



Linking Budget to Strategy in Local Government

It's more important than ever before to link your budget to your strategy. With strategy linked to budget, you can focus on what is critical and leverage the budget process to get stuff done.

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Introduction

Does your organization grow weary of an eight-month long budgeting process? Does the budgeting process help your organization find value, or is everyone just recycling budget requests from previous years? By tying budget to strategy, you can help staff better understand how decisions are made and create connections to the big picture as you work toward shared goals.

No matter what approach you take to budgeting, you have an opportunity to link it to strategy to help people see the value in your budgeting process. When you link budget to strategy, you can stop dreading the process and instead, get *inspired* by budgeting!

With regular management and meetings, a linked budget and strategy allows your organization to achieve its long-term priorities. In 2020, we conducted a survey amongst local governments to learn more about their budget and strategy alignment, reporting, and results, and synthesized our findings in this paper. The insights shared show the impact of close alignment between budget and strategy as well as consistent, regular reporting processes.

Here's how to align strategy and budget in your organization:

1. Start by clearly defining long term goals (the first step in building your strategic plan).
2. Define the budgeting process and develop a game plan. Four options for approaching your budget:
 - a. Priority-based budgeting (PBB)
 - b. Zero-based budgeting (ZBB)
 - c. Budgeting for outcomes (BFO)
 - d. Base budgeting
3. Communicate strategy and budgeting process clearly to departments.
 - a. Ensure department budgets link to strategy.
4. Compare previous budget to plans (not to continue previous budgeting process, but to check your assumptions).
5. Consider creating a StratEx budget.
 - a. This is a separate part of the bigger budget.
 - b. This type of budget is cross-departmental and designates strategic project funding.
6. Manage your budget within a strategy management cadence.
 - a. Be aware of strategy reporting, strategy decision making, etc.
 - b. Adapt and change at appropriate times (revisit budgets after strategy meetings).
 - c. Provide appropriate reporting for decision making.
7. Look to your peers for best practices.
 - a. Better Budgeting in Olathe, KS
 - b. Budgeting Strategic Programs and Services in Fort Collins, CO
 - c. Aligning the Budget in Raleigh, NC
8. Balance your budget.
 - a. Budget balancing approaches

- b. Do's and don'ts
 - c. Budget-balancing in crisis
- 9. Tips for successful budgeting.

Start by linking budget to long-term goals

Just like your strategy, your budget needs to be linked to your long-term goals. Once you've [developed those long term goals](#), you can start to build your 3-5 year strategic plan and a 1-2 year associated budget.

When [building your strategic plan](#), it's important to involve your stakeholders, including staff and residents. It's also important to set bold, but realistic goals that take into account your organization's strengths and weaknesses.

When creating the plan, ensuring alignment between departments and the overall strategy is critical. Each department should support the overall strategy, and departmental plans that tie departmental efforts to organizational strategic goals can make this alignment clear.

Different budgeting processes make linking budget to long-term goals easy. Any of the below approaches to budgeting can link to your strategic plan. One size does not have to fit all; however, some are more comfortable fits depending on your organization:

Define the budgeting process

Different budgeting processes make it easy to link your budget to your long-term goals.

Priority-based budgeting	•	The process of aligning spending with strategic priorities.
Zero-based budgeting	•	Requires starting at zero and justifying each expense as it's added to the budget (rather than using the previous period's budget items as a starting point).
Budgeting for outcomes	•	Involves determining the government's available funding and desired outcomes and allocating funding based on what programs and services will bring about the desired results.
Base budgeting	•	The process of starting with the previous year's budget as the basis for the new budget, with adjustments made to reflect the previous year's spending, inflation, and future projections.

Priority-based budgeting

Priority-based budgeting (PBB) involves linking budget priorities to your strategic plan goals. PBB is driven by the idea that the initiatives and programs that support an organization's priorities are those that should be funded by the budget. This data driven approach ensures that all funding dollars help the organization work toward its strategic goals.

The great thing is that if you have done a good job communicating your strategy, and if you have a living strategic plan, your organization should already understand these goals, and thus priority-based budgeting is a natural outcome.

Zero-based budgeting

If you are using zero-based budgeting (ZBB), you take a similar approach—building your budget from the ground up based on the priorities. However, with zero-based budgeting, you don't build off of last year's budget; you start from zero, and then build from what you need. This might be a great approach for the current environment. ([Curious why I think so?](#))

Zero-based budgeting helps to establish an organizational culture of ongoing cost management. It relies on increased visibility into what drives the costs of each budget item and requires setting aggressive budget targets going forward. A well-defined service inventory that lists service levels and expected goals is a huge help during this step of the process. In addition, continuous reviews of cost management and performance are crucial to its success. (See more below on ongoing budget management.)

