborhood.

38%

Public Safety

32%

Service & Infrastructure

12%

Complete Communities

7%

Resilient Houston

6%

Sound Financial Management



PERFORMANCE

Respondents rated the City’s performance in providing each Mayoral Priority to Houstonians on a scale of 1 (poor) to 5 (excellent). The following percentages represent the frequency at which respondents felt the City was performing “above average” or “excellent”.

20.4%

Public Safety

19.6%

Resilient Houston

19.2%

Complete Communities

16.6%

Sound Financial Management

13.4%

Service & Infrastructure



Survey Results Detail

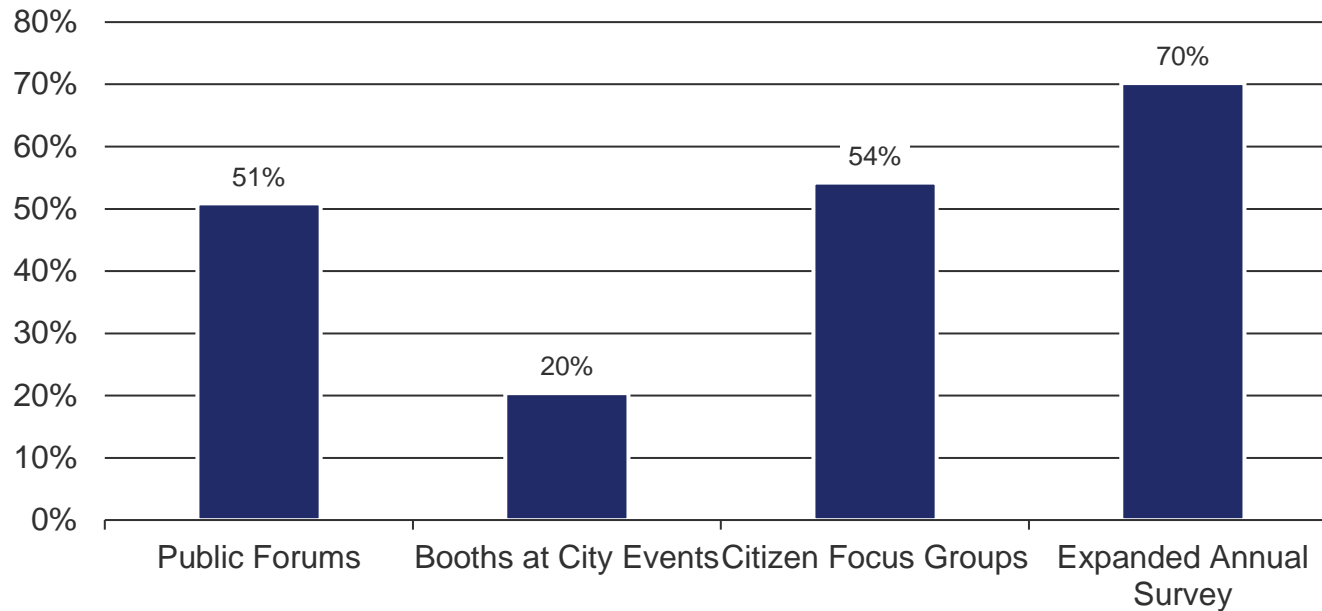
Respondent age by Council District:

	<18	18-34	35-49	50-65	65>	Total
A	0	42	92	93	55	282
B	1	23	41	50	23	138
C	2	79	204	206	150	641
D	0	25	70	65	33	193
E	1	20	88	72	69	250
F	1	15	45	46	38	145
G	0	30	80	117	107	334
H	3	25	69	50	23	170
I	0	19	41	27	18	105
J	1	6	19	17	15	58
K	2	11	42	52	58	165
	11	295	791	795	589	

Survey Results Detail



Desired Input and Feedback Methods



Question:

What additional opportunities to provide input and feedback about the City budget are you interested in (select all that apply)?

Notable Observations:

Houstonians would be open to providing additional input and feedback into the budget via many mediums. Over half of respondents had their interest peaked by the opportunity to participate in Public Forums, Citizen Focus Groups, an/or Expanded Annual Survey.



