



CITY OF KIRKLAND
Department of Finance & Administration
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MEMORANDUM

To: David Ramsay, City Manager

From: Tammy McCorkle, LG Management Fellow
Tracey Dunlap, Director of Finance and Administration

Date: February 9, 2009

Subject: Performance Measures and Performance Budgeting

RECOMMENDATION:

Consider how to restructure the City's current performance measures program to better reflect Kirkland services and be more meaningful to residents, City Council, staff and management.

BACKGROUND DISCUSSION:

In 2005, the City of Kirkland initiated an effort to collect and report on key performance measures in six service areas of: Parks and Recreation; Police Services; Fire and Emergency Medical Services; Information Technology; Streets and Highways; and Recycling. To assist in this effort, the City joined the International City Manager's Association (ICMA) Center for Performance Measurement. Kirkland's program adopts many of ICMA's core performance measures and includes other Kirkland-specific measures that are tailored to the priority services that the City provides.

2008 is the third year Kirkland has produced the Performance Measures Guide. The Guide includes four years of performance measurement data for the six key service areas. For each service area, the data is accompanied by a narrative vignette that illustrates a Kirkland service that is being measured. The 2008 results for the 2007 reporting period are summarized in Attachment A. Selected highlights include:

- In 2007, the average pounds of garbage collected per SFR account per week decreased by 5.4 lbs and the SF recycling diversion rate increased to 69% - one of the highest in King County.
- There were no DUI traffic fatalities on City maintained roadways in 2006 or 2007.
- Street sweeping tons increased in 2007 by more than 100 tons. Street sweeping tons reflect not only debris from trees and other natural sources, but also garbage and litter left on the ground.
- The City of Kirkland Parks and Community Services Department realized a significant increase in the number of volunteers and volunteer hours in 2007, with a 184% increase in the number of volunteers and a 249% increase in volunteer hours.
- Use of the City Website has been steadily increasing and the number of user sessions per year has almost doubled since 2004. The City strives to provide a website that is easy to navigate and informative for residents.

In addition to the measures reported on for the performance measures guide, there are many more that are reported on each year to ICMA. Over time, staff has found that the measures reported on are labor intensive to gather and report and many are not useful or meaningful for service delivery. In the 2009-10 budget, dues for the ICMA performance measures program were cut as part of the expenditure reductions.

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The ICMA performance measures program was a useful tool for the initial development of a performance measurement program and helped stimulate conversations about the need and usefulness of performance measurement, but the question is “how to proceed from here”?

PERFORMANCE BUDGETING:

One consideration is how to restructure the current performance measures program to make it more meaningful to the budget decision-making process. One suggestion has been to consider a “performance budgeting” approach.

Performance budgeting, unlike program budgeting where the goal is to assemble and budget to program objectives or goals, systematically incorporates measurement into the budgeting process and uses the results of this measurement to allocate scarce public resources.

Governments have embarked on performance budgeting for different reasons, but the main ones are: a financial crisis; growing pressure to reduce public expenditure; or a change in political administration. In many cases, performance information was introduced into the budget process as part of a wider package to control public expenditure or reform public sector management. In many instances, performance budgeting was introduced alongside performance management. (For further description of the concept, see the Organisation for Economic Co-Operation and Development Policy Brief included in Attachment B).

Performance budgeting occurs when the results of service delivery inform decisions about allocation of resources. Using performance data to inform decision-making within the core functions of management requires leadership, management, analytical skills, communication skills and a continuous commitment to providing efficient and effective service delivery. One of the major misconceptions of performance budgeting is that it is a stand-alone budgeting technique. The performance budgeting framework used by the City of Redmond, for example, requires line-item budgeting, program budgeting, performance measurement, and performance management to link inputs to outputs successfully. Line-item budgeting provides the necessary infrastructure for budgeting and accounting for financial resources at the level of detail required for accurate and reliable information.

Another misconception is that performance budgeting begins in the budget office. In reality, it begins with City leadership and extends performance management throughout the organization. Performance management involves the creation of mission statements, service delivery goals, objectives, and performance measures at the program level.

Performance measurement can provide an infrastructure for tracking outputs, outcomes, and efficiencies at the program level. Performance management can also support a core function of management in local government—the budget preparation and adoption process.

A final aspect of performance budgeting is that it requires ongoing leadership from all levels of the organization for successful adoption and implementation. This is especially critical for elected officials and senior managers, who play an important role in changing the organizational culture to accommodate performance budgeting. Numerous jurisdictions in North Carolina have implemented performance budgeting. Hickory is one city where an organizational culture change has occurred. During meetings and workshops, Hickory’s elected officials, department heads, and program managers commonly use financial and performance data to analyze service delivery, identify strategies, and support decisions.

There are three broad types of performance budgeting: presentational, performance-informed, and direct performance budgeting.

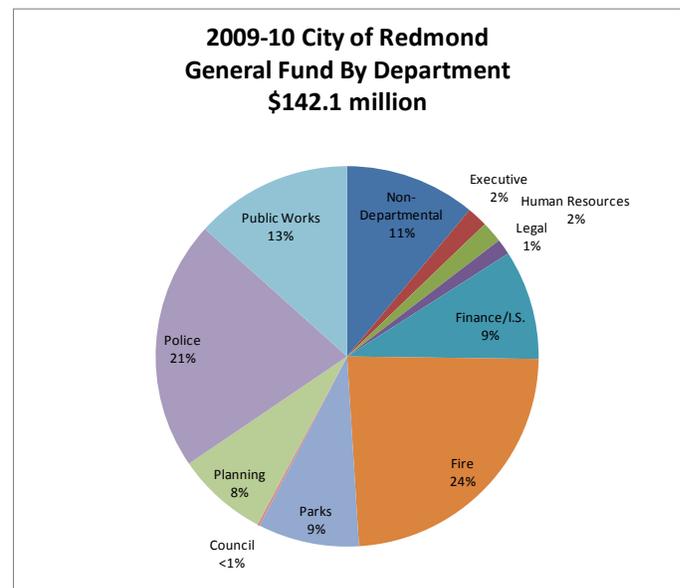
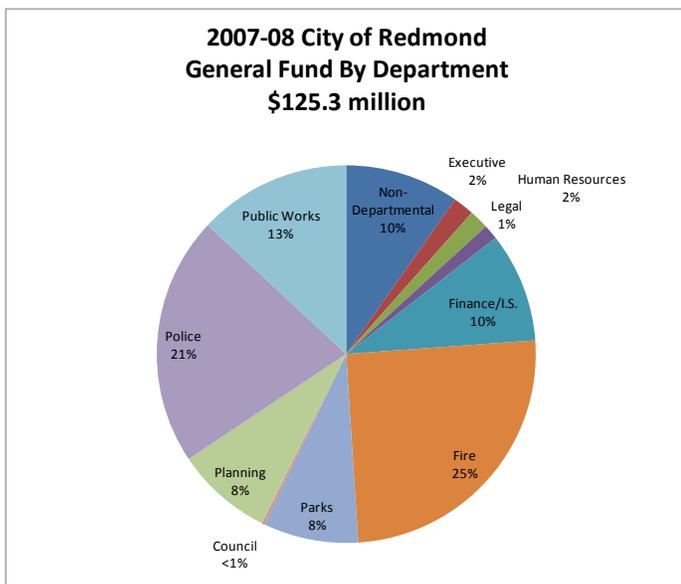
Presentational performance budgeting: The 2009-10 City of Kirkland budget is an example of presentational performance budgeting. The City’s performance information is presented in the budget document, but plays only an occasional role in decision-making, for example, waste diversion and recycling information helps inform solid waste program and rate decisions. This is the simplest form of performance budgeting, although it is still time consuming and does not relate directly to City priorities or goals.

Performance-informed budgeting: “Performance-informed” implies that the City Council and Departments developing budgets look at the performance measurement results and the proposed performance measures, the strategic plan, executive and legislative priorities, and relevant trends in the policy environment and ask if the proposed budget makes sense. Here the question is not: *Can we buy better outcomes?* but a somewhat different one: *Can we get the same outcomes at less cost?*

The City of Redmond implemented a budgeting by priorities program for their 2009-10 budget and began steps towards a type of performance-informed budgeting (see Attachment C City of Redmond). For the City of Redmond the process was long and involved for City Council and staff, a process that began in January. In the end the budget remains in line item format with an appearance of resources being allocated similar in 09/10 as they were in 07/08 (see pie charts below).

