

To: Mayor Steve Adler
From: Mike Hebert and Linda Bailey
Cc: City Council Members
April 22, 2016

An Evaluation of the Performance Measurement Process of The City of Austin

Summary

Recently, the City Council initiated discussions about better use of performance metrics to measure whether and how the City is accomplishing its goals under *Imagine Austin*¹, its comprehensive plan. This memo is a brief analysis of what the City is doing currently, a summary of successful performance measurement processes, and what can be done in the future to accomplish excellence in City management.

Currently, there is little or no alignment among the four steps in Austin's historical management process of moving from **Comprehensive Plan** to **Budget** to **Implementation** to **Evaluation**. Each step in the process is relatively independent – so it is almost impossible to know whether or not the comprehensive plan is being implemented in an effective, high quality, timely manner. **In short, without alignment of these four steps, Austin cannot tell whether or not it is meeting the strategic goals of *Imagine Austin*.**

As a general rule, the City of Austin simply tracks activities in the form of budgeting or day-to-day department activities – numerical snapshots of past actions. It does not comprehensively use true performance measurement to know whether or not City plans are being implemented.

We recommend that the City expand and act on the recommendations in the October 2014 Performance Measurement System Audit Report from the Office of the City Auditor². The City should also consider engaging a national expert of the caliber of Paul Zucker to do a comprehensive analysis of the City's current performance measurement practices, using the Balanced Scorecard³ approach.

¹ <http://www.austintexas.gov/sites/default/files/files/Planning/ImagineAustin/webiacpreduced.pdf>

² <https://www.austintexas.gov/sites/default/files/files/Auditor/au14109.pdf>

³ http://www.balancedscorecard.org/portals/0/pdf/bsc_for_city-county03.pdf

What Austin is and is not doing now

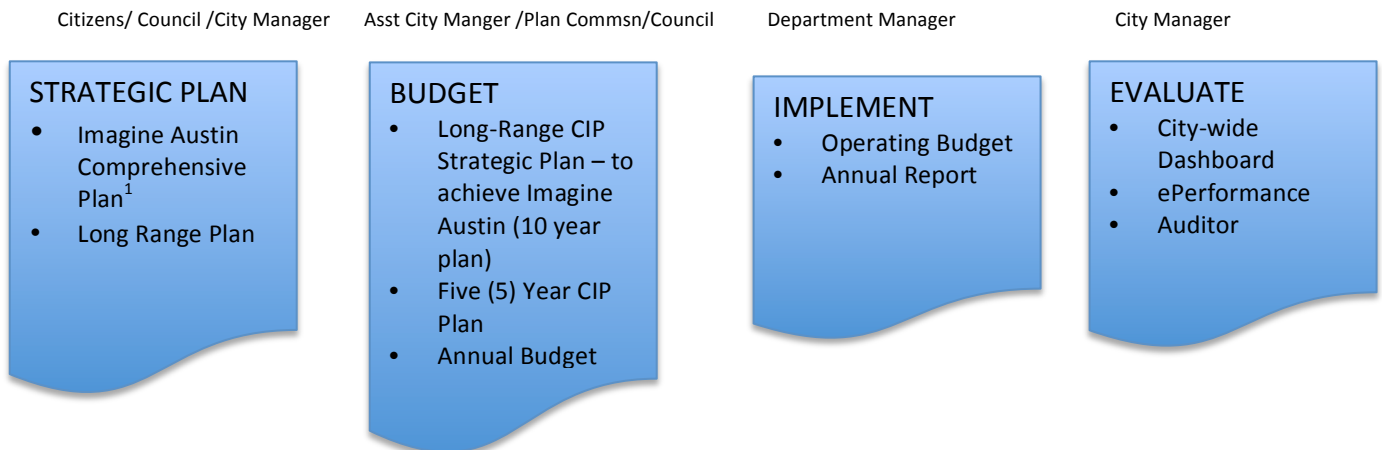
This is how the City Manager describes Austin’s current performance measurements:

“The Managing for Results program in Austin is based on an annual cycle that coincides with the City's fiscal year. The complete framework represents a continuous cycle of planning, budgeting, reporting and decision-making. City departments assess the past, present and future to develop plans for the upcoming fiscal year. Program budgets are developed based on the goals and results departments expect to achieve in the upcoming year.”⁴

