

# Participatory Budgeting at the City Level

## Case Studies and Best Practices

November 2013

A Policy Brief by The Participatory Budgeting Project<sup>1</sup>

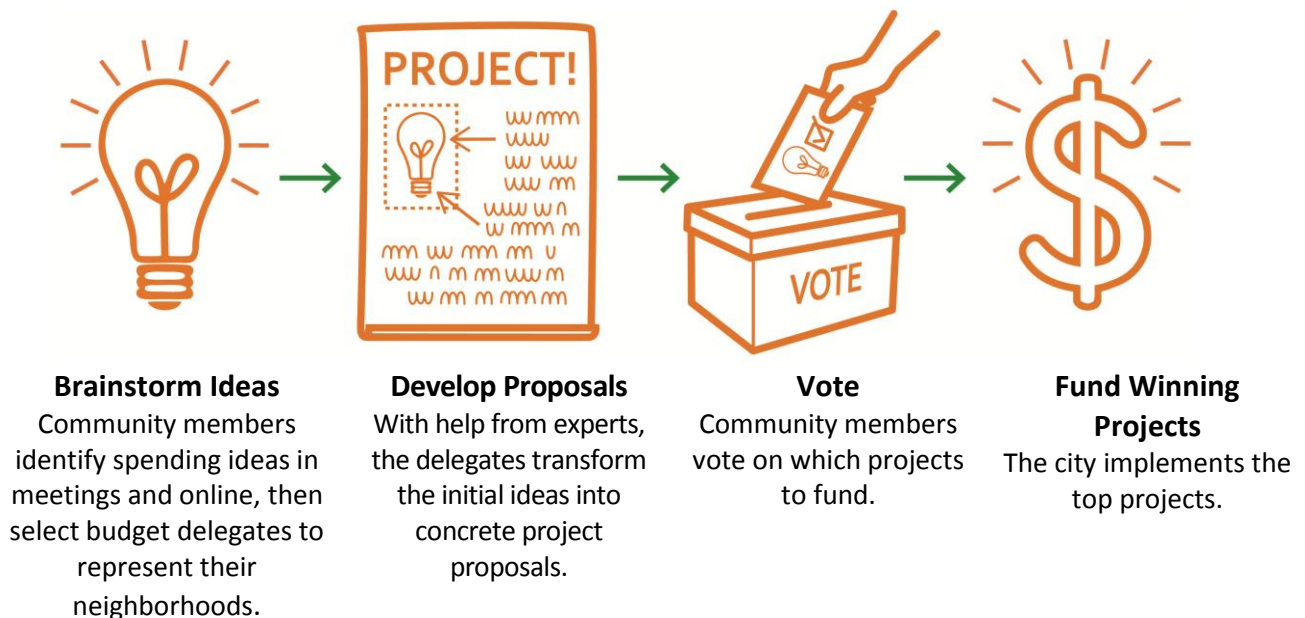


### Executive Summary

This brief outlines how participatory budgeting can be implemented at the city level and what institutional, legislative, and fiscal frameworks are necessary for success. Drawing on lessons from successful cases, the brief identifies four key conditions for effective citywide participatory budgeting: (1) institutional infrastructure that includes a central office, community-level staff, an inclusive Steering Committee, and grassroots community partners; (2) legislation and rules that establish a community-driven process; (3) equitable allocation of funds across the city and within neighborhoods; and (4) sufficient funding for the process and its implementation.

### About Participatory Budgeting

Participatory Budgeting (PB) is a democratic process in which community members decide how to spend part of a public budget. Through an annual cycle of meetings and voting, PB gives ordinary people real decision-making power over real money. PB has been used for over 1,500 city budgets across the globe, and these experiences typically follow a similar process:



<sup>1</sup> With support from the Urban Democracy Lab at NYU

PB was first launched in the city of Porto Alegre, Brazil in 1989. In Porto Alegre, as many as 50,000 residents have decided how to spend as much as \$200 million per year. Around the world, PB has been used by states, counties, districts, public agencies, universities, school systems, and other institutions to allocate capital and program funds.

In the US, PB has spread most quickly at the city district level:

- Chicago: \$1 million per ward in capital funds, starting with one ward in 2009 and since spreading to four wards.
- New York: At least \$1 million per district in capital funds, starting with four districts in 2011 and since spreading to nine districts.
- San Francisco: \$100,000 per district in capital and program funds, starting with one district in 2013 and slated to spread to three districts.
- St. Louis: \$100,000 in capital funds in one district starting in 2013.