Connecting Budget to Strategy

The following priorities and initiatives were refreshed by Mayor Turner. The five priorities shaped budget development for FY24.

SOUND FINANCIAL MANAGEMENT

- Promote Fiscal Responsibility
- Outcome Based Budget
- Other Post Employment Benefits
- Open Finance
- Federal Funding Compliance

PUBLIC SAFETY

- One Safe Houston
- Policing Reform
- Emergency Medical Service (EMS)
- Recruitment and Retention
- Youth Support and Development

COMPLETE COMMUNITIES

- Illegal Dumping
- Parks Initiatives: 50/50 Parks Partners and Love Our Parks
- Homeless Initiative
- Single Family Housing
- Bethune Empowerment Center
- Sunnyside Solar Farm
- Community Facilities
- Digital Equity Access

SERVICE & INFRASTRUCTURE

- Infrastructure Investment and Jobs Act Funding Initiative
- North Houston Highway Improvement Project
- Street Rehabilitation
- Pothole
- Storm-Water Action Team (SWAT)
- Vision Zero
- Consent Decree
- Build Houston Forward
- Airport Expansion Operation
- Hazard Mitigation Improvement

RESILIENT HOUSTON

- Resilient Houston Plan
- Climate Action Plan
- Energy Resilience and Energy Transition
- Community Resilience
- Nature Based Solutions



← Click here to visit the Mayor’s Strategic Guidance Document released in February



Publication & Workshop Improvements

Externally-facing budget documents were updated to reflect the infusion of OBB elements and better explain the value brought from dollars allocated to department's budget

Operating Budget Publication

The budget publication orients department sections around the program budgeting construct and emphasizes performance metrics to ensure that the value of the dollars spent is maximized

Outcome Based Budget for Mayor's Priorities

Business Area	Program	Budget	FTEs
Mayor's Priority: Complete Communities	Program: Complete Communities		
	Container Leasing	3,622,107	0.0
	Curbside Recycling Collections	4,711,800	34.1
	Heavy Trash Collection	7,306,000	65.1
	Illegal Dumping	411,356	4.7
	Residential Curbside Collections	2,220,490	30.4
Total: Complete Communities		26,783,668	277.7
	Mayor's Priority: Services & Infrastructure		
	Program: Services & Infrastructure		
Facility Maintenance	30,009,676	7.1	
Homeowners Associations Collections Sponsorship	3,662,886	42.1	
Total: Services & Infrastructure		43,672,561	49.2
Mayor's Priority: Sound Financial Management			
Program: Sound Financial Management			
Administrative Services (S&O)	23,410,450	65.0	
Executive and Administrative Services	5,169,947	45.6	
Total: Sound Financial Management		28,580,397	110.6
Grand Total:		99,036,626	435.5

Priority & Initiative Summaries

Priority 01

SOUND FINANCIAL MANAGEMENT

Open Finance Capital Improvement Plan

Overview
Mayor Turner has committed to ensuring the financial health of the City of Houston since taking office in 2016. In 2017, with the help of voters, we achieved historic pension reform. The reform immediately reduced an \$8.1 billion liability and put in place a responsible plan to pay off the balance over 30 years. In January of 2022, Mayor Turner introduced Other Post-Employment Benefits (OPEB) reforms, projected to reduce the City's OPEB Liability from \$9.1 billion to \$4.5 billion. The City's net position, which is a strong indicator of a government's

Publication Modifications

- Department budget sections detail program vs division structure
- Performance measures displayed by program
- Summary of Mayoral strategic guidance and OBB implementation journey
- FY24 Budget Expenditures by Priority
- Programs aligned to Key Initiatives and Priorities
- Key budget highlights/enhancements by Priority
- Performance measures by Priority

Council Budget Workshop

The budget workshop template has been refreshed to better convey department's contribution to furthering the Mayor's Priorities/Initiatives, anticipated outcomes, and services provided rather than line-item changes

Program 1

Priority: Enter Priority here
FY2024 FTE Count: Enter FTE Count

Program Description	Significant Budget Items	FY24 Prop Budget by Fund
Enter program description here	<ul style="list-style-type: none"> Highlight 1 Highlight 2 Highlight 3 	Fund 1: \$0,000 Fund 2: \$0,000 Fund 3: \$0,000 Total: \$0,000

Measure Name	FY22 Actual	FY23 Target	FY23 Estimate	FY24 Target	Target Context

Strategic Guidance Alignment

Objective
The table below summarizes your department's alignment to the Mayor's defined Priorities and Initiatives as defined in his strategic guidance. All programs align to a mayor's priority and the overall department budget is broken down as such.

