

September 12, 2007

**BFC 07-120
NOV 6, 2007**

To: Genethia Hudley-Hayes, HRDC Chair
Casimiro Tolentino, HRDC Interim Co-Chair

HRDC - Adopted 10/12/07

From: Beatrice R. Lopez

SUBJECT: HRDC STRATEGIC BUDGET PROCESS

Recommendations: 1. That HRDC adopt a strategic budget process including the goals and the evaluation and monitoring phase.

2. That HRDC determine an unencumbered amount for ad hoc requests

3. That the adopted recommendations be evaluated in 6 months or less as determined by the Committee.

General Background

Today, almost all institutions have a strategic plan on the shelf. Unfortunately, most of the plans have not yielded the results that the framers anticipated. Transformational change has rarely taken place, and priorities seldom shift as the result of a strategic plan. Change efforts are not popular, and many institutions will become strategic in their planning and allocation of fiscal resources only when they experience obstacles and setbacks in changing environments.

The vast majority of all organizations engage in some form of annual budgeting. Since it determines the amount of resources available for each function, and since its value goes unquestioned, budgeting usually exerts more influence on what gets done than a strategic plan. This is one reason why most strategic plans do not achieve their goals. There is no organizational mechanism to drive the strategic plan through the budgeting process. The strategic (big picture-long term-integrated) thinking and the tactical managing (shorter term-narrower picture) of the organization are disconnected. The tactical is more specific, immediate and more tangible in its urgency and its payoffs. For this reason, the tactical budget tends to overshadow the strategic. Without strong linking mechanisms between these two approaches the strategic drifts out of focus and becomes less relevant.

The result is that strategic thinking does not drive budgeting. Departmental objectives are not sufficiently driven by broad institutional objectives and strategies, and are too reactive to the piecemeal budgeting process. The challenge is to connect these elements in a manner that the Vision, Core Values, Mission, Objectives and Strategies drive the work of the organization. The work in turn produces results that move the organization in the direction of its Strategic Action Plan, guided by the Vision, Core Values and Mission. In the case of LAFD, the strategies are currently directed toward implementing the Board of Fire Commissioners 2006 Audit Action Plan.

Link to the Audit Action Plan

An institution's budget should be the quantitative expression of its strategic plan. The resources should align with the strategic priorities. Therefore, through its allocation of resources, the HRDC budget should reflect the Department's values and vision, part of which is to help with the implementation of the Audit Action Plan. To that end, the recommendation is that the HRDC consider converting the current tactical budget process to a strategic budget based on the goals of the Audit Action Plan. To create a new budget process, the Committee may want to use the general headings used in the Audit Action Plan: Leadership and Communication, Human Relations, Complaint and Disciplinary Process and Recruitment and Retention of Women.

Using these general headings, requests for annual funding of programs designed to meet the goals of the Audit Action Plan would be submitted by Stakeholders or the Department. For instance, should recruitment and retention activities need funding, the request would be submitted with detail for costs such as recruitment fair registration fees, Explorer funding, targeted recruitment events, V-hours, and other related activities. In the case of Leadership and Communication, tuition or registration fees, media training, and other ways of furthering the progress of leadership goals. For discipline, a need for V-hours, specialized investigator training, or costs associated with the tracking system might be appropriately considered.

HRDC would consider this holistic approach and approve funding for the carefully thought out programs and associated costs as proposed by either Stakeholders or the Department. In addition, an unencumbered amount would be maintained by the Committee to cover any unanticipated opportunities that may arise in the course of the fiscal year. All requests would be submitted with justification relative to the progress of the Audit Action Plan and with consultation with Administrative Services Bureau since they have the expertise to ensure that the more integrated approach to the budget will pass muster not only with the Committee, but conform to the City's Budget Process.

One of the key elements of strategic planning that should be transparent to everyone involved is the budgeting process. Strategic planning and budgeting involves deliberate decision making about allocating financial resources. Detailed discussions of how initiatives will be funded take place when the strategic plan is well defined. This allows the mission and values to drive strategic priorities as opposed to available funds directing those decisions. In the Department's situation, the Audit Action Plan serves as the strategic action plan. Principal goals for moving to a strategic budget process are to ensure that all monies are used before the end of the fiscal year, and that the activities that they fund further the progress of achieving the Audit Action Plan goals.

Additionally, the results of the programs, activities and initiatives should be equally transparent to everyone involved in the strategic budget process. Evaluation of results should be ongoing and remain an integral part of advancing the Audit Action Plan goals in the Department, ensure that funds are wisely spent, and with sufficient return on the investment.

Evaluation and Monitoring

Monitoring and evaluating the planning activities and status of changes in the strategic implementation process are as important as identifying the issues and goals. Management and Stakeholders can learn a great deal by continuing to study the implementation of the Audit Action Plan. While overall objectives and grand strategies may exist, experience tells us that these are regularly added to or modified to such an extent that they are unfocused, unclear, and often poorly understood.

