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CITY OF OAKLAND

AGENDA REPORT

TO: Office of the City Administrator
ATTN: Dan Lindheim
FROM: Budget Office
DATE: March 24, 2009
RE: **Informational Report on the Current Status and Recommended Improvements to the Citywide Performance Measurement Process**

SUMMARY

This report provides background on the City's prior and current performance measurement efforts, discusses some of the "best practices" in performance measurement, and outlines recommended improvements to the City's performance measurement process.

FISCAL IMPACT

There is no direct fiscal impact from this report. However, significant improvements to the City's performance measurement process may require additional investments in software, training and staff.

BACKGROUND

Recommendations from Subject-Matter Experts

Much has been written about the essential components of a good performance measurement system. One consistent recommendation is that measures be developed to reflect the organization's priorities. One of the subject-matter experts in the field, the Government Finance Officers Association (GFOA), offers the following recommended principles for performance measurement programs:

- Be based on program goals and objectives
- Be monitored and used in decision-making processes;
- Be reliable, valid, verifiable and understandable;
- Be reported within the organization and externally to the public;
- Measure effectiveness, efficiency and service delivery;
- Measure program results;
- Provide an efficient and meaningful way to assess the effectiveness, efficiency, and service delivery of key programs; and
- Provide a basis for comparisons over time.

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City's Past Efforts

Since FY 1998-99 the City of Oakland has collected and reported performance measurement data. Beginning with the FY 2003-05 budget, the Mayor and City Council jointly articulated seven citywide goals, which formed the basis of a *performance-based* budget. These goals encompassed the following:

- Public safety
- Sustainability
- Neighborhood improvement
- Youth development and seniors' quality of life
- Government efficiency and fiscal soundness
- Maintenance and enhancement of City assets
- Creativity and civic engagement.

These over-arching goals led to the creation of more focused objectives – selected by a Citywide Leadership Group representing both elected officials and staff. Based on these citywide objectives, City departments established operational performance measures, at a program level. The FY 2003-05 Adopted Policy Budget was a program-based budget under which all revenues, expenditures, positions and performance measures existed at a program level, with some programs being cross-functional and crossing departmental lines. The program designations facilitated reporting and tracking across departments; many of these programs are still in place today.

Also in 2003-2005, the City had a custom-built, online performance measurement and reporting system, managed by the Budget Office. Quarterly reporting combined financial performance (revenue collection, spending and staffing) and operational performance (as reflected through performance measures), at a program and departmental level. At the time, the City had two categories of performance measures: Selected and Internal. Selected performance measures were reported out to Council, while results on Internal measures were used by departments to inform day-to-day management.

Overall, management and policy decisions were aided by performance results, both financial and operational. At the same time, there were concerns that the number of performance measures being reported out was so large that some departments and policy makers found it difficult to accomplish a meaningful review of the data.

City's Current Efforts

Currently, there is no regular citywide performance reporting. However, departments continue developing performance measures; these are reflected in biennial budget documents. (Attachment A provides a listing of performance measures included in FY 2007-09 budget.) It is not clear if currently all departments consistently track their performance results.

DISCUSSION

Recommended Improvements to the City's Performance Measurement Process

a. OakStat

Recently, the Public Financial Management Group (PFM) provided a strategic consulting report to the City. One of PFM's recommendations was the implementation of a citywide performance management system called "OakStat".

In essence, "OakStat" would be Oakland's version of **CitiStat**, a performance-management and accountability strategy pioneered by former Baltimore Mayor Martin O'Malley. Modeled after the New York Police Department's **CompStat**, Baltimore's CitiStat operates in much the same way:

- Real-time data related to city services are collected and analyzed in order to effectively and efficiently identify problems and deploy resources.
- Biweekly data sessions with the Mayor and executive management include question and answer sessions designed to pinpoint problems and facilitate problem-solving.
- These biweekly meetings may result in a change of performance indicators, re-alignment of resources or the assignment of additional tasks in order to improve progress.
- The same process is repeated in subsequent meetings (i.e., relentless follow-up), creating a feedback loop that constantly monitors service effectiveness, issues with resources, and ultimately whether or not the agreed upon outcomes are being achieved.
- Department directors and staff performance evaluations are then tied to how well performance targets are met.

City of Baltimore departments are required to collect data on a variety of measures – from personnel to calls for service. The data are then sent to CitiStat analysts for trend analysis. The CitiStat analysts also transform the raw departmental data into charts, graphs and maps in order to present the data with the Mayor's priorities in mind.