Strategic Priority	Public Safety	Complete Communities	Services & Infrastructure	Sound Financial

DEPARTMENT BUDGET BY PRIORITY

Workshop Modifications

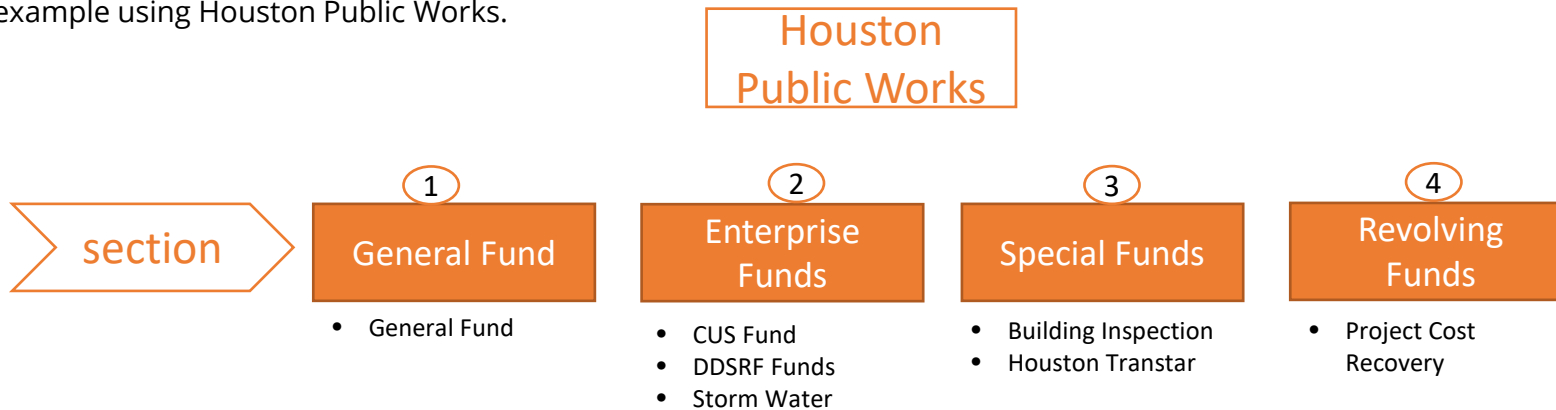
- Department strategic guidance linkage highlights
- Budget by Program summary (FY23 actual vs. FY24 proposed)
- Org chart showing Program vs division structure
- Performance measure dashboard



Publication & Workshop Improvements

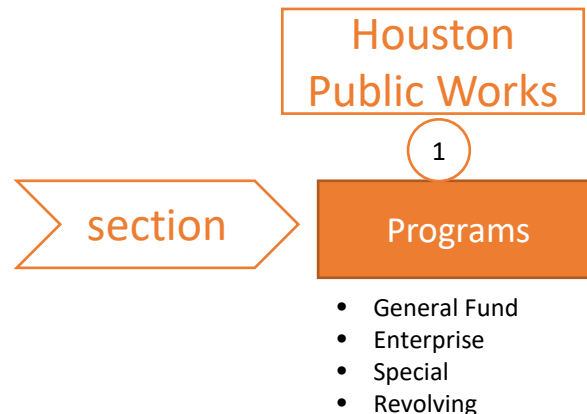
BEFORE

The budget book was segmented by **Fund** which means the budget for a department would fall under multiple sections throughout the book. In order to get the total funding level for a department, you would have to scan many sections of the book. Below is an example using Houston Public Works.



