

Performance Management Manual

*Transitioning the City from measurement and reporting
to management and improving*

Prepared by the City Budget Office

December 2014



The CITY OF PORTLAND *Oregon*

What is in the Performance Management Manual?

The Performance Management Manual is a supplement to the Budget Manual, which is a general guide to budget development in the City of Portland. Although the guidelines and directions included in this manual are meant to be comprehensive, requests for new information and changes in direction are to be expected.

Bureau staff involved with the development, tracking, and reporting of performance measures are encouraged to read the entire manual. In particular, bureau performance leads should review the timeline and process, and guidelines for developing Key Performance Measures sections. The manual can be read from beginning to end and used as a training manual, but can also be used as a reference source.

The following manual is divided into three sections:

- Section One: Introduction. Summary of FY 2015-16 process, performance management context, in, and an overview of performance management in the City of Portland.
- Section Two: Key Performance Measure Development. Guidelines on how to select or create Key Performance Measures
- Section Three: Deadlines and Deliverables. Explanation of what bureaus need to submit and when these items need to be completed
- Frequently Asked Questions: What's a KPM? How does this year's process differ?
- Appendices: Included in the appendices are additional resources for further learning.

Please contact your CBO analyst with any questions or need for assistance.

Section One: Introduction

Summary of FY 2015-16 Process

The FY 2015-16 budget process has an increased focus on bureau performance. The table below provides an overview of this effort, guidance on developing key performance measures, and key deadlines and deliverables.

Long-term Goals:	Increase the relevancy and reliability of performance management by (1) using performance to better inform budget decisions; (2) improving the quality of current performance measures; and (3) fostering a performance-focused culture Citywide.	
FY 2015-16 Objectives:	Each bureau will develop a handful of Key Performance Measures and quantify the impact of budget requests, using Key Performance Measures or other performance metrics. <i>Key Performance Measures (KPMs) are the most useful and selective performance measures. KPMs are outcome indicators of core service delivery, and provide bureau managers and City Council with information to guide decision-making. KPMs are clearly understandable, results-oriented, selective, useful, reliable, and comparable.</i>	
Detailed Overview:	<p>The City Budget Office will integrate several steps and deliverables into the FY 2015-16 budget process.</p> <ol style="list-style-type: none"> 1. As noted above, each bureau will need to develop a handful of Key Performance Measures that provide data on the bureau’s most essential, core services and/or functions associated with the bureau’s strategic plan. Current budget performance measures, internal performance measures, or measures reported to external organizations may serve as the bureau’s Key Performance Measures, depending upon whether the measures meet a standardized set of criteria defining KPMs. New measures may need to be developed by bureaus to further identify KPMs. 2. After finalizing these measures, bureaus will then identify any baseline (or historical) data and establish FY 2015-16 targets that are realistic, yet ambitious. 3. Budget requests will quantify expected performance improvements resulting from changes in resources. Bureaus may use their Key Performance Measures or other performance data to quantify impact. 4. Unchanged from prior years, bureaus will need to reference and analyze Key Performance Measures or other metrics in the program performance sections. 5. CBO will then create a performance dashboard for each bureau. These dashboards will be available to Council and the public during the budget process and will be highlighted in the budget work sessions beginning mid-March. 	
Key Deadlines and Deliverables:	February 2	Submit Bureau Requested Budget: Budget requests should quantify expected performance improvements and also reference Key Performance Measures in program performance section.
	March 17 – April 3	Present bureau dashboard at Council budget work sessions.

Context

What is Performance Management?

Performance management is a very broad term, and its meaning varies between organizations. Generally, performance management is an ongoing and systematic means of monitoring progress toward goals and ultimately improving results. In order to improve results, the data collected and reported upon must be used in decision-making. Ideally, performance management is integrated into all aspects of an organization's work (i.e., budgeting, planning, operational management, employee reviews, etc.), with the ultimate goal of providing better results for the public. Performance management differs from performance measurement. While the former uses data as a tool to enhance decision-making, the latter refers to the process of collecting, analyzing, and reporting upon data. The City of Portland seeks to hasten the transition from measuring and reporting on performance data, to managing and improving services through the use of performance data.

Why is Performance Management Important?

The key benefit of performance management is that it can create better results for the public. Incorporating performance data into decision-making can also result in improved customer satisfaction, cost savings, and increased organizational efficiency. In addition, performance management provides decision-makers with data and evidence upon which to base policy decisions.

An effective performance management system will be able to answer the following questions:

- What did we achieve?
- How efficiently did we perform our work?
- What impact did our activities have on the community?