Something perhaps not seen by the overview of Redmond's budget is how the money was allocated among the different departmental priorities changed due to the process and some funding requests that would not have been a priority in the past rose to top priority due to the establishment of priorities. For example, a program called Green Lifestyles/Green Buildings was funded in the Planning Department. Redmond reported that this program, promoting a sustainability website and environmentally-friendly building practices, would not have risen to the top as a priority in past budgets. Now that the City has identified one of its top priorities as Clean & Green, the program made sense within the new budget.

The intangible difference was the process used and the level of support the budget received from the Mayor, City Council, and residents as a result of the process. When looking at the City of Redmond budget by department it may appear as though no changes were made, although when discussed with the City of Redmond there were changes within department priorities based on the process and what was done for the 2009-10 budget was only the beginning of a planned transformation of culture and organizational management. Some important questions to stop and think about before embarking on such a process include: *Why would the City spend resources to do this? Is the benefit received by participating in a more labor intensive and costly process equal to or greater than the resources required for the process?*



The City of Charlotte, NC provides an example of a city that has been practicing performance-informed budgeting. In 1994, the City of Charlotte began its implementation of the Balanced Scorecard, a performance management model that challenges departments to evaluate success and achievement. The City's vision, mission, and strategy are captured in the Corporate Balanced Scorecard. The Scorecard gives a quick but comprehensive view of programs through four unique perspectives: Serve the Customer, Run the Business, Manage Resources, and Develop Employees, and 16 corresponding objectives.

Performance-informed budgeting ensures that the budget reflects a commitment to City Council's priorities. In Charlotte, the City Council sets priorities at their annual retreat and identifies focus areas to serve as a framework for allocating funds and resources. The creation of the budget is a team effort. Throughout the budget process, staff discuss priorities and recommendations for improvement with the City Council. The discussions are reflected in the proposed budget.

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Performance-informed budgeting can be very beneficial to an organization; it can also be very costly. Performance-informed budgeting is in addition to the regular budget process and in many cases runs as a parallel process to line item budgeting as required by the State.

Direct performance budgeting: Direct performance budgeting is normally not practiced organizationally, but programmatically. Direct performance budgeting must have outcomes that have a strong causal relationship and have a core concept of controllability. This approach is not widely practiced.

The State of Washington Department of Transportation maintenance budgeting system that ties different levels of achievable quality for roads, bridges, etc. to different levels of dollar input is an example of a program using direct performance budgeting. Note though, that this "outcome" is not much different than the output; it simply adds a "quality" dimension. It is an *intermediate* outcome. If one went further out on a "so that" chain, to *higher-level* outcomes such as mobility or economic development goals, for example, the causal linkages become weaker. The strength of the causal relationship is closely related to the core concept of "controllability" – to what extent the outcomes are within the control of the relevant agency.

For example: The City of Kirkland strives to be a safe place. One of the measures currently tracked under Police Services is DUI arrests per 1,000 population. It could be presumed that if people do not drink and drive then Kirkland will be a safer place to be. But, *should the City make budget decisions based on the current DUI arrests per 1,000 populations?* No, because there are too many external factors affecting the outcome including availability of taxi cabs, personal choice, weather, # of officers on duty, etc. This is not to say the information cannot inform budget decisions, only that it should not be solely based on it as the causal relationship is not strong enough. This is the case for many of the services the City provides; fire response times are dependent on traffic, weather, etc. Recycling rates are based on personal choice to participate; satisfaction of services is based on an individual experience or perspective.

This type of budgeting cannot be done in many situations (maybe most) because the causal relationships are not sufficiently strong. One cannot confidently predict how much change in outcomes will result from specified changes in inputs. An example: more state patrol DUI road block actions cannot be easily translated into an impact on the DUI rate. But other forms of performance budgeting are still possible, even where the input-outcome causal relationships are not strong.

APPLICABILITY TO KIRKLAND:

In a time when tough decisions need to be made, guidance and priorities to aid in the process are key to making decisions that are made transparent to the community. Should City Council decide to move toward more performance budgeting, an essential first step is for City Council to revisit their mission statement and work with the community to establish priorities and goals.

The City of Kirkland has a mission statement, values and philosophies established. The philosophies are similar to priorities set by other jurisdictions by title, although they are very broad so they do not necessarily provide specific direction to City services. The priorities established should be over-arching priorities that could help establish direction and focus areas for City services and departments. This direction is essential for linking goals and outcomes, a key component of performance management.

At the 2008 City Council Retreat, there were examples of what other jurisdictions have done to set priorities and goals presented to Council, as well as a starting point for the Kirkland discussion.

To fully develop a mission statement and community priorities and goals, there would need to be a significant amount of time dedicated to the process by City Council and there would be a significant draw on staff time. If the City Council decided that this is a priority, they would need to identify the resources needed and determine how the resources would be freed up (such as diverting staff time and resources from other City priorities).

Once priorities and goals are established, departments would work to apply priorities and goals to the services they provide and develop performance measures. Through applying City priorities and goals to their departments and the services provided, each department can develop goals and performance measures in support of the priorities that reflect their services and are meaningful to management and, through supporting the City priorities and goals, meaningful to the community.

The City of Redmond is working to make a dashboard of the community priorities and goals with a drill down capability for residents interested in the goals and performance measures working towards the priorities. This dashboard should be beneficial not only to

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residents, but with alignment of department performance measures and goals to service delivery it should be a meaningful management tool.

Once the performance measures are institutionalized, the City Council could consider how to best incorporate the priorities, goals, and measures into the budget process. This process would also include establishing how to monitor progress and make changes as needed to services to ensure a focused and steady path supporting the City priorities and goals.

Even the best performance measurement program will only tell *what* needs to be done and suggest how to do it. Raw numbers should not drive the decision process, but objective data can *inform* it. A well integrated performance management program provides information that is meaningful and reliable, not just "data" and charts. This information is used in concert with observation and political realities to make decisions.

Performance budgeting or performance management is a long-term process and to be effective an organization wide cultural change would need to occur.

NEXT STEPS:

The next step is for City Council to determine the process to pursue the first step of establishing priorities and goals to move toward a new performance measures program.

Attachments:

- A. Performance Measures Guide
- B. OECD Policy Brief
- C. Redmond budgeting by priorities



PERFORMANCE MEASURES

CITY OF KIRKLAND

PERFORMANCE MEASURES

Since 2004, the City of Kirkland has been monitoring key performance measures in six service areas: Fire and Emergency Medical Services; Streets; Information Technology; Police; Parks and Community Services; and Refuse and Recycling. This section of the budget document includes a report on the key performance measures for each of these service areas along with examples of service provided. As we continue to monitor these key measures over time, we will have a good indicator of how much progress the City is making in meeting our goals for providing high quality services in a cost-effective way. This section is intended to show the citizens of our community how we are doing on the following goals:

Fire and Emergency Medical Services:

Preserve lives and protect property through high quality response to fire and emergency medical incidents.

Key measures: Emergency Response Times and Effectiveness in Containing Fires

Streets:

Construct and maintain the public infrastructure of the City and ensure efficient and reliable public streets for Kirkland residents.

Key measures: Pavement condition rating and citizen rating of street maintenance.

Information Technology (IT):

Proactively provide cost effective, reliable, standardized, and current information technology tools, systems, and services including customer focused support.

Key measures: Share of the City's business that is conducted through E-Commerce and rating of IT services

Police:

Reduce crime and increase the community perception of safety through high quality law enforcement services.

Key measures: Crime rates and citizen ratings of safety in their neighborhoods.

Parks and Community Services:

Enrich and enhance Kirkland's quality of living by effectively managing our public lands and serving the leisure needs of all residents.

Key measures: Citizen rating of the City's parks and recreation programs and citizen enrollment in recreation classes.

Refuse and Recycling:

Reduce waste generated by Kirkland residents and businesses by recycling, reducing, and reusing materials.