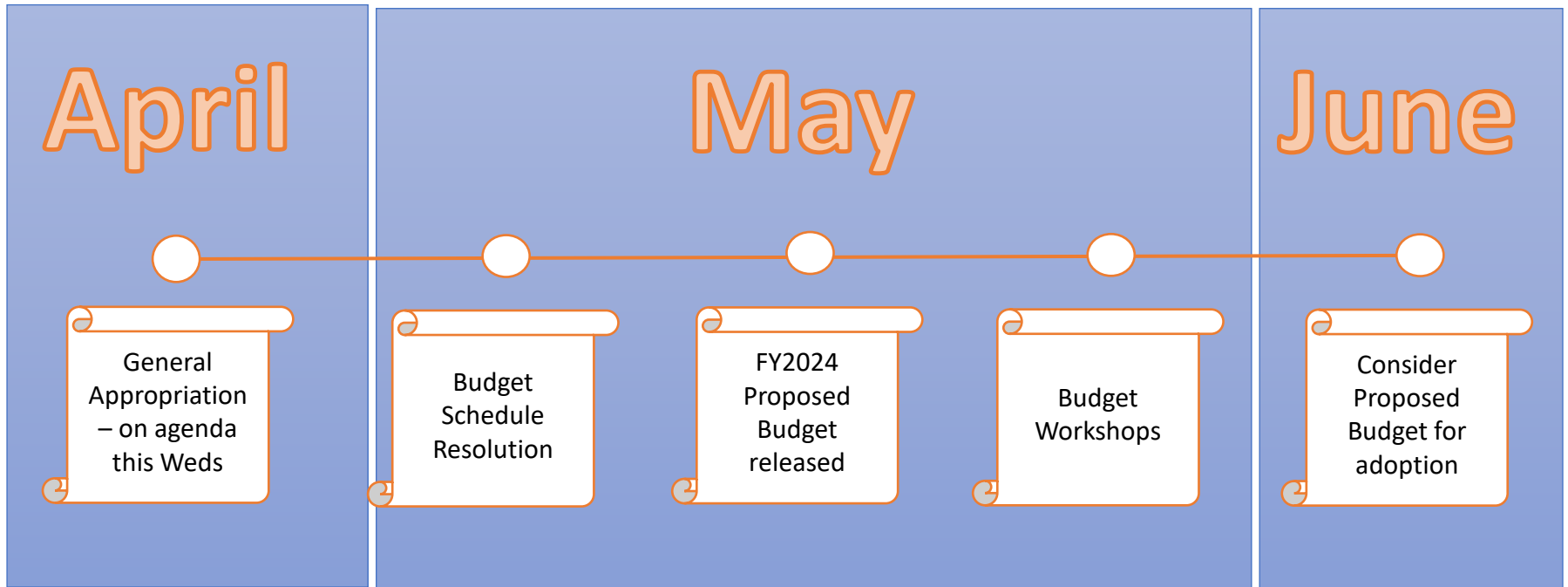
AFTER

Now the book will be segmented by **Department** and **Programs**. All funding sources for a program will be identified in one section. You will no longer have to scan the book to identify all of the funding sources for a department.





Next Steps in the Budget Process





Questions?



Council Budget Workshop

The Council Budget Workshop presentation has been adjusted to reflect key OBB elements

Objective

The tables below summarize your department's alignment to the Mayor's defined Priorities and Initiatives as defined in his strategic guidance. All programs align to a mayoral priority and the overall department budget is broken down as such.

Sound Financial Management	Public Safety	Complete Communities	Service & Infrastructure	Resilient Houston	Other
*List programs aligned to each priority					

ALIGNED INITIATIVES

*List aligned initiatives

-
-
-

DEPARTMENT BUDGET BY PRIORITY

EXAMPLE

Priority	Percentage
Complete Communities	43%
Public Safety	31%
Resilient Houston	11%
Services & Infrastructure	9%
Other	6%

Objective

List program budgets for FY23 Current Budget vs FY24 Proposed (in thousands)