Budgeting for outcomes

Budgeting for outcomes (BFO) is similar to priority-based budgeting, but it focuses on *outcomes* the organization is working towards rather than priorities. Imagine your outcomes are either your strategic plan goals or the measurable results from your strategic plan. Budgeting for outcomes allows local governments to create alignment between what the public wants and what the governments provide.

A key tenet of budgeting for outcomes is a focus on what you want and how much you're willing to pay for it (as opposed to assessing what you currently have and how much it costs). The process will demand a lot of reorganizing, but your strategy and budget will benefit as a result.

A great place to start with budgeting for outcomes is looking at how much funding you have and then ranking your goals based on priority. You can then allocate money to the outcomes with the highest priority and continue distributing money until the funds are spent.

Base budgeting

Base budgeting uses the current year's budget as the baseline for the new budget. The current year's budget and allocations are adjusted according to actual spending that's occurred throughout the year as well as inflation and projections for the upcoming year; this forms the basis of the new budget. Additional requests or changes in service level are evaluated and prioritized based on available resources.

This form of budgeting is common in cities because 50% - 60% of annual budgets are often personnel and benefits. These costs are generally predictable and annual increases are consistent. Unless you are performing annual reductions in workforce or moving positions around, the true amount of funding available for reprioritization is often a small percentage of the annual budget.

Budgeting in sum

Are you starting to see a pattern in these budgeting approaches? We're not saying they are the same; certainly, different organizations have seen different results and benefits from each. But with a little creative thinking, you should be able to guide your organization to linking its budgeting approach to the strategy management process.

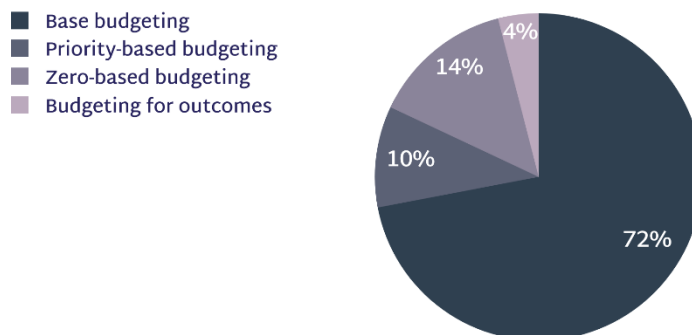
Introducing our Survey

In an effort to better understand how local governments align budget and strategy and reporting out on their results, we surveyed 100 local governments in 2020 to learn more about their processes. In our survey group, 72% of organizations use base budgeting. While base budgeting emerged as the most common form of budgeting, it may also be the hardest to align with strategy because what has always been funded continues to get funded. This makes it hard to drive change.

The survey also revealed that when approaching building the budget, 71% of base budgeters rely heavily on the budgeting process and/or the budget management team. For those that do not use base budgeting, 100% of these organizations involve strategy either fully or partially in their budgeting process.

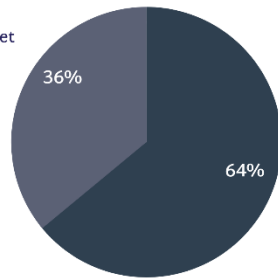
For those not using base budgeting, it's important to remember that a local government's strategic plan may not include every service; some services are mandated and must be funded despite not being part of the strategic plan. So while some of the other budgeting options outlined below—including priority-based budgeting and budgeting for outcomes—attempt to “nudge” funding in more strategic directions by assigning funding in tiers, base budgeting won't create the same driver to push in a more strategic direction. Since this system of budgeting won't naturally assist in our goal of funding the strategic plan, it's important to use conversations, discussion, and reporting to help nudge people in the right direction.

Which most closely describes your standard budgeting process?



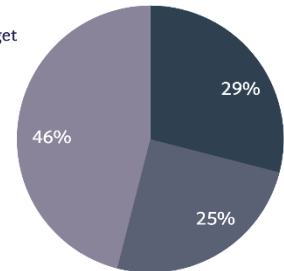
The 28% of organizations who do not use base budgeting are driven by...

- Strategy
- Combination of strategy and budget



The 72% of organizations who use base budgeting are driven by...

- Strategy
- Combination of strategy and budget
- Budget



Communicate budget and strategy linkage to all departments

Now that you have developed your city-wide goals and thought through how departments will support them, it's time to communicate that plan to departments and explain that all funding requests from departments should link directly to a strategic priority or be included in the departmental business plan. This ensures future funding requests maintain alignment between strategy and budget and keeps all departments on the same page about the new approach.

