Presentation to the
APIPA 2009 –20th Annual Conference

A Systems Approach to Implementing Performance-Based Management and Budgeting

Guam
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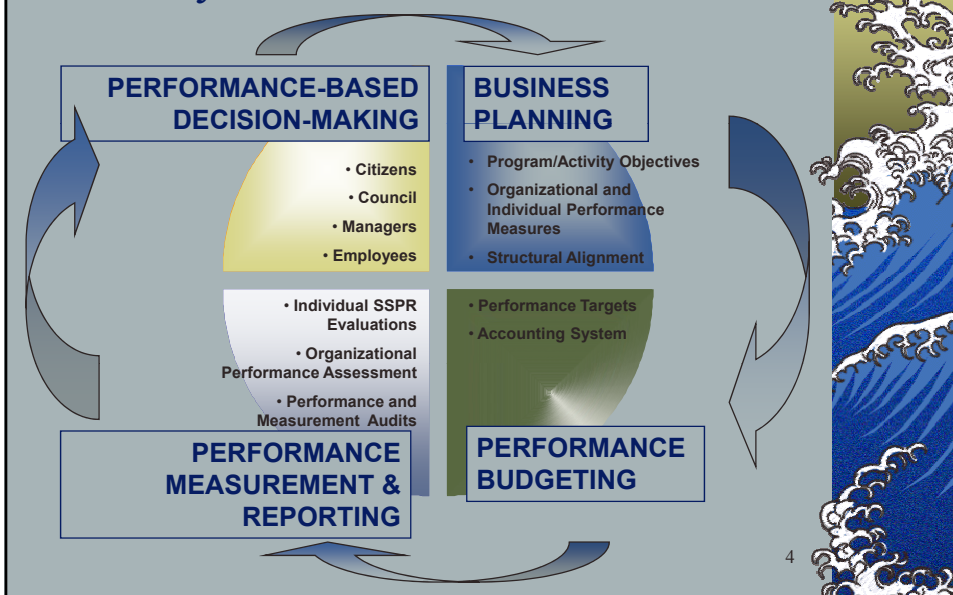## A Systems Approach to Performance Based Management and Budgeting

I.   Introduction – Performance Accountability System

II. Historical Overview – Where We Have Been in Austin

III. Performance Planning

IV. Performance Budgeting

V.   Performance Measurement and Reporting

VI. Performance-Based Decision Making

VII. Conclusion – What We Have Learned and Where We Are Going

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I. 1. Introduction: Government Performance Accountability System

PLAN
Strategic & Annual Planning

DO
Performance Budgeting

CHECK
Performance Measurement & Reporting

ACT
Performance-Based Decision Making

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I. 2. Managing for Results Framework City of Austin

PERFORMANCE-BASED DECISION-MAKING

BUSINESS PLANNING

- Citizens
- Council
- Managers
- Employees

- Program/Activity Objectives
- Organizational and Individual Performance Measures
- Structural Alignment

- Individual SSPR Evaluations
- Organizational Performance Assessment
- Performance and Measurement Audits

- Performance Targets
- Accounting System

PERFORMANCE MEASUREMENT & REPORTING

PERFORMANCE BUDGETING

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I. 3. Characteristics of a Successful System

- Use existing data whenever possible
- Find a balance between too few and too many measures
- Audit the data regularly
- Modify measures when necessary
- Centrally located staff to analyze data and coordinate the system elements
- Technological infrastructure to support the system

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I. 3. Characteristics of a Successful System (continued)

- Data forms should have space for explanatory information and detail
- Tie measures to budgetary allocation and reward system
- Support of top management
- Over the long run should affect bottom line performance of the organization
- Citizens will be better informed and more participative

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II. 1. Where We've Been (in the City of Austin) …

- ➤ 1992 – Council Resolution on Performance Measurement and Reporting
- ➤ 1994 – First Performance Measurement & Reporting System Audit
- ➤ 1996 – Second Performance Measurement and Reporting System Audit; Program Budgeting implemented
- ➤ 1998 – Third Performance Measurement and Reporting System Audit

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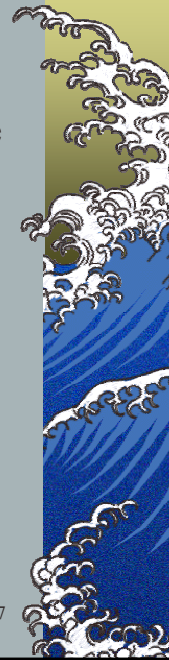
II. 2. Where We've Been…

- ➤ **1998 Corporate *Managing for Results* Initiative Defined**
  - • Simplify our System
  - • Clarify the Information We Provide
  - • Develop Measures that are Meaningful to our Employees
  - • Focus on Cost
- ➤ **1999 Corporate Partnership Implements CMO Initiative**
  - • Developed a standard manual--The Resource Guide
  - • Trained over 200 managers
  - • Developed a single accounting system
  - • Identified key performance measures for executive SSPRs
 - • Corporate Review Team