Program	FY22 Actual	FY23 Budget	FY23 Estimate	FY24 Proposed	Variance FY24 Proposed/ FY23 Budget	% Change
Program 1	\$ 600	\$ 1,000	\$ 1,000	\$ 1,030	\$ 7,400	3%
Program 2						
Program 3						
Program 4						
Program 5						
Program 6						
Program 7						
Program 8						
Program 9						
Program 10						
Total	\$ 600	\$ 1,000	\$ 1,000	\$ 1,030	\$ 7,400	3%

Priority: Enter Priority here

FY2024 FTE Count: Enter FTE Count

Program Description	Significant Budget Items	FY24 Prop Budget by Fund								
Enter program description here	<ul style="list-style-type: none"> Ex. Includes funding for municipal pay increases Ex. Includes funding for additional FTE to support program expansion 	<table border="1"> <tr> <td>Fund 1</td> <td>\$0,000</td> </tr> <tr> <td>Fund 2</td> <td>\$0,000</td> </tr> <tr> <td>Fund 3</td> <td>\$0,000</td> </tr> <tr> <td>Total</td> <td>\$0,000</td> </tr> </table>	Fund 1	\$0,000	Fund 2	\$0,000	Fund 3	\$0,000	Total	\$0,000
Fund 1	\$0,000									
Fund 2	\$0,000									
Fund 3	\$0,000									
Total	\$0,000									