Compare previous budgets to your current strategic plan

If you're using either priority or outcome-based budgeting, once you've started to align budget numbers with your goals, it's a good idea to take a look at previous year's budgets and compare those with your current strategic plan. (If you're doing base budgeting, this is of course where you'll start as well.) Looking at the previous year's budget will serve as a good reminder of any budget items that are recurring that you should tie to your strategic objectives.

Consider creating a StratEx budget

A StratEx (or strategic expenditure) budget is a separate part of the bigger budget that is cross-departmental in nature. When using a StratEx budget, leaders decide what strategic projects are necessary to achieve the priorities or outcomes of the organization's strategic plan. These initiatives are then allocated appropriate funding.

With a StratEx line item in your budget, you can then start with allocating that budget to different areas of your strategy, sometimes called themes. Imagine having a \$5M strategy budget allocated 40% to Connected Community, 30% to Public Safety, and 30% to Equity. In this scenario, you would have \$2M allocated to building a more connected community. You could then look at all your initiatives or projects that align with a connected community. Prioritize them and spend your \$2M wisely.

With the StratEx budget, you have a process to make sure that you are focused on your priorities, while still making sure you spend an additional \$1.5M each on public safety and equity areas of your strategy.

By the way, this StratEx budget is usually cross-departmental, and still means that you have normal public safety departments like Police and Fire with their own budgets. The StratEx would be above the normal budget. StratEx was first written about in Norton and Kaplan's book, [The Execution Premium](#).

In our survey, 45% of all organizations responding link their budget to the strategy either through line items or project funding, while 10% create a StratEx budget.

How is your budget linked to your written strategic plan?

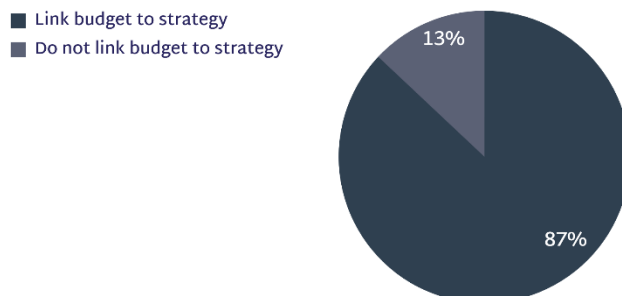


Managing your new strategy and budget

Once you create your budget and tie it to your priorities or outcomes, you still face the challenge of actually managing that budget (and your strategy along the way). Budgets are spent at the department level and at the project level. Sometimes projects are neatly contained within departments (and thus your entire report can be at the department level), and other times, the projects are cross-functional, and thus you need a project report. You want to keep an eye on [your projected versus actual spending](#), plus see how departmental plans are progressing over time.

In our survey, we found that 87% of the organizations that use measures in their strategic plan to track how things are progressing also link their budget to the strategy. This shows that if measures are commonly adopted in your organization, then there is often a link between budget and strategy. These two best practices of aligning strategy and budget and tracking progress toward your goals over time via measures or KPIs clearly go hand in hand.

Organizations that track measures and KPIs...



The importance of tracking measures speaks to the importance of regular tracking and management more largely. Your linked budget and strategy can't just be left on the shelf to gather dust. You need to manage the plan on an ongoing basis with regular reporting so that your organization can make decisions effectively and adjust operations as needed to ensure you meet your strategic goals.

High-performing organizations meet monthly, quarterly, and annually to manage strategy. Departments or divisions should follow a similar cadence, with meetings scheduled a week in advance of organization-wide meetings. As you can explore further in our [strategy execution guide](#), successful meetings rely on consistent information, consistent attendance by a dedicated group, an established decision-making process, and regular pre-reads (as preparation for each meeting) and recaps (as follow up on next steps).

The goal is to make regular strategy reporting a part of your organization's "business as usual" activities and to engage all team members in the strategy management process.

As part of our survey, we wanted to assess whether increased reporting frequency was correlated with departmental strategic alignment. 65% of local governments that responded to our survey said that they reported internally on their strategy either monthly or quarterly (frequently), while the rest report annually or on an ad-hoc basis.

The chart below includes organizations that report frequently. Of the frequent reporters, two thirds link their strategy down to the department level.

By contrast, those who report updates infrequently only had departmental alignment 50% of the time. Thus, more frequent reporting was correlated with departmental alignment, indicating that alignment and regular updates go hand-in-hand in supporting effective strategy.