This is what the City Auditor said about this process:

“The City of Austin has established a framework for performance measurement; however, more efforts are needed to ensure its effective implementation and ensure that departments consistently provide relevant and reliable information to stakeholders and decision makers . . . Based on our work, we found that in 5 of the 7 departments analyzed, departmental KPIs [key performance indicators] did not consistently provide information that was relevant and/or reliable, according to the definitions included in Exhibits 3 and 4, or are not integrated in staff performance evaluations.”⁴

The following graphic describes the steps in the current process:



City managers make a few attempts to connect the steps; however, in general there is no measurable or clear alignment among the steps.

The comprehensive plan identifies Austin’s strategic goals, metrics and high-level implementation activities, responsible parties, and next steps. It has goal statements

⁴ <https://www.austintexas.gov/sites/default/files/files/Auditor/au14109.pdf>

called Building Blocks, defined as broad-ranging policies to guide implementation of the vision statements such as “to make Austin a more connected city”⁵. The City Charter mandates that all city regulatory actions relating to land use, subdivision, and development approval be consistent with the master plan.⁶ *Imagine Austin* also states that regular evaluation and monitoring of the plan is a key component of the implementation strategy.⁷ **The City’s budget process largely ignores the Building Block goals, the monitoring requirement, and the mandate of the City Charter.**

Currently, City managers use the following tools:

- Community surveys.
- The Long-Range CIP Strategic Plan⁸ of which the primary purpose is to identify the future capital needs and is the bridge to the five-year CIP Plan⁹. The Long Term Plan has key drivers of urgent needs, capital renewal and policy and planning priorities.
- These activities roll into the Annual Capital Budget.¹⁰ The operating budget is spent and tracked at the department level.
- There are 1695 department ePerformance measures intended to identify the achievements of the departments. There are no program measures. Of the department measures, 120 are key measures, and 21 are identified for the Dashboard.¹¹ The Annual Performance Report reviews the key performance indicators.

The 21 priority categories of the City of Austin Dashboard were selected in 2011 by City staff in collaboration with 18 graduates of the CityWorks Academy, winnowing the 21 from a list of 120 key indicators included in the Annual Report. The 2013-14 Annual Performance Report describes these as a “snapshot of performance for the most important services that the city provides.”¹² **Except for the bond measure, the 21 priorities are measures of city services at the department level, not measurements of the achievement of strategic goals.** The Dashboard metrics might be useful for budgeting city services, but they should not pretend to be performance metrics for the comprehensive plan.

⁵ *Imagine Austin*, p. 95.

⁶ City Charter, Article X, Sec. 6. <https://www2.municode.com/library/tx/austin>

⁷ *Imagine Austin*, p. 223

⁸ http://www.austintexas.gov/sites/default/files/files/Capital_Planning/Reports_and_Plans/DRAFT_FY_16-17_LRCSP_030716_reduced_size_draft_watermark.pdf

⁹ https://assets.austintexas.gov/budget/15-16/downloads/fy_16_5_year_cip_plan_final.pdf

¹⁰ https://assets.austintexas.gov/budget/15-16/downloads/Vol1Approved_Final.pdf

¹¹ <http://www.ci.austin.tx.us/budget/eperf/index.cfm?fuseaction=home.dashboardmeasures>

¹² https://assets.austintexas.gov/budget/13-14/downloads/2013-14_Austin_Annual_Performance_Report_web.pdf

With respect to the overall steps of performance measurement, we reached the following conclusions after a review of the processes:

- **Plan:** *The **Imagine Austin** metrics are mostly not contained in current performance measures.*
- **Budget:** Budgeted dollars are being tracked by departments, but missing are specific implementation plans to track whether or not the dollars are being spent on strategic plan priorities or if departments coordinate with each other to achieve the desired goals. **Too many budget issues are addressed simply by adding headcount rather than a using a process approach.**
- **Implement and Evaluate:** The Dashboard does not contain *Imagine Austin* or strategic plan metrics. For example, the ePerformance measures show no measures for any City or Regional programs (such as the Sidewalk Master Plan), and Planning Services and Health and Human Services show no implementation of sidewalks in their Performance measurements. We found that little importance is given to implementing the highest priority activities found in *Imagine Austin*. As examples, only legally mandated ADA budgeted sidewalks are being measured, and there are no measures relating to affordable housing, traffic congestion, CodeNEXT, small area plans, and protection of neighborhoods. See *Appendix A* as an example of the disconnect among the four steps in addressing sidewalks.