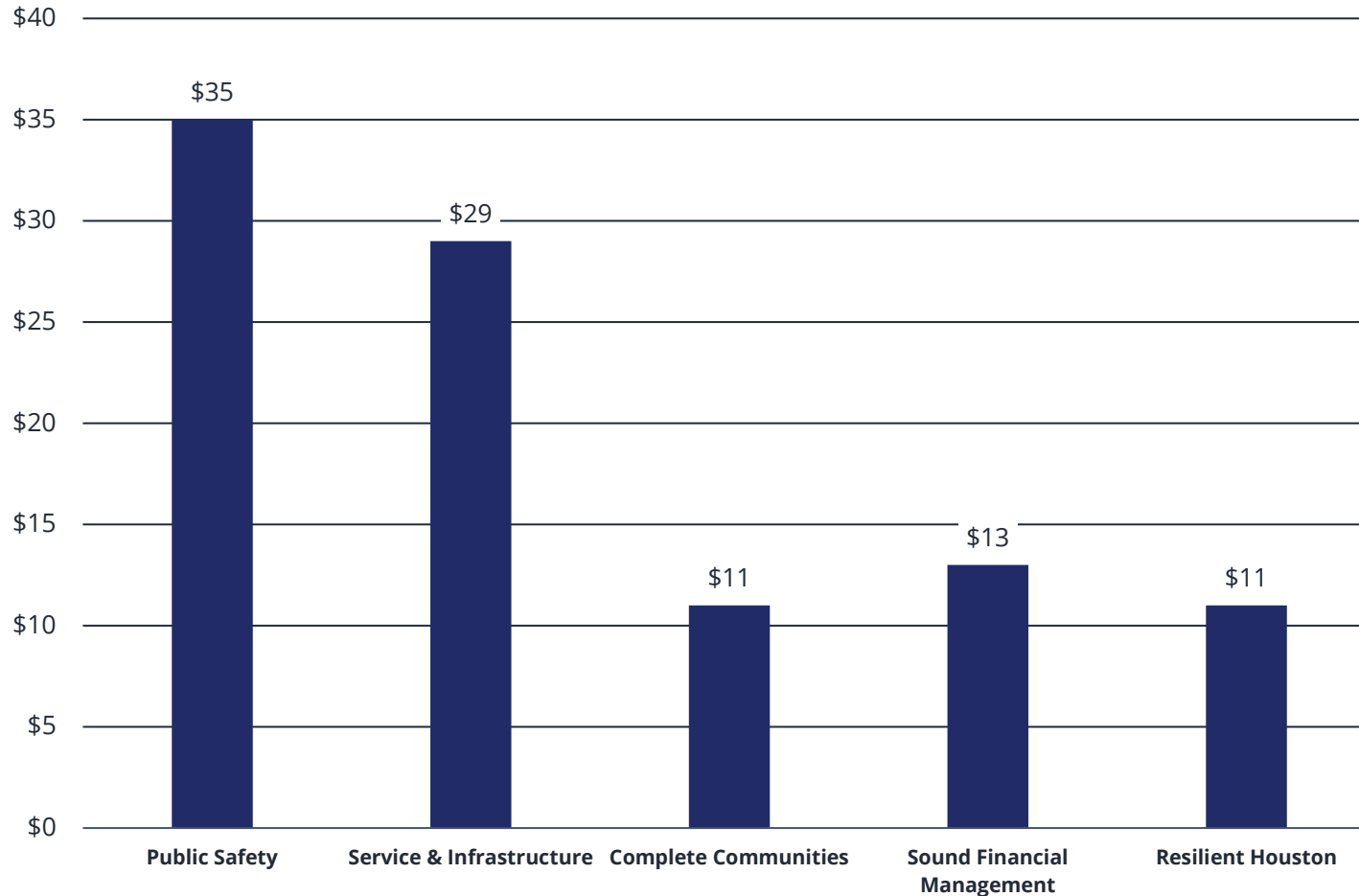
Performance

Measure Name	FY22 Actual	FY23 Target	FY23 Estimate	FY24 Target	Target Context



Survey Results Detail

Preferred Distribution of Funds Across Priorities



Question:

How would you distribute \$100 to enhance the services of the Mayoral Priorities?

Notable Observations:

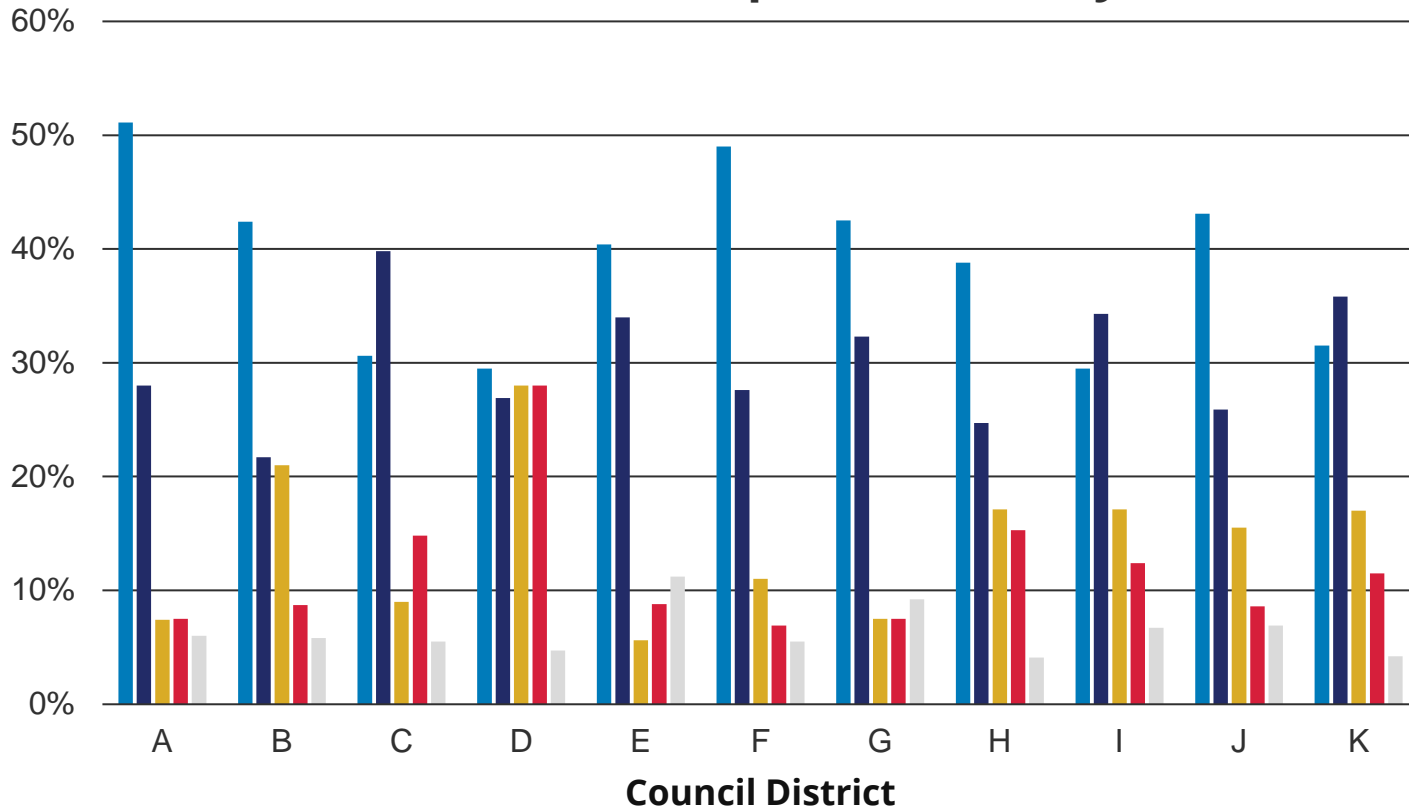
Houstonians below **34 years of age** outpaced other respondents in prioritizing Complete Communities and Resilient Houston.