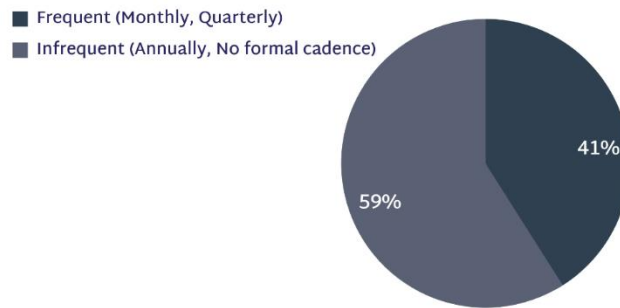
Given that you frequently report internally, how are departments involved in your strategic plan?



We also wanted to learn more about whether and how frequently local governments report results externally. 75% of organizations that responded to our survey said they report externally about their

strategy (showing the demand for transparency with community members). Of these organizations, almost 60% said that they did this infrequently, demonstrating the difficulty of creating repeatable reports for residents.

If you report externally, how frequently do you report on your strategic plan to residents or others outside of your organization?



There was no difference in external reporting between those that report internally more frequently versus less frequently. Our hypothesis is that external reporting comes more from a communication department and internal reporting from a strategy, finance, or budget department. Since there is no external decision-making resulting from external reporting, the demand for keeping it updated is low.

Look to your peers for best practices

It's easy for the wide range of options for how to approach, manage, and balance your budget to become overwhelming, especially as local governments face unprecedented challenges and work to serve varying communities and goals. So how can you make sense of your options and figure out the best approach for your City or County? Look to your peers!

The case studies shared below from Olathe, KS, Fort Collins, CO, and Raleigh, NC, describe how three very different but high performing local governments all adapted their own approaches to aligning strategy and budget. While Olathe uses priority-based budgeting, Fort Collins follows budgeting for outcomes, and Raleigh uses a modified version of base budgeting, all three local governments keep community priorities aligned with budgetary spending for the greater good of their communities.



Case Study #1

Better Budgeting in Olathe, Kansas



The City of Olathe, Kansas aligns its strategy and budget and shares updates through its [Community Dashboard](#) so residents can see exactly how public funding is used to better their community.

A key priority for Olathe's city leaders when looking to improve alignment between strategy and budget is helping each department understand how different paths of action lead to different impacts. Forecasting the potential impact of different approaches to spending and key performance indicators helps departments make data-driven decisions about which actions to pursue.

Equally important to deciding on an approach is tracking progress as time passes, and this is critical for Olathe's departments as well. In ClearPoint, the departments can track performance data along with historical trends to graphically see if areas need additional resources to improve strategic performance outcomes.

With accessible visuals and condensed information on the operations of each department as readily available information, staff can better explain any budgetary need in an easy to understand manner.

In this way, the Community Dashboard is not only advantageous for staff, but also for sharing the story more easily with City Council and residents. Any user can look at charts in ClearPoint and see the City's story of progress in exceptional service delivery. Additionally, having Olathe's performance data available in ClearPoint facilitates decision-making during the budget process.

The City of Olathe recently created a new 20-year Strategic plan, [Olathe 2040: Future Ready](#). Its focus areas are Quality of Life, Infrastructure, Economy and Exceptional Services. 60 new performance measures were adopted to better gauge Olathe's progress toward being Future Ready. Olathe is working to align the organization's structure and spending with the new Olathe 2040: Future Ready strategic plan. The Community Dashboard will soon be updated to reflect the new strategic plan and show residents the progress that will be made toward the organization's strategic goals.





Case Study #2

Budgeting Strategic Programs and Services in Fort Collins, Colorado



The City of Fort Collins is an innovative leader in performance management and strategic budget tracking. The City has an issue-based strategic plan that considers input from residents, City Council, and department heads. Every two years, the City takes the inputs they receive—synthesizing hours of conversation and feedback with the community—and creates a list of priorities within each of its seven strategic outcomes. This then shapes the five-year view that drives their budgeting process.

Once the City's proposed strategic plan is formally adopted by the City Council, they kick off the Budgeting for Outcomes process. Everything that is funded in the budget must relate back to the strategic plan, so initiatives that will help the City achieve its strategic objectives receive funding. The City uses a two-year budget cycle. At the end of year one, the City has the option to adjust the year two budget up or down as needed to balance the budget for the second half of the cycle.

To manage its budget and strategy and keep track of its progress, Fort Collins uses ClearPoint. In ClearPoint, the City can easily show the linkages between its funded initiatives and strategic objectives as well as linked performance metrics. When checking in on the progress of its strategic plan, leadership not only assesses the performance of linked metrics in determining how it's doing in achieving its goals, but also the progress of linked programs and services funded in the budget.

