

Managing for Results: A Proposal for the City of Portland

December 2002



Office of the City Auditor
Portland, Oregon



CITY OF
PORTLAND, OREGON

OFFICE OF THE CITY AUDITOR
Audit Services Division

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December 27, 2002

TO: Vera Katz, Mayor
Jim Francesconi, Commissioner
Randy Leonard, Commissioner
Dan Saltzman, Commissioner
Erik Sten, Commissioner
Tim Grewe, Chief Administrative Officer

SUBJECT: Managing for Results, Report #288

Attached is Report #288, a report on *Managing for Results*. The report was included in our annual Audit Schedule published in July 2002.

The report is a blueprint for systematic management. We propose an approach that has been shown to work in a variety of settings. It will improve City management practices and provide greater accountability to the public, while accommodating our unique style of governance.

As a follow-up to our recommendations, we ask that the City Council and the Office of Management and Finance provide a status report in six months, detailing steps taken to address the report's recommendations.

We would like to give our special thanks to OMF staff who participated as partners, freely sharing their considerable knowledge and experience. We also appreciate the assistance we received from other City staff who took time from their schedules to participate in interviews and to give advice in the preparation of this report.


GARY BLACKMER
City Auditor

Audit Team: Richard Tracy, Ken Gavette, Ellen Jean

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A report by the Audit Services Division
Report #288

Office of the City Auditor
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SUMMARY

The City of Portland faces challenging times: growing resource constraints, changing public demands, and increasing government complexity. In the past, the City has met these challenges, developing a national reputation for effective municipal management, often providing a model for best practices in financial management and urban planning. However, the City is at risk of losing its innovative edge, as other cities around the country are taking more aggressive action to achieve results that matter most to their communities. Portland City Council and management should again respond to the challenge and begin *Managing for Results*.

Managing for Results is an approach to keep the City focused on its mission and goals, and to integrate performance information into decision-making, management, and reporting. This process requires a series of actions:

- ⊙ setting clear long- and short-term goals,
- ⊙ keeping goals in mind when allocating resources,
- ⊙ managing government to achieve desired goals, and
- ⊙ measuring performance and reporting results to the public.

The City has a strong foundation upon which to build a *Managing for Results* approach. But leadership is needed by Council to define the City's mission and to help bureaus align efforts to achieve strategic priorities. In order to help, we recommend that:

1. City Council adopt an ordinance establishing a *Managing for Results* approach for the City of Portland using the findings of this report as a general guide.
2. The Office of Management and Finance, with assistance from all City bureaus and the Office of the City Auditor, develop guidelines for *Managing for Results* that integrates existing management systems with improved information on program performance.

We believe that *Managing for Results* does not require new bureaucracy, instead it asks the City to think and act more strategically, keeping in mind City goals and desired results. Success will require commitment and time but offers improved service quality and public trust in City government.

CHAPTER 1: Introduction

The City of Portland has a reputation for innovative municipal management. Over the years, the City has received considerable recognition for its strong neighborhood associations, effective land use planning, and progressive financial management. Citizen satisfaction with the quality of City services has increased steadily

over the past decade. However, the City is facing growing resource constraints, more complex operations, and changing public demands.

This report proposes to address these challenges by establishing a framework for management called *Managing For Results*.

(The) transformation of government around the pursuit of outcomes has become a pervasive force nationally and internationally, and offers real potential for reconnecting government with its citizens.

Ray Olsen, American Society for Public Administration,
Task Force on Government Accomplishment and Accountability.

What is Managing for Results?

Managing for Results is a **process for keeping management and the public focused on missions, goals, and objectives**, and for integrating results information into decision-making, management, and public reporting. This process requires a series of organizational actions such as setting long- and short-term goals, keeping goals in mind when allocating resources, managing programs to achieve results, measuring performance, and reporting results. These actions help the organization determine its progress toward its desired ends.

The concept of “Managing for Results” is not a new idea. It is a **set of basic management principles** adapted for government to help organizations achieve their public purposes more efficiently and effectively. A *Managing for Results* system recognizes that the primary endeavor of government is the accomplishment of specific goals and objectives that provide some type of public benefit or “result”. A man-

agement approach that focuses on results requires a clear understanding of mission and goals so that programs can be supported to accomplish these goals and information can be collected and reported on how well they are achieved.

The conceptual underpinnings for a *Managing for Results* framework is drawn from a number of management theorists including Peter **Drucker**, W. Edwards **Deming**, Tom **Peters**, and David **Osborne** and Ted **Gaebler**.

In particular, Drucker suggests that successful organizations must **establish clear missions and goals, set priorities, measure performance, and evaluate results**. Osborne and Gaebler emphasize the importance of “mission-driven” and “results-oriented” government, and Deming proposes the on-going measurement and review of organizational performance. In addition, Peters stresses the importance of **listening and responding to the needs of the customer**, the receiver of government services.

A government should have broad goals that provide overall direction for the government and serve as a basis for decision making.

National Advisory Council on State and Local Budgeting Practice, 1997.

NATIONAL SUPPORT FOR MANAGING FOR RESULTS. *Managing for Results* is part of a global movement to make government more efficient, effective, and accountable. *Managing for Results* has been **accepted as good management practice** by governments at all levels and by numerous professional associations.

Drawing on the management innovations pursued by a number of state and local governments in the 1970s and 1980s, the federal government helped broaden practices in 1993 by publishing 384 recommendations for federal government reform in the report *From Red Tape to Results: Creating a Government that Works Better and Costs Less*. The federal “managing for results” process was codified by the Government Performance and Results Act (**GPRA**). The primary thrust of GPRA was to change the federal government’s preoccupation with inputs and processes, focusing more on outcomes through **systematic goal planning and performance reporting**.

The National Advisory Council on State and Local Budgeting (**NACSLB**) developed a framework for improving budgeting, based on principles very similar to *Managing for Results* (see Appendix A). The Government Finance Officer’s Association (**GFOA**) adopted the NACSLB framework in its Recommended Budget Practices. GFOA also offers performance-based management training, and has published related guides, including “An Elected Official’s Guide to Performance Measurement,” and “Implementing Performance Measurement in Government: Illustrations and Resources.”

Other government **professional associations** have also embraced *Managing for Results*. The American Society for Public Administration (**ASPA**) has established the Center for Accountability and Performance to help public administration professionals acquire the knowledge and skills necessary to “successfully manage for results.” The International Association of City/County Managers (**ICMA**) established the Center for Performance Measurement to

continue its work in the development and promotion of the use of comparative performance measures to enhance government productivity and accountability.

The Governmental Accounting Standards Board (**GASB**), organized in 1984 to establish financial and reporting standards for state and local government, has done research on performance measurement and *Managing for Results*. Supported by a series of grants from the **Alfred P. Sloan Foundation**, GASB studied the use of performance measures across the country and may issue future guidance on how to publicly report performance information.

Finally, at Syracuse University, the Maxwell School of Citizenship and Campbell Public Affairs Institute directs an on-going review of government management practices called the **Government Performance Project (GPP)**. In GPP analysis, “managing for results” is a key measure for assessing the degree to which governments have instituted good management practices.

Why implement Managing for Results?

Successful implementation of *Managing for Results* offers a number of tangible benefits to governments. Some of these benefits include:

- ⊙ helps maximize the quantity and quality of services by focusing governments on activities that matter most,
- ⊙ helps elected officials better allocate scarce resources during tough economic periods,
- ⊙ helps Council identify priorities, “right-size” the organization, and hold managers accountable,
- ⊙ helps managers plan and implement with City priorities in mind,
- ⊙ motivates employees to recognize and address performance problems, and learn from successes,

- ⊙ improves communication with taxpayers and builds trust in government, and

- ⊙ responds to elected officials and the citizens’ demand for accountability in government.

New themes are emerging in the quest for “results-oriented” government. Performance measurement should be more than a bean counting exercise . . . Rather, performance measurement should be woven into the decision-making fabric of the government.

Jeffrey L. Esser, Executive Director,
Government Finance Officers Association

Who is implementing Managing for Results?

Among states and cities, the term *Managing for Results* is used synonymously with other terms such as Strategic Management, Performance-Driven Government, Performance Management, and Governing for Results.

STATES. Although no statistics are available on the number of local governments attempting to formally manage for results, a survey by the Government Performance Project indicated that 43 states reported a “**formal Managing for Results system**”. In addition, 48 states reported legislative or administrative requirements for related components such as **strategic planning and performance measurement**. The State of Oregon is widely regarded as a leader in setting strategic goals and measuring progress.

CITIES. *Governing* magazine’s most recent *2001 Grading the Cities* report showed that *Managing for Results* efforts in local government is also **widespread and growing**. *Governing* reports that a number of cities,

Managing for Results is shorthand for a conceptual framework that reflects a fundamental change in the management cultures of governments across the globe.

John Kamensky, former Deputy Director,
National Performance Review

including **Austin, San Antonio, Indianapolis** and **Virginia Beach** have adopted systems that have substantially **changed the way business is done**. While other municipalities have made solid progress,

the authors state that **the national leader in *Managing for Results* is Phoenix**. The degree to which cities have adopted *Managing for Results*, and their reported success, has varied greatly.

City of Portland: Past and current Managing for Results efforts

The City of Portland has a long history of focusing on performance and results.

