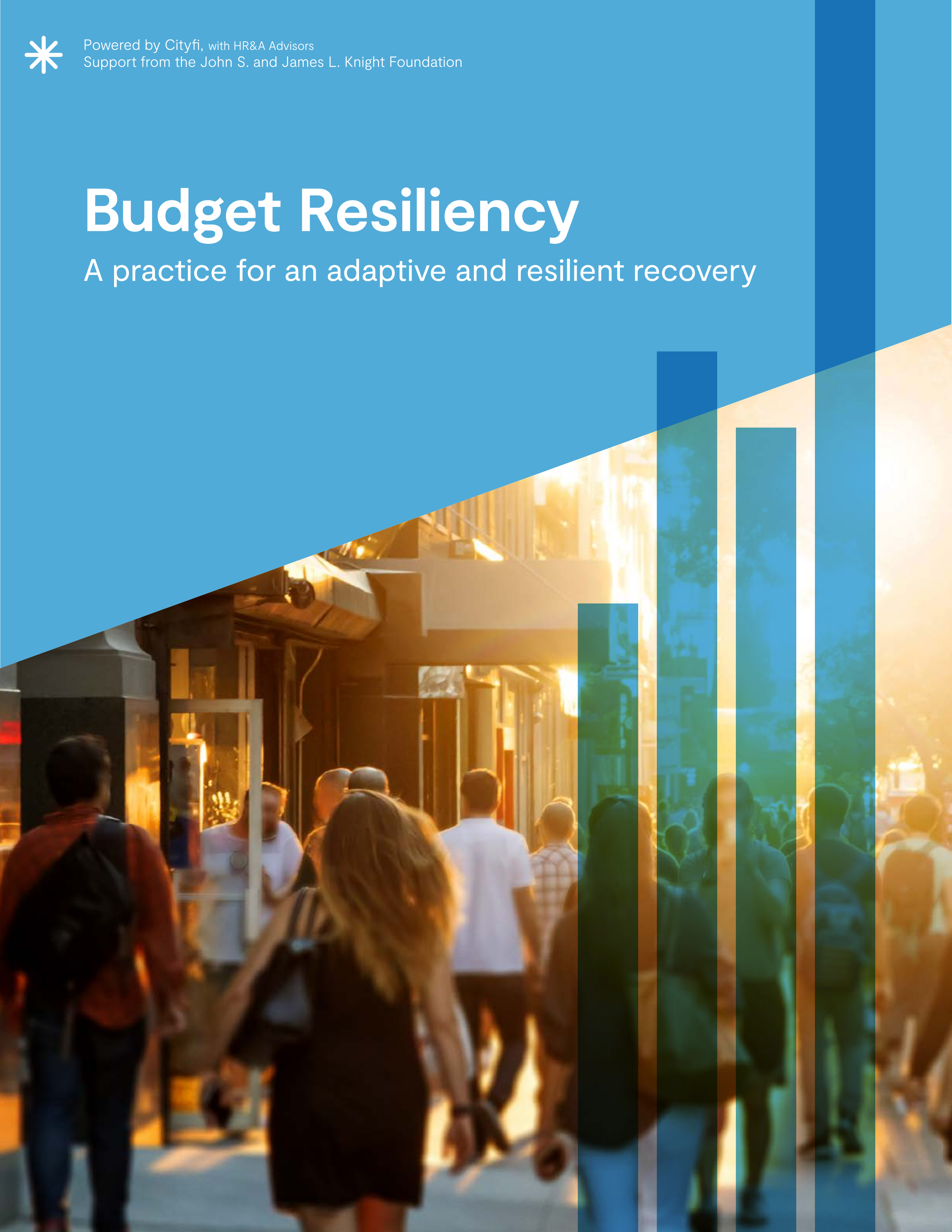
Powered by Cityfi, with HR&A Advisors
Support from the John S. and James L. Knight Foundation

Budget Resiliency

A practice for an adaptive and resilient recovery



Contents

1.0 Executive Summary

Cities have long been at the forefront of providing day-to-day services and ensuring community support - and always doing so with a balanced budget. Covid-19 has brought an incredible challenge: cities must provide more services while suffering from a drop in revenue. Meanwhile, important conversations of race and social justice have - appropriately - risen to the forefront in city's conversations and processes, especially around how money is allocated.

At this convergence arose the Budget Resiliency Workshop, a program with the five cities of Philadelphia, Detroit, St. Paul, Miami, and Macon-Bibb County, GA, to work together toward building more resilient communities one budget decision at a time. This report is a summary of lessons learned and key takeaways from that program and provides recommendations to build a practice of budget resiliency for cities beyond the cohort participants. Budget resiliency is the practice of equitable planning, collection, allocation, and distribution of revenue and programmatic spending to support long-term sustainability and equity in communities.

This report presents four budget resiliency practice areas. As you read this report, consider which city departments should be working on each area. And while the budget office is a central figure to this effort, consider which city departments are at the table, as other departments are critical in contributing to innovative and equitable decision making. From departments of transportation or public works, to departments of information technology, budget innovation and resiliency can and should come from multiple agencies across government.

Budget resiliency is the practice of equitable planning, collection, allocation, and distribution of revenue and programmatic spending to support long-term sustainability and equity in communities.

Key elements to consider when developing a budget resiliency practice.

Equitable Budgeting

Equity must be at the front and center of budget resiliency. Equity in budgeting means considering where funding comes from, how it is allocated, where it is spent, and who is impacted in order to drive more and longer-term equitable outcomes for the community.

- Focus resources on the needs of the city's most vulnerable people. First think about outcomes and what they are trying to achieve.
- Consider programmatic strategies to help ensure desired outcomes such as equitable project procurement and hiring, involuntary displacement prevention, and opportunity neighborhood creation.
- Ask how does the city's budget *process* intentionally recognize equity as a decision-making element? Consider asking city departments questions such as "how does this proposal advance equity in the city?" or "how and when will you ensure accountability, evaluation of efforts, and communication of results?"
- Assess who is at the table making decisions.

New Revenue Generation

An important consideration for greater resiliency within a city's budget is to identify new and innovative revenue sources. How can cities think about new revenue generation? Two ways: develop new revenue, and grow existing revenue sources.

- Conduct a high-level inventory of assets and services, and how funding can be leveraged from it (e.g., leasing, advertising, fines, permits, usage fees, etc.).
- Consider opportunities for new revenue with activity in the right of way or land use, including underutilized land, permitting processes, and access to the curb and parking.
- Ensure public trust and equity are built in your new concept -- consider where the revenue is coming from, and make sure communication focuses on connecting new revenue to the policy goals of the city.
- Weigh your costs and benefits: new revenue policies can be time-consuming for staff and elected officials, and may require political capital.

Cost Savings and In-Kind Opportunities

Times of budget shortfall can lead to extremely challenging decisions that are not always a one-size-fits all approach. When looking to decrease budgeting levels, consider the following:

- Assess and understand the true value of your programs before changing levels of service.
- Collaborate with third parties to do more with less with efforts to co-create, co-work, and crowdfund.
- Use data to identify efficiencies and assign metrics at the onset of the budget process, with performance indicators to help with future determinative cost saving measures.

Utilizing Partnerships

Partnering with third parties such as academia, companies, foundations, and non-profit institutions is a helpful way to increase resources and drive cost savings.

- Notwithstanding the potential benefits that creative partnerships can deliver, make sure to ask the right questions at the beginning of the process:
  - What is the plan to operate and maintain the partnership deliverables? How can knowledge transfer occur between new parties or individuals involved?
  - If the city has offered free or discounted use of a city asset, is the value of that asset truly understood? What is the value today, versus next year, or in five years?
  - Treat the partnership like a normal project: identify a project or program manager and regularly update leadership.
- Equity in partnerships is important, so it's critical to ask questions such as the following: Who are you partnering with? Is it possible to open up this opportunity to others? Cities should explore partnerships beyond the "usual suspects" and ensure that the opportunities to partner with the city can be distributed in an equitable manner.