Here's how it all looks in ClearPoint for one of the City's strategic objectives:

Strategic Objective (SO) →

Metrics →

- Up to 4 per SO
- Performance of the SO determined by the performance of the linked measures

Initiatives →

- All BFO Offers in the Budget
- All supplemental appropriations

Strategy Map Measures					
Scorecard	Measures	Frequency	Analysis	Actions	
Communications & Public Involvement	Communications & Public Involvement	Quarterly			
Communications & Public Involvement	Communications & Public Involvement	Annually			
Environmental Services	Environmental Services	Annually			

Strategy Map Initiatives				
Initiatives	% Complete or Enter "Ongoing Offer"	Status	Actions	
City Clerk's Office	33%			
City Clerk's Office	25%			
City Attorney's Office	15%			

From there, [Fort Collins' ClearPoint Community Dashboard](#) allows the City to share updates with residents so they can see how budget dollars are being put to good use to help the City achieve its goals. These key metrics are grouped by the same Outcomes defined in the strategic plan.



Case Study #3

Aligning the Budget in Raleigh, North Carolina



On the surface, the City of Raleigh, NC, looks like it has a traditional incremental base budget, where departments receive prior year allocations and can submit supplemental requests for new funding. Over the course of 10 months, departments get guidelines, they submit their budgets, the City Manager reviews and adjusts with the departments, City Council approves, and the City adopts the budget.

Underneath this traditional process, Raleigh has a robust strategy management framework driving its budgeting process, and the City spent the last five years developing connections between departments' work and the City's overall strategy. Departments are required to link supplemental budget requests for new resources to strategic key focus areas and initiatives. This process requires departments to engage with the strategic plan and shifts their mind set from operational to strategic. A budget survey is also sent out to residents each year asking the public to weigh in on which key focus areas they would like to see receive more funding.

Over the last three years, Raleigh has worked with every department to develop three-year business plans, which are aligned to the City's strategic plan. This effort takes time, but through this process, departments begin to align their day-to-day operations and funding to the strategic plan. The business plan includes a 'Strategic Resourcing' section, which pushes departments to identify resource needs over the next three years.

Over time, employees across departments start to reference their business plan as part of budget deliberations. As part of departments' annual budget meetings with the City Manager's Office, Department Directors provide an update on their business plan and connect each initiative within the business plan to a strategic key focus area. The strategic plan and business plans are tracked and reported through ClearPoint throughout the year.

In addition to the annual supplemental process, where departments can submit requests for additional funding, the City has a separate process for key focus area initiative teams to submit supplemental requests. Through the City's CORStat model, each of the City's six key focus areas has between 8-12 initiative teams. These teams can submit requests for funding to advance the cross-departmental work of the initiative team. These supplemental requests are reviewed separately and are often prioritized. A sponsoring department manages the funds for initiative team requests that are approved.

Raleigh has even deployed a Strategy Planning and Analytics Academy to help train its staff in making decisions based on data. This has helped further integrate strategy with the budgeting process, and Budget 101 is always a popular course.

Balance your budget

When the budget is affected by unexpected shocks—such as natural disasters or economic downturn—governments and organizations often need to update their budgets to adapt and respond appropriately. Though local government “rainy day” fund balances exist as a safety net in crisis, relying on the general fund is unsustainable as well as costly in the long term. Not only does reliance on the general fund risk impacting bond ratings, it can also increase the cost of borrowing down the line.

By looking for ways to enhance revenue and minimize reliance on the general fund, governments can build up funds needed to adapt and respond to any circumstance and maintain long term financial stability.