THE SEVENTIES. As far back as the early 1970s, the City made efforts to improve performance. In 1973 the **Management Analysis and Review (MAR)** organization was created to provide in-depth management reviews of City agencies. For several years they produced reports which included recommendations for performance improvements.

In 1977, the former Bureau of Management and Budget experimented with a zero-based budgeting concept and a goal-set-

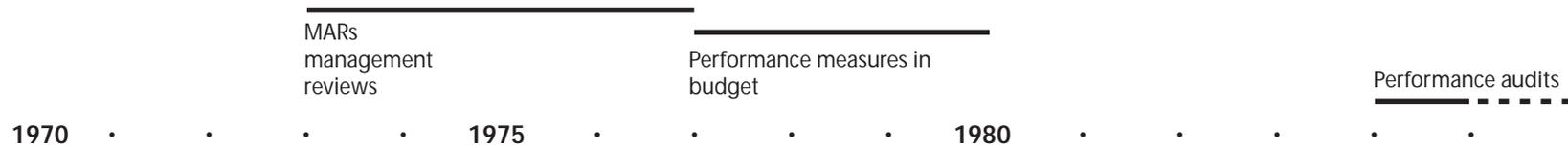
ting and performance measurement system, similar to *Managing for Results*. For at least three years, a **Performance Management Manual** was produced with instructions on formulating goals, objectives, and performance measurements, for inclusion in the annual City Budget.

THE EIGHTIES. The Internal Audit Division of the Office of the City Auditor (now known as the Audit Services Division) was given the responsibility of conducting **performance audits** in 1983. The office now publishes about 10 audit reports each year with a primary focus being public accountability and operational efficiency.

Beginning in 1988-89, bureaus were once again required to submit performance measures in their annual budget request.

The Audit Services Division began publishing the *Financial Trends Report* biannually in 1988. It presents twenty-seven financial and demographic trends on key indicators of the City's financial condition.

THE NINETIES. In 1991, the City, in cooperation with other organizations in the area, produced a community strategic plan entitled **Future Focus**. The report identified broad economic and demographic trends, strategic goals, and action plans to achieve the goals.



In 1991 the Audit Services Division published the first *Service Efforts and Accomplishments* (SEA) report. The report provides performance information on the nine largest City operations, and the results of an annual citizen satisfaction survey.

The Portland-Multnomah Progress Board was formed in 1994 to create and track **community benchmarks**. The Board publishes annual information on progress toward goals such as children's readiness to learn, environmental quality, and public health and safety.

In 1994, the Office of Management and Budget initiated a goal-setting process

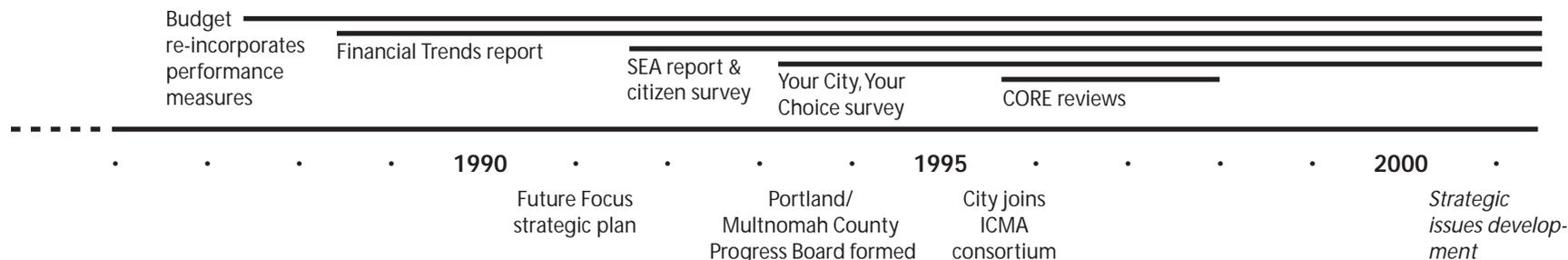
called the **Comprehensive Organizational Review and Evaluation** (CORE). That effort included strategic planning activities for selected bureaus. The overall effort was discontinued, but some elements have been incorporated into other efforts.

In 1995 the City joined with large jurisdictions around the country in an **ICMA project** to develop, collect, and report common performance indicators on selected services to experiment with inter-city performance comparisons. To date, ICMA has published six annual reports.

Your City, Your Choice is a biennial effort by the Mayor's Office to obtain citizen in-

put on policy and spending priorities. This process consists of telephone surveys, mail surveys, and community forums .

THE TWENTY-FIRST CENTURY. In November of 2001 the City Council began discussing strategic challenges facing the City. In December, the Council identified a set of strategic issues upon which the Office of Management & Finance and the Bureau of Planning produced issue papers. These issues were organized into tiers, and discussed with bureau directors in February. The plan is for bureau directors and City Council members to meet regularly to work together on solutions to these issues.



Methodology and objectives

The objectives of this study were to:

- ⊙ review the status and key elements of *Managing for Results* systems in other government jurisdictions in order to determine what elements, if any, might be appropriate to adopt for the City of Portland.
- ⊙ review the City's past and current efforts to determine what changes, if any, need to be made in our current method of planning and managing for results.
- ⊙ propose a *Managing for Results* system for Portland which builds on current systems and addresses weaknesses in current approaches.

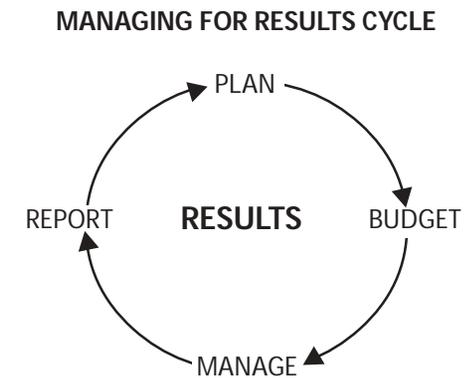
In order to learn more about the state of the art in *Managing for Results*, we reviewed professional literature, academic research, and numerous implementation guides from cities, counties, states, the U.S. Federal government, and other countries.

In addition, to learn more about City efforts, we reviewed City documents, interviewed City Council members, bureau directors and staff, and conducted an email survey of Directors. We held one focus group meeting with bureau directors to obtain their input for our proposed *Managing for Results* system. We also worked closely with the Office of Management and Finance to develop a workable model of the process.

CHAPTER 2: Creating a Managing for Results model

Our conclusions about the essential practices and concepts of *Managing for Results* were informed by a variety of studies, experiments, and research. We drew extensively from the work of the Government Performance Project, the Governmental Accounting Standards Board, and from work of academic theorists and researchers at several major universities. We found that *Managing for Results* involves four major elements – Planning, Budgeting, Managing, and Reporting.

While a number of state and local governments have demonstrated success in one or more of these common areas, few have successfully implemented a comprehensive approach. We identified several factors that can influence successful implemen-



tation of performance management. Foremost among these success factors is active and energetic leadership.

Literature review and research

The findings and research of the Government Performance Project, the Governmental Accounting Standards Board, and selected academic writing point to a number of common elements and success factors for designing and implementing a *Managing for Results* system. The following are some of the most important findings and observations from these sources.

GOVERNMENT PERFORMANCE PROJECT: Syracuse University and Governing Magazine. The Government Performance Project (GPP) is a multi-year evaluation of government management at the federal, state and local levels.¹ The evaluation examines five aspects of good management: financial management, capital management, human resource management, information technology, and **managing for results**.

¹ Portland not included in study because total budget was below selection threshold.

Criteria for assessing the “managing for results” component included:

- ⊙ Does the government perform results-oriented strategic planning?
- ⊙ Have critical goals and objectives been identified?
- ⊙ Are indicators used to measure progress towards objectives?
- ⊙ Do leaders and managers use results data for decision making?
- ⊙ Is there clear communication of results to stakeholders?

Researchers from Syracuse University analyzed survey information, while *Governing* magazine staff interviewed sources both inside and outside the selected governments. Final grades were assigned to each government in the five categories.

With respect to “managing for results”, the researchers found that processes for long-term planning and **holding government accountable for results are widespread and growing**. Performance measurement

MANAGING FOR RESULTS: “A” GRADE	
⊙ Iowa	⊙ Austin
⊙ Missouri	⊙ Indianapolis
⊙ Texas	⊙ Milwaukee
⊙ Virginia	⊙ Phoenix
⊙ Washington	⊙ San Diego

SOURCE: *Grading the States*, 2001; *Grading the Cities*. *Governing* magazine.

is increasingly connected with strategic planning. A few cities and states have implemented processes that have substantially changed how they are managed, while other governments are making solid progress. *Managing for Results* activities occur in some form in almost every state, but states often have **problems making the different parts work together** in an integrated fashion. They also found that the legislative branch is often the most prominent obstacle to managing for results because legislators are less likely to demand performance information, or to use it consistently.

GOVERNMENTAL ACCOUNTING STANDARDS BOARD: Performance measurement research funded by the Sloan Foundation. In 1999, GASB researchers visited 26 state and local governments to determine the extent to which performance measures were used for budgeting, management, and public reporting. GASB staff developed a standardized survey and conducted 15-20 interviews at each site. Portland and Multnomah County were among the jurisdictions visited by GASB.