Big Picture

Cities should have shovel-ready and shovel-worthy projects that have nothing to do with shovels. As the Biden administration prepares to roll out the American Rescue Plan, cities should have programs and priorities identified for support in the near-, mid-, and long-term to be prepared for additional federal funding. What would it take to quickly deploy those services?

In addition, cities should create a balanced portfolio of projects to ensure a more sustainable budget. This means leveraging assets and services that reflect a comfortable mix of risk and reward, as well as speed of return on investment. For instance, some revenue opportunities will be riskier but potentially higher reward; some may provide an immediate return but be less sustainable than a revenue source with a longer uptake process. Creating a budget that reflects this diversity will help cities balance where they place their bets and minimize overall risk.

Finally, process is important. Whether or not a city has a budget shortage or a budget excess, the process is critical to ensure the budget benefits entire communities. Budget resiliency practices will benefit cities this year and in future years by ensuring cities are more agile in times of unforeseen crisis, and will also help provide cities with a structure to promote and provide equitable services.

As mentioned, this report further details further the recommendations to build a practice of budget resiliency for cities. Each section will highlight key takeaways as a starting point so that city staff and stakeholders can cater them to their local needs and processes. The exploration of this work should continue as much is left to learn, including how cities can better measure outcomes and drive social impacts as a result of budgeting decisions.

"Don't tell me what you value, show me your budget, and I'll tell you what you value."

—President Joseph R. Biden

2.0 Introduction

As 2021 turns a corner, it does so with a need to recover from a public health and economic crisis that has significantly impacted our cities. The economic impact of Covid-19 has reduced revenue, while responding to increased need has required additional resources. In addition to the onset of a pandemic, 2020 brought a central focus to race and social justice. Communities are reexamining policies, regulations, and budget decisions to address racial inequities.

Indeed, our budgets are a reflection of our values, and in an age of compounding and cascading crises, our budgets are central to ensuring an equitable recovery. Serving as a backbone of this work, city budget offices have operated through a most challenging budget environment, with uncertainty of when the economy will recover, as well as the need to increase public health services and better support small businesses. This has all taken place while a pandemic physically altered how cities provide services and convene to make decisions.

Budget resiliency is a critical component for adaptive and equitable recovery. Recognizing the immediate need to innovate and collaborate in order to ensure this type of recovery, the Knight Foundation provided Cityfi, with support from HR&A, a grant to bring together five cities/counties to participate in a cohort supporting their leadership:

- **Detroit, MI**
- **Macon-Bibb County, GA**
- **Miami, FL**
- **Philadelphia, PA**
- **St. Paul, MN**

The Budget Resiliency Workshop offered guidance and support for cohort participants with a focus on equitable budgeting, innovative ideas for new revenue generation and partnerships, and creative methods to garner cost savings and increase efficiencies. In the spirit of learning from one another, this report reflects the lessons learned and key takeaways from the workshop that can be shared with other cities as a way to promote positive change in our communities.

2.1 Core Values

At the onset of the workshop, core values were identified as principles to guide the generation of new ideas and programmatic changes.

Equity and Social Cost and Return on Investment

Equity serves as a North Star for how cities think about their budget process and investment in their communities. Equity in budgeting is about making thoughtful decisions and considering where funding comes from, how it is allocated, where it is spent, and who is impacted in order to drive more and longer-term equitable outcomes for the community. It is also about better understanding whether the dollars allocated and spent are actually producing intended outcomes meant to more equitably serve vulnerable and marginalized residents. It means promoting the resident's voice in the budget process when determining where monies are invested. Consider the full picture of budget decisions in your process—not just the economic benefits or incentives—as well as how overarching values and goals can best be aligned with where and how money is generated and spent.

Protecting Vulnerable Communities

Cities have an obligation to protect their most vulnerable and to understand what assets and services these communities most rely upon. This also means considering the impacts on vulnerable communities in generating new revenue, or creating cost savings. Cities also need to determine how residents' voices are intentionally brought into the allocation and planning process in order to devise how funding can be used to equitably invest in neighborhoods that may not traditionally see infrastructure improvements, improved amenities or increased programming. This especially needs to be underscored during times of social and economic crises, such as Covid-19 and the social unrest of 2020, as vulnerable communities are disproportionately bearing the negative impacts of these crises.

Data and Metrics

The importance of leveraging data and metrics to measure progress toward desired outcomes cannot be understated in the budgeting process. Without a data-driven baseline, it is difficult to determine if gaps exist in assets and services, and more importantly, if the outcomes align with values. Particularly when resources are constrained, shifting (or even simply continuing) resources to one program can deny the opportunity of resources for another. It becomes difficult to make hard trade-offs in budgeting without data-driven information driving the process. Data and predictive analytics should be a core foundation that fuels a city's budgetary decision-making, ensuring that resources are driving the intended outcomes.

Cross Departmental Work

The budget office is one part of city government that inherently connects to all other departments. Therefore, budget offices have the unique opportunity to catalyze cross-departmental improvements, as they have access to each department's programmatic needs. Budget offices can also identify citywide practices to prioritize more equitable budgeting. Ultimately, this cross-departmental work can help cities make more strategic decisions as to how they are collecting and spending revenue in order to better and more equitably meet the needs of the community.

Innovation

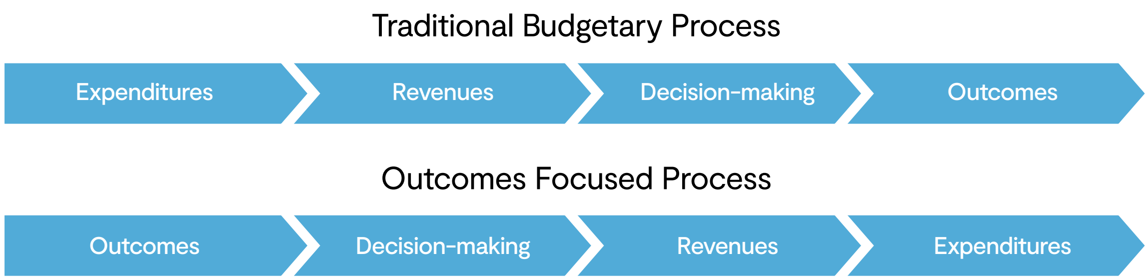
A necessary part of budget resiliency is a willingness to be creative, pilot ideas with the understanding that some will fail, and take on informed risk in order to understand the levers an individual city has to generate new revenue or cost saving measures. This program leans on a belief in testing and iterating upon strategies to produce both short-term wins and longer-term outcomes for a city's budget and the community.

3.0 Practice Areas for Budget Resiliency

3.1 Equitable Budgeting

When creating a more resilient budget that responds to community needs, examine how budgets impact the ability to align with core values and deliver on desired outcomes. By learning from other cities that are putting their values of equity and inclusion into practice—including by understanding trade-offs and real-life obstacles—cities can better determine what equity in budgeting means to their city.

Focus resources on the needs of the city's neediest and most vulnerable people. In order to secure an equitable budget, first think about the outcomes they are trying to achieve.



While a traditional budget lens uses available revenue as the key criteria for making funding decisions, an outcomes-focused approach will first consider what community needs are most critical to be met in order to determine where and how revenue can be equitably spent.