Budget balancing approaches

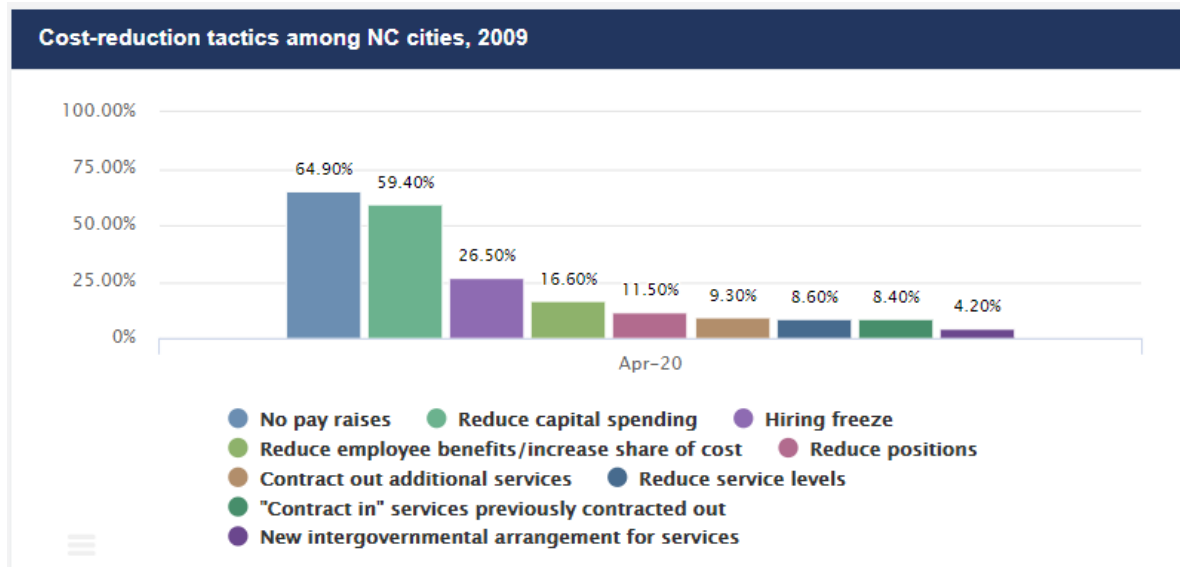
Balancing a budget is never easy, but it is even more difficult during economic downturns. When these shocks occur and local governments are faced with declining revenues, they have limited options to respond. Local governments’ big revenue streams include property tax and sales tax, but governments do not have much control over these streams of revenue unless property taxes are adjusted. During economic downturns, a property tax increase is a politically volatile path towards balancing.

Local governments may want to look at their fee structures to determine if they can adjust fees to raise additional revenue. However, this will generate minimal revenue and have a regressive impact to vulnerable communities. Both routes generally end up in the same place regardless: expenditure reductions.

Reducing expenditures is a painful and messy way to respond to budget balancing needs, but it is often the best path given statutory deadlines to balance. With your budget linked to your strategy, you need to consider your goals and priorities. Is your workforce your top priority? If so, layoffs and targeted reductions in workforce may not be the best strategy. Do you have flexibility within maintenance and operations budgets for targeted reductions?

There is not a magic bullet way to balance a budget during downturns, but keep your goals and priorities close by and have conversations about how reductions may impact your ability to deliver your strategy. Stay nimble, avoid across the board reductions, and be creative. The illustration below, which displays data from the North Carolina League of Municipalities survey of member cities in 2009, shows how

different cities in North Carolina cut expenditures during the 2009 financial crisis and may serve as an inspiration for expenditure reduction in the current crisis as well.



In an informal poll, NC local government leaders attending the North Carolina Local Government Budgeting Association (NCLGBA) webinar on budgeting in the pandemic in May 2020 noted delaying or cancelling capital projects, restricting purchases, eliminating pay raises, and freezing hiring as the most likely tactics their cities would use to balance budgets in a time of severe crisis. Tax increases and layoffs were listed as the least likely tactics to be used.

A few best practices when implementing revenue-enhancing tactics and balancing the budget help avoid unnecessary difficulties.

Do's and don'ts for budget balancing

- **Do ask everyone for ideas**
 - By encouraging input and involvement at all levels of the organization, you ensure those with the best understanding of the situation are heard when forming plans. Avoid making top-down decisions without consulting staff who are responsible for carrying out new changes.
- **Do draw on community input and support**
 - Just as it can be helpful to get ideas from all involved within the organization, drawing on the community for input and support will widen the pool for creative problem solving and also expand the network of those contributing to helping out. By using the crisis as an opportunity to identify how the organization can be strengthened, the organization and community can benefit in the long term.
 - Community surveys can be a great way to gather feedback from the community, and linking community survey results to measures within your plan is a great best practice to ensure resident requests become reality.

