



OFFICE OF THE CITY COUNCIL

COSA - CITY CLERK
2024 APR 11 AM 10:31:51

TO: Debbie Racca-Sittre, City Clerk

FROM: Councilmember Marc K. Whyte, District 10

COPIES: Erik Walsh, City Manager; Andy Segovia, City Attorney; Joe Frank Picazo, Interim Assistant to the City Manager; Emily McGinn, Assistant to the City Council

SUBJECT: Zero Base Budget

DATE: April 11, 2024

Issue for Proposed Consideration

After notifying the City Manager of this Council Consideration Request (CCR), I respectfully request your support for the inclusion of the following item on the agenda of the earliest available meeting of the Governance Committee:

Requesting consideration of adopting a city ordinance requiring a Zero-Base Budget (ZBB) for Fiscal Year 2027 and then every five years thereafter.

Brief Background

The budget process is one of the most important tools a municipality has to shape the direction of a community. Budgets guide policy decisions, operational strategies, and resource allocations. By prioritizing budgets to reflect residents' needs and ensuring transparency, residents are able to better understand how their tax dollars are being used and build trust with their government.

The world today is a different place than it was 5 years ago. New technologies are being used, city business is facilitated in different ways post-pandemic, and the costs of goods and services have surged compared to pre-pandemic levels. In light of this, every effective organization, whether private or public, is well-served by periodic self-assessment to ensure optimal spending practices.

Zero-Based Budgeting (ZBB) evaluates an organization's programs to consider costs, levels of service, and alternative delivery methods with the goal of optimization and the reduction of ineffective or duplicative efforts.

Traditional incremental budgeting is based on the assumption that the "baseline," or the previous year's line items, is automatically approved. By contrast, ZBB starts from a "zero base," and every function within an organization is analyzed for its needs and costs based upon the results desired in the coming year. This method of budgeting measures each department and program against statutory responsibilities, purpose, and performance metrics to ensure efficient resource allocation and



OFFICE OF THE CITY COUNCIL

strategic decision-making. Budgets are then built around what is needed to achieve the expected results. Core components of a ZBB require that:

1. Each department will:

- a. Rank each program by order of importance to their department;
- b. Examine current department objectives to be reflective of residents' and City Council priorities; and
- c. Explore possible alternative methods of executing programs or activities by collaborating with other departments to minimize duplicate efforts.

2. Each department will review all programs and provide:

- a. **Summary of Analysis:** Offer an overview of the program's purpose.
- b. **Key Performance Indicator:** List the program's key performance indicators.
- c. **Financials:** Provide a summary of the program expenditures and budget allocation separated by general funds and grant allocations and number of personnel positions dedicated.

The effort to introduce ZBB across different government agencies is not a novel approach. President Jimmy Carter introduced ZBB at the federal level among government agencies during the 1970s. Likewise, at the state level, the Governor's Office of Planning and Budget in Georgia annually releases a Zero-Based Budget for several of their agencies. At the municipal level, the City of Houston initiated steps to adopt a ZBB in 2021 but modified its approach due to the pandemic's repercussions.

Request

An ordinance be created requiring all City departments to adopt a Zero-Based Budget method for FY2027 and every 5th fiscal year after that. The implementation for the FY2027 budget cycle will be focused on departments funded by the General Fund as well as the Development Services Department, Solid Waste Department, and Parks Department. A report from the City Staff shall be delivered to the City Council on implementation efforts by March 2026.



OFFICE OF THE CITY COUNCIL

Submitted for Council consideration by: M.R. Whyte
Councilmember Marc Whyte

COSA - CITY CLERK
2024 APR 11 AM 10:32:04

Supporting Councilmembers' Signatures (exactly 4)

District

- | | | |
|----|--------------------|-------------|
| 1. | <u>[Signature]</u> | <u>0C10</u> |
| 2. | <u>[Signature]</u> | <u>7</u> |
| 3. | <u>[Signature]</u> | <u>9</u> |
| 4. | <u>[Signature]</u> | <u>6</u> |