When a city can examine its desired outcomes, city staff can then tie those goals to programs that money should be allocated toward. Further, as a city's budgeting process unfolds, applying data-informed rigor and structure to an equity-based analysis of programming will ensure there is a connection between a city budgeting process and equitable outcomes.

Consider the following programmatic strategies to help ensure desired outcomes for communities through equitable resource allocation:

- Equitable project procurement and hiring
- Equitable design and programming
- Opportunity neighborhood creation
- Collective investment and ownership
- Involuntary displacement prevention
- Protection of cultural heritage and small businesses

Involuntary Displacement Prevention Tactics

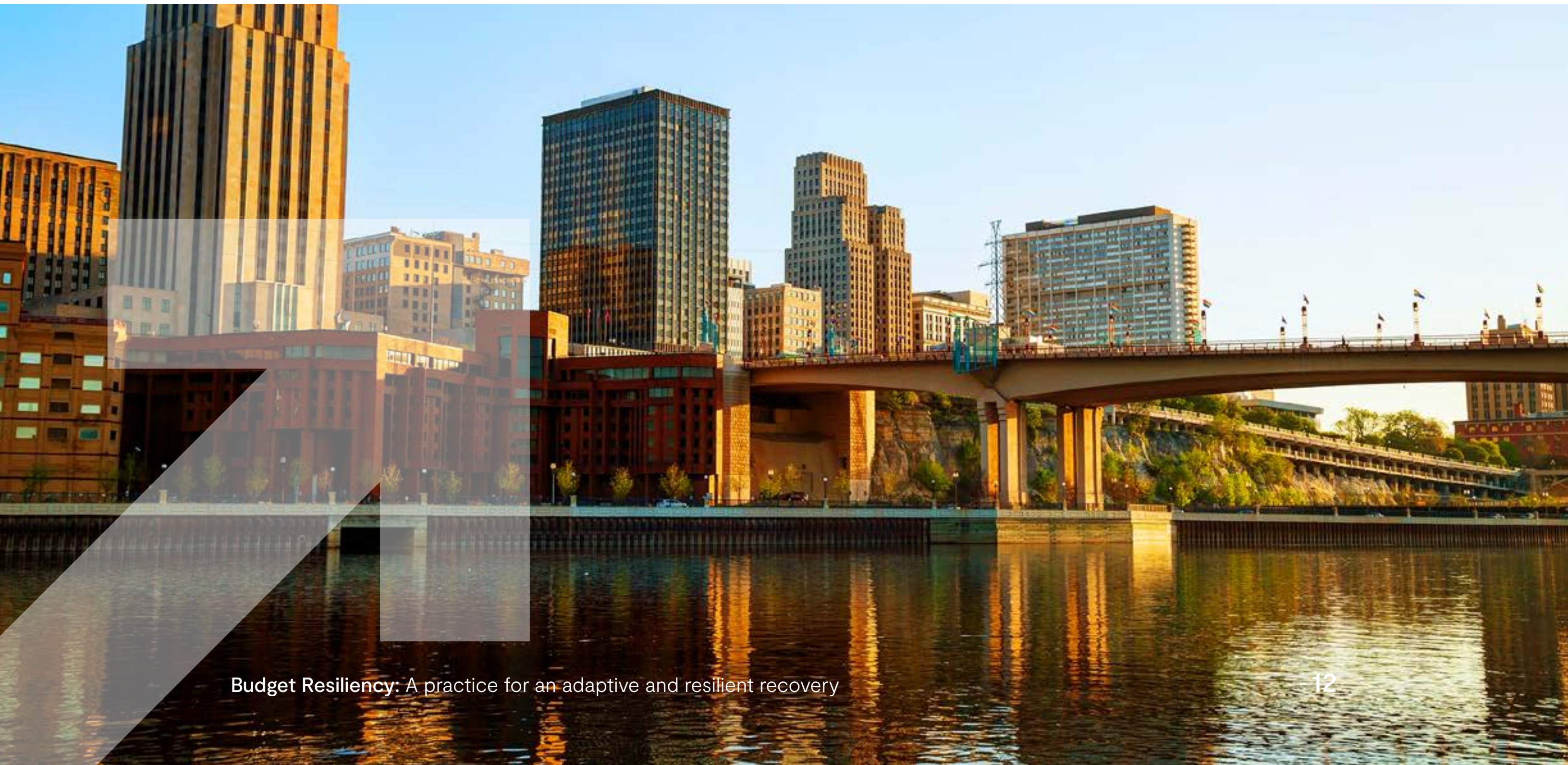
- Property Tax Freeze for At-Risk Longterm Owner Occupants
- Land Trust Aquisitions
- Expanding Neighborhood Stabilization Overlays
- Accessary Dwelling Units Zoning Overlay

Another key element in equitable budgeting is intentionally assessing who is at the table and making decisions. Decision-makers – whether elected officials, appointed representatives, municipal staff, and/or the general public – must be equipped with the information they need to advance community priorities. While transparency is a critical element, transparency by itself does not guarantee accountability or ensure equitable decision-making. Rather, think about the wide range of elected appointments and how resident populations align with and are represented by those positions. Further, cities should consider to what extent current public participation promotes participation in local governance decisions beyond regular elections.

Budgeting should not be an exercise in incrementalism or operational budget carve outs for choice priorities. Rather, strategically and proactively align equity goals to the commitment of resources and capital investment, signature programming, labor relations, and departmental operations.

A critical component of equitable budgeting is the ability to identify how your budget office can improve *processes* that can in turn offer a path to more equitable outcomes. One of the unique advantages of a central budgeting office is that a change in processes can have a cross-departmental impact that breaks silos in the department world of city bureaucracy. For example, the budget office at St. Paul asks the following questions for each department's budget submission in order to promote equitable outcomes for future resource allocations:

- How does this proposal advance equity in the City of St. Paul?
- How does this proposal impact employees?
- How do the impacted programs and services address equity?
- Are there any neighborhoods disproportionately affected?
- What steps can be taken to ensure equitable public participation?
- How and when will you ensure accountability, evaluate, and communicate results?



These questions are asked of departments at the beginning of the budgeting process, which requires agencies across the city to consider how to embed equity within their program principles as part of the funding approval process. It also serves to communicate across all departments the importance of equity as a core value, and is embedded in the budgetary decision-making process.

While tools such as St. Paul's budget equity questions exist, it cannot be overstated the difficulty cities face in measuring and ensuring that their intentions to promote equitable outcomes actually manifest into change for the community. Most cities grapple with questions about how they will know if equitable outcomes have been achieved, even if budget decisions are made through a process focused on equity. Cities wonder if they are addressing the root cause of equity disparity and systemic racism, or if they are simply addressing the issue at the surface level. Finding the answers to these questions will be critical in effectuating equitable budgeting in a meaningful way, and a mission that will no doubt be iterated on throughout 2021 and beyond.

CASE STUDY

Seattle Race and Social Justice Framework

The City of Seattle has experienced a transformation over the last two decades to rapid economic and population growth. Seattle has also experienced a bifurcation in wealth, rising housing costs, and an increase in homelessness. As a result, The Office of Civil Rights developed a racial equity toolkit to pursue the goal of eliminating racial inequity in the community. The Racial Equity Toolkit asks specific questions and sets a process to guide the development and implementation of policies, programs and budget issues.

These questions include:

a. *Who will this policy impact?*
b. *What are the root causes of the problem?*
c. *What are the structural barriers involved?*
d. *Where is systemic racism showing up?*

The complete process[1] includes six steps.