Some of the common findings were:

- ⊙ strategic planning forms the basis of most efforts,
- ⊙ goals and objectives are identified for key programs,
- ⊙ performance measures are prepared by all, BUT
- ⊙ budget decisions are not based on performance data alone.

Additional GASB research reports sponsored by the Sloan Foundation that have been recently issued, or near completion, include citizen perceptions on the use and reporting of performance information and **suggested criteria for communicating and reporting** performance information.

ACADEMIC WRITING. A number of academics at major universities have studied and written extensively about public management. One focus of their work has been results-based management and the success and failure of these efforts nationally and internationally. Some of the thinking most influential in our study of *Managing for Results* include the following:

Donald Kettl, University of Wisconsin. Dr. Kettl has written extensively about government and public performance. In a recent article about the global revolution in public management he observes that reforms can trap management into a mechanistic

view of processes for improving management. Planning, measurement, and reporting can become ends in themselves, rather than the real purpose – the improvement of results. As a result, he believes that it is better to think about *performance-based management*, not *performance measurement*.

Joseph Wholey, University of Southern California. Dr. Wholey's work has focused on performance-based management and accountability in public and not-for-profit organizations. Wholey indicates that the prerequisites of performance-based management or managing for results are agreed-on goals and strategies, and performance measurement systems that provide data that are sufficiently complete, reliable, and consistent over time. Managers may then use performance information to improve management, provide accountability, and support resource allocation or other policy decisions.

David Ammons, University of North Carolina. Dr. Ammons teaches public administration and has served in an administrative capacity at four municipalities. He has written extensively about how to benchmark local government performance. Ammons believes that government service performance can affect the political health of elected and management officials. While solid operational success can undergird political stability, all too often governments push performance measurement to the back burner in favor of hotter issues of the time. Unless officials can reliably answer the question “How are we doing?” political and professional stock can quickly decline.

Robert Behn, Harvard University. Dr. Behn is a lecturer at Harvard’s Kennedy School of Government and faculty chair of the executive program “Driving Government Performance: Leadership Strategies that Produce Results”. Behn, in a recent article about the barriers to performance management, sug-

“ . . . performance-based management serves managers best when incorporated seamlessly into the government’s other major decisions, especially budgeting.”

Donald Kettl, University of Wisconsin.

gests that many concepts of performance management are based on the assumption that new systems will automatically change behavior and somehow, performance will improve. However, he believes that real performance management is an active strategy that requires energetic leadership and a conscious effort to change the behavior of individuals in the organization.

Commonly accepted Managing for Result elements and activities

Based on our research, we have identified the common elements of a *Managing for Results* system. Different governments may emphasize various elements, but the following table shows the key elements, along with specific action items that are required of each.

<p>PLAN <i>To establish agreement and common understanding of goals and how the parts of the organization contribute to achieving goals</i></p>	<ol style="list-style-type: none"> 1. Assess community values and needs 2. Develop organizational vision and mission 3. Establish long-term goals and desired results 4. Align department goals and objectives 5. Establish programs, strategies, and performance measures
<p>BUDGET <i>To allocate resources purposely and optimally to accomplish goals</i></p>	<ol style="list-style-type: none"> 1. Forecast financial resources 2. Obtain citizen and stakeholder input 3. Set priorities for funding 4. Allocate resources to programs based on priorities 5. Monitor budget and adjust
<p>MANAGE <i>To implement, monitor and revise plans and strategies to optimize accomplishment of goals</i></p>	<ol style="list-style-type: none"> 1. Acquire and organize physical and human resources 2. Direct and control work efforts 3. Implement plans and strategies 4. Collect performance data and measure progress 5. Adjust and revise efforts
<p>REPORT <i>To evaluate and report to the public and elected officials to enhance accountability and decision-making</i></p>	<ol style="list-style-type: none"> 1. Evaluate and assess performance 2. Identify problems and solutions 3. Communicate results to management 4. Communicate results to public

Examples of noteworthy and unique efforts

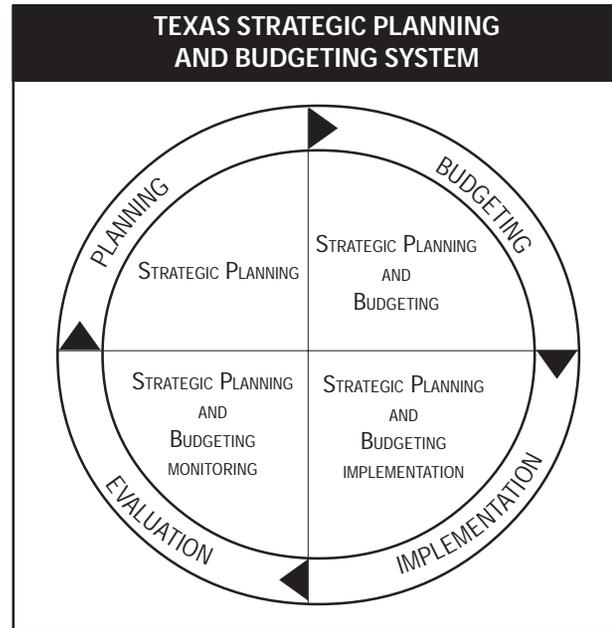
We identified several organizations that have successfully implemented some of elements of the *Managing for Results* model. The following examples may provide **insights on how to develop** a *Managing for Results* system.

PLANNING FOR SUCCESS: Texas Strategic Planning and Budgeting System (SPBS). The State of Texas is a good example of how a state government has institutionalized a *Managing for Results* process. Their system highlights how elements of strategic planning and budgeting can be tied together.

The SPBS started in 1992 when the process was adopted to expand upon a 1991 act by the legislature that required agency planning. Agencies are now required to submit formal plans every two years. Each agency is required to conduct internal and external assessments as part of each planning cycle.

Texas has developed a detailed set of guidelines for conducting strategic planning activities. It is updated every few years, and includes an explanation of the conceptual framework for strategic plan-

ning and budgeting, along with definitions and examples of terms and relationships such as mission, goals and objectives. It also includes an explanation of performance measure types.



SOURCE: *Instructions for Preparing and Submitting Agency Strategic Plans for fiscal years 2003-07, State of Texas.*

The original intent was to develop a system that would improve decision-making at both the agency and the legislative level. Then Governor Richards expected performance measures to be used in the legislative appropriations process.

GASB research found that performance measures have been included in each state agency's budget request, and used extensively by the governor's and legislative budget analysts to analyze requests.

LINKING GOALS TO BUDGET APPROPRIATIONS: Missouri requires a formal linking. Like Texas, Missouri has a strong strategic planning process with detailed procedures for agencies to follow. In addition, the Missouri state budget process links the planning and budgeting phases more closely together to create a direct connection between strategic planning and resource allocation.

In budget submissions, agencies must describe the budget request in terms easily understood by any reader, and what the problem is they are attempting to address. Agencies must include a description of the strategies the agency will undertake to accomplish its objectives and how these objectives relate to the strategic plan.

MEASURING PERFORMANCE: Indianapolis, Indiana. The City of Indianapolis, along with New York and Phoenix, prepares monthly citywide performance reports, according to the Government Performance Project. In Indianapolis, a central contact person collects the information, checks it for accuracy, and highlights important issues to be presented to the Mayor and senior staff. The report tracks about 150 indicators such as the number of requests for pothole repairs and the number filled within seven days, and the number of transportation complaints received.

Over the seven years since beginning the report, staff have moved steadily from tracking inputs to measuring results. Elected officials and senior administrative staff have made the connection between this data and service delivery, and have begun to use the information on a consistent basis. The GPP points out that simply producing a monthly report will not in itself lead to better outcomes unless it is being actively used with a clear purpose in mind.

**MISSOURI "FORM 5":
Key Questions Used in Budget Process**

1. *What is the problem this program will address?*
2. *What are the positive results of funding this program? Or, what are the negative consequences of not funding?*
3. *What measures will you use to assess accomplishment of objectives? How do the objectives relate to the strategic plan?*
4. *What will you do to accomplish objectives? What strategies and activities will you conduct?*
5. *What work or output will your strategies produce?*
6. *What will it cost to conduct these activities?*

SOURCE: State of Missouri budget instructions.

COMMUNICATING WITH CITIZENS: Phoenix, Arizona. While the City of Phoenix, Arizona does not have a highly formal strategic planning process (departments use processes that best fit their individual cultures), it does make extensive use of performance information and excels when it comes to citizen input. In 1991, Phoenix began using citizen focus groups to clarify the City's direction and results indicators. These meetings found that, from a citizen's perspective, results usually fell into a category of either satisfaction, cost, cycle time, or mission. Focus groups continued to be used for over five years as departments clarified results indicators.

The City Auditor's Department conducts assessments of the use of results information in each department every two years.

Serving citizens and keeping them as the primary focus of City government is now central to the City's day-to-day operation. Recently, the City began an effort referred to as "seamless service" which attempts to

make each City employee understand his role as a central contact point for citizens. One technique was to create a pamphlet of contact information for field employees so they could immediately tell citizens who to call for certain types of service.