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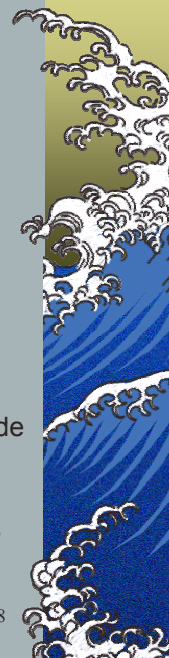
II. 3. Where We've Been…

⅄ **2002 Fourth Audit of the Performance Management System**

- Ongoing Integrated System
- Information Used for Operational Management
- Measures Are Relevant and Reliable
- Budgets Are More Data and Results Driven

⅄ **2003-2009 Continuous Improvement**

- Most Managers and Supervisors Are Trained
- Performance Measures Supported by More Robust Technology
- Improvements Being Made to City's Website
- "Best Practice Citizen Centric" External Performance Accountability Report Is Needed

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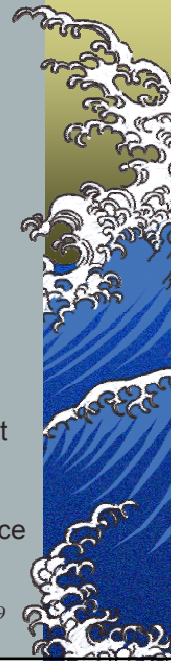
III. Performance Planning

III. 1. Establishing programs and activities

III. 2. Developing annual business plans with performance expectations and measures

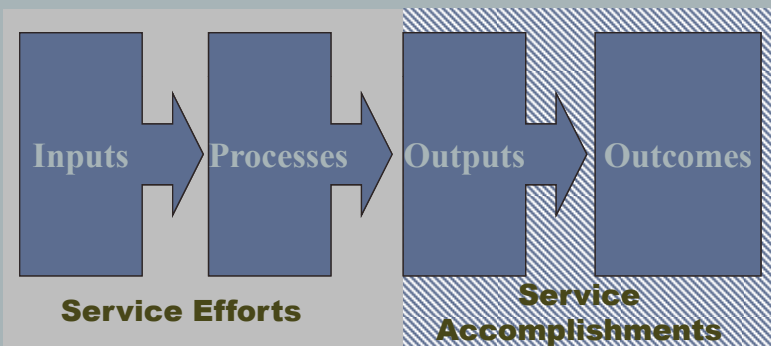III. 3. Reviewing business plans to support improvement and accountability
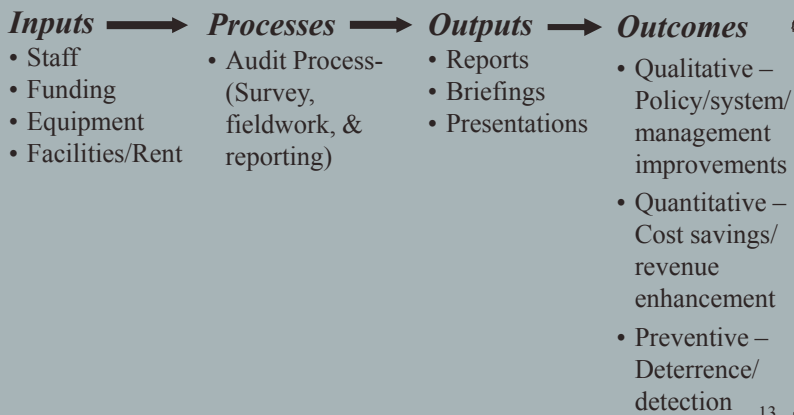
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III.1. Service Delivery Model

Inputs → *Processes* → *Outputs* → *Outcomes*

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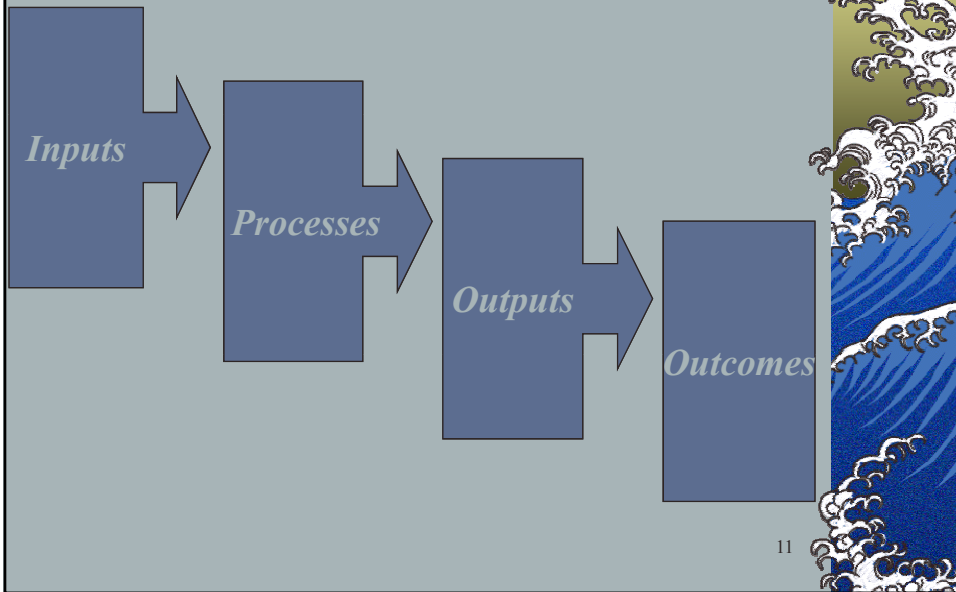
III. 1. Service Delivery System Cause/Effect Relationships