How it's done in the business world

Since the late 1980s, American business has been working on plan-to-implementation alignment and process operational measurement.¹³ When business process improvement was first started, it was common to achieve 20-50% reduction in planning times; 20-50% error reductions; and 20-50% increase in case load processing without increased headcount.

Strategic management systems, such as the Balanced Scorecard and Six Sigma, are used to clarify vision and strategy and translate them into action. This transforms strategic planning from an academic exercise into the nerve center of an enterprise. Both strategic performance and operational performance must be monitored to achieve the organization's vision. The Balanced Scorecard is a well-defined methodology the purpose of which is to manage results. It is built on four interrelated pillars¹⁴:

- Knowledge and skills of employees is the foundation for all innovation and improvements.

¹³ <https://hbr.org/1992/01/the-balanced-scorecard-measures-that-drive-performance-2>

¹⁴ http://www.balancedscorecard.org/portals/0/pdf/bsc_for_city-county03.pdf

- Skilled, empowered employees will improve business processes and the ways they work.
- Improved work processes will lead to increased customer satisfaction.
- Increased customer (taxpayers, City employees, stakeholders) satisfaction will lead to better financial results.

The Balanced Scorecard method aligns the strategic plan, identifies the metrics and targets that measure the outcomes desired and the initiatives to implement the plan.

Once the Balance Scorecard is established, Six Sigma is used to continuously improve the business process. It is a set of techniques and tools that seek to improve the quality of the output of a process by identifying and removing the causes of defects and minimizing variability. Each Six Sigma project carried out within an organization follows a defined sequence of steps and has specific value targets, for example: reduce process cycle time, reduce carbon emissions, reduce costs, increase customer satisfaction, and increase the quality of work.

The purpose of these efforts is to build cost-efficient and responsive business processes – in essence, to build organizational excellence.