PHOENIX CUSTOMER INPUT: <i>By the Numbers</i>	
3500:	<i>individual citizens participating in meetings to craft the City's strategic plan</i>
340:	<i>citizens gathered to draft the City's Violence Prevention Initiative</i>
700:	<i>respondents to the City's biennial Citizen Attitude Survey</i>

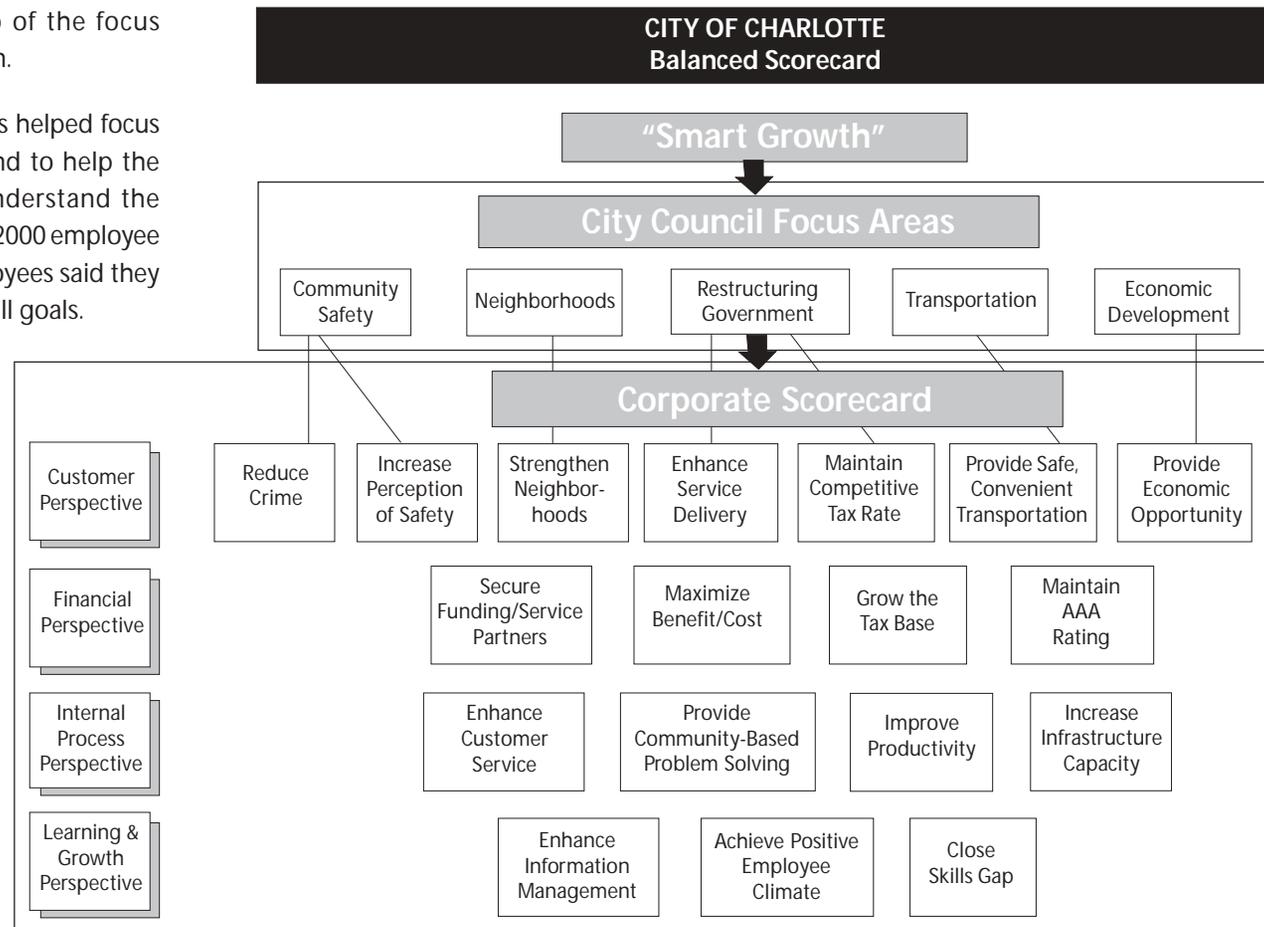
SOURCE: City of Phoenix Managing for Results survey responses, *Government Performance Project*, 2000.

KEEPING SCORE: Charlotte's Balanced Scorecard. The City of Charlotte has received recognition for its "managing for results" process, the Balanced Scorecard. Recognizing in the early 1990s that its traditional performance measurement system looked more backward than forward, the City modified and adopted the Balanced Scorecard process described in the Harvard Business Review (1992). While emphasizing strategy, the BSC highlights the processes where the organization must excel to be successful. Starting with City Council focus areas, the City develops and links measures that are balanced among four perspectives: customer, financial, internal processes, and growth and learning.

The corporate scorecard gives a quick but comprehensive view of objectives across the five focus areas and the four scorecard perspectives. City departments identify the corporate objectives they must impact and include those in their business plans. The corporate objectives are not meant to represent every important service, but to dem-

onstrate the relationship of the focus points and the organization.

The balanced scorecard has helped focus managers on key areas, and to help the public and employees understand the City's goals. According to a 2000 employee survey, 57 percent of employees said they understand the City's overall goals.



SOURCE: *A Handbook for Developing Key Business Unit Scorecards and Business Plans: Becoming a Strategy-Focused Organization*, March 2002, City of Charlotte.

ACHIEVING ACCOUNTABILITY: New York City's Mayor's Management Report. New York City's *Mayor's Management Report* has been a cornerstone of public accountability for the City for over 25 years. In recent years it became less focused on outcomes and was increasingly less user-friendly as it grew from a single volume of 150 pages, to a "sprawling" multi-volume set. The Mayor's staff found that the old format lacked a focus on results, was full of jargon, and raised questions about the validity of the data.

For Fiscal Year 2002, the *Mayor's Management Report* was overhauled in several important ways. First, each agency developed a general statement of Critical Objectives, outlining specific statistical indicators of progress. Next, the statistics were enhanced to report primarily outcome indicators. Technology was also improved to allow citizens to view important statistical information about their neighborhoods on the City's website.

In addition, budget information, including data on spending, revenues, and personnel, has been added to each agency's section.

The result is an accessible document that describes the City's progress towards meeting important goals.



Factors for success

Adopting and implementing a *Managing for Results* system is challenging. Our research has shown that while many governments have taken significant steps over the past decade to improve public management, implementation of *Managing for Results* principles has not received universal acceptance or full implementation. For example, a survey of performance measurement use in the United States in 1997 by the GASB showed that 53 percent of respondents had adopted performance measures of some type and 39 percent had adopted measures of outcomes or results. However, **only 23 percent of respondents said that these measures were used** for strategic planning, resource allocation, or program monitoring. This finding is supported by other research that suggests even when organizations adopt performance management systems efforts can be more symbolic than real, providing window dressing rather than true change.

A number of practical, political, and psychological factors may frustrate successful adoption and implementation. Some of

these factors include lack of skills and knowledge in implementing performance management systems, fear and uncertainty about how the performance information will be used, and indifference from elected officials about the importance and value of performance data.

Despite these barriers, we found that successful adoption of *Managing for Results* is enhanced by several conditions. Following are some of the most important conditions for success we identified in our research.

FACTORS FOR SUCCESS

- ⊙ Leadership
- ⊙ Commitment
- ⊙ Communication
- ⊙ Participation
- ⊙ Resources
- ⊙ Training

“Performance management is not politically useful. It does not win election – or reelection – for anyone. In our frequent and various campaigns for public office, candidates, opinion leaders, journalists, and voters mostly ignore the performance of public agencies – and the specifics of performance management. If elected officials do not care about performance management, then political or career managers will not either.”

Robert Behn, Harvard University.

LEADERSHIP AND COMMITMENT. The most important success factor in implementing a *Managing for Results* system is commitment and leadership by elected officials. Elected officials have often been both indifferent to performance management efforts and skeptical about its value. Elected officials have tended to place more emphasis on the immediate “results” of their efforts, rather than on administrative mechanisms that are relatively invisible to citizens. Funding new programs and responding to hot button issues provide more evidence of success than performance management because the ultimate outcomes of government efforts may not be known for years, and there may be several election cycles between the time resources are allocated and results achieved.

But where elected officials have been committed to performance improvement and provided leadership to their organization, significant efforts and real change have occurred. For example, individual legislators in Texas and Louisiana played the princi-

pal roles in institutionalizing Texas’ Strategic Planning and Budgeting System and Louisiana’s Government Performance and Accountability acts, two initiatives that have changed the way state agencies plan, budget, and report. Governors in Washington, Iowa, and Missouri have led the way in the highly regarded performance management initiatives in those states. Mayors in Indianapolis and Milwaukee provided the leadership to their cities that contributed to high ratings in the *Managing for Results* category in the most recent grading the cities report. In each of these cases, elected officials helped provide the critical support needed for successful adoption and implementation.

COMMUNICATION AND PARTICIPATION. A recent empirical study on the adoption (development of measures) and implementation (actual use) of performance measures concluded that the participation of internal stakeholders in activities aimed at promoting performance measures eases the organization into the performance

management process. Taking time to work with senior managers and employee work groups on the purpose and value of performance management efforts is seen as an important influence in achieving success.