Houstonians above **50 years of age** outpaced other respondents in prioritizing Public Safety and Sound Financial Management.



Survey Results Detail

Most Impactful Priority



Question:

Please select the Mayoral Priority that makes the most difference in your neighborhood (*select 1*).

Notable Observations:

Council District C has the highest response rate with **641** respondents.

Public Safety was identified as the priority that had the greatest impact across Council Districts **A, B, D, E, F, G, H, I, and K**.

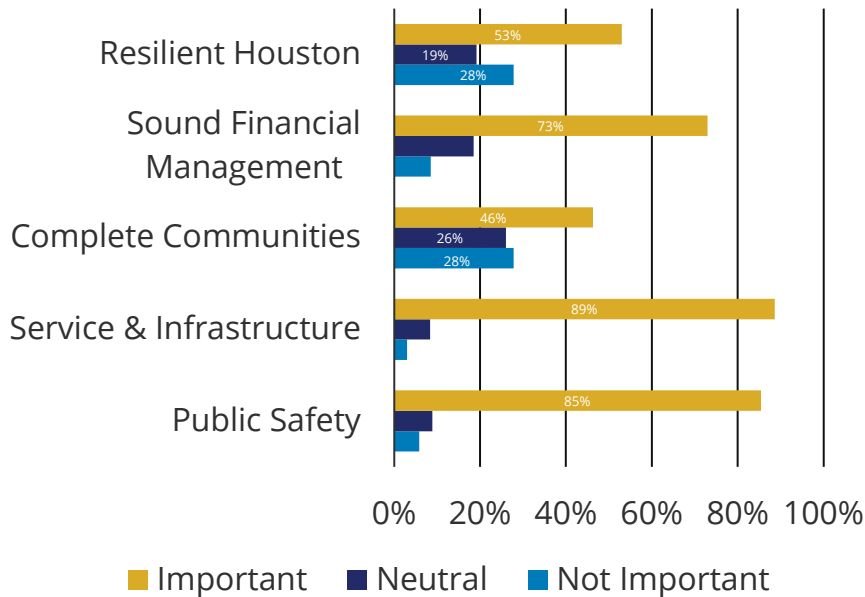
Council Districts **C and J** felt that the mayoral priority, Service & Infrastructure, had the greatest impact in their neighborhood.

- Public Safety
- Service & Infrastructure
- Complete Communities
- Resilient Houston
- Sound Financial Management