Inputs → Processes → Outputs → Outcomes

Service Efforts

Service Accomplishments

Financial Inputs/Outputs	=	Unit Cost
Outputs/Physical Inputs	=	Productivity
Inputs/Outcomes	=	Cost Benefit and Cost Effectiveness

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III. 1. Service Delivery System: Auditing Program

Audit Program or Activity

| *Inputs* →	*Processes* →	*Outputs* →	*Outcomes*
• Staff	• Audit Process-	• Reports	• Qualitative –
• Funding	(Survey,	• Briefings	Policy/system/
• Equipment	fieldwork, &	• Presentations	management
• Facilities/Rent	reporting)		improvements
			• Quantitative –
			Cost savings/
			revenue
			enhancement
			• Preventive –
			Deterrence/
			detection

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III. 1. Austin's Definition of Programs

⌃ Activity = Input ➝ Process ➝ Output ➝ Outcome
⌃ Program = group of activities with a common purpose

Example: Audit Program consists of four activities:
⌃ Performance Audits
⌃ Investigations
⌃ Consulting and Assistance
⌃ Quick Response

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III. 2. Overview of the Development of Business Plans
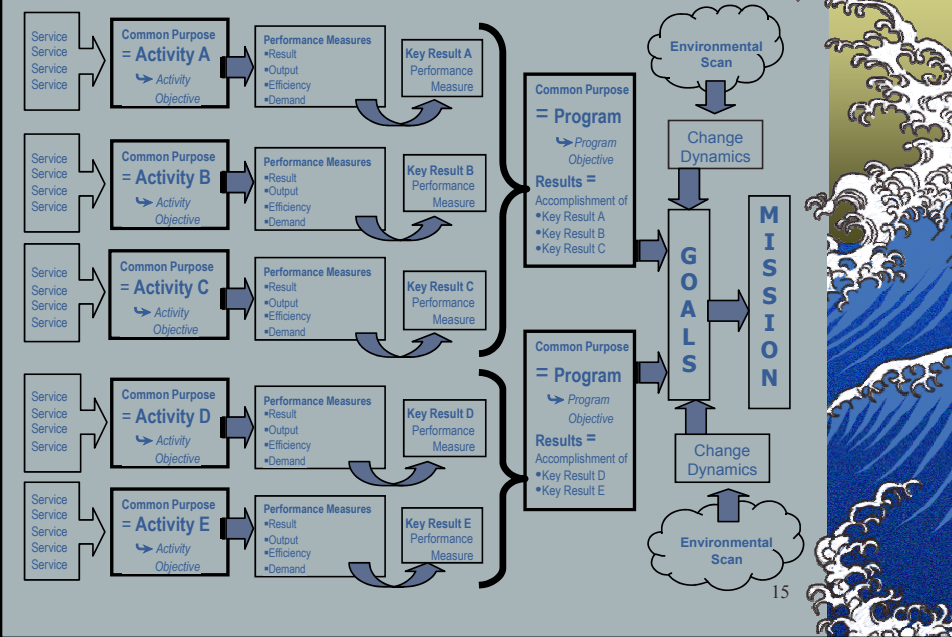
III. 2. Business Plan Alignment Worksheet with Definitions

ALIGNMENT WORKSHEET BY ACTIVITY	
Business Plan Element	**Results**
City of Austin Vision:	We want Austin to be the most livable community in the country.
Vision: (optional)	*Describes the desired future state or set of circumstances.*
Mission:	*Comprehensive statement of the Department's purpose. Identifies Department's primary customers and identifies the products or services that are provided.*
Goals:	*A broad statement describing the desired outcome for an organization or its programs. Defines the significant results to be achieved over the next 2 – 5 years.*
Program:	*Two or more activities grouped together to form a common purpose to define a program.*
Program Objective:	*Clear statement of the objective of the program.*
Program Results Measure(s)	*Key results this program is expected to achieve.*
Activity:	*A set of services with a common purpose that produce outputs and results for customers.*
Activity Objective:	*Clear statement of the purpose of the activity.*
Services that comprise the Activity:	*A service is a set of actions that produce a product, output, or result directly with or for customers.*
Activity Performance Measures:	*Results:* *The impact that an activity has on customers/citizens* *Efficiency:* *Unit cost of an output* *Demand:* *The amount of services requested or expected by customers of the activity* *Output:* *Units of services provided, products provided, or people served through the activity*
Responsible Employee:	*Department Executive/Manager responsible for Activity*