Principles of Performance Management

The National Performance Measurement Advisory Committee has seven principles of Performance Management:

1. A focus on **results** permeates strategies, processes, organizational culture and decisions.
2. Measures, data, and goals are **relevant** to the priorities and the well-being of the government and community.
3. Information relating to performance, decision-making, and processes are **transparent**.
4. Goals, programs, activities, and resources are **aligned with priorities** and intended results.
5. **Decision-making** is driven by timely, reliable, and meaningful data.
6. Performance measurement practices are **sustainable** over time and through organizational changes.
7. Performance measurement has the ability to **transform** an organization, its management, and the policy-making process.

While the concepts above refer to performance measurement in a general sense, it is important to keep in mind that there is no "one size fits all" framework for performance. Each performance management system will vary depending on an organization's goals, needs, and culture.

Overview of Performance Management in the City

The City of Portland has a long history of focusing on performance and results. As far back as the early 1970s, the City made efforts to improve performance. In 1973 the Management Analysis and Review (MAR) organization was created to provide in-depth management reviews of City agencies. For several years they produced reports which included recommendations for performance improvements. Performance measures were incorporated into the City's budget documents in 1977, and since then, the City has explored various performance management systems. Throughout the decades, performance measures have been included in the City's budget document.

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As part of the FY 2014-15 budget, the City Budget Office lead the development of Key Performance Measures around the Mayor's three budget priorities, intending to launch an increased focus on performance amongst a smaller group of bureaus. For FY 2015-16, we will be expanding this initiative to all bureaus.

Section Two: Key Performance Measure Development

Starting in FY 2015-16 each bureau will **develop a handful of Key Performance Measures** that provide data on the bureau’s most essential, core services and/or functions associated with the bureau’s strategic plan.

***Key Performance Measures (KPMs)** are the most useful and selective performance measures. KPMs are outcome indicators of core service delivery, and provide bureau managers and City Council with information to guide decision-making. KPMs are clearly understandable, results-oriented, selective, useful, reliable, and comparable.*

6 Characteristics of Effective Key Performance Measures

1. Simple: Keep measures simple and straightforward.
2. Results-oriented: Focus primarily on outcomes, efficiencies, and outputs
3. Selective: Concentrate on the most important indicators of performance
4. Useful: Provide information of value to the bureau operations and decision makers
5. Reliable: Provide accurate, consistent information over time
6. Comparable: Can benchmark against past performance, other cities, best practices, internal strategic plan.

Current budget performance measures, internal performance measures, or measures reported to external organizations may serve as the bureau’s Key Performance Measures, depending upon whether the measures meet a standardized set of criteria defining KPMs. New measures may need to be developed by bureaus to further identify KPMs.

Bureaus may want to begin by assessing their current performance measures – including those measures reported in BRASS and any other measures that might be used as KPMs. Measures that are tagged as “effectiveness” or “efficiency” measures in BRASS may work well. Following is guidance on how to assess your KPMs.

Assessing KPMs

Before finalizing KPMs (regardless of whether the KPMs are existing performance measures or newly created performance measures), bureaus should consider the following questions when assessing the KPMs:

KPM Characteristics
At minimum, KPMs must be selective and useful metrics which capture either the efficiency or effectiveness of bureau core services.

KPM Assessment Questions:

- Is the KPM simple, understandable, logical and repeatable? Is it unambiguously defined?
- Is it results-oriented? Does it quantify outputs and intermediate outcomes?
- Is it selective? Is it most likely to be of interest to the public and Council?
- Is it useful? Does it tell how well goals are being met? Does it illicit a call to action?
- Is it reliable? How confident is the City that the data is accurate?
- Is it comparable? Does it show a trend? How does it benchmark against other jurisdictions?

