



MEMORANDUM

Finance and Administrative Services Department

DATE: October 5, 2020

TO: Council Ad Hoc Subcommittee on Race, Equity, and Inclusion

FROM: Jesse Takahashi, Finance and Administrative Services Director

VIA: Kimbra McCarthy, City Manager

SUBJECT: Overview of Equity-Based Budgeting

BACKGROUND

The City of Mountain View, like many cities, has historically focused its budget development process on implementing the goals and priorities of the City Council and the community using limited resources to fund needed programs, services, and investments while maintaining a structurally balanced budget and providing for future obligations and unexpected emergencies. The budget serves as a policy document, financial plan, operations guide, and a communications device.

In order to ensure adequate resources are available to continue desired service levels, City departments make requests for staffing, supplies, and other resources during the annual budget process. The City's budget process, as typical in most cities, takes seven to eight months from start to finish and ends with an adopted budget for the ensuing fiscal year beginning on July 1 and ending on June 30.

The budget process gets under way starting in November with the distribution of instructions for the upcoming budget year. Department budget requests are due in December, reviewed, and summarized by Finance and Administrative Services staff. In February, each department's budget and resource requests are reviewed by the Budget Resource Team, consisting of the City Manager, Finance and Administrative Services Director and his budget staff, and Human Resources Director.

In February, staff also presents the City Council with a midyear budget status update, which includes information on how the City is doing compared to budget and provides an updated forecast for the next budget year. A Study Session has been held in the past but was not conducted this past year due to the COVID-19 pandemic. Instead of the Study Session, staff presented a General Fund Budget Status Report to Council in May

on the impacts of COVID-19 on the budget situation. Ultimately, the City Manager’s budget recommendations and the five-year forecast are made to the City Council in June for consideration along with a status of available funding for the recommended appropriations. The following is a summary of the budget process timeline showing the major milestones:

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| November | Budget package and instructions distributed to departments. |
| | Requests for new positions or reclassifications submitted. |
| | Capital outlay and equipment replacement requests submitted. |
| December | Departments submit budget requests and transmittal memo along with potential fee modifications. |
| January | Department goals Work Plan and any new goals submitted. |
| | CIP proposals submitted. |
| February | Budget Review Team meets with each department head to review and discuss budget requests. |
| | Midyear budget report presented to Council. |
| March | CIP Study Session held. Begin update of annual five-year forecast (10-year forecast done periodically). |
| April | Complete update of five-year forecast. Study Session held if needed. |
| June | Proposed Budget hearing. |
| | Adoption of operating and capital budgets, Gann Appropriations Limit, fee modifications (including utility rates), and CIP funding. |

ANALYSIS

Recent events during the past year, including a global pandemic, a movement for racial justice, and the onset of another recession, have shone a light on communities of color

and residents with less economic means and how these groups have been disproportionately impacted by the multiple crises. The City is determined to address these inequities as part of its commitment to improving the lives of all of our community's residents through a focus on improving racial equity and inclusion.

The City is fortunate to have a diverse population of residents comprised of a range of multicultural and ethnic backgrounds, income levels, ages, and perspectives. While the City desires all of its residents to fully participate in, and benefit from, the economic vitality and resources surrounding the region, we recognize that this does not always occur and that more can be done to promote equitable outcomes for all community residents. This is achievable by taking a closer look at how decisions, specifically budget decisions, impact communities of color, lower-income residents, and those that may be disadvantaged or disabled and lacking the same access to the benefits and resources that are available to others in the community.

In order to realize more equitable outcomes and opportunities for communities of color and lower-income residents, many cities across the country are taking an equity-based approach to budgeting. This approach can take a variety of forms, depending on the size, circumstances, and needs of a city. In general, equity-based budgeting seeks to identify how budgetary decisions may impact communities of color and low-income residents, either positively or negatively. This concept is designed to help address racial disparities and enable all residents to fully participate in the economic vitality of their city, contribute to that city's future readiness, and connect to assets and resources of the surrounding region.