III. 2. Sample Business Plan Alignment Worksheet

Business Plan Element	Results
City of Austin Vision:	We want Austin to be the most livable community in the country.
Vision: (optional)	Our community will be the healthiest in the nation.
Mission:	The purpose of the Austin/Travis County HHSD is to work in partnership with the community to promote health, safety, and well being.
Goals:	The over-all goal of the Austin/Travis County HHSD is to promote a healthy community which reflects social equity. This over-all goal will be achieved through: 1) Minimizing the public's exposure to health and environmental hazards.
Program:	Environmental Health Services
Program Objective:	The purpose of the Environmental Health Services is to provide protection and enforcement service to the public in order to minimize environmental health hazards.
Program Results Measure(s)	⌃ Average response time to complaints/requests ⌃ Confirmed cases of food-borne illness ⌃ Percent of customers satisfied with complaint/request processing
Activity:	**Health and Safety Code Compliance**
Activity Objective:	The purpose of Health and Safety Code Compliance is to provide inspections, investigations, consultations, and training for the public in order to minimize public exposure to food-borne illness and other environmental health hazards.
Services that comprise the Activity:	⌃ Inspection services ⌃ Investigation services ⌃ Provide training to food operation employees
Activity Performance Measures:	Results: ⌃ Confirmed cases of food-borne illness Efficiency: ⌃ Cost per food establishment permit ⌃ Average inspections/investigations per inspector ⌃ Cost per food manager trained Output: ⌃ Number of complaints/requests completed ⌃ Number of food establishment, mobile food vendor inspections ⌃ Number of temporary food inspections
Responsible Employee:	Donald Smith

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III. 3. Reviews: Corporate Improvement and Accountability

⌃ *Review Team*

- Budget Office, Office of the City Auditor, Organizational Development

⌃ *Structure*
- Does it provide for alignment of results?
- Does it permit illumination of results and cost information in a manner useful to decision makers?

⌃ *Results*
- Do objectives and measures match?
- Was template used for best impact?

⌃ *Measurability*
- Are goals measurable?
- Are program and activity measures useful?

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III. 3. Plans: Consistent Process & Product

⬥ **Program and Activity Objectives: MFR Template**
⬥ **Performance Measures: A Family of Measures**

> **The purpose of _____**
>
> **is to provide_____**
>
> **to _____**
>
> *so they can _____*

Result Measure...then

- **Outputs: How many?**
- **Efficiency: At what cost?**
- **Anticipated Demand**

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III. 3. Activity Objective Statement (example)

The purpose of the	Combat Operations **(program)**
is to provide/produce	emergency incident response **(service or product)**
to	anyone in the service area **(customer)**
in order to	save lives and minimize property damage **(planned benefit)**

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III. 3. Performance Measures (example)

Result: Number of fire deaths per capita

                 Percent of fires confined to the
                 room or area of origin after arrival
                 of AFD (per census track)

Efficiency: Average cost per call

Output: Number of calls (call volume)

Demand: Number of fire alarms (calls)
                 expected

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Exercise 1: Achieving a Balance Between Relevance and Consistency

1.   *Why must we allow measures to change?*

2.   *Why must we insist that measures stay the same?*

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IV. Performance Budgeting

IV. 1. Link annual plans and budgets

IV. 2. Establish targets

IV. 3. Collect cost accounting
         information

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IV. 1. Link Annual Performance Plans and Budgets

⌃ Ensure clear linkage between the
  plan's programs and the budget's
  programs

⌃ Ensure congruence between the
  plan's goals, objectives, and targets
  and the budget's goals, objectives,
  and targets
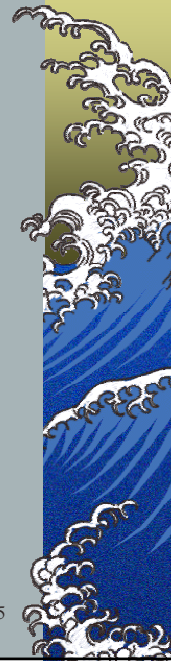
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IV. 1. The Budget – Linking Results, $$$, and People

▲ **In the Budget Document**
- Business Plan
- Activity and Program Pages
- Performance Measures: definitions, etc.