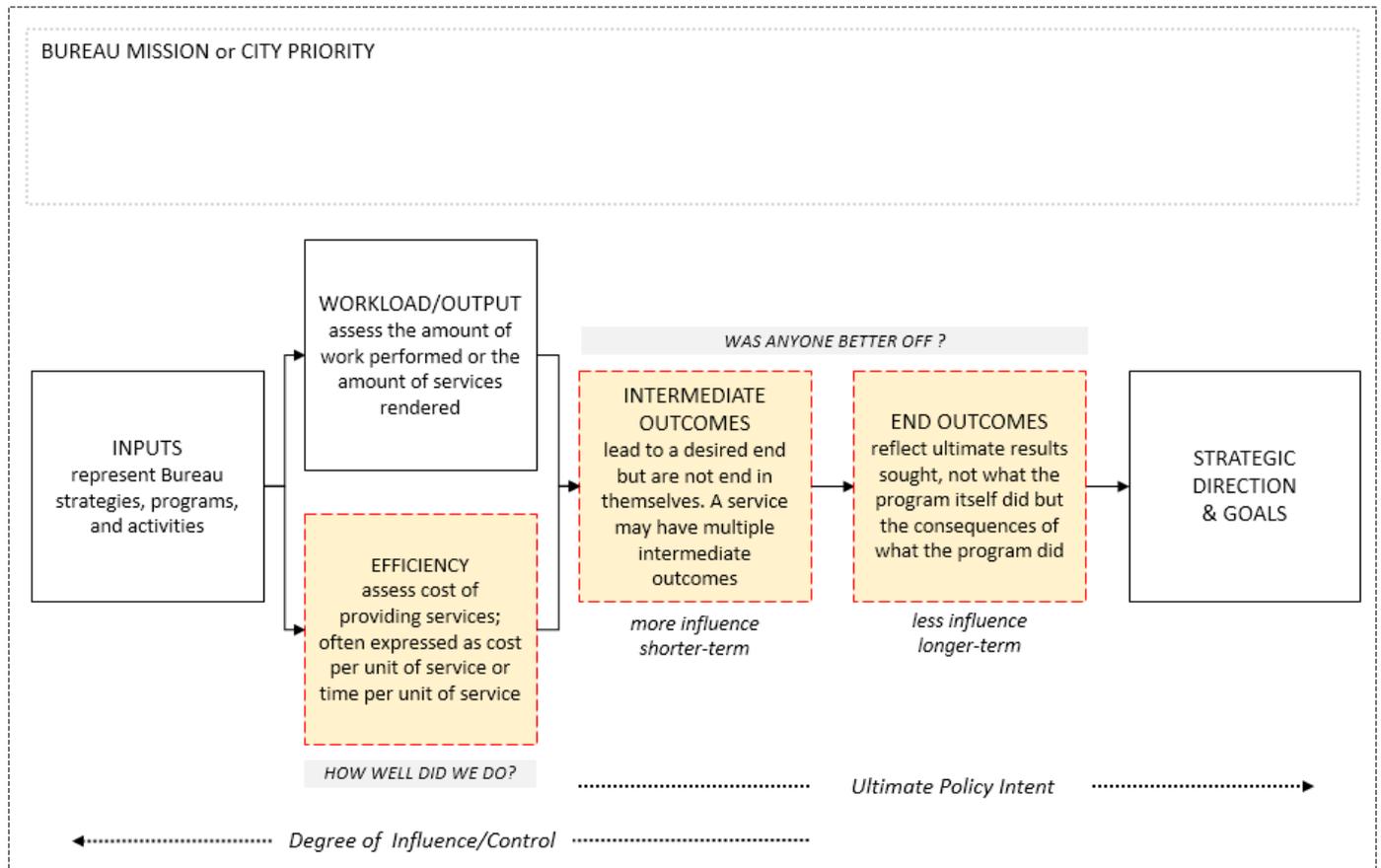
Creating New KPMs

CBO proposes two approaches for developing Key Performance Measures, summarized as: (A) logic modeling core services to create measures for the intended outcomes, and (B) assessing a cohort of existing measures to determine to what extent they reflect “characteristics of effective measurement” (namely, both selective and useful to the bureau’s missions). In essence, bureaus should not use just one approach or the other to develop KPMs; but rather, before finalizing the KPMs, consider whether the measure makes sense from both approaches.

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Approach A: Logic Model the Bureau’s Core Services

1. **Examine core services.** Begin by examining your bureau’s core services and activities. The notion here is to start with the bureau’s core services – the services with which the public will be most familiar and the services most closely aligned with the bureau’s mission and strategic plan. **Ask, “what activities will help bureaus achieve its missions, goals, or strategic direction?”** The number of core services will depend upon the size and functions of the bureau.



Approach A: Logic Model the Bureau's Core Services (continued)

2. **Develop a logic model.** Having identified the core services and activities, the next step is to identify the direct result – the “outputs” – of the activity. Logic models help to identify the intended outcome of bureau core activities and services. The logic model demonstrates each stage in service delivery, beginning with inputs and finishing with end outcomes that bureau services are intended to achieve. Logic models often map out the cause-and-effect pathway from activities to results.

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Define and quantify outcomes that bureau activities are intended to impact. Look at the outputs and record what outcomes or impact the bureau intends to make on the community or customer base by engaging in these activities. After defining the outcomes of bureau core services, the next step is to consider how to measure whether these outcomes are being achieved (i.e. how do you quantify “was anyone better off?”). These measures could be candidates for KPMs.