Some researchers suggest that several actions could promote communication and participation, thereby affect the adoption and implementation of *Managing for Results*. For example,

- ⊙ performing a “readiness” assessment to determine level of knowledge of performance measurement uses and purposes,
- ⊙ advocating for a performance improvement culture and an environment that supports change, and
- ⊙ identifying and involving internal and external stakeholders, and employee unions in discussions about *Managing for Results*.

RESOURCES AND TRAINING. In addition to leadership and participation, research also suggests that implementation is enhanced if sufficient resources are available to support implementation and training.

In particular, building the internal capacity to conduct a *Managing for Results* system is viewed by many as an important element for success. Trained and experienced staff is invaluable when the organization becomes involved in the challenges of identifying goals, developing performance measures, collecting and analyzing data, reporting results, and using results for management and decision making. Such training could include some of the following topic areas:

- ⊙ defining mission, goals, objectives, and strategies for achieving goals,
- ⊙ measuring performance and developing data collection methods,

- ⊙ analyzing and reporting performance information internally and externally, and
- ⊙ using performance information in budgeting, decision making, and public communications.

In addition, our research suggests that some minimal investment might be needed initially to support the design and implementation of *Managing for Results*. These efforts should generally be limited and short-term.

CHAPTER 3: Managing for Results in Portland – A proposal for change

The City of Portland has a sound foundation for building a *Managing for Results* system. Existing strengths in financial management, citizen involvement, and public reporting will help the City focus on the key areas where improvement is needed.

An important first step toward *Managing for Results* is a City mission statement and a clear set of long-term goals. These goals should inform resource allocation, program management, performance measurement, and reporting. More important, however, is the development and use of performance information for decisions.

These actions will require integrating current processes rather than the adoption of new requirements or additional bureaucracy.

PORTLAND'S READINESS for *Managing for Results*

Strengths:

- ⊙ *Financial management*
- ⊙ *Citizen involvement*
- ⊙ *Public reporting*
- ⊙ *Evaluation and audit*

Weaknesses:

- ⊙ *City mission and goals*
- ⊙ *Framework for performance measurement*
- ⊙ *Aspects of budget process*
- ⊙ *Using performance information*

Successful *Managing for Results* implementation will, however, require the active commitment and leadership of City Council.

Retain and build on strengths

The City of Portland has many strengths upon which to build a *Managing for Results* system. Existing financial management expertise and established processes for public reporting, auditing, and citizen involvement will be keys to making the process work.

FINANCIAL MANAGEMENT. The City has strong financial management guided by a comprehensive set of policies for long-term financial planning, budget forecasting, debt management, employee compensation, and internal services. Long-range financial plans are prepared during the budget process that forecast revenues and expenditure requirements over a minimum of five years, to ensure budget balancing, and to identify long-term service and financial issues requiring City Council attention.

According to City managers we interviewed, the Office of Management and Finance (OMF) does a very good job of forecasting financial resources, managing the budget,

and providing centralized financial and other administrative services to the City Council and City bureaus. In addition, the monthly report on the City's financial outlook is concise and informative, and gives managers the information they need to make mid-year budget decisions.

While OMF makes an effort in the City budget to describe Council priorities and their relation to bureau programs, these efforts are not viewed by many managers as particularly successful or useful.

Current financial management practices can serve as the platform for launching a *Managing for Results* initiative in Portland. Existing policies and practices could incorporate *Managing for Results* elements providing citywide guidance. The existing planning, budgeting, managing and reporting methods should be adapted and revised to include *Managing for Results* features.

CITIZEN INVOLVEMENT. The City of Portland has involved citizens in planning and decision-making in a number of ways over the years. Almost 100 neighborhood associations coordinated through the Office of Neighborhood Involvement have been active for decades helping improve public safety and neighborhood livability, often receiving special recognition for their value in involving citizens in City decisions. The City has also involved citizens in community planning and resource allocation through annual budget forums and community meetings. Although budget forums do not always generate significant attendance, the City has consistently offered opportunities to meet with citizens after work hours at various locations throughout the City during the budget process.

The City has also asked citizens for their opinions on budget priorities and service performance over the past ten years. The biennial *Your City, Your Choice* survey asks

residents to rate the relative importance of City services to help Council make decisions during the budget process. The annual City Auditor *Citizen Survey* asks citizen to rank the performance of services they receive. These two surveys provide information on citizen views that help Council budget for the future and assess the results of service provision. Few local governments in the country conduct both types of surveys – one to help identify service priorities for budgeting, and the other to assess the performance of the services after they have been provided. Opportunities exist to coordinate the two surveys.

Although some citizens criticize the City for not listening hard enough, Portland’s tradition of public involvement will be helpful in implementing *Managing for Results*. For example, neighborhood associations and budget forums can be used to obtain citizens’ views about City service priorities and performance expectations. Surveys can help to understand customer satisfaction and refine City goals.

PUBLIC REPORTING. The City publishes high quality reports on its financial plans, operating results, financial condition, and service performance. The *Adopted Budget* presents detailed information on actual and planned revenues and expenditures for every program in the City. It contains an overview of planned activities and services, and complete budget information for both operating and capital improvement purposes. The City has been awarded the Distinguished Budget Presentation award from the Governmental Finance Officers Association (GFOA) for a number of years.

In addition, the City produces the *Comprehensive Annual Financial Report*. This report contains audited financial statements for all city funds and component units, and has received the Certificate of Achievement for Excellence in Financial Reporting from GFOA. The 2002 *CAFR* will be prepared

in accordance with new Governmental Accounting Standards Board requirements and will contain a new Management Discussion and Analysis section and new government wide statements that will help users better understand the financial condition and cost of services of the City.

For the past decade, two additional public reports have been prepared that give citizens additional information on the financial health of the City and the performance of City services. The biennial *Financial Trends*

PUBLIC REPORTS produced by City of Portland		Release date
⊗ <i>Adopted Budget</i>		May/June
⊗ <i>Comprehensive Annual Financial Report</i>		December
⊗ <i>Biennial Financial Trends</i>		December
⊗ <i>Service Efforts & Accomplishments</i>		December
⊗ <i>Portland/Multnomah Benchmarks</i>		Periodic
⊗ <i>State of the City</i>		January

report provides ten year trends on various financial indicators that provide insights on how well the City pays its bills, balances its budgets, and prepares for future obligations. The annual *Service Efforts and Accomplishments* report provides performance indicators on the nine largest city services, comparing workload and service results to prior years, six comparison cities, and to performance goals. The report also contains the results of the annual *Citizen Survey*.

The City and Multnomah County also produce an annual *Benchmarks* report that presents the progress in addressing major community goals such as children's readiness to learn, environmental quality, and public health and economic sufficiency. The Portland - Multnomah Progress Board establishes and tracks progress toward the critical outcomes desired by the community at large.

The Mayor prepares an annual *State of the City* report summarizing the major activities and accomplishments of the City in the prior fiscal year. The *State of the City* report also presents the Mayor's plans and objectives for addressing City needs in the coming year.

Portland's experience in public reporting offers opportunities for enhancements through *Managing for Results* implementation. For example, the City's four major public documents should be viewed as a set of accountability documents for use by citizens, elected officials, and the media to assess the degree to which public resources are used efficiently, effectively, and in accordance with laws and regulations:

- ⊙ the *Budget* (financial & services plan)
- ⊙ *CAFR* (financial results)
- ⊙ *SEA* (service results)
- ⊙ *Financial Trends* (economic condition)

EVALUATION AND AUDIT. The City has placed significant value on evaluation and auditing for over 20 years. The Management Analysis and Review unit prepared studies that evaluated City programs and provided recommendations for improvement. Many of the findings of the unit resulted in improvements and enhancements to City programs that last to this day.

In 1983, City Council approved and funded an independent performance audit function

in the Office of the City Auditor. The Audit Services Division since that time has produced about 150 audit reports containing recommendations for improved program efficiency and effectiveness in every major bureau of the City. Performance audits and studies produced by the Division have been recognized for their excellence several times by national organizations.

Individual bureaus have also performed evaluations of specific activities as needed. The Bureau of Licenses employs auditors to perform revenue audits of business license fee returns and several bureaus hire auditors to assess franchise fee collections, parking garage fees, and accounts payable.

This infrastructure of audit and evaluation will help provide assurance that *Managing for Results* performance data produced by bureaus is reliable and free from bias or misstatement. Involving the City Auditor in the collection and periodic review of bureau performance data preceding the budget process would give elected officials and citizens confidence in performance information contained in the budget.