Step by Step

The Racial Equity Analysis is made up of six steps from beginning to completion:

1. **Set Outcomes.** Leadership communicates key community outcomes for racial equity to guide analysis.
2. **Involve Stakeholders + Analyze Data.** Gather information from community and staff on how the issue benefits or burdens the community in terms of racial equity.
3. **Determine Benifit and/or Burden.** Analyze issues for impacts and alignment with racial equity outcomes
4. **Advance Opportunity or Minimize Harm.** Develop strategies to create greater racial equity or minimize unintended consequences.
5. **Evaluate. Raise Racial Awareness. Be Accountable.** Track impacts on communities of color over time. Continue to communicate with and involve stackholders. Document unresolved issues.
6. **Report Back.** Share information learned from analysis and unresolved issue with Department Leadership and Change Team.

1 https://www.seattle.gov/Documents/Departments/RSJI/Racial%20Equity%20Toolkit_FINAL_August2012_with%20new%20cncl%20districts(0).pdf

3.2 New Revenue Generation

A key tool for greater resiliency within a city's budget is to identify new and innovative revenue sources. While finding new revenue is an appealing and sustainable option for shoring up a budget–especially one in turmoil or freefall–a city also has to consider that while the reward can be high, the design and implementation of new revenue opportunities can be difficult. However, cities that are willing to reframe their thinking about assets and services have the potential to unearth new revenue sources that can help stabilize a city or department's budget during difficult times.

How can cities think about new revenue generation? There are primarily two avenues: developing new revenue, and/or growing existing revenue. Examples of generating new revenue include:

- Optimizing current operations
- Finding new uses for existing assets
- Right-sizing operations and capital assets to only maintain what your city needs
- Enhancing existing services so that their value and revenue potential can also be increased

Likewise, growing existing revenue to generate new funds can be advanced through efficiency tactics like:

- Reducing process friction for customers
- Increasing collections of dues
- Responsive pricing (e.g., demand-based fees for parking, or offering expedited services for those willing to pay more)

What are a city's revenue sources?

Fees | Fines | Taxes | Sponsorship/ Advertising | Disposal | Concession | Grants/ Stimulus

Cities across the country, large and small, have tried various approaches when identifying new revenue sources. These ideas include developing micromobility programs as a way to increase mobility options while garnering new fees (Miami); expanding advertising initiatives (Miami and Detroit); producing revenue from the public right-of-way as an asset (e.g., utility companies; rental fees for event use); leveraging speed cameras near schools to promote revenue and increase safety (Macon-Bibb County, GA); and putting greater pressure on developers to invest in public infrastructure improvements (Miami and Detroit).

Without question, most cities can acknowledge that taxes are a lucrative revenue source, but one that can be an uphill climb due to legislation and political will. For instance, in 2017, Philadelphia implemented a soda tax that required the City to think through political interest, operationalization, and disproportionate impacts to certain communities in exchange for the increased revenue. Ultimately, success with new revenue programs is dependent on many localized factors, including political means, market receptiveness, customer needs, and internal capacity to administrate.

REFRAMING ASSETS AND SERVICES - EXAMPLES

ASSETS	NEW USE	NEW REVENUE	EXAMPLE CITY
Curb Space	Mobility hub	Lease payment, advertising	Pitsburgh - Move412
Public Space	Outdoor seating, recreation	Permits, advertising	Chicago - Chicago Riverwalk
Vacant Land	Popup eatery, parking, redevelopment	Lease, sale	Seattle - Mercer Mega Block
Parking and Enforcement	Automated enforcement	Fines	Washington D.C.
Streetlights	Technology hub	Lease, usage fee, power production	Los Angeles - EV Charging
Buildings	Energy management, outlease	Utility payments, lease	New York City

Also consider where and whether new revenue opportunities are worth pursuing depending on the needed speed of return for the investment. Some new revenue generation opportunities are complex and require time to develop policy and community input/support, but will lay a sustainable foundation for revenue in the future (e.g., a new advertising program that funnels dollars to an enterprise fund, or a per-ride tax on transportation network companies). Other tactics are better situated to help address a crisis like Covid-19, as they can be implemented relatively quickly (e.g., increasing automated parking enforcement). Ideally, every city should create a portfolio that is balanced across these various time horizons to promote both informed risk-taking for potentially high reward investments, but also resilience against programs that are intended to generate new revenue but are ultimately not successful.

Equity in Revenue Generation

When thinking about new revenue streams, asking questions at the forefront can promote equitable outcomes. Do policy makers have an understanding of what communities would be affected by a fee increase on an asset or permit? Are your residents comfortable with where the new revenue is coming from, such as certain businesses, utility companies, or the public? Also consider how new revenues can be distributed in an equitable manner. For example, revamping or creating an advertising program should be equitably distributed to ensure vulnerable neighborhoods are prioritized for amenity and infrastructure upgrades.

When thinking of new revenue options, an initial action item should be conducting a high-level inventory of assets and services, determining what their reinvented or expanded use(s) could be, and understanding how funding can be leveraged from it (e.g., leasing, advertising, fines, permits, usage fees, etc.). Some assets are tangible—curb space, fleets, buildings, streetlights—and can create revenue through new, upgraded, or reconfigured uses such as mobility hubs, outleasing, and more efficient energy management.

Another approach to explore is considering new markets for revenue potential such as delivery and technology companies, real estate/developers, telecommunications and utilities, and logistics carriers.

New Revenue Streams - Target Markets

Delivery and Tech Companies

Access to curb space & parking

Logistics Carriers

Access to curb space & parking

Real Estate/ Developers

Underutilized land & permitting process

Telecoms & Utilities

Access to right of way & physical infrastructure

What's the Feasibility of a Revenue Generation Idea?

- **Financial Impact:** What is the revenue potential? What are the upfront costs to implement? What are the ongoing operating costs?
- **Stakeholder Alignment:** Are external partnerships needed? What collaboration across internal departments is necessary?
- **Political Barriers:** Does this revenue idea align with mayoral priorities and policy goals? Does it touch any hot button political issues?
- **Public Interest:** Is there either local interest in or opposition to this project?
- **Legal Authority:** Does the authority exist to implement this project, both locally and through the state? Is there interest in or political capital required to pursue any necessary new legislation?

KEY CONSIDERATIONS

TRANSPARENCY AND TRUST IS KEY

Public trust and equity must be applied in generating new revenue for a city. Ensuring transparency and communication about new revenue helps to bridge trust gaps between a city and the community, and when done properly, can also help address equity challenges that arise in the distribution of funds. Communications should focus on making a clear connection between the new revenue and the policy goals and values of a city.

WEIGH YOUR COSTS AND BENEFITS

Generating new revenue, or growing current revenue, is one of the most sustainable, lucrative avenues for a city to supplement its budget. But it can also be a time-consuming, and in some cases, difficult process. Identify *why* the city is proposing to generate a new stream of revenue, and what the associated *costs* are (e.g., operational, political capital, etc.). By examining both the benefits and potential drawbacks to a new revenue source, a city can determine if the price is right for the return on investment.

KNOW WHAT YOU HAVE TO WORK WITH

New revenue generation typically starts with a clear understanding and inventory of a city's assets and services, which can then be leveraged through data and analytics to make better decisions about their use. Embrace a willingness to explore innovation and pilot new ideas. By taking this approach, cities can bravely imagine how they can generate new funds through repurposing, expanding, making more efficient, and/or integrating technology into existing assets and services. In many cases, major upfront costs and capital are not required - just creativity.