▲ **Using the Performance Budget to "Tell Your Story"**
- Changing the Conversation
- This Result…At This Cost

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IV. 2. Establish Targets

▲ Targets for each program and activity measure

▲ Sources of criteria for setting targets
- Historical trends and baselines
- Program requirements or intent
- Customer expectations or demands
- Industry or sector standards
- Benchmarking within the organization
- Benchmarking outside the organization

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IV. 2. Examples of Performance Targets and Measures

Model Component	Target	Measure
Input Economy	In FY 09, decrease the audit office's personnel allocation by five full-time positions.	Number of audit office positions deleted in FY 09.
Process Efficiency	In FY 09, provide branch library services at the staff cost of $2 or less per patron.	Average branch library staff costs per patron in FY 09.
Output Quality (accuracy	In FY 09, reduce the restaurant critical inspection error rate by 10 percent.	Restaurant critical inspection error rate in FY 09.
Output Quantity	In FY 09, expand curbside recycling services to 1000 additional homes.	Number of additional homes in FY 09 receiving curbside recycling services.
Output Timeliness	In FY 09, all Level 1 emergency calls will be responded to with a unit on site within six minutes.	Response times (range) to Level 1 emergency calls in FY 09.
Outcome Effectiveness	In FY 09, place in permanent jobs 15 at-risk youth enrolled in a pilot employment program.	Number of pilot program participants placed in permanent jobs in FY 09.

Sources of Performance Expectations

The process for identifying expectations should be rigorous.

Exercise 2:

List the pros and cons of deriving criteria for performance expectations from the sources discussed previously.

IV. 3. Base program budgets on unit costs that support desired program outputs and outcomes as reflected in targets

- ◆ Activity-Based Costing (ABC)

- ◆ Identify Direct and Indirect Costs

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Performance Budgeting

➤ *Long-sought "ideal" of budgeting experts:*
  ➤ **Performance-driven budgeting.**

➤ *Best-case reality:*
  ➤ **Performance-informed budgeting.**

Exercise 3: *Why might the best-case reality be "better" than the ideal?*

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V. Performance Measurement and Reporting

V. 1. Individual Performance Appraisal

V. 2. Organizational Performance Assessment and Reporting

V. 3. Performance and Measurement Certification Audits

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V. 1. Establishing Accountability
Key Points of Business Plan Alignment/ SSPR Integration

- Every employee in the organization contributes to the City Vision

- Every employee in the department contributes to the Mission of the department.

- Every employee in the department contributes to at least one Business Plan Goal.

- The Alignment Worksheets show employees how the Services they provide support specific Activities, Programs, and Goals in the Business Plan.

- Performance Measures show citizens, City Council and employees how well we are doing.

- Every Business Plan Measure must be written into at least one employee's SSPR.

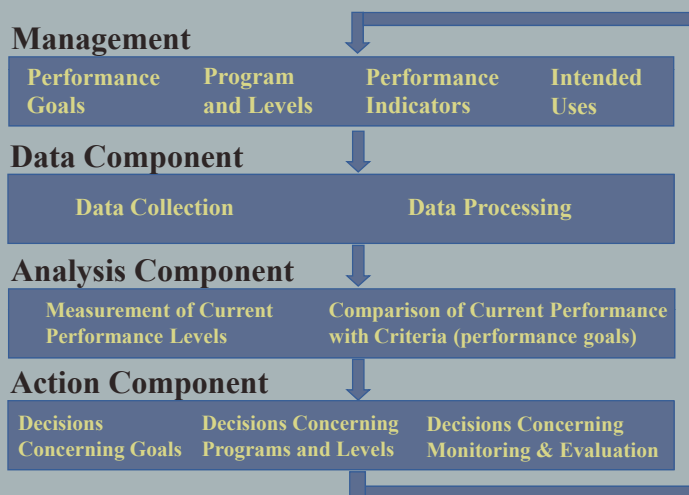- Every employee, including department executives, will have at least one Business Plan Measure in their SSPR.

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V. 1. Individual Performance Appraisal

Alignment Worksheet	Employee SSPR
Mission Goals Program – Activity –	Program Objective
Services that comprise Activity • •	Activity Objective
Activity Performance Measures **Results:** Efficiency: Demand: Output:	**Activity Results Measure** Description of Services **Individual Performance Measure** • *Same as* the Activity Performance Measure • *Part of* the Activity Performance Measure or, • *Contributes to* the Activity Performance Measure

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V. 2. What is a Performance Monitoring System?

Management

| Performance Goals | Program and Levels | Performance Indicators | Intended Uses |

Data Component

| Data Collection | Data Processing |

Analysis Component

| Measurement of Current Performance Levels | Comparison of Current Performance with Criteria (performance goals) |

Action Component

| Decisions Concerning Goals | Decisions Concerning Programs and Levels | Decisions Concerning Monitoring & Evaluation |

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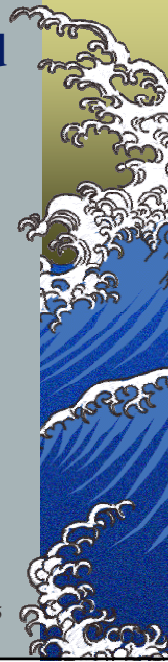
V. 2. Ensure Performance Measure Definitions/Formulas are Established