In addition to information technology, Baltimore has also dedicated a review space – perhaps similar to the City of Oakland's Building Bridges Room - to hold the CitiStat biweekly internal management meetings. In terms of its CitiStat operating budget, 99% of the CitiStat budget is allocated to personnel (e.g., "analysts") salaries and benefits. In FY 2007, **Baltimore's CitiStat budget was \$509,000.**

As a new Mayor in 2000, Martin O'Malley implemented CitiStat in order to improve performance and increase accountability for both performance and resource use, as well as to improve the quality and quantity of services to the community. Since its inception, CitiStat has been widely-recognized as being responsible for **\$350 million in cost savings over an eight-year period** for Baltimore city government. In addition to cost savings generated from more efficiently and effectively deploying resources, Baltimore has realized considerable personnel cost savings as related to better managing absenteeism and overtime, increased revenue, and improved accountability of state and federal resources. The City of Baltimore is careful to note, however, that the constant and intense pressure from executive management and the relentless follow up with departments has been critical to the success of CitiStat.

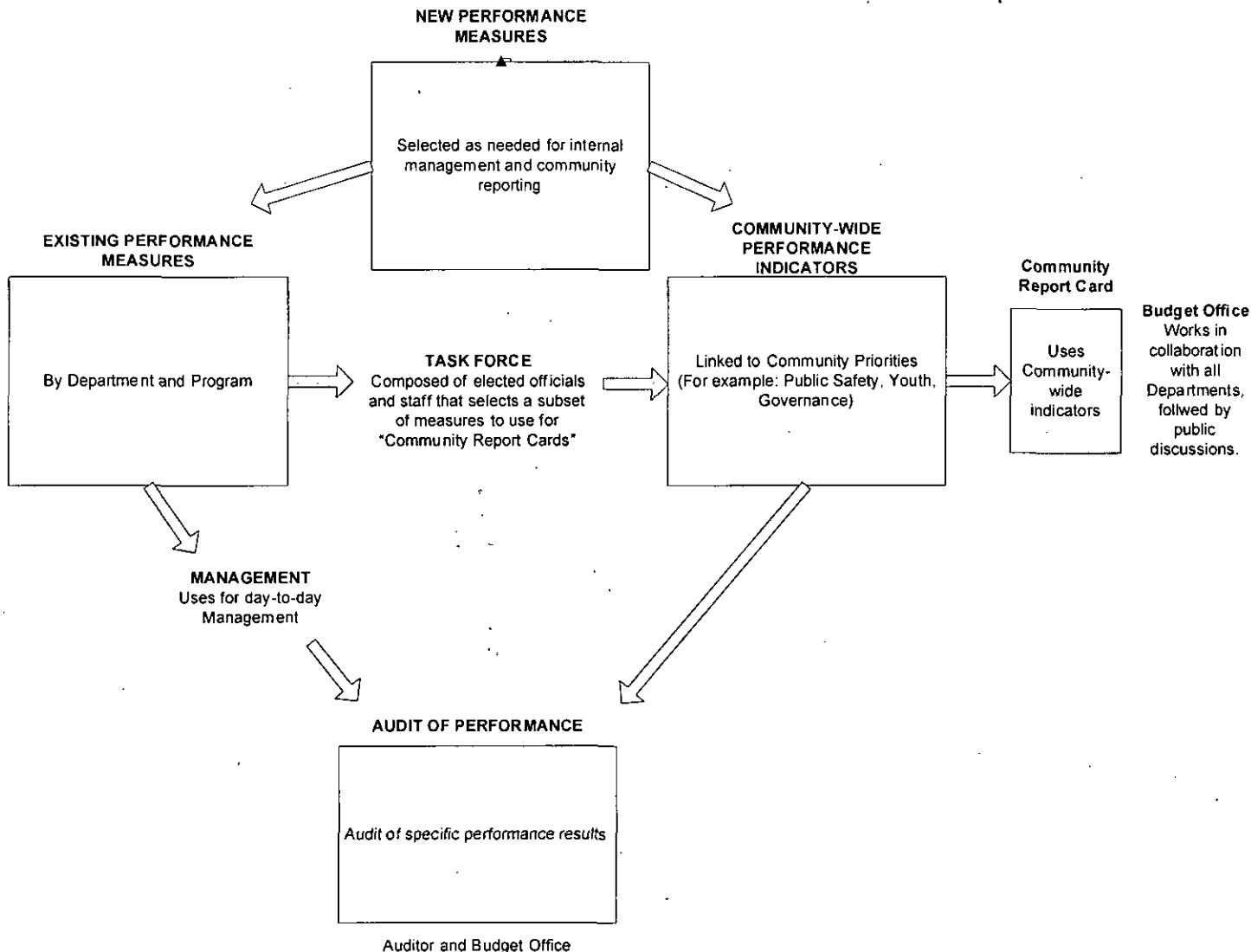
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The Budget Office has begun to review and analyze how OakStat could be implemented in Oakland; this analysis will be resumed after the FY 2009-11 budget process, during the summer and fall of 2009. Resources (technology and staff) would be required for full implementation of OakStat. Given the City's current financial condition, additional resources are not likely to be available; therefore the Budget Office will explore a gradual transition to an OakStat system, utilizing some of the performance measurement and reporting components that were in place in the City until 2006.

b. Community Report Cards

Community report cards are closely related to the idea of outcome-based performance measurements in local government. A community report card consists of key measures of a community's general well-being. Examples include crime rates, employment rates, citizen health data, or environmental pollution-related data. Such data could be tracked via an OakStat system and reported regularly. The chart below demonstrates how the internal / operational reporting (on a large number of departmental measures) could be linked to reporting on selected community indicators.