CASE STUDY

City of Los Angeles: Street Light Conversion and EV Charging as a New Revenue Opportunity

In 2019, the City of Los Angeles passed their "Green New Deal," which set a goal of having 100,000 electric vehicles in the city by 2025. However, reaching this goal became problematic because nearly two-thirds of Los Angeles residents rent, which makes it difficult to access charging infrastructure. In response, the City looked to street lights as a solution. The City converted some of their street lights to LED, which led to an annual savings of $9M, in addition to freeing up capacity on each light pole. As a result, 400 street lights were outfitted with electric vehicle charging infrastructure, which provided a new revenue source for the City, as drivers now pay $1-2 an hour to charge their car. Eight hundred solar panels were also directly connected to the electric grid, which resulted in the City also getting paid for the electricity generated. While this program only covers a small fraction of the 220,000 street lights in L.A., it exemplifies how policy, partnerships and technology can monetize assets and generate new revenue.

Street light outfitted with electric vehicle charging infrastructure in Los Angeles. Credit: Electrek

INSIGHTS

Stephen Goldsmith, Professor at the Harvard Kennedy School and former Mayor of Indianapolis, and Lois Scott, former Chief Financial Officer for the City of Chicago

Scott and Goldsmith are two leading authorities on how to use innovation to find new or expanded revenue sources for cities. They emphasize how important it is to be transparent and communicative with the public about why new revenue is being raised, how it is being raised, and how it is spent. This will showcase the value of generating the funding and increase trust between community and government. Goldsmith also promotes strategies such as creating a dedicated office within a city to find cost savings and leveraging data and predictive analytics to make better decisions about spending.

Strategies and Ideas to Consider by Department

Transportation and/or Public Works

- Meter reading and management
- Abandoned vehicle operations
- Towing operations (street towing, accident tows)
- Parking enforcement
- Road, street, guard rail, and bridge maintenance

General Services and Administration

- Solid waste collections
- Energy audits
- Pension audits and administration
- Real property management and disposal
- Capital asset disposition and management
- Travel management services
- Workers' compensation administration
- Consolidating janitorial services

Budget and Finance

- Tax collections
- Risk management administration
- Accounts payable and receivable
- Fleet maintenance
- Facility management

Office of the Auditor

- Internal audits

Environment and Sustainability

- Hazardous waste clean-up services
- Environmental inspections

Information Technology

- Telecommunications audits
- Hardware deployment
- Information systems management
- Data center management
- Software development
- Website development and hosting

Parks and Recreation

- Grounds maintenance
- Warehouse operations and supply management
- Food services
- Housekeeping/janitorial
- Golf courses
- Parks management
- Swimming pool operations
- Conference centers
- Marina management

3.3 Cost Savings and In-Kind Opportunities

Budget resiliency seeks to not only generate new funding, but to also find cost savings as a way to create longer-term financial sustainability. In short: how can cities understand the true value of programs while still exploring opportunities to create efficiencies and recoup costs?

As cities are bound by the obligation to create balanced budgets, times of crisis and economic shortfalls can lead to extremely challenging decisions that are not a one-size-fits-all approach. Consider the following when looking to increase efficiencies:

ASSESS: Cities should understand the true value of programs before considering service level changes. Make sure information is up-to-date or based on prior experience.

COLLABORATE: Employ the tools of the sharing economy to do more with less (co-creation; co-operatives; co-working; crowdfunding; open sourcing). Cities should also consider collaborating with regional jurisdictions, including on operational needs and resourcing.

USE DATA: It is more important than ever to utilize data to identify efficiencies. Assigning metrics at the onset of the budget process with performance indicators will also help for future determinative cost savings measures, particularly on non-capital projects and programs. Leveraging data is also critical for budget equity, including being able to track whether or not programs are actually creating their intended impact in a community, as well as communicating this progress to residents.

CONSIDER COMMUNITY IMPACTS: City services do not necessarily impact the community evenly. Therefore, considering equity and disparate impacts of budget cuts is an essential step, which Covid-19 has underscored even further. For instance, Detroit's experience with decision making around budget reductions looks very different from 2008 (when the City declared bankruptcy) as compared to now, based on both previous cuts and the available data to understand community performance. Similarly, Philadelphia's Office of Diversity and Equity created a Budget Equity Committee in May 2020, which meets weekly with the budget office to review proposed budget cuts and their potential impacts.

When considering cost savings within particular departments, public safety is often a significant portion of a city's budget because of the size of the portfolio, which includes fire departments, EMS providers, and police departments. For instance, according to a 2020 report from The Center for Popular Democracy, cities spent anywhere between 20 to 45 percent of their discretionary funding on police departments alone.[1] Further, as public safety services have evolved in recent years, fire departments are now responsible for much more than simply putting out fires. Thinking creatively and collaboratively around a city's social services requirements can not only serve the community better, but it can also save costs. For example, city departments can better collaborate with hospitals to provide service and care in order to lessen the frequency of 911 calls and hospital readmissions.

Another opportunity to capture cost savings is building toward a consolidation of general services. Rather than multiple departments providing their own administrative, facilities management and technology services, efficiencies can be gained by consolidating this to a unified group or department. For instance, Detroit created a General Services department shortly after the City declared bankruptcy, consolidating services such as building maintenance and security guards. This significant lift of political and staff capital on the front end resulted in significant savings for the City.

1 https://www.populardemocracy.org/sites/default/files/Freedom%20To%20Thrive%2C%20Higher%20Res%20Version.pdf

CASE STUDY

Houston, Texas: Project Ethan
[Ethan = Emergency Telehealth and Navigation Program]

The City of Houston had a growing population and an increased number of EMS calls. These calls came from many residents who were uninsured, lacked adequate transportation options, and held misconceptions of public safety. As a result, the public health system suffered inefficiencies, including reduced quality of care, increasing costs, and specialized resources. To remedy these challenges, the City of Houston put into place Project Ethan, or the Emergency Telehealth and Navigation Program, which was a new collaboration between major area hospitals and EMS within the fire department. The City created databases, continuity of care, and better managed individual insurance information at specific hospitals. The program also focused on reducing the number of unnecessary transports, improving unit availability and dispatch times, focused on emergencies, connected patients with a medical home, and improved quality while reducing costs.

Cost Savings Spotlight: Capital Asset Management

To better manage real estate assets as a sustainable revenue source, consider how to optimize asset management. First, a city should know its assets. Ideally, a comprehensive database of all city assets that is up-to-date and transparently reported is beneficial. To increase efficiencies, assess contractual management by regularly paying or collecting rent on the asset, as well as renewing contracts in a timely manner. Also, evaluate service delivery to determine whether or not assets align with equity-based outcomes and public benefits. Finally, promote a mandate that empowers staff to identify synergies that can lead to cost savings. Over time, the identification of synergies should not only be encouraged but operationalized into the capital planning process.

Seek to understand the context of a city's assets.

This is more than just knowing that a city's physical assets exist, but taking it a step further and understanding the context of a physical asset within a neighborhood, community, or culture. For instance, if a city owns a shuttered theatre that is also a remnant of a neighborhood's historic culture, the city may want to reimagine that space in a way that connects to its previous use, while also adjusting for market conditions. Similarly, if a city owns an old jail or prison, consider redeveloping the space as a community center.

Identify under-utilized spaces and use them to achieve citywide objectives.

Tie citywide priorities to redevelopment efforts. If there is a need to bolster affordable housing stock, cities can consider selling land to developers under the condition that they reserve a portion of their development for affordable housing units. Similarly, if a city has a brownfield that is too expensive to remediate, consider building a solar or wind farm on that space instead of reserving it for redevelopment.

Encourage joint-use agreements so that cities can get more bang for their buck through greater usage of existing, operable assets.

Different public actors may share a public asset in order to enhance programming and introduce new revenue streams. For instance, an airport authority may lease space to a local university in order to operate an aviation program. Similarly, publicly owned spaces like housing authorities and recreation centers may reserve space so that public school students can have access to Wi-Fi.

Partner with residents and community groups to use vacant land as an opportunity to build community amenities and local wealth.