Design monitoring system to track and analyze the selected measures (efficiency, outputs, and outcomes are essential).
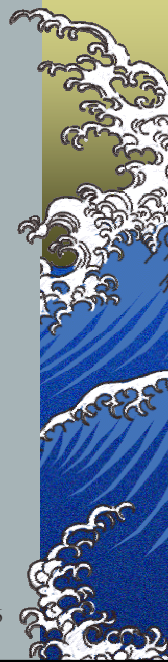
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V. 2. Establish Performance Reporting "Best Practices"

Design reporting formats and decide frequency of reporting. Austin reports include:

- ▲ Quarterly Performance Reports
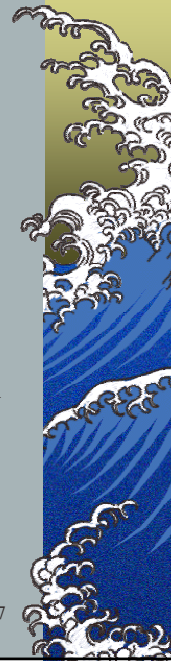- ▲ Annual Performance Reports
- ▲ Community Scorecard

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V. 2. Use Performance Reports to Improve Performance

- ⌃ Use performance reports to target and direct analysis of program performance

- ⌃ Use analysis to identify the causes of inadequate program performance and focus improvements on causes

- ⌃ Use performance reports to identify high performance programs

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V. 2. City of Austin Scorecard

- ⌃ Sources of Benchmarks
  - ICMA Comparative Benchmark Project
  - Central Texas Indicators Project
  - Comparison with other major Texas cities and across the nation
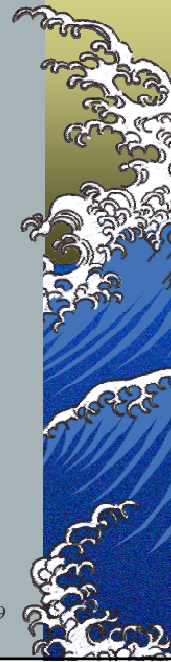 - Grouped into areas of priorities developed by City Council

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V. 2. City of Austin Scorecard (continued)

- ▲ Funding decisions made on:
  - Customer priority
  - Customer satisfaction
  - Results shown
  - Efficiencies and inputs

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V. 3. Conduct Performance and Measurement Audits

- ▲ Audit departmental and program performance

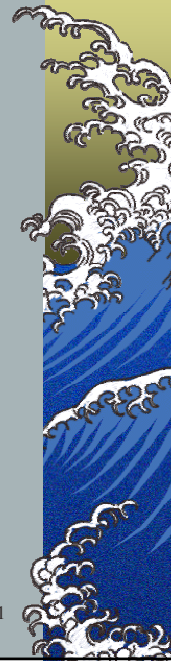- ▲ Audit relevance and reliability of performance measures

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Exercise 4

List your top three criteria for an effective external performance report and compare with your colleagues.

Who do you think is the primary user of the report and why?

VI. Performance-Based Decision Making – Includes Stakeholders, Elected Officials, Managers, and Employees

VI. 1.   Using performance information to support decision making

VI. 2.   Examples

VI. 1. Performance Information Used for Different Decisions

Budgetary
Decision making

Manage & Improve
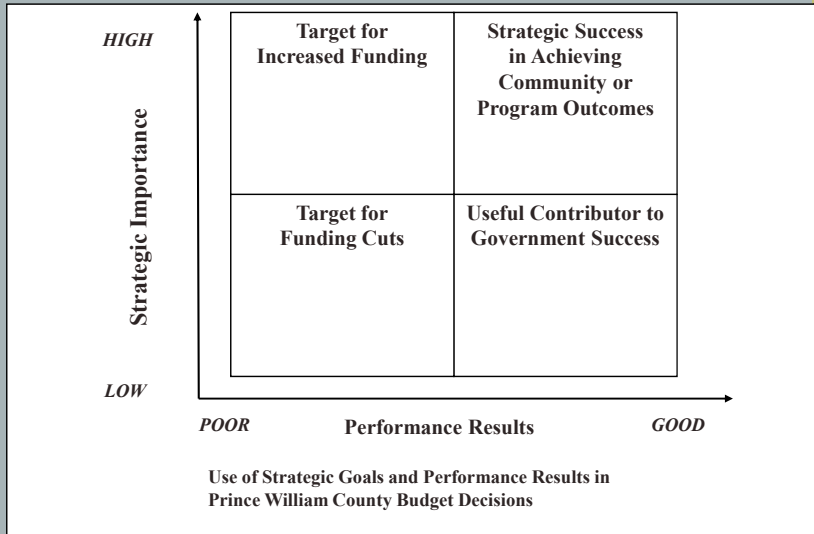Operations

Accountability
Reporting

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VI. 1. Performance Information Supports Decisions to:

- ◆ Assess and adjust program performance service levels, and resources,

- ◆ improve existing programs and services,

- ◆ improve internal management systems,

- ◆ revise performance plans and reports,

- ◆ initiate new programs and services, and

- ◆ bottomline—use performance information to support continuous improvement and public accountability.
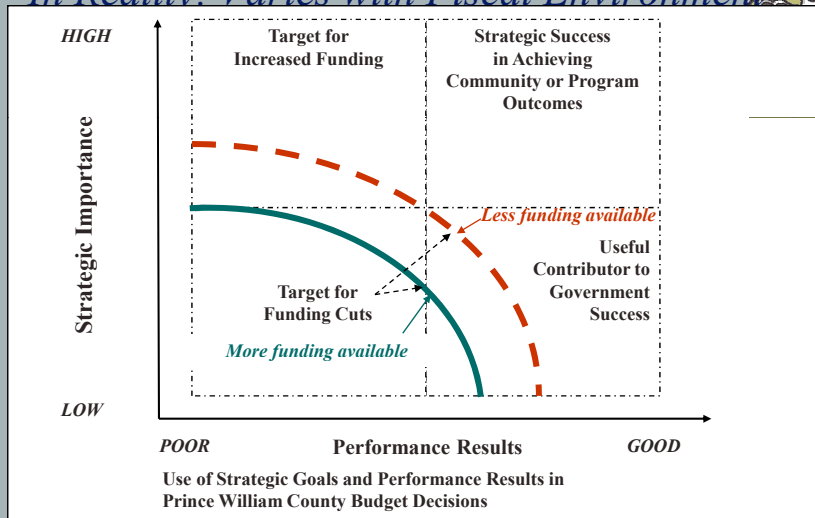
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Strategic Performance Budget Decision Model

HIGH	**Target for Increased Funding**	**Strategic Success in Achieving Community or Program Outcomes**
	Target for Funding Cuts	**Useful Contributor to Government Success**
LOW		

Strategic Importance ↑

POOR —— **Performance Results** —— GOOD

Use of Strategic Goals and Performance Results in Prince William County Budget Decisions

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Strategic Performance Budget Decision Model:
In Reality: Varies with Fiscal Environment

HIGH	**Target for Increased Funding**	**Strategic Success in Achieving Community or Program Outcomes**
	Target for Funding Cuts	**Useful Contributor to Government Success**
LOW		

Strategic Importance ↑

Less funding available

More funding available

POOR —— **Performance Results** —— GOOD

Use of Strategic Goals and Performance Results in Prince William County Budget Decisions
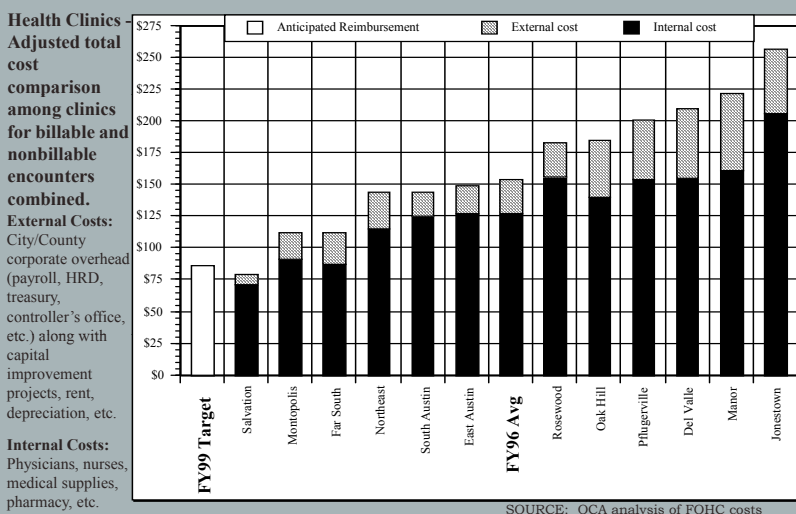
VI. 2. Examples of Performance-Based Decision Making (Inputs & Mission)
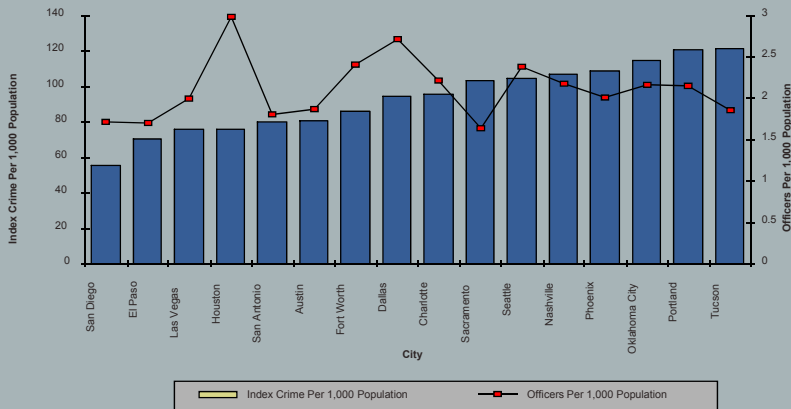
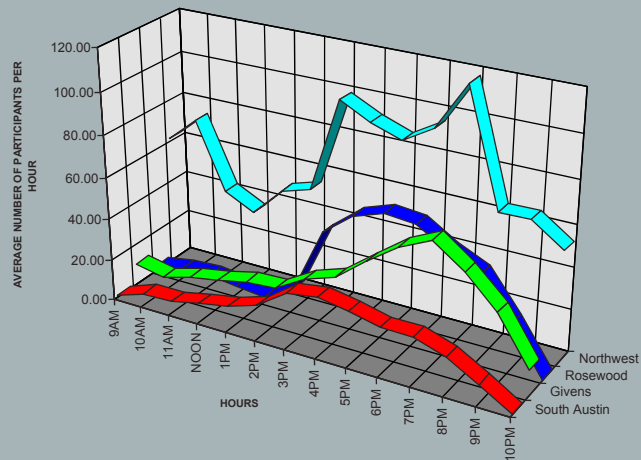**2009 Index Crime and Number of Officers in Selected Cities**