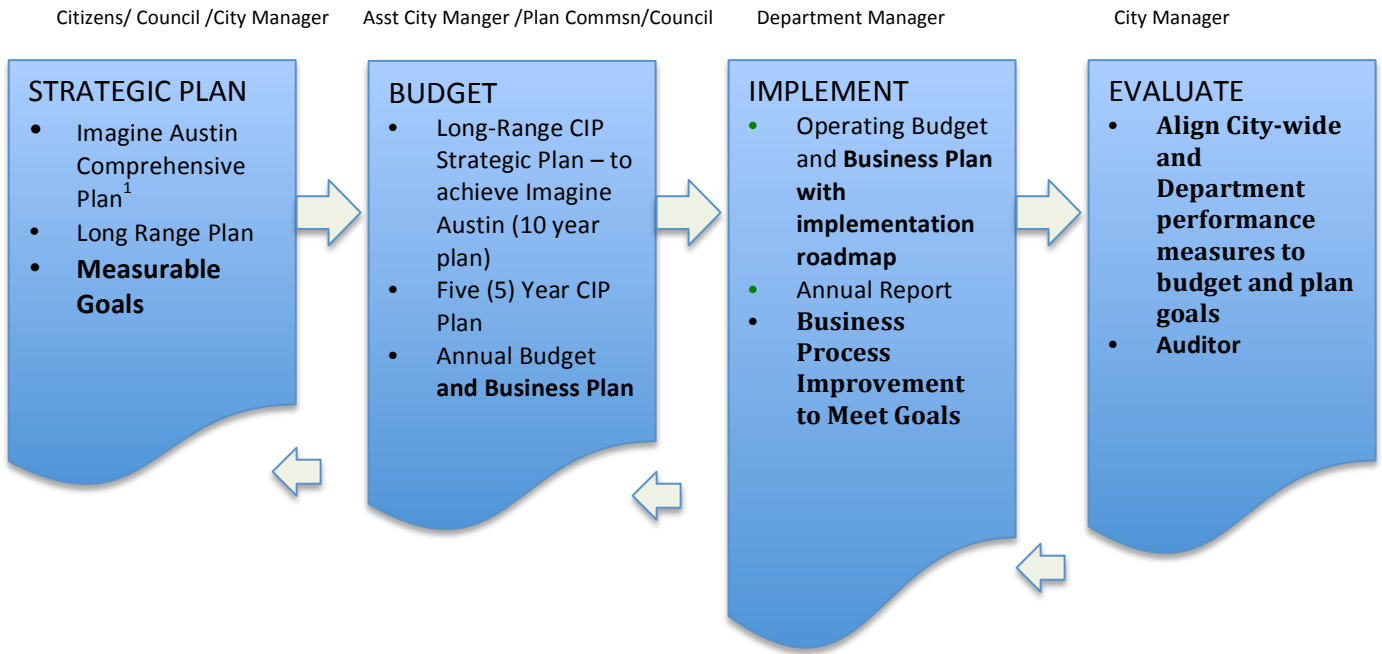
Where and how to start anew

How can Austin’s Plan, Budget, Implementation and Evaluation process be aligned? *Imagine Austin* should provide the roadmap for success; however it is deficient in establishing a number of critical strategic goals and components. The Zucker Report made this observation: “Comprehensive plans in most urban cities in the U.S. include infrastructure elements with accompanying maps that conceptualize long-range utility service areas, treatment plants, and other key utility components. These are not present in the Imagine Austin plan”.¹⁵

A strategic plan is the first tier of the three-tiered approach. In the business world, a **Long Range Strategic Plan** has usable measurable business goals and strategies. Those are filtered into a **Five-Year Strategic Plan** (in addition to the budgeting efforts) to insure that the strategic plan is implemented; and the **Annual Business Plan** insures that the Strategic Plan is successfully implemented.

¹⁵ <http://www.manageatxbetter.com/wp-content/uploads/2016/02/Zucker-Report-Excerpts4162015f.pdf>

If Austin’s process were modified to utilize business practices, our current process would look like this:



The following is an example of how a well-run business, using the Balanced Scorecard, would approach the objective of Complete Communities in a larger context:

COMPREHENSIVE PLAN/Imagine Austin: “Livable Neighborhoods Healthy & Safe Complete Communities Advancing Complete Streets”.

OBJECTIVE/GOAL: Create a new source of transportation revenue to build sidewalks and repair city streets; refocusing dollars on underserved neighborhoods; and using the comprehensive plan annual update to enhance neighborhoods.

EVALUATE:
 Percent of Austinites living in complete neighborhood communities. A “complete neighborhood” “would have a mix of housing types and land uses, affordable housing and transportation options, and access to healthy food, schools, retail, employment, community services, and parks and recreation options. Austinites would have safe, convenient access to the goods and services they need on a regular basis. The target is to have 80 percent of residents living in complete neighborhood communities by 2035.

IMPLEMENTATION STRATEGIES:
 Develop fresh Master Plans to support biking, walking, and active recreation, for example, the Sidewalk Master Plan.

The City of Austin operations processes are not different from business – all work is a system, regardless of industry or profession. The operations processes are where the “action is”. Results come from the processes – how the various customers’ needs are met, how employees work, how budgets are managed – all come from how well processes are managed.

Currently, Austin does an inadequate job of setting strategic goals and measuring their achievement over time. **Remedying this deficiency requires that the City Manager reverse decades of a culture of budget-based planning that ignores the strategic goals of the comprehensive plan.**

In order to improve an organization’s effectiveness, Austin should define and improve the systems of the organization. Using an aligned strategic plan and Six Sigma type business techniques will remove years of backlog and bottlenecks in the City’s Plan-to-Evaluation process.

Recommendation

We recommend that the City expand and act on the recommendations in the October 2014 Performance Measurement System Audit Report from the Office of the City Auditor. The City should also consider engaging a national expert of the caliber of Paul Zucker to do a comprehensive analysis of the City’s current Plan-to-Performance measurement practices, using the Balanced Scorecard and Six Sigma approach.