Equity-based budgeting is usually implemented through the development of a Budget Equity Tool (BET) that is applied during the budget process to take racial and economic equity into consideration in budget decisions.

The City is seeking to determine the BET and scope of its application that will work best in Mountain View and incorporate that into the upcoming budget process in order to meet its commitment to improving racial equity and inclusion for all the residents of Mountain View.

Objectives and Principles of Equity-Based Budgeting

The City of San Antonio has been a leader in looking at equity considerations as part of its budget process. The San Antonio Office of Equity has identified various objectives that are associated with addressing racial equity and inclusion through four main objectives:

1. Identify if budget requests advance equitable outcomes for residents;
2. Identify burdens and benefits of decisions on communities of color and low-income communities;
3. Ensure programs, projects, plans, and investments reduce disparities; and
4. Increase community engagement in the process.

There are also a number of principles involved in using equity-based budgeting and the use of a BET, including the following:

1. Applying an Equity Lens. In order to help meet the objectives, the process involves applying an “equity lens.” This equity lens is essentially a series of questions that are asked about budget requests. This lens enables the City to assess potential impacts on communities of color and lower-income communities as well as other types of disadvantaged populations within the City. It seeks to answer the question of how budgetary decisions burden or benefit communities of color and low-income communities. Ultimately, budgetary recommendations and decision-making will take into consideration the answers to the BET questions and other essential budget parameters.
2. Be Equity Data-Driven. The key to making good budget decisions is to look at underlying data about the affected populations and how they can be measured to determine progress as a result of a given budget decision. Using objective data also helps further support the basis for the decisions that are made concerning a program or service level change. The availability of relevant data can be a challenge in doing the analysis needed to apply and determine the effectiveness of a BET.
3. Strengthen or Enhance Community Engagement Efforts and Equitable Access. While applying an equity lens to the process is a significant component to making such a process successful, it is also important to be proactive in communicating with residents to engage them about the budget and receive feedback on how the City can achieve more equitable outcomes with respect to providing programs and services as well as promoting participation. Education about the budget process, parameters, and tradeoffs is key in successful community engagement.
4. Be Accountable. It is also important that City operations and programs contribute to the goal of reducing inequities, whether this is by fairness in hiring and promotions, providing equitable services and programs in the community, or facilitating resident engagement in the budget process. This commitment can be

made by setting goals and measuring progress over time and reflecting this progress in the budget.

NEXT STEPS

In general, the scope of equity-based budgeting is quite extensive and requires many resources and available data. Most agencies using equity-based budgeting are large cities that have the significant resources, staffing, and infrastructure necessary to support these programs on a long-term basis. While resources are much more limited for a city the size of Mountain View, staff can develop initial actions to apply an equity lens in how the City is making decisions to serve our residents.

Consistent with the City's Racial Equity and Justice Action Plan, staff recommends assessing the City's operations and policies in the context of equity budgeting to ensure the City is promoting diversity, equity, and inclusion as an organization. This can be accomplished by asking equity-based questions during the budget process about our programs and how we are serving communities of color and low-income residents. Looking at the budget through this lens would represent the first steps toward integrating equity-based budgeting into the annual budget development process.

This process would grow over time as financial and administrative resources can be devoted to increasing the capacity for additional initiatives and/or programmatic changes as well as data collection.

Staff recommends that the City incorporate the concept of equity-based budgeting into the Fiscal Year 2021-22 budget development process. Staff is bringing a budget update to Council in November 2020 and will provide information at that time on a proposed BET, or equity lens framework, and how it will apply in the upcoming budget process. In addition, as part of the upcoming budget process, a comprehensive and community-engaged Strategic Visioning and Goal Setting process with the City Council is planned in early 2021 to ensure the budget recommendations will be consistent with Council's goals and priorities. Staff will also be launching a "Budget 101" workshop and enhanced community engagement as part of next year's budget process to further educate and engage the public.

Subcommittee Feedback Sought

Does the Subcommittee agree with staff's recommendation to incorporate the equity-based budgeting concept into the Fiscal Year 2021-22 budget process?

JT/6/FIN
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