Building on existing efforts: Managing for Results activities currently conducted by the City

Model	Existing efforts
PLAN <ol style="list-style-type: none"> 1. Assess community values and needs 2. Develop organizational vision and mission 3. Establish long-term goals and desired results 4. Align department goals and objectives 5. Establish programs, strategies, & performance measures 	<ul style="list-style-type: none"> ⊙ <i>Future Focus</i> ⊙ <i>Community Benchmarks</i> ⊙ <i>Council Vision Goals</i> ⊙ <i>City strategic issues</i> ⊙ <i>Bureau strategic plans</i>
BUDGET <ol style="list-style-type: none"> 1. Forecast financial resources 2. Obtain citizen and stakeholder input 3. Set priorities for funding 4. Allocate resources to programs based on priorities 5. Monitor budget and adjust 	<ul style="list-style-type: none"> ⊙ <i>Annual Financial Forecast & plans</i> ⊙ <i>Budget forums</i> ⊙ <i>Your City/Your Choice</i> ⊙ <i>Budget requests</i> ⊙ <i>BUMP</i>
MANAGE <ol style="list-style-type: none"> 1. Acquire and organize physical and human resources 2. Direct and control work efforts 3. Implement plans and strategies 4. Collect performance data and measure progress 5. Adjust and revise efforts 	<ul style="list-style-type: none"> ⊙ <i>City financial management policies</i> ⊙ <i>Human resource, IT, and e-government policies & plans</i> ⊙ <i>Various citywide initiatives</i> ⊙ <i>Bureau management improvement efforts</i> ⊙ <i>Labor-management committees</i>
REPORT <ol style="list-style-type: none"> 1. Evaluate and assess performance 2. Identify problems and solutions 3. Communicate results to management 4. Communicate results to public 	<ul style="list-style-type: none"> ⊙ <i>Adopted Budget</i> ⊙ <i>State of the City</i> ⊙ <i>Financial Trends</i> ⊙ <i>Portland-Multnomah Benchmarks</i> ⊙ <i>Service Efforts & Accomplishments</i> ⊙ <i>Consolidated Annual Financial Report</i>

Address our weaknesses

Despite the City's existing strengths, the City needs to take action in several areas to ensure successful adoption and implementation of *Managing for Results*.

CITY MISSION, GOALS, AND PRIORITIES.

The City lacks an overarching mission statement and a clear set of citywide goals and priorities. Although the City has established various goals at Council retreats and planning sessions over the years, these efforts were not conducted in a systematic fashion that would produce a mission statement and enduring goals against which to track and assess City performance over time. Citywide goals are not clearly aligned with the goals and objectives of City bureaus to determine if they are compatible and consistent.

During our interviews with bureau management teams, the lack of clear City mission, goals, and priorities was the single most frequently mentioned barrier to effective management. Managers expressed frustration that City priorities are not al-

ways clear, and it is difficult to design programs and request funding for activities without full understanding of the major goals of the City. Many feel they are managing in a vacuum, unsure if their work contributes to the overall mission. Some perceive that the Council reacts to short-term or marginal issues at the expense of what is believed to be the core functions of the City.

A major factor contributing to the lack of a mission statement and citywide goals is that the City has not conducted a complete strategic planning effort since Portland Future Focus, a community-wide strategic plan conducted over twelve years ago. Although Future Focus was not a City strategic plan, it identified a number of community goals that were primarily the responsibility of the City. Our research indicates that successful *Managing for Results* efforts in other states and local governments are almost always preceded by some type of strategic plan that involves citizens and the government in identifying values, ser-

vice priorities, strengths and weaknesses, and key goals for the future. **Strategic planning and goal setting is viewed as the foundation for *Managing for Results*.**

Beginning in November of 2001, the City initiated a process with the Council and bureau managers to identify and define the City's strategic issues. Several meetings have been held to discuss critical issues facing the City and to develop solutions to problem areas. While this effort has many elements related to strategic planning, Council has expressed reluctance to engage the organization and the community in a time-consuming strategic planning initiative during the current period of financial and budget stress.

FRAMEWORK FOR BUREAU PERFORMANCE MEASUREMENT. A number of bureaus have made great strides over the years measuring performance and evaluating services. For example, the Bureau of Environmental Services benchmarks wastewater

treatment operations against other cities , and the Office of Transportation collects detailed information on the condition and value of its capital assets.

However, most bureaus lack a systematic and consistent framework for performance measurement and reporting. Most City bureaus have not developed written goals and objectives that can be evaluated against a reliable set of performance measures. As a result, many of the measures produced by bureaus are primarily based on workload, not results, and provide limited insight on the degree to which key program goals and objectives are achieved. Currently reported measures generally provide an incomplete picture of the performance of bureaus. (See Appendix B for a suggested performance measurement framework).

The most complete performance measurement occurs in the nine bureaus that participate in the annual *Service Efforts and Accomplishments* report. While the *SEA* report ensures that measures relate to major bureau goals, and that reported data are

reliable, the report does not provide a clear link to citywide goals. In addition, performance measures in the *SEA* report are not always the same as those presented in budget documents because there is not an explicit link between the budget and the annual *SEA* report.

ASPECTS OF THE BUDGET FORMAT AND PROCESS. The City budget is the primary vehicle for making decisions about how the City spends tax money to accomplish goals. However, the current format and process does not clearly tie program spending and staffing information to goals and objectives or performance data. It is difficult to relate funding levels to program strategies, service costs, and results. Improving the format and process could better communicate funding and performance information that might be useful in resource allocation decisions, and in demonstrating accountability for the use of tax resources. Appendix C shows some examples of budget formats that more clearly communicate the relationship of program performance and funding levels.

Improving budget instructions may help provide essential information that is needed by budget analysts and Council to assess bureaus' performance. In addition to program staffing and spending data, requests should contain improved workload, efficiency and effectiveness measures that relate to program goals; five year historical trends; targets; and benchmarks.

OMF is currently conducting an operational review of the budget process, products, and organizational structures to improve its efficiency and effectiveness. With consulting help from the Government Finance Officers Association, they will analyze and make recommendations to improve workflows, staffing and decision making procedures.

USING PERFORMANCE INFORMATION. Program performance information is used by operating managers in a number of ways to manage and monitor operations: assessing the condition of streets, checking the quality of water, and monitoring reported crime.

However, there is little evidence that current performance information provided in budget submittals and performance reports is used fully and effectively by managers and elected officials. A key factor in demonstrating that *Managing for Results* is working will be the degree to which available information on performance is used for planning, budgeting, and managing. Bureau managers told us that while they provide program performance measures in their budgets, they are unsure how the data is used in budget analysis, Council work sessions, or in resource allocation decisions.

While the *SEA* and other bureau performance reports are often used by Council to inform decisions and to provide context to policy-making, these uses are generally informal. A more systematic and deliberate discussion of performance data would help Council in setting spending priorities. In addition, deliberate review of bureau data during budget work sessions would help assess the degree to which bureau and City goals and objectives are being achieved.

USES OF PERFORMANCE INFORMATION

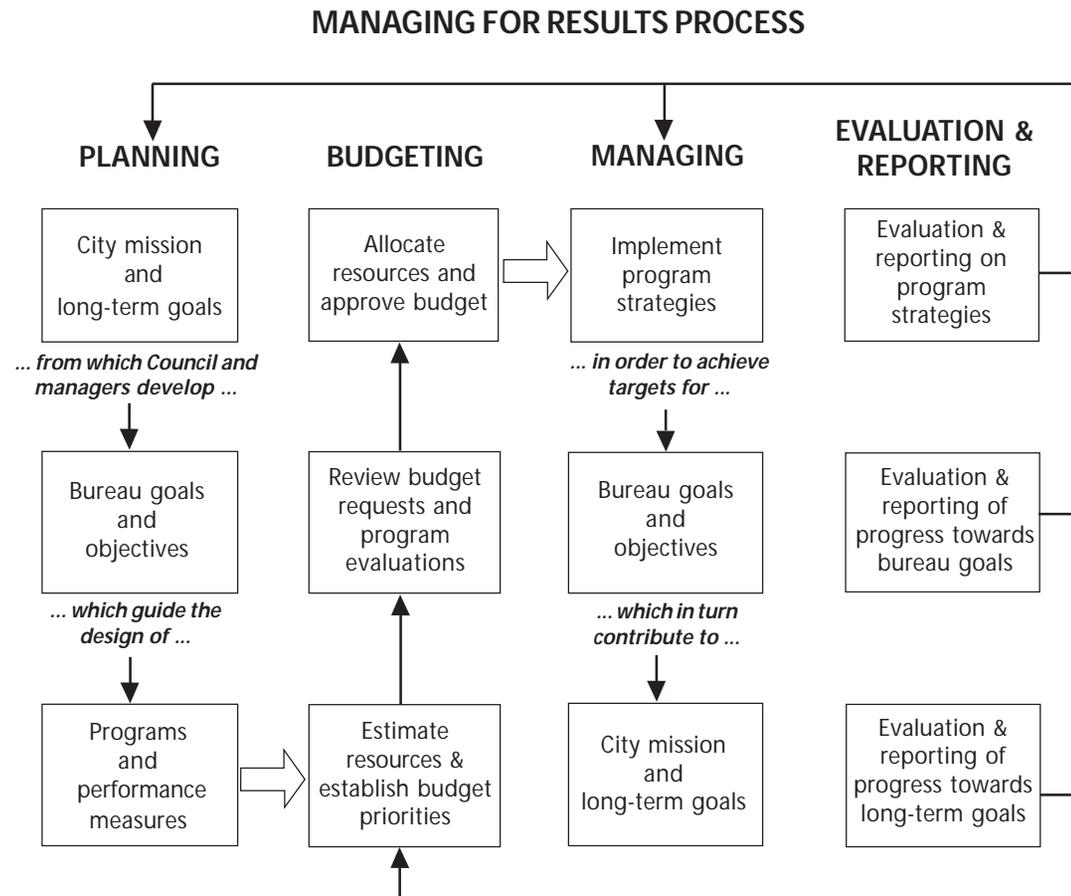
1. *To respond to elected officials and the public's demands for accountability.*
2. *To help formulate and justify budget requests and policy choices.*
3. *To help in resource allocation decisions.*
4. *To raise questions as to why outcomes are not meeting expectations and to trigger in-depth examinations of why performance problems (or successes) exist.*
5. *To help motivate personnel to continuing program improvements.*
6. *To formulate and monitor the performance of contractors and grantees (performance contracting).*
7. *To provide data for ad hoc, in-depth program evaluations.*
8. *To support strategic and other long-term planning efforts (by providing baseline information and subsequent tracking of progress towards long-term goals).*
9. *To help identify "best practices."*
10. *To communicate better with the public and to build public trust.*
11. *Above all, to help provide better and more efficient services to the public.*

*Making Results-Based State Government Work,
The Urban Institute.*

Integration: making the system work

Implementing *Managing for Results* in Portland will require the integration of existing management systems, and the clarification of roles and responsibilities. The following figures illustrate the linkage between *Managing for Results* elements and the roles and responsibilities of various parties.