The vast majority of international experiences, however, take place at the city level, using a portion of the municipal budget. This approach has recently been used by two US cities:

- Vallejo, CA: \$3.2 million in capital and program funds starting in 2012.
- Boston: \$1 million in capital funds for youth starting in 2013.

PB has been most successful at the city level for several reasons:

- 1) City infrastructure and programs have direct and highly visible impacts on people's lives.
- 2) City administrations have sufficient capacity to carry out broad public engagement programs.
- 3) Citywide processes allow for more equitable allocation of funds across districts, and are more easily connected to broader long-term planning.
- 4) Citywide processes involve substantial economies of scale, reducing implementation costs.

City-level PB processes, however, require a strong institutional, legislative, and financial foundation. The case studies and best practices in the following sections describe how to build this foundation.

## Case Studies: Implementing and Coordinating PB at the City Level

### Case Study 1: Belo Horizonte, Brazil:

#### Centralized Support, Equity and Long Term Planning

The city of Belo Horizonte, Brazil, has one of the longest running and most successful PB processes in Brazil. Now in its 20<sup>th</sup> year, Belo Horizonte's PB is today well known for its high participation rates, Digital-PB, Housing-PB, and integration of long-term strategic planning into the process. In its first year, around 5% of the city's capital budget was allocated to PB, and 15,000 city residents participated. Since then, on average 30,500 people have participated each year, and hundreds of projects have been approved and implemented.



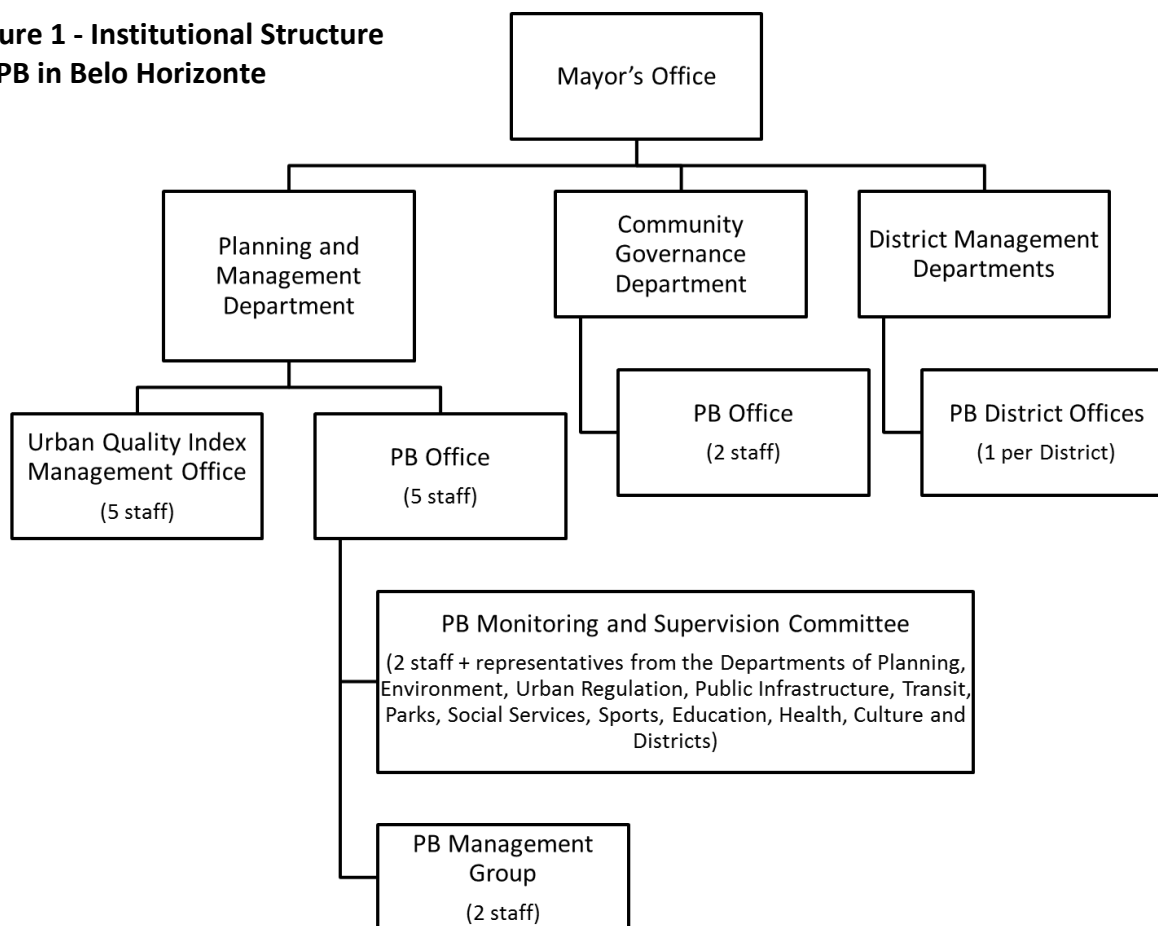
Belo Horizonte is a state capital and regional hub, an important industrial and services center, and Brazil's sixth largest city, with 2,400,000 residents. The citywide PB process is organized around the city's nine administrative districts, which are themselves divided into 45 sub-districts and 80 planning units for the purposes of meetings and the distribution of resources.

