



COUNTY ADMINISTRATOR

220 NORTH MAIN STREET, P.O. BOX 8645

ANN ARBOR, MICHIGAN 48107-8645

(734) 222-6850

FAX (734) 222-6715

TO: Yousef Rabhi
Chair, Board of Commissioners

FROM: Felicia Brabec
Chair, Ways & Means Committee

DATE: July 24, 2013

SUBJECT: Strategic Budget Priorities & Decision Principles

BOARD ACTION REQUESTED:

It is requested that the Board adopt a set of broad priority areas that will become the basis for an “investment policy” for all funds entrusted to the Board of Commissioners. These priority areas will be further defined by community outcomes – a set of characteristics that describe the desired future – to be achieved by each. Having been generated through a series of facilitated conversations during recent months, these priorities are as follows:

1. Ensure community safety net through health and human services
2. Increase economic opportunity and workforce development
3. Ensure mobility and civic infrastructure for Washtenaw County residents
4. Reduce environmental impact.

Specific strategies that advance these community outcomes will be identified, and measures of success will be developed in order to evaluate their effectiveness. This framework is referred to as *Community Impact Investing*.

It is further requested that the County’s budget is aligned with Community Impact Investing - whether the services are mandated or discretionary, delivered directly through departmental staff or indirectly through funded community partners.

Finally, it is requested that the Board directs the Administrator to lead a structured and transparent process, by which the paradigm of Community Impact Investing can be steadily, if incrementally, realized. That process is described in more detail below.

BACKGROUND:

For many years, Washtenaw County government has operated under the auspices of a two-year budget cycle. In order to provide improved stability for the organization, community partners, and residents, the Administrator has proposed moving to a four-year budget cycle. The Washtenaw County Board of Commissioners is scheduled to consider a four-year budget, covering fiscal years 2014-2017, in October 2013.

This budget represents the investment policy that defines, through intentional resource allocation, the way Washtenaw County government will serve the community, both directly through County Departments and indirectly through external partners. As such, this investment policy should be guided by a set of articulated priorities, and evaluated on measurable results. To develop the *Community Impact Investing* policy, the Board engaged in a series of facilitated conversations on March 7, May 16, and July 11, 2013, designed to generate consensus on the Board's priorities.

Those conversations resulted in the development of four broadly-stated priorities, which include: (1) ensure community safety net through health and human services; (2) increase economic opportunity and workforce development; (3) ensure mobility and civic infrastructure for Washtenaw County residents; and (4) reduce environmental impact.

Community Impact Investing represents a significant paradigm shift for the organization, and will require time to build capacity within the organization before full implementation is realized. Therefore, it is further requested that the Board directs the Administrator to engage the organization and service delivery partners in a structured and transparent process that incorporates the following elements and deliverables:

- By October 2013, the Administrator will present a budget in alignment with the Board's four priority areas. This budget will reflect the structural reductions that are required to resolve the projected deficit. The *Community Impact Investing* framework provides a disciplined, rigorous, and values-driven approach to making the difficult decisions inherent to resource allocation and re-allocation.
- The budget presented for adoption in October 2013 should also articulate a set of up to five "community outcomes" within each priority area. Community outcomes will be developed by teams comprised of representatives from, at least, the Board and staff, and will describe "what success looks like" in the context of residents' quality of life, as influenced by the County's investments and service delivery.

- During 2014, the paradigm of *Community Impact Investing* will continue to be enacted by refining strategies that advance the declared community outcomes. Measurements by which the strategies' effectiveness can be evaluated will also be prepared, and included as part of the fiscal year 2015 budget authorization.
- On an ongoing basis, the Administrator will provide regular updates (potentially quarterly or semi-annually) to the Board that not only provides a cash flow analysis, but also an evaluation of the County's services within the context of *Community Impact Investing*. The Administrator will offer recommendations on any resource allocation adjustments indicated at least annually.

DISCUSSION:

Washtenaw County's adopted budget should not be intended, nor considered, to be a static document. On the contrary, *Community Impact Investing* demands that the Board continue to engage with rigor and discipline to allocate, and re-allocate, resources over the course of the entire budget cycle in response to community needs and the demonstrable results of the services delivered. The power of *Community Impact Investing* is that it provides the framework and methodology for making decisions about services that are guided by the Board's values and evaluated on real performance data. Consideration of extending the length of the budget cycle makes increased sense in the context of Community Impact Investing, as demonstrable community change takes time to measure and achieve.

The Board's decisions throughout this, and subsequent, budget cycles will be challenging. Determining the proper portfolio of services that will achieve the desired community outcomes will necessarily require balancing competing interests within the constraints of available limited funding. Further, the Board must take into account any external factors that influence County Departments' capacity to deliver services. For example, County Departments that receive federal or State dollars have suffered significant revenue reductions; the Board will need to determine whether to sustain services provided by these Departments by increasing the allocation of local dollars. Again, *Community Impact Investing* provides practical tools to make these decisions based on programmatic merits and results, and assess alignment with the Board's core values.

Regarding the specific methodology of how these decisions will be made, the leadership of the Washtenaw County Board of Commissioners has developed the following set of principles to be used in evaluating the budget:

1. Impacts and outcomes drive investment priorities.
2. Services are delivered optimally by the right provider.
3. Social and financial returns on investment are articulated and calculated.

4. Programs are evidence and performance-based.
5. Mandates that support outcomes and impacts are better funded.
6. The excellence of the County's internal workforce is foundational.
7. Programs and services should be encouraged to achieve the triple bottom line of financial returns on investment, contribution to social equity, and reduction of environmental impact.

IMPACT ON HUMAN RESOURCES:

This document shall be used as the framework for determining, adjusting, or affirming County Human Resources.

IMPACT ON BUDGET:

This document shall be used as the framework for determining the Board-approved budget for Washtenaw County.

IMPACT ON INDIRECT COSTS:

None

IMPACT ON OTHER COUNTY DEPARTMENTS OR OUTSIDE AGENCIES:

This document shall be used as the framework for determining, adjusting, or affirming County investments in all County Departments and outside agencies.

CONFORMITY TO COUNTY POLICIES:

The requested Board action conforms to all County policies, and supports all seven of the County's Guiding Principles, which are as follows:

1. Ensure long-term fiscal stability for the County.
2. Reduce the cost of conducting the County's business.
3. Enhance customer service.
4. Provide the necessary knowledge, skills and resources to County employees to carry out these principles.
5. Ensure adequate provision of mandated services.
6. Focus on the root causes of problems that affect the quality of life of County citizens by aggressively pursuing prevention strategies.

7. Provide leadership on intra-governmental, inter-governmental and inter-sectoral cooperation and collaboration aimed at improving services to County citizens.

ATTACHMENTS:

- Resolution
- Budget Priorities document