Key Measures: Citizen rating of recycling services and tons of recycling material collected.

Key Findings

Some notable findings of the Performance Measures Guide are:

- In 2007, the average pounds of garbage collected per SFR account per week decreased by 5.4 lbs and the SF recycling diversion rate increased to 69% - one of the highest in King County.
- There were no DUI traffic fatalities on City maintained roadways in 2006 or 2007.
- Increased staffing alone does not equate to decreased response times. Over the past four years response times for both Fire and EMS have increased even with an increase in staffing. Response times are based on many variables including:
 - Fire and EMS staffing,
 - Availability of emergency response resources,
 - Number of simultaneous alarms at each fire station,
 - Time in call center before dispatch,
 - Time it takes fire or EMS staff to leave the station,
 - Traffic and traffic control devices,
 - Weather, and
 - Distance of response resources from emergency.
- Street sweeping tons increased in 2007 by more than 100 tons. Street sweeping tons reflect not only debris from trees and other natural sources, but also garbage and litter left on the ground.
- The City of Kirkland Parks and Community Services Department realized a significant increase in the number of volunteers and volunteer hours in 2007, with a 184% increase in the number of volunteers and a 249% increase in volunteer hours.
- Use of the City Website has been steadily increasing and the number of user sessions per year has almost doubled since 2004. The City strives to provide a website that is easy to navigate and informative for residents.

We hope you will find this section a helpful tool for reviewing and understanding some of the services provided by the City of Kirkland.

REFUSE AND RECYCLING

Goal

The City strives to reduce waste generated by Kirkland residents and businesses by recycling, reducing, and reusing materials. Recycling reduces the amount of garbage that the community produces so that the life span of the local landfill can be extended. Recycling helps protect the environment and reduce the costs of garbage disposal.

Recycling Program	MEASURE	2004	2005	2006	2007
Residents Participate	Participation Rate SFR ¹	66.3%	64.3%	84%	90.7%
	Participation Rate MFR ²	94%	95%	95%	95%
So that.....					
Minimize Garbage Output	Total Tons of Recycled Material Collected SFR/MFR/Commercial	9,154 tons	8,714 tons	8,906 tons	9,271 tons
	Diversion Rate SFR (Goal = 52lbs) ³	60.1%	59.8%	62.5%	68.6%
	Diversion Rate MFR	12.1%	16.4%	16.9%	14.9%
	Total Tons of SFR Food & Yard Waste Collected	7,346 tons	6,664 tons	7,099 tons	7,482 tons
So that.....					
Divert Waste from Landfill	Total Tons of Garbage Collected SFR/MFR/Commercial	31,213 tons	33,000 tons	33,690 tons	32,698 tons
	Average Pounds of Garbage Collected Per Week Per SFR Account (Goal = under 33lbs)	32 lbs	27.30 lbs	25.5 lbs	20.1 lbs
	Actions the City Has Taken to Promote Product Stewardship and Reduce the Generation of Waste	Major expansion of recycling program, including food waste and electronics	Pilot commercial food waste recycling program	Commercial organics and residential food waste, MFR outreach	Promotion of commercial organics, development of MF food waste pilot, MFR outreach
So that.....					
Extend Landfill Life	Expected Life Span of Cedar Hills Landfill	2015	2015	2016	2016

¹ SFR – Single Family Residence

² MFR – Multi-Family Residence

³ Diversion Rate – the percent of waste materials diverted from the landfill to be recycled, composted or reused. SFR – includes yard waste, MFR – does not include yard waste.

Analysis

The City of Kirkland has realized significant success in resident participation in waste reduction activities. In the past year alone the average pounds of garbage collected per SFR account per week decreased by 5.4 lbs and the SF recycling diversion rate increased to 69% - one of the highest in King County. The number of participants in the commercial organics program increased from 12 in the fall of 2007 to over 50 by the end of the year accounting for the diversion of over 57 tons of organic material from the landfill.

REFUSE AND RECYCLING BUSINESS OUTREACH

The City of Kirkland has robust business outreach and assistance and commercial organics recycling programs that are offered to all Kirkland businesses. By participating in these programs, businesses are able to save money, promote environmental stewardship, and save space in the landfill.

In 2007, the Holy Family Parish School had a recycling assessment done by the City of Kirkland to ensure appropriate recycling capacity, identify other opportunities to recycle, and to speak with the students and school officials about recycling in a presentation. With the new tools and information in hand, the already motivated staff and students of Holy Family, lead by Steve Carbonetti, made significant changes in the way the school reduces, reuses and recycles.



Below are just a few examples of the efforts and their effects:

- All lunch milk cartons are now being recycled: after lunch there is a bucket for the youth to dump any remaining milk into and a recycling container. With 271 students this could potentially add up to more than 10,840 milk cartons per school year.
- Students at Holy Family Parish School started a Green Team: this is a group of 7th graders that are working to raise recycling awareness with other youth in the school and with parents. They recently ran a contest where parents that were seen using a reusable mug rather than a paper cup in the morning got entered in a drawing for prizes.
- Through increasing recycling and participating in the commercial organics program the school has been able to reduce their garbage service from two six-yard dumpsters to one eight-yard dumpsters for a savings of about \$184/mo. or about \$2,200/yr.



The school is continuing to find ways to reduce, reuse, and recycle. This success story is an example of what can be accomplished when the City's recycling and outreach programs are combined with a highly-motivated group determined to make a difference in their bottom line and their environment.

POLICE SERVICES

Goal

The Kirkland Police Department strives to provide quality law enforcement that builds trust, confidence and respect throughout the community. The Police Department places a strong emphasis on ensuring that all those who live, shop, work, and play in Kirkland feel safe. The Police Department prevents and responds to crime so that Kirkland remains safe for all community members.

Police Department

Prevent and Respond to Crime

So that....
Keep City Safe

So that....
Citizens Feel Safe⁴

MEASURE	2004	2005	2006	2007
Total calls for service	*	43,120	43,682	41,870
Average # of Calls For Service per shift	*	59.1	59.8	57.4
Total 911 calls received	*	27,962	28,249	27,633
Average # of Patrol contacts per shift	9.63	8.82	8.84	8.69
Criminal Citations	*	1,468	1,775	2,005
Infractions	*	8,618	7,516	8,167
Collisions w/enforcement	*	*	668	511
Sworn FTE's (Authorized) ¹ per 1,000 population	1.36	1.39	1.45	1.47
Average # of Officers per shift	7.09	6.49	6.59	6.8
Total Arrests per 1,000 population	51.5	42.6	50.9	48.8
DUI Arrests per 1,000 population	10.9	9.0	5.5	7.5
Total Part I Violent Crimes ² per 1,000 population	1.7	1.6	1.9	1.4
Total Part I Property Crimes ³ per 1,000 population	37	39	40	40
Citizen Rating of Safety in Their Neighborhood During the Day	*	*	Very Safe <u>89%</u> Somewhat Safe <u>9%</u>	*
Citizen Rating of Safety in Their Neighborhood After Dark	*	*	Very Safe <u>54%</u> Somewhat Safe <u>29%</u>	*

¹ Increased personnel provide for additional patrol coverage, investigations & other police services that keep the community safe.

² Part 1 violent crimes include: murder and non-negligible manslaughter, forcible rape, robbery and aggravated assault.

³ Part 1 property crimes include: burglary, larceny-theft, motor vehicle theft and arson.

⁴ 2006 Citizen Opinion Survey rated Police services as one of the top 5 most important services.

Analysis

Through increased emphasis on enforcement of driving under the influence, DUI arrests increased by 2 additional arrests per 1000 people in Kirkland in 2007 or approximately 94 additional arrests were made. There were no DUI traffic fatalities on City maintained roadways in 2006 or 2007. To ensure a safe community the City of Kirkland Police Department has been emphasizing enforcement of traffic laws such as speeding, crosswalk violations and seatbelt usage.

DOMESTIC ABUSE RESPONSE TEAM (DART)

The Kirkland Police Domestic Abuse Response Team (DART) has been working with victims of domestic violence since 1999. Initially organized by former Advocate Julie Reynolds as a resource to assist the Family Violence Unit, the all volunteer group quickly became an indispensable part of the unit.