The PB process takes place over two years, beginning with citywide and regional meetings and ending with a final vote and monitoring of projects. After a round of community and sub-district meetings, each district elects budget delegates, who evaluate budget priorities and visit each of the city's districts and priority projects ahead of voting ("the citizen caravan"). Another group of representatives are elected from each district to oversee implementation of projects. Roughly 60% of PB resources are divided up amongst districts for local decision-making, while 40% are allocated to larger citywide or regional projects through a Digital PB process.

#### Centralized Support for Implementation

The process is supported by a centralized office ("The PB Office") and nine district offices. The PB Office is responsible for the overall functioning of the process: providing operational infrastructure to make the public forums possible; collecting, analyzing and publicizing the data produced in each cycle; and monitoring and disclosing information about ongoing PB projects. Local district offices assist with the organization of district and municipal forums, do outreach to community leaders, arrange the forum logistics, publicize event information, and help monitor the ongoing projects in the district.

**Figure 1 - Institutional Structure of PB in Belo Horizonte**



The PB Office also coordinates the Participatory Budgeting Management Group, a committee made up of city staff from various agencies. In addition to monitoring administration of projects and coordinating agency work, this group bridges general communication gaps between city agencies. Figure 1 shows Belo Horizonte's institutional structure for PB.

### Distributing Funds Equitably in Belo Horizonte

Since 1993, almost 700,000 participants have decided on \$600 million for 1,400 winning projects, many concentrated in the city's poorest areas. Equity is built into Belo Horizonte's process through the use of an *Urban Life Quality Index (ULQI)* to determine how much money each district receives for PB. Since 1996, the municipality has used the ULQI to quantify quality of life based on access to and availability of urban services in each of the city's 80 planning units. The index uses 35 indicators that are grouped in ten weighted

**Figure 2 – Distribution Formula of PB in Belo Horizonte**

$$10 \text{ people icons} + \text{iqvu} = \$$$

Greater the population and lower the ULQI, bigger the money pot for the District

$$5 \text{ people icons} + \text{iqvu} = \$$$

Smaller the population and higher the ULQI, smaller the money pot for the District

variables,<sup>2</sup> each representing one dimension of urban quality of life. Planning units with large populations and low ULQI scores are prioritized for funding, in order to reach as many people as possible in as equitable a manner as possible.

### Strategic Planning through PB

In Belo Horizonte a portion of the capital budget - usually 40% - is set aside every year for strategic planning, or projects that are not district-based. If implemented with limited scope, PB can be overly focused on very local needs, at the expense of citywide planning. In Belo Horizonte, this has been avoided by dedicating part of the budget to strategic planning around large-scale projects. These projects may impact more than one district or serve a district as a whole, perhaps by widening of major thoroughfares, renovating a public health center, or building a new park.

### Scaling up PB in Belo Horizonte

A very early question in Belo Horizonte was how to expand PB with as much efficiency and equity as possible. Many changes have been implemented in Belo Horizonte toward this purpose, such as the addition of a Housing PB in 1995, and then, in 1999, the conversion of the yearly PB into a biannual process. Now the citywide process happens during odd-numbered years, while Housing PB happens during even-numbered years. The funds allocated through PB each year have also increased by roughly \$27.5 million since the initial pilot process.