Vacant land in communities with poor market conditions is often difficult for cities to unload. However, because local organizations and residents are often more in tune with community needs, they can provide insight into how a city can build local amenities that create a more vibrant neighborhood. Introducing community-influenced amenities can boost local property values and also encourage residents to feel a greater connection and ownership over their community through investment in those parcels.

3.4 Utilizing Partnerships

Partnerships come in all shapes and sizes and have the potential to drive cost savings and deliver new services for cities and residents. In well-designed and managed partnerships, it may be a conduit to new innovations and different commodities and services.

While there are fruitful benefits, it is important to recognize that partnerships are often a deviation from normal procurement processes, and therefore require a framework to ensure success. Frameworks can bring alignment in goals, shared methods, and project-level success. A general rule is to treat a partnership in a similar way as a departmental project: identify the internal key leader and project manager, ensure leadership is participating or receiving updates, and establish key performance indicators for success. Consider the following at the onset:

- Who are you partnering with? Have you opened up partnership opportunities to a diverse group of stakeholders? What impacts does this have on the city's equitable budgeting efforts?
- If your partnership is focused on a third party providing city services, are there warranties in place to ensure performance?
- What is the plan to operate and maintain whatever is the result of the partnership (whether it's a service, or even simply creating a new database)? How can knowledge transfer occur between new parties or individuals involved?
- If the city has offered the free or discounted use of an asset in exchange for a service or good from a third party, make sure the value of the asset is truly understood. What is the value today? Tomorrow? In five years? Does the exchange from the partnership uphold that value on both sides of the agreement?

There are many advantages to partnerships: receiving services-in-kind, gaining expertise and strategic advice, and community involvement with new audiences, such as students. Establishing values for city partnerships, just as a budget department would do for its own process, will ensure traditional procurement values continue to thrive.

Cities should also recognize that different types of partnerships—such as those with a non-profit organization, fellow city, the State, academic institution, or private sector company—carry different types of risk, and therefore a city should take into consideration what their programmatic goals are in order to determine what should be exchanged. While cities often fall back on traditional currencies, such as money or access to a particular asset, partnerships can open the door to the creative exchange of time, expertise, and the visibility provided by the public sector as well. In periods of economic downturn, partnerships can be a particularly attractive option *specifically* because they do not always require dipping into the city's coffers.

CASE STUDY

Engaging Startups

Leveraging the resources of startup communities toward solving deep civic and city challenges has long been a focus of cities. Bloomberg Philanthropies awarded the City of Philadelphia $1M in 2013 to address some of the procurement barriers that prevent meaningful engagement of startups. Code for America provided a platform connecting many civic startups to cities over the last decade. Organizations like LA Metro and KCATA have developed reverse pitch and unsolicited proposal programs, and cities have banded together to test out "multi-city procurement challenges." The longest running of these programs is Startup in Residence (STIR), founded in San Francisco and now run by City Innovate. That so many different programs have been started to provide meaningful connections among government and startups makes clear both the potential and the challenge in such an endeavor.

That different types of partnerships should be approached differently isn't novel or revolutionary, but it's important to take into account the radically different order of operations that should drive decisions. Most partnerships are instigated by either a specific partner or a specific problem. Recognizing that different approaches should be taken depending on how a partnership is being driven can lead to better outcomes, and a more successful partnership.

Problem Driven Approach

- IDENTIFY PROBLEM STATEMENT
- IDENTIFY OBSTACLES FOR CITY
- IDENTIFY STAKEHOLDERS
- WHAT VALUE DOES EACH PARTNER BRING
- IDENTIFY PARTNERSHIP OPPORTUNITIES

Partner Driven Approach

- IDENTIFY POTENTIAL PARTNERS
- REVIEW EXISTING RELATIONSHIPS
- DETERMINE VALUE PROPOSITIONS
- IDENTIFY POTENTIAL PROJECTS

Both partner and problem-driven approaches are effective to form meaningful partnerships. What approach is taken is often dependent on what surfaces first: does your community have a problem that needs expertise and resources only found outside of the City? Or has City staff met an innovative partner that would be a value-add to the right project? Both approaches can drive desired outcomes for the community.

For example, universities may greatly value the time and exposure to high level leaders for their students, while startups appreciate the value transferred by a city agreeing to test a product, which validates its position in the market. A large company, for example, may partner with a city with the benefit of a long term financial return, something a startup or non-profit may not be able to do. Understanding and articulating the goals - and risks - that each partner has up front can mitigate challenges later on.

CASE STUDY

METRO LAB

Founded in 2015, the MetroLab Network brings cities and universities together to enable responsible and transparent applications of data and technology in government. Rather than a single city driven partnership approach, MetroLab supports and highlights collaboration and partnership across sectors, and is a valuable resource for cities looking to develop more impactful, sustainable, and outcomes-focused partnerships across sectors. As a part of MetroLab, more than 100 projects have been developed between cities and universities. As of this writing, MetroLab is supporting the National Science Foundation CIVIC Innovation Challenge, "a research and action competition that aims to fund ready-to-implement, research-based pilot projects that have the potential for scalable, sustainable, and transferable impact on community-identified priorities."

The assets and resources to be leveraged by cross-sector partnerships are many, and have the potential to provide significant, tangible value to city governments. However, a city and its partner(s) must first align on how the resources being offered from each party will help meet the goals of the partnership and therefore, the outcomes desired for the community. To ensure that cities get the most bang for their buck (or asset, or expertise, etc.), cities should design and execute partnership agreements that clearly articulate goals and objectives. Similarly, ensuring that the outcomes identified are truly needed and desired by all parties is critical to managing a partnership for long term success.

There are multiple ways to think about, drive, and manage partnerships – with varying levels of formality and centralization. For instance, creating a clear process around how partnerships are sourced and maintained is critical to their ability to contribute to the long-term success and resiliency of a city's budget. Cities like Columbus (Columbus Partnership) and Seattle (Seattle Innovation Advisory Council) have structured approaches to leveraging community resources outside city government, while others, like Macon-Bibb County, rely on strong relationships and regular communication at the executive level to guide the deployment of resources toward needed community goals.

As with partnerships with the private sector or other local organizations, these same considerations should be taken into account with partnerships at the local, state, and federal levels. While cities often think they need to respond to opportunities coming from higher levels of government, Marcia Hale, former Director of the White House Office of Intergovernmental Affairs, shared the importance of cities taking a lead in bringing needs and partnership ideas to federal and state levels, which is especially important during the agenda setting period of a new administration.

KEY CONSIDERATIONS

MANAGING RISK

Notwithstanding the potential benefits that creative partnerships can deliver to cities and residents, the risks of unique contracting vehicles must be considered. As such, one of the best ways to mitigate risk is to ensure that partnerships pathways and agreements are clear. Identifying the types of risk that partners can and cannot take on can help structure partnerships to mitigate those risks (e.g., a small startup waiting a year to go through a long procurement process for a pilot project may not meet the expectations of their investors).

HACKING PROCUREMENT

Traditional procurements typically assume both the complete understanding of a problem and solution. While a city's procurement process is intended to provide the jurisdiction with protection from unnecessary risk, the downside is that the rigidity this creates often makes it difficult to innovate or experiment, either with a partner or a solution. While sidestepping procurement (in a legal, ethical way) can sound enticing, engage procurement leaders early on when it comes to creating partnerships to ensure the risk-reward of the proposed strategy is balanced. Procurement officers are often the best individuals to design creative solutions that follow existing rules, and know what should be redesigned if given the space to act as innovators, rather than regulators or enforcers.