- **Do consider equity when considering service adjustments**
 - Yet another benefit of gathering input from a wide range of stakeholders is the opportunity to hear and accommodate concerns about social equity, fairness or access. For example, businesses moving to no-cash options may disadvantage those without access to credit cards.
- **Don't institute a "hard freeze"**
 - Hiring freezes hurt high priority areas as well as low-priority areas and may also devastate turnover-heavy departments, even if their services are very important. Rather than instituting a hard freeze on all hiring, using a different approach for high priority (e.g. public health) or high turnover departments can ensure consistency of services and public wellness. A soft freeze, which is selective and allows for exceptions for high priority or high turnover departments, can allow for better stability overall.
- **Don't treat every service/function the same**
 - Building upon the advice above, it's important to not treat all services and functions as identical when instituting changes. By grouping services and functions into functional categories like those below, maintaining appropriate service levels is simplified.
 - Service level increase: We must keep providing this program, and likely expand it (e.g. health, first responders).
 - Status quo: We'll continue to provide this service as before (e.g. utilities).
 - Service level decrease/ temporary suspension: We will temporarily cease providing this service or decrease service levels (e.g. recreation, swimming pools).
 - Internal partnership: We'll look to consolidate functions for this service. This is a good option for fleet management, for example.
 - Regional partnerships: We'll look to provide this program with a regional partner in order to maintain current level of services. A regional fleet would be one example of a regional partnership to cut expenditures.
- **Don't hold out for federal stimulus**
 - During the financial crisis of 2008, the federal government provided stimulus funds to local governments for shovel-ready projects. However, federal funds in the current crisis have been designated to individuals and businesses. This decreases the likelihood of significant fiscal funding or bail-out to local government from the federal government moving forward.
- **Don't rely on the general fund reserve**
 - Not only does reliance on the general fund risk impacting bond ratings, it can also up the cost of borrowing down the line. By taking steps to instead decrease expenditures and increase revenues, governments can work toward stability now and in the long term.

Budget-balancing in crisis

In times of crisis and/or economic upheaval like the recession of 2008 and the COVID-19 pandemic of 2020, alignment between budget and strategy is more important than ever, but also more challenging.

As Kelley Hartman, Innovation and Performance Manager at the City of Arvada, CO, put it in our recent panel on [Strategy Driving Budget during Crisis](#), long term planning and fiscal responsibility sets you up for even the worst crisis, and for Arvada, their ten-year plan has been a saving grace as they work through budget balancing to adjust to current circumstances.

Shawna Davis from Olathe seconded this message, noting that even when disruptors occur, what is important is assessing circumstances with the future in mind and ensuring your approach is aligned with your strategic plan. When revenues are impacted negatively and critical decisions need to be made on reducing expenditures, it is important to keep sight of the long-term goals of the organization and the impacts these decisions will have on the future as well as the present.

Olathe, for example, implemented a rolling furlough for all employees during the COVID-19 pandemic as a way of quickly cutting costs. While this may look like a hard freeze, the move was made with the City's newly formed 20-year plan in mind and has helped start to get spending back on track. This traditional "don't" worked for the City given their particular situation.

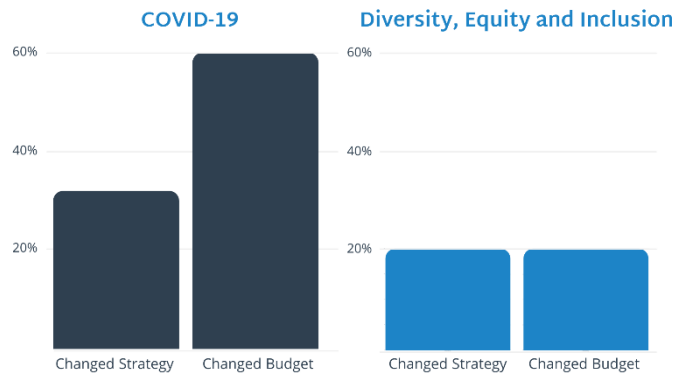
Fort Collins also adjusted their approach this year to accommodate the changing circumstances of the pandemic. The City will do two consecutive 1-year budgets and the executive team will lead the review rather than the full Budgeting for Outcomes Teams. Those BFO Teams, comprised of staff and resident volunteers, traditionally drive the initial evaluation of competing budget requests and determine a prioritized rank of programs and services within each Outcome. These changes are due to the large number of economic unknowns from the pandemic and the need to adjust quickly as additional data is available. The City's modified process will still include the key components of linking to the adopted strategic objectives and reviewing performance metrics on the proposed programs and services.

Raleigh, too, made adjustments in difficult times. The City's primary challenge in adjusting its budget in 2020 was time—an adjusted budget to reflect the changing economic circumstances of COVID-19 had to be turned around in just 60 days. To accomplish this, the City relied on its Strategic Plan to set overarching goals and utilized modeling to remain nimble as circumstances changed.

In our survey, 62% of organizations feel like the effects of COVID-19 and civil unrest will have a negligible to 10% impact on their budget.