The City and County of San Francisco (CCSF) recently commissioned an internationally-known organization with a mission to spur civic engagement in policy decisions that affect citizens' lives - *AmericaSpeaks* - to engage their community in developing key priorities. *AmericaSpeaks* helped the Mayor to facilitate the *SF Listens* town-hall style meetings. Common priorities quickly arose from these discussions, including public safety, government accountability and responsiveness, jobs and economic development, and homelessness and housing.

Overall, determining community-wide performance indicators will require collaboration between elected officials and City staff. Oakland previously utilized the **Leadership Team** – comprised of representatives of elected officials and staff – to accomplish a similar task of selecting indicators that are citywide in scope and could provide meaningful information to the community. Such a group – or a similar Task Force – should be re-established to review all of the departmental performance measures and select those few that could be displayed on a “Community Report Card”.

c. Evaluation / Audit of Performance

An effective performance measurement system must include an evaluation / audit component. Performance results reported by City departments must be evaluated for accuracy. The City Auditor's Office -- resources permitting -- is uniquely positioned to conduct such evaluation audits and to review results with City management. City management would use the audit results to make necessary improvements to the measures themselves, create processes to track performance, and review any other components that may require attention. Department directors would be responsible for accurate, timely and consistent data gathering and reporting on their measures.

Timeline

While City of Oakland agencies and departments have included existing performance measures in their FY 2009-11 departmental budget requests, it is likely that most of these measures have not been updated since they were first developed within the framework of the Mayor and Council's FY 2003-05 goals. A thorough review of existing measures and identification of community-wide indicators is necessary. Further analysis of an OakStat concept is also required.

Given the magnitude of financial problems projected for FY 2009-11 and limited staff resources, the launch of the performance measurement system evaluation is not likely until August or September 2009. Staff recommends the following timeline:

August-October 2009	Budget Office: Resume analysis of OakStat; review all FY 09-11 performance measures for thoroughness and applicability; link measures to Citywide priorities
November-December 2009	CAO: Work with Mayor and Council to form a Task Force to review departmental performance measures and select community indicators

January-February 2010	TaskForce reviews departmental performance measures and selects community indicators
March 2010	TaskForce reports results to the City Council; foundation is formed for the Community Report Card
April-June 2010	Departments continue collecting data on performance measures; OakStat review process launched
July 2010	Reporting on performance results: internal (on all departmental measures, through OakStat) and external (Community Report Card)

From a technological perspective, a performance management system could be implemented alongside the City's existing operating applications. Numerous Oracle E-Business Suite applications have been implemented, including Oracle Financial (General Ledger, Project Accounting, and Public Sector Budgeting), Oracle Human Resource Management Systems (Payroll, HR, iRecruitment), and Oracle Procure-to-Pay (iProcurement, iSupplier). Building on the current systems, the Oracle Performance Measurement module could provide the City with the opportunity to fully integrate real-time data into a performance management program within the current Oracle platform.

SUSTAINABLE OPPORTUNITIES

There are no direct economic, environmental or social equities resulting from this report.

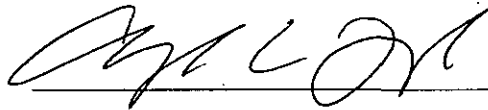
DISABILITY AND SENIOR CITIZEN ACCESS

There is no direct impact on disability or senior citizen access from this report.

RECOMMENDATION AND ACTION REQUESTED OF THE CITY COUNCIL

Staff recommends that Council accept this informational report and consider the recommended next steps toward improving the City's performance measurement system.

Respectfully submitted,

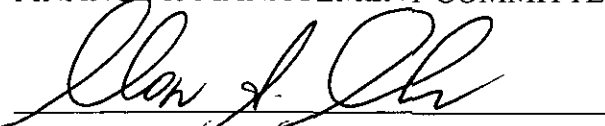


CHERYL L. TAYLOR
Director, Budget Office

Prepared by:

Kirby Smith, Financial Analyst
Budget Office

APPROVED AND FORWARDED TO THE
FINANCE & MANAGEMENT COMMITTEE:



Office of the City Administrator

Attachment A – Listing of performance measures included in FY 2007-09 budget. (Included in a supplemental report)

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