Performance Measurement & the Budget Process

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Effective Performance Measurement

Government Finance Officers Association (GFOA) Best Practice:

- Performance measures should be an integral part of the budget process.
- Report of outputs and outcomes for each program.
- Relate to departments’ goals and objectives.
- Climate is essential: stakeholders must embrace the concept of continuous improvement.
- Organizational management must buy in.
Effective Performance Measurement

- Conveys conceptual baseline for organizational mission and priorities.
- Provides an insight into program effectiveness.
- Ties operations to unit goals and objectives.
- Increases organizational transparency.
- Demonstrates forward progress, illustrates ongoing challenges.
- Provides an opportunity for departments to tell their story.
Performance Measures & the Budget Process

- The budget process is a planning process.
- Annual budget provides a good opportunity to identify near term priorities.
- Integrating performance measures into process provides insight into program accomplishments and challenges.
- Important to differentiate utilization of the budget process from performance measurement’s rationale.
Performance Measurement Process

Environmental Conditions (Situational Analysis)

Program Effectiveness (Performance Measurement)

Operating Plan (Planned Accomplishments)
Situational Analysis

- Overview of activities and new initiatives.
- Provides rationale for planned accomplishments, near term objectives.
- Discusses past year’s activities and identifies work that remains to be accomplished.
- Develop for each department at minimum, programmatic information preferred.
Situational Analysis

- Fairfax County, Virginia

- Portland (Maine) Water District
Planned Accomplishments

- Discusses planned response to environmental conditions.
- Should be consistent with department’s mission statement & strategic plan.
- Operating plan addresses service requirements within context of available resources.
- Accomplishments should be tangible and measurable so that managers and policy makers can evaluate progress.
Planned Accomplishments

- Concord, Massachusetts
  http://www.concordma.gov/pages/ConcordMA_Finance/books/FY14GeneralBudget/FY14-General-Budget

- Chester County, Pennsylvania
  http://pachestercounty.civicplus.com/DocumentCenter/View/9585
Performance Measures

- Demonstrate degree to which progress toward planned accomplishments has been achieved.
- Provide indication of activity in program areas.
- Tie performance measures directly to accomplishments:
  - Inputs: Resources used in producing an output or outcome.
  - Outputs: Work completed within an organization (workload, volume).
  - Outcomes: Results that are of direct importance to clients and the public.
  - Efficiency: Relationship between input and output or outcome (a.k.a. “unit-cost ratio”).
Performance Measures

- Montgomery County, Maryland
  http://www.montgomerycountymd.gov/OMB/FY14/prec/index.html

- Loudoun County, Virginia
Assessment & Evaluation

- Data obtained through performance measurement allows the organization to evaluate the impact of service decisions.
  - Identify areas in need of improvement.
  - Verify that a program’s operational plan is realistic.

- Feedback can lead to changes in resource allocation and/or the service delivery model.

- Revised situational analyses for subsequent year allow for continuous adjustment and improvement.
A solid waste collection division added several additional garbage trucks to its fleet to account for residential growth. During the same period, the total volume of trash per garbage collection route fell despite continuing population growth. It was unclear from the available evidence whether this trend was due to increased conservation, recycling, or another factor. The division took the following steps in response to the situation:

- The trend toward reduced trash per collection route was noted in the program’s situational analysis, along with an indication that performance measures would be adjusted to identify the reason behind this dynamic;
- The division added objectives aimed at establishing standards for the amount of waste and recycled material collected per refuse collection account and collection route, and;
- Performance measures were added for municipal waste and recycled material per vehicle and the division retained existing indicators that described the volume of waste received at the landfill.

Using a combination of new and existing performance measures, the division was able to confirm that waste per collection route had declined while the waste volume delivered to the landfill had increased by about 10%. This information prompted a reassessment of the collection routes and increased efficiency with the elimination of one route and sale of a surplus garbage truck. Performance indicators in the subsequent year indicated that waste volume per collection route had increased by 15%.
Other Tools

- Jurisdictions have multiple resources available to maintain contact with residents.
  - Budgets in Brief
  - Citizen Surveys
  - Budget Ballots

- Outreach efforts can serve to provide a more accurate perspective into service effectiveness and citizens’ expectations.

- While the budget process is an effective tool for implementing performance measurement, many jurisdictions utilize additional programs to provide ongoing analysis.
Additional Resources

- Government Finance Officers Association
  *Distinguished Budget Presentation Award*
  [www.gfoa.org](http://www.gfoa.org)

- International City/County Management Association
  *Center for Performance Measurement*
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