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VI. 2. Examples of Performance-Based Decision Making (Efficiency)

Health Clinics – Adjusted total cost comparison among clinics for billable and nonbillable encounters combined.

External Costs: City/County corporate overhead (payroll, HRD, treasury, controller's office, etc.) along with capital improvement projects, rent, depreciation, etc.

Internal Costs: Physicians, nurses, medical supplies, pharmacy, etc.

SOURCE: OCA analysis of FQHC costs

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VI. 2. Output Effectiveness (Quantity) Recreation Centers


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Exercise 5

Brainstorm ways to encourage government managers and policymakers to use performance information when making decisions:

- ▲ *Political leaders*
- ▲ *Policy staff*
- ▲ *Legislators and legislative staff*
- ▲ *Program administrators*
- ▲ *Service providers*
- ▲ *Consumers of services*
- ▲ *Press and public*

VII. Conclusion: Creating a Managing for Results Culture

- ⌃ Supporting our Vision ...
- ⌃ Creating A Results Orientation: Services, Activities and Programs
- ⌃ Creating Accountability: Measures and Indicators
- ⌃ Creating Integration: Making it Happen at the Operational Level

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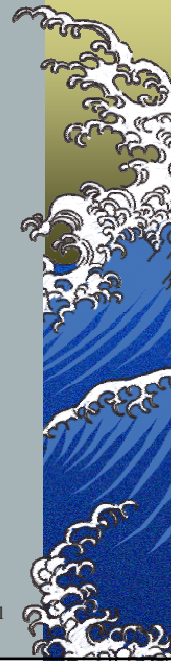
VII. Lessons Learned

- ◆ "Bottom-Up" approach neglected broad performance areas and alignment
  - Department key indicators
- ◆ Accounting structure is a major hurdle
- ◆ Definition of "services" not clear
- ◆ Results orientation difficult when template not used effectively
- ◆ Poor use of template = poor measures
- ◆ The "not something I control" syndrome

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VII. Where we are going…

- ▲ Assessing and Improving the Reliability of Reported Measures
  - Data Collection Infrastructure
  - Certification Program

- ▲ Providing Further Training
  - Using Information in Management
  - Using Information in Operations

- ▲ Assessing the Degree of Cultural Shift at the Operational Level

- ▲ Passing and Implementing a "Best Practice" Performance Accountability Ordinance

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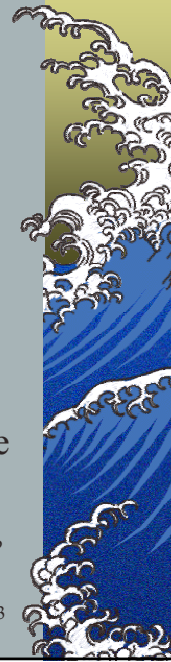
VII. Performance Measurement and Accountability: Best Practices Checklist

- ▲ Obtain active participation by top-level managers and decision makers
- ▲ Create a clear vision of why and how performance measures will be used internally and externally
- ▲ Understand the limits of performance measures what they can and cannot do
- ▲ Sustain organizational commitment over a long period despite barriers and the potential for bad news.
- ▲ Integrate the performance measurement and reporting system with organizational planning, service delivery, and decision making systems
- ▲ Through planning align mission, goals, objectives/targets, and measures
- ▲ Design goals and objectives/targets that specify a single aspect of performance
- ▲ Design aggressive yet realistic goals and objectives/targets that encourage progress beyond past performance levels
- ▲ Involve employees, customers, and stakeholders in developing goals, objectives/targets, and measures

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VII. Performance Measurement and Accountability: Best Practices Checklist (Continued)

- ▲ Identify all programs which will be measured and define them through an input ⟶ process/activity ⟶ output ⟶ outcome model
- ▲ Design a "family of measure" for each program which provides key information to support decisions
- ▲ Periodically evaluate current performance measure; change when needed but try for comparability over time
- ▲ Define each measure and identify data sources and data collection procedures
- ▲ Produce performance information (including explanatory information) which is clear and useful to management, employees, customers, and stakeholders
- ▲ Educate, encourage, and reward managers for using performance information to make decisions which improve program management and service delivery

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