Some key questions to ask while monitoring include the following:

1. Are goals and objectives being achieved or not? If not, why?
2. Will the goals be achieved according to the timelines specified in the plan? If not, why?
2. Should the timelines for completion be changed?
3. What are the reasons for being behind schedule?
4. Should priorities be changed to put more focus on achieving the goals?
5. Does staff have adequate resources (funding, equipment, facilities, training, etc.) to achieve the goals?
6. Should funding be continued if it becomes evident that the goals are not being achieved?
7. What can be learned from the evaluation to improve the future planning of activities and improve future monitoring and evaluation efforts?

A strategic budget plan needs the same type of dynamic evaluation. In the situation before your committee, the budget process should specify who in the Department is responsible for creating and controlling the budget in a detailed manner. The same key questions listed above may be asked to evaluate the change from a tactical process to the strategic. The frequency of monitoring the strategic budget needs to be established. For the purposes of HRDC funds, a 6-month interval for evaluation might be appropriate or reports at intervals that are more frequent may be requested at the discretion of the Committee Chair. Evaluating the success of the budget process should focus on the two main goals of furthering the Audit Action Plan and ensuring all funds are expended before the end of the fiscal year.

Conclusion

If the HRDC approves the recommendation for conversion from a tactical budget to a strategic approach, the Stakeholders and Department should prepare detailed program based proposals requesting funding. Upon submission to the Committee, requests will be on the agenda and considered at the first monthly meeting in the fiscal year. Once approved, the funding will be available for expenditure according to the proposal and subject to evaluation of the results as requested by the Committee. Unanticipated requests will be considered as necessary as long as they are well justified and advance the goals of the Audit Action Plan. Evaluation reports for all funded programs will be required as requested to ensure that funds are appropriately expended. A suggested format follows.

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example
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example**

Date

To: HRDC

From: Stakeholder Groups

SUBJECT: REQUEST FOR HRDC FUNDS- LEADERSHIP AND COMMUNICATIONS

Request: \$248,000 for Executive Training Seminars, XXX University School of Management; Leadership, Diversity and the Modern Organizations Speaker Series, Management Challenges in Military Organizations Certificate Course

Background and discussion: This section is the narrative that provides justification for the request including the *link to the Audit Action Plan goal* that the activity is designed to address. Include some detail about the activity such as length of the seminars, curriculum, travel, etc. Respond to the following:

- ✓ What was the strategy for creating the program goals? (EX. Research best practices, discussions with Stakeholders, etc.)
- ✓ Consultation with Bureau of Administrative Services
- ✓ What are the goals of the program?
- ✓ Personnel responsible for program results?
- ✓ Personnel assigned to lead programs, projects, and initiatives?
- ✓ Describe the data collection/tracking system and uses for the information (How data will be collected, what information will be collected, stored, analyzed, and the uses for the information)
- ✓ Timelines (When will the work be completed? Milestones are also appropriate to identify in responding to this element.)
- ✓ Measures of effectiveness (What will success look like? How will you know your project has achieved the goals you set?)
- ✓ Evaluations, ongoing and final (At what points will you be evaluating effectiveness to ensure that the project is on track? When will the final report be available?)

Cost Analysis: Detail of costs. In some cases, it may be more efficient to provide a spreadsheet attachment. Department staff and Stakeholders need to determine how best to provide the information to the committee.

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SEMINARS:

Tuition: \$2,000 per seminar per participant

Number of seminars: 3 (Strategic Leadership, Social Capital of Successful Managers and Creative Executive Leadership)

Number of participants: 4 Deputy Chiefs
4 Assistant Chiefs

\$6,000 tuition x 8 managers = \$48,000

SPEAKER SERIES:

\$100,000 - 6 Speakers scheduled every two months – various topics as discussed above

Participants: 15 Battalion Chiefs, 20 Captains and 10 Assistant Chiefs

CERTIFICATE COURSE:

\$25,000 tuition for 6 week certification course

Number of participants: 2 Captains, 2 Battalion Chiefs

\$25,000 tuition x 4 participants = \$100,000

GRAND TOTAL: \$100,00 + \$100,00 + \$48,000 = **\$248,000**

Conclusion: When feedback to the Committee will be available with results and evaluations. Information in this section should include the schedule for ongoing evaluation intervals (every month, quarter, 6 months, etc.) and the date for the final evaluation report to the HRDC Committee. Include some anticipated elements for final evaluation (EX. Demonstrated behavioral changes in trainees, number of events, increased diversity, or elimination of poor return on investment methods/events/processes, etc., also course corrections and rationale for changes.)

NOTE: Information about course corrections should be included in periodic ongoing evaluation reports to the HRDC Committee to ensure that any information related to revised plans is focused, clear and understood.

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