### Case Study 2: Rosario, Argentina:

#### Legislation for Equity and Coordination across Districts



The city of Rosario, Argentina, has another successful, well-known PB process that has included 220,000 participants who have decided on over 1200 winning projects over the last 11 years. In 2013, \$58 million was allocated to 300 projects by almost 60,000 participants. The voting process happens in 160 different locations, covering the six city districts.



<sup>2</sup> The ten variables and their relative weights are: Food Supply (8%), Culture (3%), Education (13%), Sports & Leisure (3%), Housing (18%), Urban Infrastructure (16%), Environment (6%), Health (14%), Urban Services (11%), Urban Safety (8%)

Rosario is the third largest city in Argentina, 200 miles northwest of Buenos Aires. Its population of 1.2 million lies at the center of an important metropolitan area. Like in Belo Horizonte, Rosario's PB relies on a strong and autonomous centralized body to support the PB effort, creating a structure of coordinated support that increases equity. PB is a yearlong process divided into four major steps:

1. Neighborhood assemblies (March-April): Residents raise needs and problems, exchange ideas, start to develop proposals, and choose budget delegates.
2. District meetings of budget delegates (May-October): The district budget delegates meet regularly to work on the proposals made at the neighborhood assemblies, assisted by city staff.
3. Voting process (October-November): The general public votes.
4. Inter-district forums (December): These forums gather all districts' delegates to exchange experiences and ideas about the PB process, and how to improve it.

### **Institutional Support**

As in Belo Horizonte, Rosario has developed an institutional structure to support PB at both the citywide and district levels, outlined in Figure 3. At the city level, a central PB office was created inside the Department of General Affairs. The PB Office is responsible for:

- Coordinating and organizing PB's rules and materials;
- Providing the necessary infrastructure to PB;
- Collecting and analyzing the data produced during each cycle.

At the district level, each City District Office coordinates a local PB office. Despite employing staff from other sections of the district offices, these local offices also have their own team. PB District Offices manage more localized issues such as:

- Encouraging public participation in the PB process;

### **PB Legislation in Rosario**

In Rosario, the PB process is mandated by local legislation. The following legislation (*ordenanzas*) define the terms of PB:

*Ordenanza 7326* (2002) defines what participatory budgeting is, and general instructions on how PB must be conducted and how the proposals must be constructed.

*Ordenanza 7869* (2005) defines an expanding budget assigned to PB. Amounts set aside for PB must be the same or bigger than the amount assigned in the immediate year before. It also determines that a "city needs index" should be created and updated every year. This index determines how much is assigned to each of the city's districts.

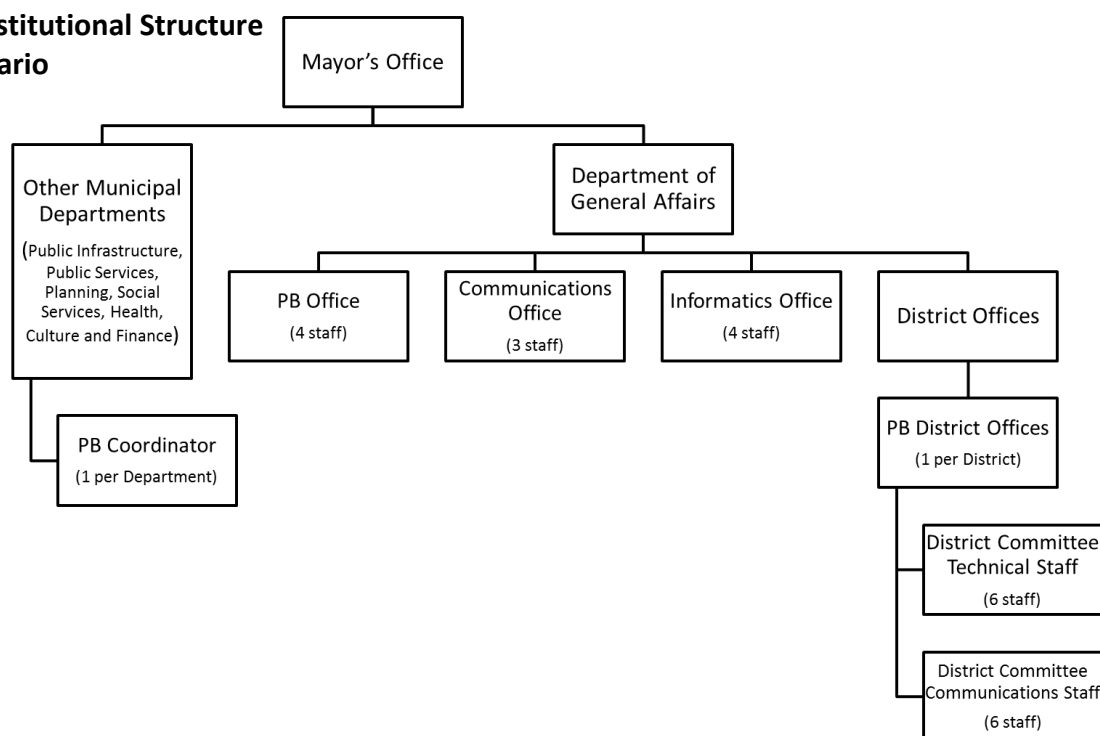
*Ordenanza 8007* (2006) determines that men and women should have 50/50 representation on the District Committees. The Department of Women oversees compliance with the *Ordenanza 8007*.