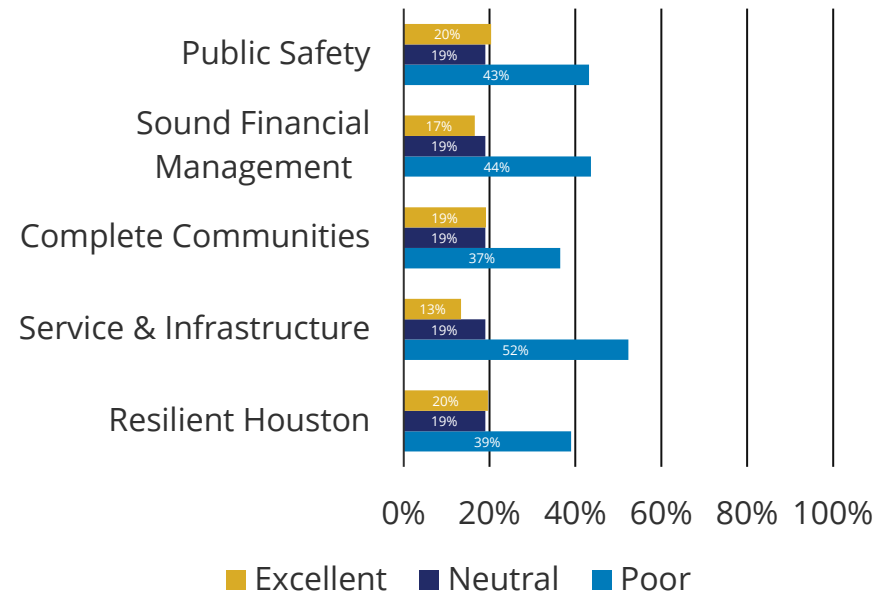


Survey Results Detail

Importance of Mayoral Priority



Performance of Mayoral Priority



Question:

Please indicate the importance of each Mayoral Priority to you on a scale of 1 (not important) to 5 (very important)

Notable Observations:

Council Districts B (43%), **D** (45%) found Complete Communities to be significantly more important than the average (26%) respondent.

Council Districts B (80%), **F** (82%) found Public Safety to be significantly more important than the average (70%) respondent.

Question:

Please indicate how you would rate the City's performance in providing each Mayoral Priority to Houstonians on a scale of 1 (poor) to 5 (excellent)

Notable Observations:

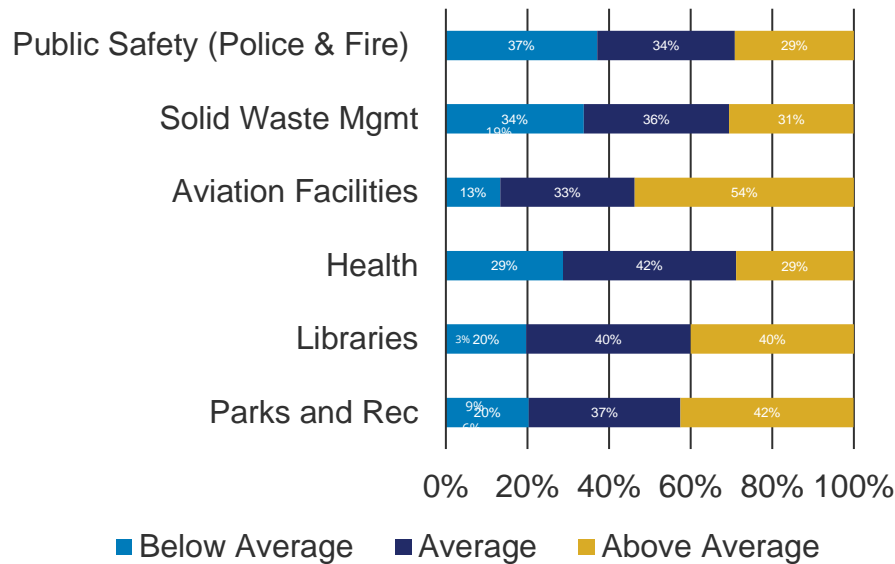
On average, **Council District E** rated the performance of each mayoral priority "poor" at 5% more than the average population.

On average, **Council District B** rated the performance of each mayoral priority "excellent" at 4% more than the average population.

Survey Results Detail



Public Facilities and Capital Infrastructure Quality



Question:
Please indicate how you would rate the City's public facilities and capital infrastructure in each of the categories on a scale of 1 (poor) to 5 (excellent).

Notable Observations:
In general, Houstonians responded that they felt that that majority of the City's facilities and public infrastructure were average (3) or above average (4). Aviation Facilities received the largest positive response.