The volunteers each receive 30 hours of specialized training and pass a rigorous testing and background process. Frequent meetings and on-going training ensure that DART volunteers are current on the latest developments in the law and aware of resources that may be available.

Kirkland is the only city in east King County that has a program supported by a trained volunteer core, in addition to a detective and family/youth advocate. Domestic Abuse Response Team (DART) volunteers provide crisis intervention, victim support and caseload follow-up. Trained in understanding the cycle of domestic violence, volunteers are quick to offer a reassuring voice and resources to help victims immediately following an incident.



“Domestic violence is one of the most common in-progress offenses against a person that our department responds to,” explains Detective Janelle McMillian. “It usually involves an assault or a violation of a protection order.” Last year, KPD responded to 827 domestic incidents and 91 restraining order violations.

CITY OF KIRKLAND

FIRE AND EMERGENCY MEDICAL SERVICES**Goal**

When Fire and Emergency Medical Services employees respond to fires and medical emergencies, they strive to preserve lives and protect property. Their goal is to provide effective and efficient services that enhance a safe environment for the public.

Fire Department	MEASURE	2004	2005	2006	2007
↓	Paid fire and EMS staffing per 1,000 population served	.89	.93	1.0	1.0
Respond to Medical Emergencies	EMS responses per 1,000 population served (BLS and ALS)	66.2	65.2	66.9	64.5
So that....	Average EMS response times (ALS & BLS)	5:11 min	5:17 min	5:21 min	5:30 min
Timely Treatment Received	% of EMS response times under 5 minutes (Goal = 90%)	53%	52%	51%	49%
↓	Total fire incidents per 1,000 population	27.4	26.6	34.4	26.2
Respond to Fires	Total non-fire incidents per 1,000 population	12	9.6	17.0	12.4
So that....	Average fire (emergency) response times	5:58 min	5:53 min	6:02 min	5:59 min
Minimize Damage	% of fire response times under 5.5 minutes (Goal = 90%)	43%	49%	46%	47%
So that....	% of building fires confined to area of Origin	58%	67%	44.8%	41%
Keep Community Safe					

¹BLS = Basic Life Support and ALS = Advanced Life Support

Analysis

Increased staffing alone does not equate to decreased response times. Over the past four years response times for both Fire and EMS have increased even with an increase in staffing. Response times are based on many variables including:

- Fire and EMS staffing,
- Availability of emergency response resources,
- Number of simultaneous alarms at each fire station,
- Time in call center before dispatch,
- Time it takes fire or EMS staff to leave the station,
- Traffic and traffic control devices,
- Weather, and
- Distance of response resources from emergency.

SERVICE IMPROVEMENT

King County and Kirkland are leaders in EMS and pre-hospital care of patients in cardiac arrest and have been since the introduction of CPR in the late 1960s. Kirkland is on the forefront providing advanced cardiac care, including defibrillation, to patients in their homes, on the street, and at work.



Today people who suffer a cardiac arrest in Kirkland are three times more likely to survive than the national average, and among patients in ventricular fibrillation (a deadly cardiac arrhythmia where a quick shock from a defibrillator is the only treatment) the survival rate in Kirkland is approximately 40%. This is one of the highest survival rates in the world.

Being a leader means continually looking for ways to improve. The City of Kirkland and King County EMS, is participating in an exciting new study investigating the management and treatment of cardiac arrest. The Resuscitation Outcomes Consortium (ROC) performing the study includes large EMS providers throughout North America including San Diego, Toronto, Dallas and the entire states of Iowa and Alabama. Among this elite group Kirkland and King County are leaders. The King County group, including Kirkland, was the first to complete the required training and begin enrolling patients and is recognized as a top performer in compliance with study protocols.



The City of Kirkland EMS strives for 90% of response times to fall under 5 minutes; this goal is driven by the cardiac arrest survival rate curve. Through bystander CPR and quick response times, the chance of survival by a cardiac arrest patient increases. The Kirkland Fire Department is committed to leadership and excellence and providing world-class service to the community.



STREETS

Goal

The Streets Section of the Public Works Department is responsible for keeping City-owned streets and landscaped surfaces maintained. The work includes keeping roads repaired, landscapes aesthetically pleasing, and streets swept often to keep debris from entering the storm system and to improve water quality. The Streets Section works to provide the infrastructure for the City to ensure safe, attractive, efficient and reliable public streets and rights-of-way for Kirkland residents.

Street Maintenance	MEASURE	2004	2005	2006	2007
Roads are Repaired	Total paved lane miles	351.1	351.8	352.3	352.3
So that.....	Road Rehab Expenses per paved lane mile	\$4,310	\$3,471	\$4,919	\$6,261
Roads are well maintained	Pavement condition index (PCI) ¹	70	*	*	*
Sweep Streets	Percentage of lane miles assessed as fair or better ²	90%	*	*	*
So that.....	Citizen ratings of road maintenance (satisfactory or better) ³	94%	*	95%	*
Streets are clean and storm drains are clear	Street sweeping expenditures per capita	\$3.12	\$4.42	\$4.12	\$3.79
So that.....	Street sweeping (tons)	592	517	497	600
Safe Streets and Improved Surface Water Quality	# of lane miles swept: Commercial Business District (per year)	500	500	500	500
	# of lane miles swept: Residential (per year)	3,744	3,744	3,432	3,432

¹The City of Kirkland uses the Washington State DOT method for objectively rating the pavement condition based on factors including cracking, patching, weathering, and rutting. Every 3 to 4 years the PCI ratings for the entire City's street network are updated. The last survey was performed in 2004.

²Based on 2004 PCI survey data; "fair or better" equates to a PCI of 40 or better. Pavement Condition Index (PCI) is a rating of the general condition of pavements and is based on a scale of 0 to 100. A PCI of 100 represents a newly constructed road with no distresses; a PCI below 10 corresponds to a failed road requiring complete reconstruction.

³Survey completed every other year

Analysis

There was a large increase in road rehabilitation expenses per lane mile in 2007. This increase was due to a larger overlay contract in 2007 than in prior years. Work was performed on a few arterials (NE 70th and 132nd Ave) which require more traffic control and there was an increase in construction and material costs. In 2006, a few streets were not completed due to utility conflicts and funds were carried over to 2007. In 2007, the City paved more square yards (SY), which used the whole overlay budget (2006 SY paved = 37,508; 2007 SY paved = 64,768).

STREET SWEEPING

Street sweeping is a service that the City of Kirkland provides to residents and businesses that can easily go unnoticed. The sweepers start out early in the morning, so by the time the downtown area gets busy the debris has been removed. In 2007, 600 tons of debris was removed from Kirkland streets.

Street sweeping has been provided by cities as a regular service since before the creation of the automobile. It used to be a manual service provided through the use of a broom and dust pan. Now it is provided mainly through a street sweeping truck and crew.



The City of Kirkland is dedicated to environmental stewardship and providing an excellent quality of life.

Street sweeping is provided for more than making the streets look clean. Street sweeping has also been shown to improve water quality, as the sweeper picks up waste that would otherwise go into the storm water system and eventually out to rivers and lakes.

The Streets section of the City of Kirkland sweeps commercial business districts 100 times a year or approximately two times per week. Imagine the state of the streets without this valuable service.

PARKS AND COMMUNITY SERVICES

Goal

The City strives to provide high quality parks, facilities, and programs to support citizens in increasing their health and activity. The City Parks and Community Services Department wants to enrich and enhance Kirkland's quality of living by effectively managing our public lands and serving the leisure needs of all residents to make Kirkland the place to be.