APPENDIX A

AN ANALYSIS OF CURRENT MEASUREMENT OF SIDEWALK GOALS

<p>COMPREHENSIVE PLAN http://www.austintexas.gov/sites/default/files/files/Planning/ImagineAustin/webiacpreduced.pdf</p>	<p>BUDGET FY 2016-17 Long-Range Capital Improvement Program Strategic Plan http://www.austintexas.gov/sites/default/files/files/Capital_Planning/Reports_and_Plans/DRAFT_FY_16-17_LRCSP_030716_reduced_size_draft_watermark.pdf</p>	<p>BUDGET/IMPLEMENT Capital Improvements Program 5 Year Plan 2015-16 https://assets.austintexas.gov/budget/15-16/downloads/fy_16_5_year_cip_plan_final.pdf</p>	<p>EVALUATE Dashboard and ePerformance http://www.ci.austin.tx.us/budget/eperf/index.cfm?fuseaction=home.dashboardmeasures</p>
<p>“Mobile and Interconnected: The Sidewalk Master Plan indicated that there were approximately 3,500 linear miles of roads without sidewalks. About 10 percent of these gaps in the sidewalk network are along arterials with the remaining 90 percent along collectors or residential streets”.</p> <ul style="list-style-type: none"> • “COMPLETE COMMUNITIES INDICATORS: Sidewalks (linear miles and percent of street frontages with sidewalks) pg 226 <p>IMPLEMENTATION GOALS Make Austin a more connected city.</p> <p>METRICS - Sidewalk Density - Intersection Density - Units within ½ mile of transit and high capacity transit.”</p> <p>Health and Human</p>	<p>“Infrastructure Asset Inventory: 2,408 miles of sidewalks” pg 37</p> <p>“The Public Works Department is assessing the condition of its sidewalk network as part of an update to the Sidewalk Master Plan and should have data available in 2017.” Pg 38</p> <p>“Expansion/Capacity/Improvements: Ongoing Capital Programs: PWD Ongoing Program Citywide Sidewalk Improvements pg 92 “Key drivers for Capital: Requirements - urgent need since ADA required by a legal mandate, the City needs ~ \$580 million to bring all existing sidewalks into compliance, and an additional \$1.46 billion to address the 2,300 miles of absent sidewalks, based on a 2015 analysis by the Public Works Department.</p> <p>The Link Between Capital</p>	<p>Development Services Department & Planning and Zoning Department (PDRD) pg 269</p> <p>“Small Area Plan Priority Projects (PAZ) In FY 2015-16, PAZ will with other capital departments to implement small area plan priority projects approved for funding under the 2012 Bond Program, and to identify other opportunities as · Continued implementation of sidewalks, trails, and bicycle facilities addressing connectivity needs identified in various adopted neighborhood plans (Public Works/Austin Transportation); · Congress Avenue Streetscape Design, (Public Works); · Implementation of park improvement projects identified in adopted neighborhood plans, including improvements to the Dove Springs Recreation Center (Parks</p>	<p>On Dashboard: No sidewalk measurements</p> <p>On ePerformance:</p> <ul style="list-style-type: none"> * PDRD- None * PARD - None * HHSD- None * PWD - Sidewalk Infrastructure Program Approved Amount: \$ 720,407 Approved FTE: 5.00

<p>Service Policies</p> <p>S P25. Increase sidewalks and bicycle lanes in neighborhoods to create safer routes to schools, parks, and transit stops. (See also LUT P14, LUT P15)” pg 174</p> <p>‘Land Use and Transportation Policies:</p> <p>LUT P11. Promote complete street design that includes features such as traffic calming elements, street trees, wide sidewalks, and pedestrian, bicycle, and transit access throughout Austin, considering the safety needs of people of all ages and abilities. (See also C P17)” pg 119</p>	<p>Projects and Maintenance</p> <p>The City’s streets undergo regular preventative maintenance funded by the Operating Budget, such as street resurfacing, but when a street is rated as poor or failing, the City must completely reconstruct the street, which constitutes a capital improvement project and is funded by the Capital Budget. The two types of projects—maintenance and capital improvements—are related. Without regular and preventive maintenance infrastructure, assets tend to fall into disrepair more quickly and require more frequent investment of capital funds for rehabilitation. Addressing capital renewal needs helps ensure that the City’s infrastructure continues to operate and serve the public in the future”. pg 14</p>	<p>and Recreation); and</p> <ul style="list-style-type: none"> · Implementation of neighborhood projects through Neighborhood Partnering Program (Public Works).” pg 271 	
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