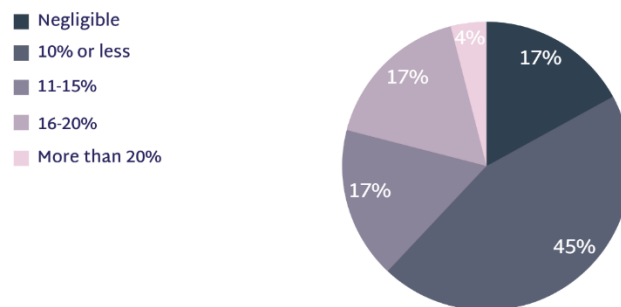
But, they are also much more aware of Black Swan type events and most are making changes to their budget going forward, with 30% re-looking at strategy because of COVID-19. 20% are looking at budgets and strategy as it related to diversity, equity and inclusion issues.

Which current events affected your strategy and budget process?

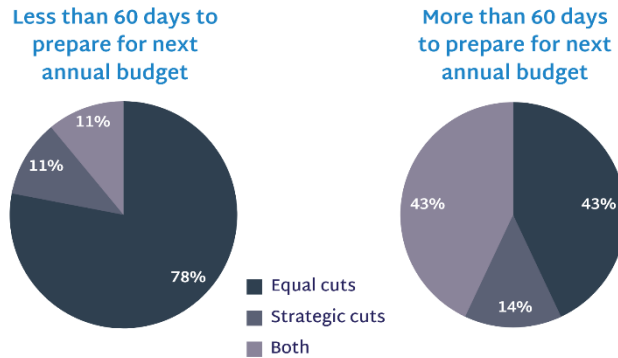


When it came time to make cuts to budgets during COVID-19, if your budget was linked to strategy, and you were given time to build your budget, then **you were 2.5 times more likely to make strategic cuts than across the board cuts.**

How much of an annual budget shortfall do you expect across your current and next year's budget that could be attributed to COVID-19?

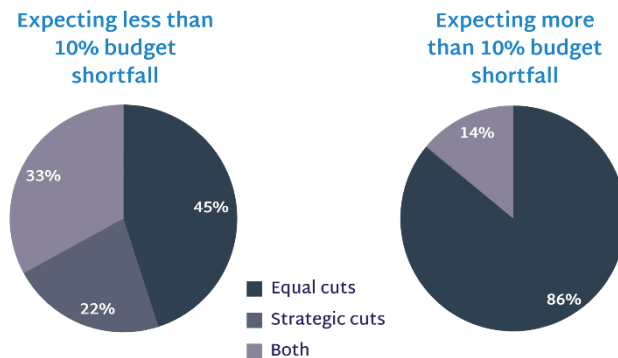


Given that your budget is linked to your strategic plan, how did you (or do you plan to) make up your budget gap?



And if your budget had less than 10% shortfall, **you were 4 times more likely to make those cuts strategically than if you had a much larger shortfall.** For the larger shortfall, you had to make cuts across the board.

Given that your budget is linked to your strategic plan, how did you (or do you plan to) make up your budget gap?



These survey results indicated the increased importance of alignment between strategy and budget going forward to allow organizations to adapt nimbly to crisis to meet changing needs.

In Sum: Tips for successful budgeting

At the end of the day, there is much more to successful budget and strategy alignment than having a few budgeting charts and tracking spending over time. There are several other key factors that go into determining successful budget allocation and strategy execution, specifically—

- **Great internal communication:** Without a clear way of communicating priorities and helping individuals and teams understand how their work contributes to the organization's overall goals, successful strategy execution will be a struggle.
- **Transparency:** By opening up information about spending across the organization, staff and residents alike can gain insight into how funds are being used and progress made toward the community's goals.
- **Regular budget review meetings:** By fostering continued discussion and engagement with the budget, you can ensure adaptability as circumstances change and new needs arise. Regular budget review meetings also give stakeholders the opportunity to have their concerns addressed.
- **Inclusivity:** Make people feel involved because they are involved, and as mentioned above, give them the ability to have their voices heard.

A TOOL LIKE CLEARPOINT CAN REALLY HELP

ClearPoint can serve as the central hub for all data and information about your budget and strategy. Our Data Loader tool allows you to import budget data from a variety of systems and can update your data live in ClearPoint from your existing data sources automatically. (Plus, we'll help you get it all set up. From there, it'll run automatically.)

With your data loaded in the tool, you can easily update all departments on their progress and aggregate up to show budget and strategy across the organization. (And with our permissioning features, you can ensure each user and department only accesses the information relevant to their particular priorities and needs).

You can also bring qualitative and quantitative information side by side to tell a story about the progress of your strategy and updates to your budget, plus chart budget performance against an average of previous years to see how you're doing over time.

To learn more, visit www.clearpointstrategy.com.

Contributors



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