Parks and Recreation	MEASURE	2004	2005	2006	2007
Parks & Recreation Staff	Total staff for parks maintenance and recreation programs	55.8	59.8	70.89 ¹	57.07
	Park maintenance FTE's per 100 acres developed land	15.5	14.8	19.99	16.19
	Number of volunteers/ volunteer hours	508/1,200	711/2,115	455/1,240	1,293/4,333
So that....					
Maintain Parks & Provide Recreation Programs	Total O&M for recreation programs	\$1,501,826	\$1,659,619	\$1,663,761	\$1,686,929
	Recreation O&M per capita	\$32.80	\$36.28	\$35.26	\$35.23
	Total O&M for parks maintenance	\$2,217,657	\$2,446,832	\$2,643,047	\$2,609,170
	Parks maintenance O&M per capita	\$48.42	\$53.49	\$56.02	\$54.48
So that....					
Provide High Quality Parks and Recreation Programs	Developed park acreage per 1000 population	4.6	4.6	4.38	4.41
	Citizen ratings of appearance of Parks & Recreation Facilities ² -satisfactory or better	*	*	98%	*
	Citizen ratings of the quality of Parks and Recreation programs -satisfactory or better	*	*	89%	*
So that....					
Increase citizens' quality of life	Recreation classes offered	2,868	2,812	2,741	2,778
	Citizens' enrollment in classes	16,030	18,104	18,067	18,075
So that....					
Citizen Satisfaction	Citizen ratings of overall satisfaction with Parks & Recreation – satisfactory or better ³	95%	*	98%	*

¹ Increased staffing due to increased programs and park development

² 2006 Citizen Opinion Survey results reflect Parks and Community Services as one of the top 5 services offered by the City.

Analysis

The City of Kirkland Parks and Community Services Department realized a significant increase in the number of volunteers and volunteer hours in 2007, with a 184% increase in the number of volunteers and a 249% increase in volunteer hours.

KIRKLAND STEPPERS WALK FOR THE FUN OF IT

The Peter Kirk Community Center's very successful walk program for adults age 50+ is charging into its fifth year. The Kirkland Steppers depart from the Peter Kirk Community Center (PKCC) on scheduled walks every Tuesday and Thursday morning from the first of June through the end of September.

Between 175 and 200 adults participate in this popular program and range in ability from long-time walkers and exercise participants to serious couch potatoes, having never exercised a day in their life. The ages range from 48 to 96! Donning bright orange t-shirts, this lively group of walkers are a visible tour de force seen roaming the streets of downtown Kirkland and neighborhood parks.



In 2007 the Kirkland Steppers, in collaboration with the Kirkland Senior Council and the Police Department launched a Pedestrian Safety Campaign. Because of their sheer numbers, these walkers are the most visible group to demonstrate pedestrian safety practices and they make wonderful role models for the community.



To increase visibility of the Steppers, walkers received an orange visor, a round red flashing LED light that clips on their clothing and a bright orange (bandana size) pedestrian flag. When pedestrian flags are not available at crosswalks, waving these handy, easily accessible bright flags alerts drivers of their presence. Steppers frequently carry extra flags and distribute to other walkers and those with strollers and baby carriages.



The Pedestrian Safety Campaign is also responsible for the recent production of the Senior Council Pedestrian Safety video "Excel as a Pedestrian" that can be viewed by visiting:

http://kirkland.granicus.com/MediaPlayer.php?view_id=13&clip_id=1139

INFORMATION AND TECHNOLOGY

Goal

Proactively provide cost effective, reliable, standardized, and current information technology tools, systems, and services including customer focused support.

IT Department	MEASURE	2004	2005	2006	2007
	Total Apps/Network and Ops IT Staff	4.5 / 5	5 / 6	6.75/6	6.75/5
Usability of Website	Average weekly hours updating site	15	15	17.5	25
	Number of user sessions per year	367,388	452,560	448,100	611,671
So that.....					
Citizens & Business Informed, Access to Government Anytime and Anywhere	Percentage of Building Permits applied for online that are available online	* ¹	30%	66%	66%
	Percentage Parks & Recreation registration online that is available online	28%	31%	33% ²	38%
So that.....					
Citizens Satisfied with City Website	E-Gov transactions dollar amount	\$318,569	\$434,469	\$364,125	\$413,310
	% of citizens who have visited the website ³	44%	*	56%	*
So that.....					
Provide IT Tools	# of help desk calls per # of help desk employees	*	*	1,193	1,389
	# of help desk calls per # of permanent city employees	*	*	7.67	8.85
So that.....					
Increase Staff Productivity and Efficiency	Help desk calls resolved	3,398	3,835	3,580	4,166
	Total training sessions provided ⁴	33	37	9	44
	# of employees that took an IT training class	*	*	53	*
So that.....					
Staff More Efficient and Satisfied	Internal customer satisfaction: general IT services	*	*	3.6 / 4.0	3.7/4.0

- 1 Indicates information not collected.
- 2 In 2007 data was reported as 60% which reflected a point in time. Percent of Parks and Recreation online can be as high as 75% in the beginning of the summer. After processing refunds, and as the year progresses less registration is done online. Numbers reported reflect overall annual registration for all Parks and Recreation Programs.
- 3 Citizen Opinion Surveys are completed every other year.
- 4 Total training sessions provided in 2007 is an estimate based on instructor data.

Analysis

Use of the City Website has been steadily increasing and the number of user sessions per year has almost doubled since 2004. The City strives to provide a website that is easy to navigate and informative for residents.

MyParksandRecreation.com

The City of Kirkland continues to expand its online accessibility to citizens and in the Fall of 2003 began offering online registration for Parks and Recreation classes.

The City has been involved with the ECityGov Alliance's MyParksandRecreation.com to bring a feature which allows citizens to access Parks and Recreation information in one place for all of the Eastside cities. The Alliance is a group of cities in the Puget Sound Region that have committed to partner together to provide on-line services and information to their customers.

In an effort to offer accessibility to more recreation programs, in the Spring of 2007, the city linked Kirkland-Parks.net with MyParksandRecreation.com allowing users to register for multiple recreation activities on one website.

YOUR GOAL: EXPLORE, LEARN, PLAY
OUR GOAL: MAKE IT EASY!

SAME GREAT CLASSES, OR NEW OPPORTUNITIES IN OUR REGION — YOU CHOOSE!

All of your recreation registration needs and parks info are now available on one easy-to-use website. You can now find the same great class you took last time, search for new classes, or explore all of our parks and trails. This site has it ALL!

MyParksandRecreation.com
Over 3000 recreation programs, 300 parks, 9 local cities, ONE web site

MyParksandRecreation.com
Things to Do: Register for Classes Places to Go: Parks Information

YOUR ONLINE REGISTRATION WEBSITE

Logos for participating cities: Issaquah, Kirkland, North Kirkland, and others.

Through MyParksandRecreation.com, citizens are able to search for recreational activities, facilities, parks and trails throughout the Eastside, and be linked to individual city websites for more in-depth information and registration.

When connecting to the MyParksandRecreation.com page, users are provided with two options: Places to Go or Things to Do. Places to Go gives users the ability to search for parks, trails, and recreational facilities provided by any of the cities with the ECityGov Alliance. If citizens are looking for a boat launch, a dog park, or a place to play tennis, they can find it through a search

using Places to Go. Things to Do allows users to search for classes or activities to participate in.

By providing search options that include all of the cities within the ECityGov Alliance, the recreational opportunities available to the community are more numerous and varied than those provided only by the City of Kirkland. On the horizon of Myparksandrecreation.com is the feature of searching special events, and reserving facilities online.

CITY OF KIRKLAND PARKS & COMMUNITY SERVICES
RECREATION CLASSES & PROGRAMS

PRESCHOOL | YOUTH | ADULT | AGE 50+ | FALL 2008
Pee Wee Monster Bash • 3rd-6th Grade Basketball • Falls Prevention Fair

Featuring classes at the **NORTH KIRKLAND COMMUNITY CENTER**
and the **PETER KIRK COMMUNITY CENTER**

MyParksandRecreation.com
Things to Do: Register for Classes Places to Go: Parks Information

Logos for participating cities: Issaquah, Kirkland, North Kirkland, and others.

MARCH 2008

Policy Brief



ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

Performance Budgeting: A Users' Guide

What is performance budgeting and why do we need it?

How has it evolved?

How is it put into practice?

How is performance information used in the budget process?

How are results measured?

Where do we go from here?

For further information

For further reading

Where to contact us?

Introduction

Tight budgets and demanding citizens put governments under increasing pressure to show that they are providing good value for money. Providing information about public sector performance can satisfy the public's need to know, and could also be a useful tool for governments to evaluate their performance.