The following figure illustrates the *Managing for Results* process. As shown, the process involves the four elements of Planning, Budgeting, Managing, and Reporting in an integrated cycle. Each stage involves several steps but should be viewed as an integrated whole contributing to achievement of desired results. Overlaying the process and informing decisions is performance data produced by programs. That is, **information on performance is used continually to inform planning, budgeting, and managing decisions.**



ROLES AND RESPONSIBILITIES

The following figure illustrates the roles and responsibilities of the various parties in the *Managing for Results* process, and the estimated frequency of their actions (i.e., annually, on-going, periodic). Again, the roles of each party reinforce the other while recognizing legislative and executive responsibilities, and providing for public accountability.

City Council. The City Council leads *Managing for Results*. The Council develops the strategic plan to identify the City's core mission, citywide goals, and priorities. The Council should demonstrate a commitment to performance measurement by formally reviewing and approving Bureau goals and objectives to ensure bureau goals align with overall City goals and priorities.

The Council should receive regular reports on bureau performance, and use the information for on-going oversight and to inform budget decisions. They should review staffing, spending and workload trends, as well

as program accomplishments in order to raise questions that will help in making their resource decisions.

The Office of Management and Finance. OMF's role is to administer and facilitate the *Managing for Results* process. OMF should design the implementation of the system, and seek resources to update the City's strategic plan on a regular basis.

OMF should continue to provide financial planning services to City Council and City bureaus, and assume a primary role in providing guidance to bureaus to implement the *Managing for Results* system. OMF should also improve the budget format and process to clearly show the relationship between performance information and program funding.

City bureaus. City bureaus have a key role in implementing the *Managing for Results* process. Bureaus should develop their own mission, goals and objectives consistent with the City strategic plan. Bureaus should also identify relevant and reliable measures of

performance at the organizational level most appropriate to demonstrate progress toward goals, usually at the program level. Performance data should be collected and reported for internal and external users.

During each budget cycle, the bureaus should review their programs in light of the prior year's performance and future priorities of City Council. They should determine the adequacy of the programs to achieve City goals with available resources.

The City Auditor's Office. The City Auditor's Office should periodically review and report on the results of City programs. The annual *SEA* Report should provide an independent assessment of the degree to which the City and its major bureaus achieve key goals and objectives. Auditors should also collect and periodically assess bureau performance data to ensure measures are relevant and reliable, and conduct selected performance audits of bureau programs.

ROLES AND RESPONSIBILITIES IN MANAGING FOR RESULTS

	Office of Management and Finance	City Council	Bureaus	Auditor's Office
5-10 yr	Develop <i>Managing for Results</i> guidelines	Adopt <i>Managing for Results</i> ordinance		
	Develop financial management policies	Conduct Strategic Plan, assisted by OMF & Planning		
		Adopt City mission and goals		
as needed		Review & approve bureau goals and objectives	Develop goals, objectives & perf. measures based on City mission	Develop performance measurement guidelines; provide general training
annually	Prepare five year financial forecasts	Communicate annual spending priorities to bureaus	Review strategies, considering program results & resources	Collect and review bureau perf. measures; provide training
	Conduct budget analyses for Council; prepare budget	Review bureau data and allocate resources	Submit budget request with program results and other data	Prepare annual SEA report
on-going	Monitor spending & performance; recommend adjustments	Oversight of bureaus and City goal results	Manage programs and implement strategies	Conduct performance audits

Shading indicates area of new or increased effort.

Consider the human element

Adopting and implementing a *Managing for Results* approach will require behavior changes more than new bureaucracy, requirements or paperwork. In simple terms, it will require people to think and act more strategically, keeping in mind City goals and desired results. Our research and discussions with City managers revealed that the human element was as important to success as developing a management model to guide the process. In particular, we believe that *Managing for Results* success in Portland will depend to a large extent on gaining the commitment of our elected officials, keeping it simple, and building the *Managing for Results* capacity of the organization and its people over time.

COUNCIL COMMITMENT. A common concern expressed by every management team we met was the need for City Council to establish a limited set of citywide goals for bureaus to address. Many felt that Council's lack of commitment to a core mission was

the most significant weakness in City government. Some believe that real performance improvement will occur only when Council places more priority on strategic planning and begins using performance information for decision-making.

KEEPING IT SIMPLE. Another consistent theme we heard during our meetings with bureau management teams was the desire to build on the strong foundations currently existing in the management of the City. In particular, managers and mid-managers we talked to cautioned against creating "a new system" that would require another round of work requirements but would not result in a lasting product that would be used and accepted. Many were cynical and frustrated with management fads that require more work but do not help move the organization forward. Although managers were receptive to the idea of *Managing for Results*, they worried about the capacity of their organizations

to take on new work with fewer resources. As a consequence, they were keen on keeping what works, integrating the pieces, and discarding what is unneeded.

BUILDING CAPACITY. Ultimately, the success of *Managing for Results* will depend on managers and employees taking actions to improve the performance of the organization. Thinking about performance with the end results in mind will require all employees to understand what the desired results should be. Measuring and reporting on performance may bring more accountability than some might feel comfortable with. Fear of punishment or sanctions could affect willingness to participate and incentives to cheat. To guard against these affects, the City must be willing to invest in training, information technology, and other assets that will help build the capacity to operate and manage differently.

Managing for Results: Costs and benefits

Implementing *Managing for Results* will involve some additional costs. However, because so much of performance management is integral to what government should already be doing, it is difficult to precisely determine what the new cost would be. Conversely, it is also difficult to identify the costs associated with governing without clear direction and without understanding if goals are achieved.

COSTS. We believe that some new spending will be needed in the Office of Management and Finance, some City bureaus, and the Office of the City Auditor to perform the following activities:

- ⊙ **OMF:** preparation of Managing for Results policy guidelines and ordinance – *one-time*
- ⊙ **OMF/Planning:** enhancements to the current strategic planning and citizen involvement efforts – *one-time*
- ⊙ **OMF/bureaus/Auditor:** integration of *Managing for Results* principles in budget format and process – *one-time*
- ⊙ **Bureaus:** upgrades to some bureau data collection methods and systems – *one-time*
- ⊙ **Auditor:** training of Council, managers and employees – *on-going*
- ⊙ **Auditor:** collection and audit of performance data – *on-going*

BENEFITS. Accompanying the costs of implementing *Managing for Results* will be benefits that hold great potential for addressing existing problems and improving services to the public. Some of the benefits were discussed in Chapter 1 of this report. In addition, the following table provides concrete examples of how *Managing for Results* can address some of the real concerns of City managers and staff.

Examples of Managing for Results benefits addressing current issues

Identified problems/issues	Potential <i>Managing for Results</i> benefits
<ul style="list-style-type: none"> ⊙ Lack of clear City mission and goals makes it difficult to determine if bureau programs are in alignment 	<ul style="list-style-type: none"> ⊙ <i>Strategic planning clarifies community values, defines the City's core mission, and establishes long-term goals to guide bureau programs</i>
<ul style="list-style-type: none"> ⊙ Managers not clear about Council annual budget priorities causing planning difficulties 	<ul style="list-style-type: none"> ⊙ <i>Annual development of Council priorities based on long-term goals improves predictability and continuity of efforts</i> ⊙ <i>Clear communication to bureau managers improves planning and budget requests</i>
<ul style="list-style-type: none"> ⊙ Bureau managers unsure how, or if, performance measures are used in decision-making process 	<ul style="list-style-type: none"> ⊙ <i>Performance information collected, reviewed and reported before budget process allows use throughout budget process</i> ⊙ <i>Performance data clearly associated with budget requests used in decision-making</i>
<ul style="list-style-type: none"> ⊙ Budget performance measures and SEA measures appear duplicative or uncoordinated, and overlap with some bureaus' own performance reports 	<ul style="list-style-type: none"> ⊙ <i>Comprehensive approach to performance measurement consolidates measures, requiring managers to collect and report data once, improving quality and reducing effort</i>
<ul style="list-style-type: none"> ⊙ City currently under fiscal stress with declining revenues and increasing demands 	<ul style="list-style-type: none"> ⊙ <i>Strategic planning and performance-based budgeting provides a tool to focus resources on priorities</i>
<ul style="list-style-type: none"> ⊙ Public accountability suffers if the City does not clearly and concisely report on progress toward citywide goals and objectives 	<ul style="list-style-type: none"> ⊙ <i>New reporting format improves accountability by reporting more relevant and reliable information to citizens and elected officials</i>

CONCLUSIONS AND RECOMMENDATIONS

The City of Portland should take steps to maintain its reputation for effective municipal management by adopting and implementing *Managing for Results*. Although the City has received well-deserved recognition for past achievements, other governments around the country are taking significant actions to explicitly focus their efforts on achieving their stated goals and objectives. Portland has a strong foundation upon which to build a *Managing for Results* process but leadership is needed by Council to clearly define City mission and goals, and to help bureaus align their efforts to achieve strategic priorities.