EQUITY IN PARTNERSHIP OPPORTUNITIES

An issue in developing and executing partnerships is ensuring open access and the opportunity to engage with government. However, this does not necessarily need to be the case, so long as government sees partnerships as an opportunity to be strategic and intentional about opening its doors to new and creative partners that may have not been engaged with in the past. Whether it's an in-kind or more traditional exchange of value, the value transferred is real, and cities should explore partners beyond the "usual suspects" to ensure that the opportunity to partner with the city can be distributed in an equitable manner. (The Aspen Institute's Procurement Path to Equity is a resource worth exploring.)

RELATIONSHIP BUILDING IS KEY

Ultimately, partnerships are based on people and relationships. Establishing connections builds trust and lays the groundwork for the design and execution of successful and mutually beneficial partnerships. In short - city staff shouldn't be shy. A mayor or executive can't field every inbound opportunity or identify every potential partner. Staff should be empowered to build the relationships that lead to partnerships, with clear boundaries set to ensure proper channels of communication.

4.0 Going Forward

In so many ways, 2020 was one of the most difficult years in recent memory. It impacted society every day—from changing small behaviors to shifting big and impactful processes. But with these challenges came great resiliency and change, including an issue that has hid in the shadows and continues to evolve at the forefront: race and social justice.

Considering budget resiliency as a community made the Budget Resiliency Workshop cohort ask new questions. The diversity of participating cities, each with their own government structure, budget cycle, level of budget sophistication, budget goals, and Covid-19 fiscal complications bred valuable conversations.

Continuous curiosity is important as city leaders steer communities into a successful recovery. Cohort members considered questions such as:

- When resources are tight and the economy is struggling, how does your government typically respond to a budget shortfall? What services does it preserve? Where does it cut? How does it cut?
- How active is your local philanthropic sector? How active is the private sector?
- What role do they place in service delivery and funding?

There is much to be learned. How can cities better measure the social impacts, including and especially on race and social justice, as a result of budgeting decisions? How can city staff be better equipped to do this? This cohort is at the tip of the iceberg in discussing equitable budgeting and considering what ideas to move forward to ensure communities can heal and prosper after Covid-19. The value of budget resiliency efforts will benefit cities in years to come by creating agility in bureaucratic processes in times of unforeseen crisis, and providing a structure to promote and provide equitable services. This new network of budget-minded professionals has much work, and support, ahead of it.

5.0 Authorship

This report was written by Kate Garman, and Camron Bridgford. Writing, editing, and project direction by Story Bellows. Cityfi partnered with HR&A Advisors, and are grateful for their authorship and workshop contribution, providing ingenuity and consultation on equitable budgeting and capital asset management. We would also like to thank Cityfi fellow Kyle Ragan for his invaluable support in executing the Budget Resiliency Workshop.

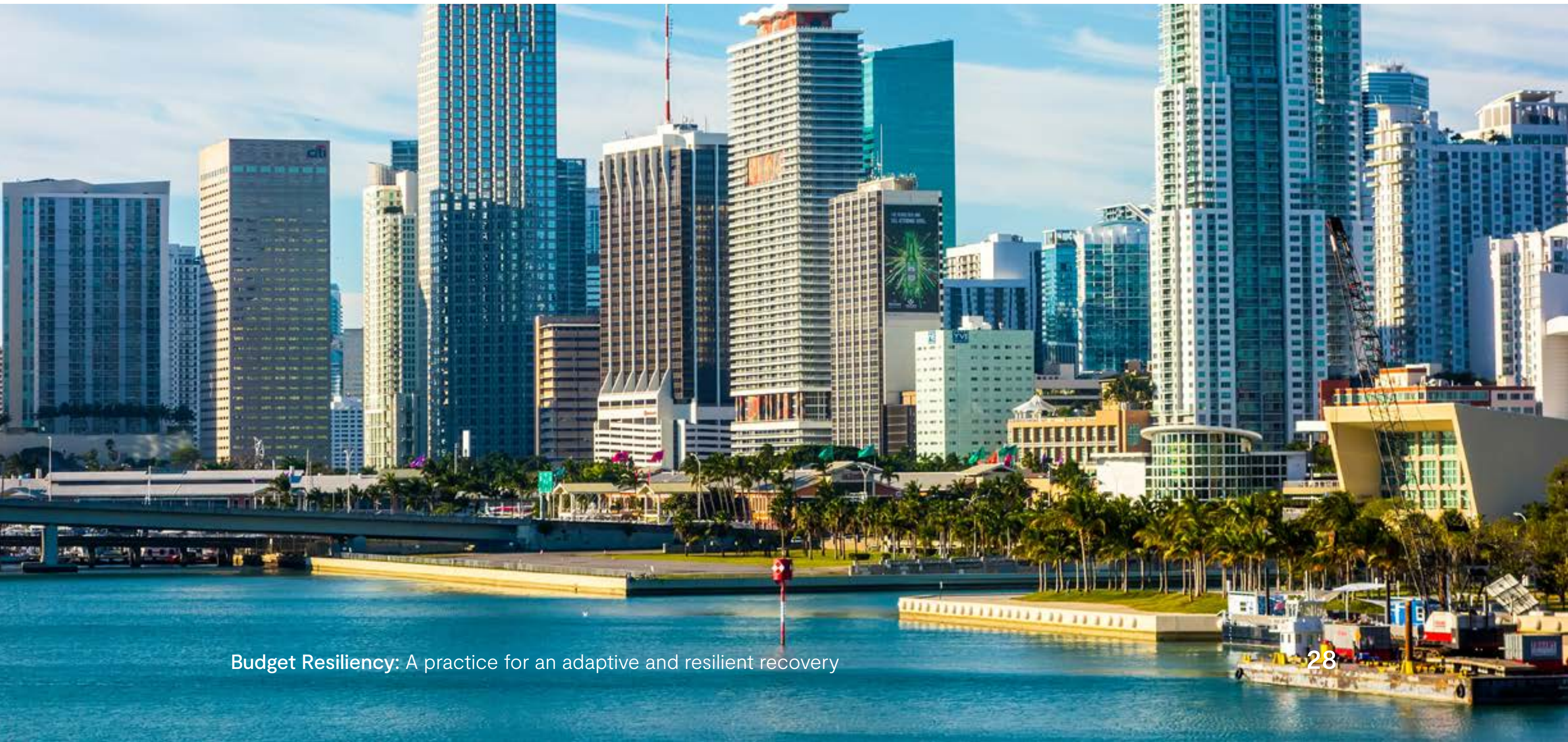
This important work could not have been possible without the support of the Knight Foundation.

Cityfi

Cityfi is an urban change consultancy that helps create positive change for people. Founded in August 2016, Cityfi LLC has an eye towards facilitating and empowering positive, sustainable impacts and economic returns. Cityfi helps towns, cities, governments, start-ups, and companies understand and navigate the increasingly complex urban landscape by providing strategic advisory services, project management and planning services.

HR&A Advisors

HR&A Advisors (HR&A) is an industry-leading consulting firm providing services in real estate, economic development, and public policy. HR&A has provided strategic advisory services for some of the most complex mixed-use, neighborhood, downtown, campus, and regional development projects across North America and abroad for forty years. With offices in New York, Dallas, Los Angeles, Raleigh, and Washington, D.C, HR&A has a presence that serves clients all around the world. From Brooklyn to London, Cincinnati to Hong Kong, HR&A has guided hundreds of clients in transforming real estate and economic development concepts, and public infrastructure, first into actionable plans then into job-producing, community-strengthening assets. HR&A has served a diversity of clients--real estate wonders and investors, hospitals and universities, cultural institutions, community development organizations and governments–since 1976.