Performance information is not a new concept, but the governments of OECD countries have taken a closer look at integrating it into the budget process in the past decade as part of efforts to improve decision making by moving the focus away from inputs ("how much money will I get?") towards measurable results ("what can I achieve with this money?").

The introduction of performance budgeting has been linked to broader efforts to improve expenditure control as well as public sector efficiency and performance. Thus, performance budgeting can be combined with increased flexibility for managers in return for stronger accountability for the results, so as to enable them to decide how to best deliver public services.

OECD countries have reported a number of benefits from using performance information, not least the fact that it generates a sharper focus on results within government. The process also provides more and better understanding of government goals and priorities and on how different programmes contribute to them.

At the same time, performance information encourages greater emphasis on planning and offers a good indication of what is working and what is not. This tool also improves transparency, by providing more and better information to legislatures and the public.

Nonetheless, OECD countries continue to face a number of challenges in developing and using performance information in the budget process to measure results, in improving the quality of information and in persuading politicians to use it in decision making.

This *Policy Brief* looks at the challenges governments face in using performance information to make the budget process more efficient and offers some guidelines to assist in the process. ■

What is performance budgeting and why do we need it?

Performance information is a fairly simple concept: providing information on whether programmes, agencies and public service providers are doing the job required of them effectively and efficiently. Performance information has a long history in OECD countries: most of them have been working on it for at least five years, and almost half of them for more than ten.

Much of this information does find its way into budget documents, but simply including information on performance in budget documents is a long way from performance budgeting. If governments want to use performance information in budget setting, they need to find a way to integrate performance into the budget decision process, not just the budget paperwork.

To complicate matters, there are no single agreed standard definitions of performance budgeting, of the type of information it should include, or of the stage of the budget process when it should be introduced. There is also the question of whether performance information should be used in deciding how to allocate resources and, if so, how.

There is no single model of performance budgeting. Even when countries have adopted similar models, they have taken diverse approaches to implementing them and have adapted them to their own national capacities, cultures and priorities.

The OECD has defined performance budgeting as budgeting that links the funds allocated to measurable results. There are three broad types: presentational, performance-informed, and direct performance budgeting.

Presentational performance budgeting simply means that performance information is presented in budget documents or other government documents. The information can refer to targets, or results, or both, and is included as background information for accountability and dialogue with legislators and citizens on public policy issues. The performance information is not intended to play a role in decision making and does not do so.

In **performance-informed budgeting**, resources are indirectly related to proposed future performance or to past performance. The performance information is important in the budget decision-making process, but does not determine the amount of resources allocated and does not have a predefined weight in the decisions. Performance information is used along with other information in the decision-making process.

Direct performance budgeting involves allocating resources based on results achieved. This form of performance budgeting is used only in specific sectors in a limited number of OECD countries. For example, the number of students who graduate with a Master's degree will determine the following year's funding for the university running the programme. ■

How has it evolved?

OECD countries have embarked on performance budgeting for different reasons, but the main ones are: a financial crisis; growing pressure to reduce public expenditure; or a change in political administration. In many cases, performance information was introduced into the budget process as part of a wider package to control public expenditure or reform public sector management. In many countries, performance budgeting was introduced alongside performance management.

In Denmark and Sweden, for example, performance budgeting and management were an offshoot of spending control policies introduced during the economic crisis of the 1980s and early 1990s. Almost a decade later in Korea, the rapid deterioration of public finances after the Asian financial crisis triggered ambitious wide-ranging reform of the budget process. In the United Kingdom, the 1997 election of the Labour Party created a shift in the wider political landscape which saw numerous public sector management reforms, including changing the budget process.

Countries may have embarked on reform for different reasons and have implemented it in different ways, but they do share some common objectives. These can broadly be grouped into three categories: budget priorities such as controlling expenditure and improving allocation and efficient use of funds; improving public sector performance; and improving accountability to politicians and the public.

Some reforms concentrate on one objective: the United Kingdom has focused on reallocating funds to key budget priorities to improve efficiency and reduce waste. However, most performance reform initiatives have several objectives. The overarching objectives of Australia's reforms, for example, are to improve cost effectiveness and public accountability, while devolving financial and management responsibility.

The objectives can shift over time. In Canada the reforms of the mid 1990s concentrated on reallocating funds and cutting back expenditure, while those of the late 1990s and early 2000s concentrated on developing and improving results-based management and accountability. With the election of a new government in 2006, the focus has again shifted to budget issues.

Having fixed their objectives, governments have to decide how to build performance information into their budget and management systems. Some countries, such as the United States, have introduced reforms through legislation. This ensures some degree of permanence, making it easier for reforms to continue if there is a change in government. But legislating for change is no guarantee that it will happen: it depends on political and administrative support, and on the implementation strategy. Several countries, including Canada, have a mixture of legislation and formal policy guidelines or, like the United Kingdom, they have simply used formal requirements and guidelines issued by the central ministries. ■

How is it put into practice?

When it comes to putting the changes into practice, there are basically three areas where choices must be made: top-down versus bottom-up; comprehensive versus partial; and incremental changes versus a “big bang” approach.

In a top-down approach, central government ministries or agencies play the primary role in developing, implementing and/or monitoring reform. In a bottom-up approach, individual agencies are the key actors. They may be able to choose whether to take part, and they have freedom to develop their own methods to achieve the objectives. Both approaches carry benefits and risks. Too little central involvement can mean that there is no pressure to change, but too much involvement may result in people doing just enough to comply with the letter of the new rules rather than actually improving performance.

The governments of OECD countries have also taken very different approaches to the speed of change, ranging from a “big bang” introduction of a number of

simultaneous sweeping reforms to a more step-by-step approach. These different approaches are clearly illustrated by the experiences of Australia and Korea.

Australia has followed an incremental approach to reform over the past 15 years. Australia says that its approach has allowed the government to proceed with care, making refinements to the plans along the way if unanticipated or unintended effects occur, while still keeping to a long-term path of reform.

In contrast, Korea introduced four major fiscal reforms with great speed. The advantage of this approach is that it creates great pressure for reform and helps to lower resistance to change, but it also demands a level of commitment in terms of political willpower and resources that may not be readily available in many countries. And it carries potentially high risks as it does not provide the opportunity to learn from mistakes and to adapt the reforms as they go along.

Governments are more likely to adopt a “big bang” approach when there are strong drivers for quick change such as an economic crisis or a change in government. Without these drivers, it could be difficult to develop the pressure to introduce sweeping reforms. ■

How is performance information used in the budget process?

Over two-thirds of OECD countries now include non-financial performance information in their budget documents, but this does not mean that it is being used to help make budget decisions. For that to happen, the performance information has to be integrated into the budget process.

First the budget has to be drawn up in a way that looks at why money is allocated and whether its use produces the desired results. For many countries, this has meant changing the whole way the budget is prepared. For example, the health ministry had previously focussed on allocating funds to administrative units, but now specifies tasks such as vaccinating a certain number of patients.

Some ways of presenting budgets make it easier to integrate performance information than others. A line-item format, which can include separate lines for travel, office supplies or salaries, makes it difficult to include any type of performance information. Budgets with a single “envelope” of funds for all operational costs offer more flexibility and make it easier to integrate performance information.

A few countries, such as Australia, the Netherlands, New Zealand and the United Kingdom, have changed their budget structures to focus on results. Others, such as Canada and the United States, have preferred to keep the existing budget structure and to add performance information in supplementary documents provided to the legislature.

Even countries that have altered their budget structures, however, struggle to integrate performance and financial information into the process. The Swedish government changed the structure of its budget to more closely reflect government policy priorities in the mid-1990s, but there is still a clear separation between the financial and performance aspects.

Governments have also tried to include performance information in budget negotiations between the finance ministry and spending ministries, and in negotiations between spending ministries and agencies.

In most countries, budget negotiations have traditionally included some discussion on planning. Performance budgeting has formalised this process and has placed a greater emphasis on setting targets and measuring results. Of those countries that use performance information, most have adopted the performance-informed budgeting approach.