- Coordinating the neighborhood assemblies and district committee meetings;
- Managing assistance given by municipal employees to the delegates at the district committee meetings; and
- Relaying information from different government areas to budget delegate discussions.

Rosario also has a PB coordinator in each city agency, responsible for:

- Evaluating proposals' technical feasibility;
- Estimating the cost of feasible proposals; and
- Providing updates about project implementation.

**Figure 3 - Institutional Structure of PB in Rosario**



### Coordinating PB across Districts and Agencies

In order to manage the challenging task of connecting PB with city agencies, Rosario decentralized some of the PB coordination, while maintaining the PB Office as the central operational and political entity. One of the most important functions of this office is liaising with local district offices, as well as with staff from other municipal agencies, coordinating decisions about PB on each city level. PB District Offices link the budget delegates to city technical staff throughout the district delegate meetings, where technical staff address the feasibility of budget delegate proposals. The Department of Youth coordinates a parallel youth PB process and supports youth engagement in the regular PB process.



## Case Study 3: Vallejo, California

### Institutional Support for Ensuring Diverse Participation



The City of Vallejo is a predominantly low-income city of approximately 116,000 residents in the Northeast San Francisco Bay Area. In September 2012, barely more than a year after emerging from bankruptcy, Vallejo became the first US city to launch PB citywide. In May 2013, after more than 100 volunteer budget delegates worked for five months in committees to develop project proposals for the PB ballot, 3,917 Vallejo residents voted to fund 12 projects - the highest voter turnout percentage of any US PB process. Winning projects ranged from community gardens and street lighting to repairs and park improvements, from small business grants to youth and senior programs and a low-cost spay and neuter program.

#### Implementation and Institutionalization

In April 2012, Vallejo City Council voted to use PB to allocate 30% of the expected revenue from a voter-approved sales tax measure, amounting to \$3.2 million of General Fund money. Because Vallejo City Council members are at-large, implementing PB at the district level was not an option.

For its first year of PB, the City allocated a \$200,000 operating budget and contracted with The Participatory Budgeting Project (PBP) to implement the process. Two PBP staff members spent nine months working with the Vallejo City Manager's office to carry out PB Vallejo. In 2013, following the successful pilot year, City Council voted to institutionalize PB by hiring two full-time city staff to coordinate the process and implement winning projects, and to set a placeholder for PB in the budget.

#### Ensuring Diverse Participation

Vallejo is a low-income and diverse city, with four major demographic groups – African-American, Latino, Asian (mostly Filipino), and White – each accounting for roughly a quarter of the population. In designing the process, one of the *central concerns was that participants reflect the city's diverse demographics*.

To this end, PB Vallejo employed three general strategies:

1. *Providing institutional support for community governance of PB.* The Vallejo City Council nominated 20 local organizations to serve on a PB Vallejo Steering Committee, which designed the rules and met monthly to oversee the process. The committee prioritized engagement of groups typically underrepresented in political decision-making, especially low-income residents, immigrants, and youth.