Adopting and implementing *Managing for Results* will require better integration of existing systems for Planning, Budgeting, Managing and Reporting. The Council, bureaus, and the City Auditor all play important roles in ensuring these systems are connected and coordinated. Most importantly, however, *Managing for Results* is grounded in the use of performance infor-

mation to inform decisions, assess results, and report on the success of City programs. **City bureaus need to improve performance measurement so that relevant and reliable information is available to Council and the public.** Additional guidance and training will help improve the capacity of bureaus to measure performance.

In order to help the City of Portland improve management and achieve goals, we recommend:

1. The City Council should adopt an ordinance establishing a *Managing for Results* approach for the City of Portland.

The ordinance should describe the need, purpose, and benefits of adopting a results-based management system, and outline its core elements and features. The ordinance should direct the Office of Management and Finance to develop an implementation plan using this report as a general guide.

2. The Office of Management and Finance should ensure that the *Managing for Results* implementation plan integrates existing systems, strives for simplicity, and provides for training. OMF should involve bureaus and the City Auditor in the design and development of processes and ensure that sufficient time is available to train staff and to clearly communicate new approaches. Full implementation of *Managing for Results* will require several years.

APPENDIX A:

GFOA Recommended Budget Practices – NACSLB excerpts

THE BUDGET PROCESS

The budget process consists of activities that encompass the development, implementation, and evaluation of a plan for the provision of services and capital assets.

The mission of the budget process is to help decision makers make informed choices for the provision of services and capital assets and to promote stakeholder participation in the decision process.

Principles and elements

The budget process consists of several broad principles that stem from the definition and mission described above. These principles encompass many functions that cut across a governmental organization. They reflect the fact that development of a budget is a political and managerial process that also has financial and technical dimensions.

The principles of the budget process are shown as follows:

DEVELOP BROAD GOALS TO GUIDE GOVERNMENT DECISION MAKING

A government should have broad goals that provide overall direction for the government and serve as a basis for decision making.

1. Assess community needs, priorities, challenges and opportunities.
2. Identify opportunities and challenges for government services, capital assets, and management.
3. Develop and disseminate broad goals.

DEVELOP APPROACHES TO ACHIEVE GOALS

A government should have specific policies, plans, programs, and management strategies to define how it will achieve its long-term goals.

4. Develop financial policies.
5. Develop programmatic, operating, and capital policies and plans.
6. Develop programs and services that are consistent with policies and plans.
7. Develop management strategies.

DEVELOP A BUDGET CONSISTENT WITH APPROACHES TO ACHIEVE GOALS

A financial plan and budget that moves toward achievement of goals, within the constraints of available resources, should be prepared and adopted.

8. Develop a process for preparing and adopting a budget.
9. Develop and evaluate financial options.
10. Make choices necessary to adopt a budget.

ASSESS PERFORMANCE AND MAKE ADJUSTMENTS.

Program and financial performance should be continually assessed, and adjustments made, to encourage progress toward achieving goals.

11. Monitor, measure, and assess performance.
12. Make adjustments as needed.

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APPENDIX B:

Performance measurement approach and definitions

Government agencies are responsible for providing quality services at a reasonable cost, and reporting the results of their efforts to elected officials and the public they serve. To provide accountability, it is essential that government agencies clearly state why they exist and what they are trying to achieve. Moreover, they need to measure and report the degree to which they are able to accomplish the goals and objectives they have established.

Our experience with developing performance indicators with the City's nine largest programs indicates that additional work is needed to ensure the City's performance information is useful and reliable for decision-making and public accountability. Many bureaus have had difficulty establishing goals, objectives, and performance indicators that provide a practical

and reliable method for monitoring and reporting on performance.

Performance measures are derived from an agency's mission, goals, and objectives, and should provide a reliable indicator of the progress toward achieving desired results.

Performance measurement is important because government lacks the business community's barometer of profit-and-loss to gauge success. Performance measurement is government's way of determining if it is providing a quality product at a reasonable cost. It gives an accounting of performance to legislative officials and the public, and provides managers with information to set policies, develop budgets, and adjust organizational efforts.

CHARACTERISTICS OF PERFORMANCE MEASURES. In order to be successful, a system of performance measurement needs to meet a set of criteria. Specifically, performance measures should:

- be based on goals and objectives that relate organizational mission, or purpose
- measure both the efficiency and effectiveness of programs
- be based on what is most useful, relevant, and valid to management and users of this information
- be complete, but limited in number and complexity
- be supported by data that is relevant, reliable, and timely
- be comparable to other periods, targets, and similar programs
- be reported both internally and publicly, and used both for decision-making and accountability

TYPES OF PERFORMANCE MEASURES. In general, there are three types of performance measures. Each city program should have a set of each of these, which are linked to goals and objectives.

The three basic types of performance measures are:

- **Workload** (output)– This shows the type and amount of work effort, and the level of public demand for the service.
- **Effectiveness** (outcome)– Results measures indicate how well an organization is achieving its public purpose, or intended outcome.
- **Efficiency**– These measures are used to assess the cost of providing a service, often expressed as cost per unit of service.

Two other types of indicators are useful to assess and understand programs: input measures and explanatory information.

- **Input**– Input measures show the amount of resources dedicated to particular program or strategy. Input measures track data such as expenditures and staffing.
- **Explanatory information**– Narrative about underlying factors that may have affected performance, including factors outside of an agency's control.

A good performance measurement system allows the **comparison of data in several ways in order to provide meaning** and context to the data:

- Trend data is needed to compare progress over time to see improvements or declines.
- Targets, goals, or mandated standards are useful to give context to level of results.
- Comparisons to other similar programs or jurisdictions can give benchmarks for additional context.

The following figure provides a list of commonly used terms in performance measurement.

The figure on the following page illustrates the relationship of mission, goals and performance measures using Portland Parks & Recreation as an example.

Term	Definition	Sample
Mission	an agency's purpose; the reason for its existence	<i>we are dedicated to ensuring that citizens have access to leisure opportunities and to enhancing the natural beauty of the city</i>
Goal	a general ends toward which an agency directs its efforts	<i>make recreation programs available to the youth and elderly</i>
Objective	a measurable target for specific action; an interim step in achieving an agency's mission and goals	<i>at least 50% of the City's youth will participate in City recreation programs</i>
Strategy	a detailed action step to help accomplish an agency objective	<i>distribute recreation program brochures to all public schools in the City</i>
Performance Measure	a quantifiable expression of the amount, cost, or result of activities indicating how well services are provided	<i>see below</i>
Effectiveness Measure	a type of performance measure used to assess how well an agency has achieved its public purpose or an intended outcome	<i>% of the City's youth that participate in City recreation programs</i>
Efficiency Measure	a type of performance measure used to assess an agency's cost of providing services; often expressed as cost per unit of service	<i>the cost per hour of youth participation in City recreation programs</i>
Workload Measure	a type of performance measure used to assess the amount of work performed or the amount of services rendered	<i>the number of youth served by the City's recreation programs</i>

Example of relationship of mission, goals and performance measures

CITY MISSION:

... ensure the delivery of public services that promote the safety and quality of life of its citizens ...

CITY GOALS:

... improved community livability, public safety, decent and affordable housing ...

BUREAU MISSION:

Portland Parks & Recreation is dedicated to
ENHANCING PORTLAND'S NATURAL BEAUTY and ENSURING ACCESS TO LEISURE OPPORTUNITIES

GOAL: Stewardship

PRESERVE and
ENHANCE our parks legacy

Percent of citizens who feel the overall quality of parks is good

Facility condition index rating

Parks grounds condition rating

Percent of citizens who feel facilities maintenance is good

Percent of citizens who feel that park grounds maintenance is good

GOAL: Community

Continually improve the
AVAILABILITY and
EFFECTIVENESS of recreation services and parks programs that benefit the community

Percent of users who feel the overall quality of recreation programs is good

Percent of youth who participate in City recreation programs

Percent of citizens who live near a park

Percent of citizens who live near a community center

Percent of citizens who are satisfied with the availability of recreation programs

EFFICIENCY MEASURES:

Maintenance expenditures per acre of developed park

Expenditures per hour of recreation participation

WORKLOAD MEASURES:

Number of parks and park acres maintained

Number of youth served

APPENDIX C:
Examples of budget contents and formats

Coming Soon on the web (*currently available in print version*)

APPENDIX D: Bibliography

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