6.0 Appendices

6.1 About the Budget Resiliency Workshop

The Budget Resiliency Workshop was a comprehensive, quick sprint intended to provide budget directors, transportation directors, chief innovation officers and other city leadership with strategies to generate revenue; advice from experts and case studies; and a discussion forum to compare insights into their own challenges and experiences with growing a sustainable, equitable budget.

The Budget Resiliency Workshop took place through the following process:

Assessment Phase

Prior to beginning the cohort workshop sessions, an assessment phase was conducted to gain a better understanding of each participating city (e.g., demographics, local laws and regulations); the current budget challenges they faced due to Covid-19 and other economic hardships in 2020; and what assets and services they had at their disposal to create a more resilient budget. This information was analyzed in three ways: (1) a document review; (2) a survey of each participant in the cohort; and (3) one-on-one calls with each city to better understand initial findings about their challenges and opportunities.

Workshop Sessions

The program carried out five workshop sessions in a five-week sprint based on the following topical areas: Equitable Budgeting, New Revenue Generation, Partnerships and External Resources, Cost Savings, and Rethinking Real Estate. The intention of this short time frame was to provide each city with actionable ideas for how they could facilitate new revenue or cost-savings in the near-term, as well as take an intentional, longer-term look at how to create more equitable outcomes through their budget process.

Each facilitated workshop session featured presentations, case studies, expert panels, and discussion. Discussion among the cohort was emphasized so that cities could share their experiences, exchange strategies, and deepen their engagement with one another. This also allowed participants to establish relationships with leaders in other cities in order to allow for continued collaboration outside of the workshops. The workshop series also included a one-hour introduction to budget resiliency and a one-hour conclusion at the end of the program.

Facilitated One-on-One Calls

Interspersed between the workshop sessions, each city participated in three one-on-one calls with program leaders. These calls provided a forum to dive more deeply into topical areas and challenges of interest to the city so that they could be provided with additional resources, research, case studies, and expert input.

Comprehensive Final Report

This final report is a compilation of the information presented, lessons learned, and tools and resources made available to the cohort throughout the Budget Resiliency Workshop. The report serves as a collection of practices on creating a more resilient budget--as a result of the Covid-19 crisis, and/or any other major financial hardship--for the Knight cities that participated in the workshop, the broader network of Knight cities across the United States, and other cities in need of strategies for a more equitable and resilient budget.

6.2 Participating Cohort Cities

Detroit, MI

Government Structure: Strong Mayor

Current Mayor: Michael Duggan (2014-2021)

Population: 670,000

10-Year Population Change: -6.1%

Fiscal Year (FY) Start Date: 07/01

COVID-19 Shortfall Projection: $348M (16%)

Other: City is required to adopt a financial plan covering the current fiscal year and the next three fiscal years (PA 182 of 2014 Amendment to the Home Rule City Act).

Macon-Bibb County, GA

Government Structure: Strong Mayor

Current Mayor: Lester Miller
(newly elected: 2021-2024)

Population: 153,000

10-Year Population Change: -1.7%

Fiscal Year (FY) Start Date: 07/01

COVID-19 Shortfall Projection: $17M (10%)

Other: A consolidated City-County structure as of 2014.

Miami, FL

Government Structure:
Weak Mayor-Commission

Current Mayor: Francis Suarez
(newly elected: 2021-2024)

Population: 468,000

10-Year Population Change: +17.1%

Fiscal Year (FY) Start Date: 10/01

COVID-19 Shortfall Projection: $30M (3%)

Other: Though initially projecting a budget shortfall of around $50M in August 2020, updated projections showed a smaller gap. A reliance on property tax revenue insulated Miami's revenues from greater shocks.

Philadelphia, PA

Government Structure: Strong Mayor

Current Mayor: Jim Kenney (2015-2023)

Population: 1.58 Million

10-Year Population Change: +3.8%

Fiscal Year (FY) Start Date: 07/01

COVID-19 Shortfall Projection: $649M (13%)

Other: Philadelphia is a consolidated City-County. The City is using a racial equity lens in approaching COVID-related cuts, with a goal to preserve public services while leveraging federal, state, and philanthropic resources.

St. Paul, MN

Government Structure: Strong Mayor

Current Mayor: Melvin Carter (2017-2021)

Population: 308,000

10-Year Population Change: +8.1%

Fiscal Year (FY) Start Date: 01/01

COVID-19 Shortfall Projection: $20M (3%)

6.3 City Assessments

Each participating city brought a different set of department staff, roles, and responsibilities, as well as the variable political dynamics, which informed how they approached their respective budgets. **Detroit, Philadelphia, and St. Paul** each have a Strong Mayor governmental structure. **Macon-Bibb and Philadelphia** are consolidated City/County jurisdictions. **Detroit, Macon-Bibb, and Philadelphia** each start their budget year on July 1, while **Miami's** begins on October 1, and **St. Paul's** begins on January 1. Each city has a different network of public trusts, quasi-public entities, and public-private corporations that support each cities goals and creates shared funding opportunities. Ultimately, the participating cities each present a different context with variable complexities situated within unique budgetary circumstances that affect how they can approach a post-Covid-19 recovery.

Recent Budget Department Reforms

Each City has made recent efforts to reform budgetary practices to align with national best practices. **St. Paul** is moving to a two-year capital budget cycle, which better aligns with the long-term nature of capital projects, which are often longer than just one year. They've also moved to include an Equity Framework in their budget process to evaluate how their allocations align with broader equity goals. **Detroit** is moving to outcomes-based budgeting, setting their focus on equity outcomes at the beginning of their process and evaluating allocations through that results-oriented lens. **Macon-Bibb** just ended a period under which the combined City-County operated under a required set of budget cuts. They also just completed the City-County's first ever payscale study. **Philadelphia** has been testing the feasibility and scope of a participatory budgeting pilot, which engages members of the public in making budget allocation decisions. Finally, in response to increasing threats from climate change, **Miami** is consciously allocating greater portions of their budget to enhance citywide climate resiliency.

Revenue Sources

Taxes (property, income, sales, hotel/motel, etc.), licenses, user fees, intergovernmental transfers, fines, service charges, interest, rent, and various other sources of revenue represent the revenue sources cities rely on every year when they prepare their budget. Each cohort member draws from a different combination of revenue sources to different degrees to assemble the funding necessary to deliver city and county services.

Fiscal Impact of COVID

The economic and fiscal shocks that stem from Covid-19 are impacting individual cities differently based on those revenue sources. To the extent that cities rely on sales, income, property, hotel/motel, or other forms of taxations alter the intensity of their projected shortfalls. With substantial job losses and salary reductions, cities like **Detroit and Philadelphia** that rely on municipal income taxes to generate revenue are facing substantial budget shortfalls ($348M and $649M, respectively).

Meanwhile, cities like **Miami**, **Macon-Bibb County, and St. Paul** that rely more heavily on property taxes have thus far been more insulated from the COVID-19 budgetary shock and project smaller shortfalls ($30M, $17M, and $20M respectively).

Elected Officials' Priorities and Proposed Responses

City to city, staff and leadership operate in different political and sociocultural contexts, negotiating reform opportunities with stakeholder concerns and the will of the general public. In some cities, when facing financial shortfalls, elected officials re-organize budgets to direct funds toward the most essential city services while trying to avert layoffs. In other locales, leaders look to staffing and service cuts as a means to balance the budget.

Near-term Change Implementation

Between different budget cycles, the Covid-19 crisis, and post-election ramifications, each city has a different capacity to implement change in the near-term. With an incoming Mayor in **Macon-Bibb County**, the political inertia of a lame duck period is limiting the City's ability to implement new programs or innovations. **Detroit's** fiscal shortfalls only exacerbate a challenging financial situation since the City was already navigating difficult financial straits before the pandemic.

Cityfi

cityfi.co
@teamcityfi