2. *Building inclusion into the rules of the process.* In writing the rules of the process, the Steering Committee opened the PB vote to all Vallejo residents ages 16 and over, regardless of immigration or parolee status. Of the nine community assemblies that took place in the fall of 2012, three were targeted for youth, seniors, and Spanish speakers. There were also Youth and Spanish language committees during the Budget Delegate process. Mobile voting events held in low-income neighborhoods at ethnic supermarkets, churches and schools took the PB vote to people who otherwise might not participate.
3. *Allocating adequate resources for targeted outreach and meeting amenities to reduce barriers to participation.* The implementation budget allowed coordinators to hire targeted outreach workers to engage the Filipino and Spanish-speaking communities. It also allowed for translated materials, interpretation, food, entertainment, and childcare at public meetings.

### **Funding Programs and Services through PB**

PB Vallejo was the first US PB process to allow non-capital projects to be eligible for funding, in addition to capital projects. Projects could be implemented by:

- A city department, as in the case of small business grants;
- A non-city agency, as in the case of the school district for youth programs; or
- A local non-profit, as in the case of the low-cost spay neuter program.

### **Diversity Outcomes in Vallejo**

- *High rates of youth participation.* Nearly one-fifth of participants in community assemblies and one-fifth of PB voters were under the age of 18. Youth participants were as young as ten years old.
- *Low-income participants were overrepresented at assemblies.* Households earning less than \$15,000/yr make up 12% of total households in Vallejo but accounted for about 15% of PB assembly participants.
- *Higher rates of participation from communities of color after targeted outreach.* After holding mobile voting events, the percentage of African-American participants increased by five points, from 17% at the community assemblies to 22% during the vote. Participation of Asian groups increased by 6 points, from 11% at the community assemblies to 17% during the vote.
- *Residents engaged who would not have a voice in traditional mechanisms of democracy.* Over 15% of PB Vallejo voters said they were ineligible to vote in regular elections, whether due to age, immigration status, prior felony convictions, or other barriers.

While a popular aspect of the Vallejo process, expanding PB to include programs and services did raise a few challenges. Legal concerns around gifting and procurement of public funds complicated approval of some projects. City staff also found that administration of funds to implement programs and services required significantly more resources and staff time than anticipated. Heading into its second year of PB, Vallejo took the following steps to make funding non-capital projects easier:

- With help from the City Attorney and City Manager, the PB Vallejo Steering Committee ***established clearer eligibility guidelines for programs and services*** to ensure accordance with local and state laws and other PB eligibility criteria.
- The City ***hired a staff member dedicated to implementation*** of approved PB projects.

## **Best Practices for City-Level PB**

### **1) Institutional Structure and Staffing**

How can cities best staff and coordinate citywide PB processes?

#### ***Central Office for PB Coordination***

In Belo Horizonte, Rosario, and Vallejo, a central office or staff devoted to supporting the process has been critical. Core responsibilities of such an office include:

- Providing training and facilitation for participants, volunteers, and other city staff;
- Scheduling and coordinating assemblies, meetings, and voting;
- Maintaining a communications infrastructure, including publicity, press coverage, and a PB website; and
- Coordinating the development and implementation of projects with city agencies.

#### ***District Coordination***

A central PB office is best complemented by district- or neighborhood-level PB offices or staff that support local aspects of the process, while ensuring that meetings, publicity, and outreach efforts across the city follow the same timeline and comply with rules. This staff is charged with:

- Coordinating grassroots outreach and neighborhood participation;
- Relaying information between centralized city staff and local volunteers, budget delegates, and participants; and
- Interfacing between budget delegates and city agencies or technical experts.

#### ***Agency Integration***

City agencies play an integral role in the development and implementation of PB projects. Key practices for integrating PB into their work include:

- Assigning a PB coordinator in each city agency, as in Rosario, to review project proposals and oversee implementation of funded projects.
- Establishing regular and open channels of communication between each agency and the local delegates who develop project proposals, via a PB central office and district-level staff.

### ***Integration with Existing Community Planning Structures***

In cities that have existing structures for community participation in planning, such as Community Boards, synchronizing the PB and community planning processes prevents redundancy and confusion. Opportunities include holding joint meetings, aligning their schedules to maximize public participation, and sharing information about local needs and proposed projects.