However, most OECD countries do not have a systematic government-wide approach to linking expenditure to performance results. And performance plans and targets are not necessarily discussed or approved during the budget process; in some countries, planning is completely separated from budgeting.

Finance ministries have three basic types of incentives at their disposal to motivate agencies to improve performance: financial rewards or sanctions; increasing or decreasing financial and/or managerial flexibility; and “naming and shaming” poor performers while recognising good performers.

In most cases the finance ministry does not use performance results to financially reward or punish agencies. This is partly because it recognises that such behaviour would generate perverse incentives. For example, poor performance may not be the agency’s fault; poor performance caused by underfunding would hardly be improved by a further cut in funds.

It is a very tall order to expect agencies to provide objective information if it will be used to cut back their programmes, and most OECD countries have not gone down this road. The only country to attempt to do so is Korea, which has announced an automatic 10% budget cut for ineffective programmes. But in some cases the information received from ministries is of poor quality, making it difficult to determine if a particular programme is effective or not.

The “name and shame” approach is popular as it provides comparable information that is easy to understand. The United Kingdom has league tables for hospitals and schools, many state governments in the United States benchmark service performance, and Australia compares states’ performance in delivering public services. ■

Box 1.
DESIGNING PERFORMANCE BUDGETING

Based on OECD research and on country experience, the following suggestions can help governments design performance budgeting:

- Adapt the approach to the national political context as there is no one model of performance budgeting.
- Have clear reform objectives and state them clearly to all participants in the process from the outset.
- Consider how the existing budget systems can be aligned to fit with the performance approach.
- Integrate performance information into the budget process, but avoid government-wide systems that tightly link performance results to resource allocation.
- Design reforms with the end user in mind.
- Involve key stakeholders in designing the reforms.
- Develop a common whole-of-government planning and reporting framework.
- Develop and use different types of performance information.
- Make independent assessments of performance information that are straightforward and delivered in a timely manner.
- Develop incentives to motivate civil servants and politicians to change their behaviour.

How are results measured?

Although many OECD countries say performance information has improved performance, accountability and efficiency, it is difficult to measure the success of government initiatives to introduce performance information into budgeting and management. There are, however, qualitative data available from case studies, OECD surveys and academic literature. One study of United States federal managers, for example, found that 42% felt they had improved programmes to a moderate or greater extent. Even though this assessment is subjective, it does provide some information on the extent of implementation of the reforms.

There are also case studies of individual agencies using performance information in their budget process. In a recent OECD survey, finance ministries named ministries and agencies that had made good use of performance information in their budget formulation process. Success seemed to depend on the type of good or service, the support of top management in the relevant ministry, and political pressure to reform.

While there is strong evidence that transparency has increased, providing information is not an end in itself. The idea is to have objective information and use it to make decisions about policies and programmes and the allocation of resources.

Some international comparisons of performance, such as the OECD Programme for International Student Assessment (PISA) that compares education standards across OECD countries, have provoked debate on policy and performance and resource allocation in some countries. Such data are rare, however; it is difficult to produce reliable data that enable accurate international comparisons. Individual countries generally produce

Box 2.

IMPLEMENTING PERFORMANCE BUDGETING

Based on OECD research and on country experience, the following pointers can help governments implement performance budgeting:

- Find an implementation approach appropriate to the wider governance and institutional structures.
- Allow flexibility in implementation.
- The support of political and administrative leaders is vital to implement change.
- Develop the capacity of the finance ministry and spending ministries.
- Focus on outcomes, not just outputs.
- Have precise goals, and measure and monitor progress towards achieving them.
- Ensure good knowledge of the programme base.
- Limit the number of targets, but use many measures.
- Have information systems that communicate with each other.
- Cross-organisational co-operation is vital.
- Consultation and ownership are important.
- Consider how changes to budget rules can influence behaviour, for good or for bad.
- Adapt reform approaches to changing circumstances.
- Have incentives to motivate civil servants and politicians to change behaviour.
- Improve the presentation and reporting of performance information.
- Recognise the limits of performance information.
- Remember that the journey is as important as the destination.
- Manage expectations.

performance information for internal use, and even then many countries struggle to provide good quality, reliable data.

Questions may also be raised as to whether performance information is objective if it becomes part of the political dogfight between the legislature and the executive. Despite these problems, it is arguably better to have some form of quantitative and/or qualitative performance information than to continue to base discussions on anecdotes and weak evidence.

The “league table” approach to providing information on services such as schools and hospitals may be popular, but it does not explain the underlying causes of good or poor performance. A hospital could have a high mortality rate because it admits a high quota of patients with a fatal illness, for example. Nonetheless, league tables and benchmarking that provide more detailed information can help citizens to choose among local schools and hospitals.

Countries have reported that ministries and agencies have used performance information to improve the management of their programmes and as a signalling device to highlight poor performance and that, for some agencies, it has also contributed to improving efficiency and effectiveness. ■

Where do we go from here?

Most OECD countries continue to struggle with these changes. There are some common challenges, regardless of approach. These include how to: improve measurement; find appropriate ways to integrate performance information into the budget process; gain the attention of key decision makers; and improve the quality of the information. Although there are exceptions, most governments are finding it difficult to provide decision makers with good quality, credible and relevant information in a timely manner, let alone incentives to use this information in budgetary decision making.

Governments carry out a wide variety of functions, from building roads to providing advice on foreign travel, and performance measures are more easily applied to certain types of functions and programmes than others. The areas with the most developed performance measures are education and health. Problems arise especially with regard to intangible activities such as policy advice. It can also be difficult to set clear objectives and establish good systems of data collection. To ensure quality, the data once collected must be verified and validated. These systems can be time-consuming and costly to establish and maintain.

Nonetheless, countries report a number of benefits from the use of performance information in the budget process. Apart from putting more emphasis on results, this tool provides more and better information on government goals and priorities, and on how different programmes are contributing to achieving these goals. The approach also encourages greater emphasis on planning, and provides information on what is working and what is not.

Citizens will continue to demand results for their tax money and, in spite of the challenges associated with this approach, there will be a continuing need for performance information and performance budgeting. ■

For further information

For more information about OECD work on performance budgeting and management please contact:

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The OECD Policy Briefs are available on the OECD's Internet site:
www.oecd.org/publications/Policybriefs



ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

For further reading

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Redmond Budgeting by Priorities

1 - MRSC Financial Advisor Article

Fiscal First Aid – Financial planning has never been more important

By Mike Bailey and Shayne Kavanagh

Budgeting for Outcomes (aka “Price of Government”)

You might remember when the Washington State government used its Price of Government (POG) approach to balance their budget. They were one of the first in the country to use this novel approach. I’ve heard different views on just how effective that process was, but many insiders confirmed that it was a significant help. In addition to the State of Washington; Snohomish County, the City of Spokane and others have used this approach as well.

Here in Redmond we have been using what we call the Budgeting by Priorities process (BP) for our upcoming biennial budget. While I don’t agree with everything you will find in the foundational text (*The Price of Government* by Osborne & Hutchinson) the City has benefited significantly from the BP process (and potentially you can too).

Here are a few of the good things about this approach:

A true financial framework – “the price” – In our case, the price of government is a range between .05 and .06 percent of total household income. When evaluating fees, taxes or other revenue drivers, we now consider how the changes affect “price of city government”. Everyone knows when the budget process begins how much money they have to work with. Therefore, the budget is not revenue driven nor expenditure driven (a common debate) but lives within a range that is affordable to citizens.

Community and employee based approach – the first step of a POG/BP process is to determine community priorities. This results in a great conversation with your elected officials, community stakeholders, employee groups and others about what is really important. We ended up with six priorities in our process.

Results oriented approach – the priorities are “mapped” into the programs, services or facilities that contribute toward the priorities. This creates a framework for the budget proposals (called offers) that really does focus on results in the context of the priorities.

Cross collaboration within the city – employees and citizens evaluated the offers and made recommendations to the mayor by “ranking” the offers within each priority area. These Results Teams were made up of a cross section of employees and a citizen for each priority. For most, it was the first time they participated in those types of discussions. Additionally, this occurred in place of departments competing for their slice of the budget. The offers came from teams within and across departments.

True policy discussion with council – the preliminary budget was oriented around the six community priorities, the factors that the Results Teams felt were most important in contributing towards those priorities, and the offers (budget proposals) by staff which were to be in alignment with the factors. Each offer included proposed performance measures to illustrate how the results

generated by the offer could be evaluated over time. This created the right context for the council policy discussions on each level (priority, factors and offer results) for our budget work sessions.

Performance management now has meaning – while many governments are now measuring performance in one way or another, most struggle with connecting those measures to strategic decision-making. By using the measures within the offers as a means to evaluate performance by the work units that proposed them, the city (mayor and council) have a new tool to evaluate effectiveness in the context of the priorities.

Here are a few areas of **caution** about this approach:

Understand how it relates to the traditional mechanics of budgeting – In our case, some very talented staff helped to make sure that while we made decisions in the BP context, we could relate those decisions to the number of employees we had, the proper fund accounting that is required and other “mechanics” of the budget process. This can be tricky!

Cut the Cord – Once you decide to take this step, go all the way! Don’t attempt to translate the new budget back into the old format. If people believe they can “go back” they will focus on this comparison and not make the transition to a new way of thinking about budgeting.

Provide adequate training and forums for feedback about what isn’t working – This is new and can be challenging to those who are used to “the way we’ve always done it.” Training about this process for all those involved (including council, department heads, citizens and employees) will be an important part of your success.

Be patient – Again, this is new and challenging. Expectations will be high (especially on the part of citizens) and it takes time to develop the skills necessary to be successful. There will be a concern by participants that they don’t want to take the risks that will be necessary. (We have used the “we are designing and building the car as it moves down the production line” analogy many times!) This new process will take time – at least three months. We used most of the year to prepare our biennial budget.

Use what works for you – It will be important to actively manage the risk and reward balance. Plan to add more elements or precision as you gain more experience. If performance measures are new to you, don’t place too much emphasis on getting the measures just right in the first year.

Make sure leadership is there - top leadership must be fully behind this - otherwise heavy hitters may try to game or just ignore the POG process. If they are successful they can not only derail the current process, but also hurt the credibility of the process for any future attempt.

2 - Supplemental questions posed to the City of Redmond:

- **How far in advance did the city begin preparing for this budget process?**

In January of 2008 the City of Redmond began preparing to use budgeting by priorities for their 2009-2010 budgets. One of the main components developed before the budgeting process began was a tool (attachment 1: screen shots for example) to translate the traditional budget to the budgeting by priorities budget and back. This was done through the use of Access with a SGL Server and provided the means to functionalize budgeting by priorities.

- **Did the budget really change from what was done under the old process?**

Developing the budget has changed and reflects zero based budgeting. The city really likes the process that was used and other than slight variations for improvement a similar process will probably be used for the next budget.

There are certain requirements that need to be met for local government budgets. The budget is now two parts the budgeting by priorities section and the line item section. The budgeting by priorities section is really meant for decision making and gives the 10,000 foot view focused on priorities and goals being sought and what will be funded to meet the priorities. The line item section is meant for the management of the services that are funded under each priority, meeting budget requirements and ensuring resources are used as they are allocated.

Several Council members preferred the budgeting by priorities section to the line item detail because it assisted in making decisions and kept the details out of the conversation allowing for the focus to be on city priorities and services rather than nickels and dimes.

- **Will the organization structure change to better align with the new process?**

At some point there may be slight changes in the structure. Overall the organization will continue operating by department, but how service delivery is managed may change. This is still in review.

- **Were there any challenges lining up the new process with the budget system, BARS manual, financial reporting requirements, etc.?**

No, because budgeting by priorities in Redmond was set up to meet these requirements. All of the data is translated into line item format and separated by fund, etc.

- **How is overhead charged in budgeting by priorities? Legal, Finance, Facilities, IT, etc.**

For the first budget cycle each area including overhead departments did their budget to line up with a priority and was subject to the budgeting by priorities process including the submission of offers. The priority of Responsible Government included areas such as City Council, Legal, Payroll, etc.

In the future, the city is looking at developing a cost of service model or a method of overhead allocation that would be included in service offers to show the true cost of each priority.

- **What happens if a team has forgotten a key expenditure when putting together their offer?**

There were a few instances where a cost was double counted or left out. Each offer was analyzed and data was reviewed to ensure all costs were accounted for and double counting removed.

- **Is there a plan to change the budget format moving forward? If so, what is being done now to make the transition?**

This is still under review, the budget document may be reduced to just the budgeting by priorities section with the line item detail available for review as needed. For budget development the City of Redmond uses an accounting system that is not really meant for government accounting and will need to be looked at.

- **Has the way the budget is being tracked changed? Is it now tracked based on priority?**

The city would like to add a field in their accounting structure for priorities. This will better allow for budgeting and tracking by priority, currently the plan is to do the traditional line item report out to Council and do a report to Council quarterly on the priorities.

- **With each offer there were performance measures attached, was there training provided to teams on how to set up performance measures?**

Training on performance measures was not provided and the ones developed still need a lot of work. This will be worked on in the future.

- **How will the performance measures be used moving forward, tracked and reported on-going or just at budget time?**

The city is looking at implementing a process similar to citistat with the directors holding one another accountable. The actual process is still in discussion, but are looking at report outs and service change input happening at monthly director's meeting and then reporting out on results and actions taken quarterly to City Council.

- **Are there any service areas or functions that did not use the BP process that were funded?**

No, the Mayor wanted to be sure everyone participated.

- **What are the pros and cons of BP?**

Pros:

Revenue to fund offers: Redmond determines the cost of government to citizens. The City or Redmond over time has determined that the cost of city government should fall between 5-600% of 1% of the gross average household income. This calculation includes taking an annual 1% increase in property tax, utility tax increases, etc. Should the city find that the cost to citizens is over 600% of 1% of the gross average household income then expenditures would need to be reduced.

Opened organization: Interdepartmental cooperation did not really exist before the BP process and departments mainly functioned in silo's. This process required that departments work together and there were proposals that were submitted in coordination.

Citizen engagement: The city has never seen such significant amounts of public participation in the budget process before, meetings were packed with people. Citizens were engaged in the process in a way they could understand and appreciate, when the budget was passed there was a standing ovation and the city received a lot of praise for the process.

Conversations with City Council: The conversations had with City Council were ones only dreamed of; there was a lot of discussion about policy and priorities at the 10,000 foot level. The City Council really worked on staying out of the weeds and focusing on the priorities.

Budget passed unanimously: What more is there to say?

Cons:

Risk of overgeneralization: People read into generalized information how they choose, which is of some concern to ensure the right information is communicated and received.

Huge learning curve: To make this process as effective as it can be there is a large learning curve that needs to be overcome. Staff, Management, Directors, City Council and the community all have something to learn to make this process successful. Most of the learning needs to come in pieces and the time required can be intense. A large part of the process is continual learning and improvement. There needs to be a process for learning and making changes as needed.

- **Is there anything you would change about the process Redmond used for BP?**

Training: The training was not proactive enough on all aspects. There was a lot of time spent going back and forth on how, what and why during the budget development process. Especially in areas such as the narrative. With more training up front a lot of energy that was spent on cleaning up could have been saved. There was a staffing shortage for a lot of the process so what occurred worked out well, but if done again (and next time) there would/will be a lot more energy spent on front end training to reduce the time required for clean-up.

CIP: The CIP went through the same budgeting by priorities process; this was very difficult as the CIP is based on a six year cycle. There is currently a process being worked on to include the CIP in the process, but make it easier. One idea is to focus on just the two years covered by the budget for the CIP.

Cost of Service Allocation: Even reserves and required expenditures submitted a proposal for funding. Next time around it would be great to have a cost of service or overhead allocation established to reduce the need for proposals for certain expenditures, which should be included in proposals for service.

Good Financial System: The City of Redmond is on a financial system that is not meant for government accounting. Having a system that can handle tracking and budgeting by priorities is ideal. Currently many departments need to keep shadow books for accounting as the system only serves the needs of the finance department and does not help with managing resources

Managing the mechanics and tools used can help ensure moving parts in the budget are kept under control and will reduce the risk factor of double counting or missing items.