### ***Steering Committee***

Establishing community ownership over PB can bring in additional support and resources to help staff the process and boost participation. One of the best ways to ensure this is to convene a Steering Committee to draft the basic structure and rules of the process. In Vallejo, New York, and Chicago, Citywide Steering Committees have allowed elected officials and city staff to work collaboratively with non-profit organizations, grassroots groups, and individual citizens to design, oversee, and improve the PB process.

### ***Community Partners***

An inclusive Steering Committee should include key community partners that can facilitate buy-in and encourage broad participation by diverse groups—especially those least likely to participate, such as young people, immigrants, and low-income communities of color. Grassroots targeted outreach efforts are critical for engaging these groups, and community partners are well-situated for this work.

## **2) Enacting Legislation and Clear Rules**

What resolutions, ordinances, or bills are useful to institutionalize PB at the city level?

### ***Introductory Legislation***

As in Rosario and Vallejo, the establishment of PB can be mandated by basic legislation that calls for the formation of a Steering Committee to design and oversee the process. This legislation can set requirements for:

- *The pot of money to be allocated for the process and its implementation.* This may include an equity index or distribution formula, to outline how PB funds are initially divided between districts or neighborhoods. (See Rosario)

- *Steering Committee composition and rules*, to ensure that key stakeholders are represented in the governance of PB (e.g., elected officials and their staff, citywide non-profit organizations, grassroots groups, individuals from each district and key demographic group). This may initially be determined by elected officials, and later revised by the Steering Committee.
- *Eligibility criteria for project funding*, which may also be revised later by a Steering Committee. For example: spending proposals must be one-time expenses that benefit the public; they may include programs and capital projects; and they may be implemented by the City, other public agencies, or non-profit organizations.
- *Integration with City Agencies*, to standardize the process by which the city and/or its relevant agencies vet and approve projects before they are placed on the PB ballot.

### ***Rulebook***

Once a city establishes the basic parameters for PB, a broader Steering Committee can help elaborate the rules and procedures in a Rulebook that governs the process. Rulebooks define issues such as the timeline of the process, the roles and responsibilities of stakeholders, and participant requirements such as the minimum voting age. They are revisited each year to make improvements.

## **3) Allocating Funds Fairly and Transparently across the City**

How can the city ensure that funds are allocated equitably across communities?

### ***Distributing citywide funds across districts according to an equity formula***

Funds to be spent through PB can initially be split among districts in an objective, equitable way using a formula such as Belo Horizonte's Urban Life Quality Index. Such a system could look like this, for example:

- Two-thirds of PB funds are set aside for projects located in individual districts.
- Prior to PB voting, these funds are divvied up between the districts based on the equity formula, such that districts with greater needs receive more funding.
- The remaining one-third of PB funds is set aside for projects that are citywide or span multiple districts.

### ***Using a "budget matrix" to include equity criteria in PB decisions***

To ensure equitable results in the PB vote itself, a budget matrix can be used to incorporate equity criteria into the evaluation of projects by both budget delegates (during the project development stage) and voters (during the community vote). This tool involves scoring and prioritizing projects based on the level of socioeconomic need addressed or the communities that stand to benefit from each proposed project.

### ***Dedicated pots of money for priority neighborhoods or issue areas***

For neighborhoods or issue areas with extreme or unique needs, specific pots of money can be set aside for allocation through PB. In Belo Horizonte, for example, part of the PB program is devoted exclusively to the participation of disadvantaged communities in the city budget for housing.

## **4) Funding the PB Process**

### ***Setting Aside an Implementation Budget***

Adequate resources and capacity for staffing, publicity, and outreach are a defining feature of all successful PB processes. The City of Vallejo (population 116,000) allocated \$200,000 for the implementation of its first PB cycle and, based on its success, will commit a similar amount to support staffing and outreach for the next cycle.

### ***Identifying Revenue Sources for PB***

Any discretionary funds can be decided upon through PB, but the case of Vallejo has shown that it can also be useful to dedicate a specific revenue stream to the process, such as a local sales tax. This approach can make participation more appealing and boost public approval of the tax.

### ***Reducing Implementation Costs***

Many aspects of a citywide PB process allow for economies of scale, such as in the management of project information, event scheduling, institutional outreach, volunteer coordination, and publicity and communications.

### ***Increasing Revenue Streams through PB***

Public participation need not be limited to spending decisions. Community decision-making in budgeting could also include deliberations around revenue, which could yield new ideas and improved understanding around taxes and other means of generating revenue.