Approach B: Assess existing metrics to focus on the most selective & useful to the mission

1. **Identify existing measures.** Begin by identifying the impact the bureau intends to make on the community or its customer base. Then, list and define the bureau's activities that influence this outcome. Finally, determine how to quantify the bureau's success in producing these outcomes. That is, what are existing measures that quantify whether the bureau is achieving its mission?
2. **Assess the measures.** Focus on those existing measures that reflect the 6 Characteristics of Effective Key Performance Measures (noted on page 5). Using the six characteristics as a guide, identify measures that are **selective** in that they concentrate on the most important indicators of performance. Measures should also be **useful** in providing information of value to the bureau operations and decision makers. Measures that meet these criteria may be candidates for the bureau's KPMs.

Lastly, before finalizing measures, bureaus should assess their KPMs by considering the “KPM Assessment Questions” (see page 5).

CBO anticipates that bureaus will share the Key Performance Measures with bureau management and their commissioner-in-charge (and other stakeholders such as budget advisory committees). Finalized Key Performance Measures will be included in the submission of the bureau's requested budgets.

Section Three: Deadlines and Deliverables

The table outlines key deadlines and deliverables over the coming months. In short, bureaus will need to (1) develop a handful of Key Performance Measures, and (2) quantify the impact of budget requests, using Key Performance Measures or other performance metrics. Following are step-by-step instructions for the process. As always, please contact your CBO analyst with any questions.

December – January	Develop Key Performance Measures
February 2nd	<p>Requested Budget Submission In addition to submitting requested budget materials, bureaus should complete the following tasks by February 2nd:</p> <ul style="list-style-type: none"> • Submit a completed methodology appendix for each Key Performance Measures. • Key performance measures should be flagged in BRASS (see Step 3 below) • Budget requests quantify expected performance improvements • Enter baseline data and targets for KPMs in to BRASS
February 23 – March 10	<p>Dashboard Design CBO will create the dashboards based on the baseline data and targets for the KPMs and seek bureau feedback on dashboard design.</p>
March 17 – April 3	<p>Budget Worksessions Present bureau dashboard at Council Budget Worksessions.</p>

Step 1 – Develop KPMs

Each bureau will need to develop a handful of Key Performance Measures that provide data on the bureau’s most essential, core services and/or functions associated with the bureau’s strategic plan. Section One: KPM Development (above) provides further guidance on how to develop the bureau’s Key Performance Measures.

Step 2 – Complete the Data Collection Methodology Appendix for Each KPM

The purpose of the KPM methodology appendix is to provide a transparent accounting of how data is collected and KPMs are calculated. The data collection methodology will detail the underlying assumptions made when developing the KPMs. This information will be publicly available online to enhance stakeholder understanding of bureau operations and guide the assessment of City performance. The consumer of this data will have a clearer understanding of how bureau activities have an incremental impact to “move the dial” toward success. This form is a means to standardize the information gathered across the bureaus.

CBO will provide a template for the appendix. Bureaus should complete a template for each KPM, and submit a draft to their CBO analyst by February 2nd. Please contact your CBO analyst with questions on how to complete the methodology appendix.

Step 2 – Complete the Data Collection Methodology Appendix for Each KPM (continued)

The information in the data collection methodology appendix will include:

- **Formula** – Mathematical equation used to calculate the measure. For example, to calculate BPS on-time trash collection during scheduled hours, divide the number of times it was collected on time by the total number of times trash was collected.
- **Frequency of collection** – How often are component variables collected (each transaction, weekly, monthly, quarterly, or intermittently); frequency may vary from when data is reported.
- **Bureau data source contact** – Name and email address of the person responsible for collecting, gathering, and reporting the data for this specific measure.
- **Bureau data source program manager** – Name, phone, and email contact information.
- **Relevant URL, “for more info”** – Directs reader to program webpages, press releases, how to get involved/citizen engagement, annual report, budget, or simply the bureau home page
- **Collection Methodology** – Includes (1) data collection mechanisms (describe ways the data will be collected, survey forms, printed reports, contractor performance reports, etc.); (2) data sources (manual logs, check sheets, computer databases, surveys, spreadsheets, etc.); data collection time frame (i.e. reporting time lag); data storage location.
- **Reliability of Data** – Refers to the expected accuracy and reliability of the performance data. High accuracy – data gathered via reliable process designed to validate or verify the information; Medium accuracy – somewhat dependable process designed to validate or verify the information; Low accuracy – data gathered without a dependable process to validate or verify the information or indication that bureau does not have a reliable method of data quality assurance.

Step 3 – Determine Baseline Data, Set Targets, and flag KPMs in BRASS

After finalizing these measures, bureaus will then **identify any baseline (or historical) data and establish FY 2015-16 targets that are realistic, yet ambitious.** Refer to the Budget Manual “Performance Measure” section (page 37) for details on BRASS data entry. The manual will be updated to include a dropdown menu to flag KPMs. Also, bureaus might decide to “graph” each KPM.

Step 4 – Quantify the Impact of Budget Requests using Performance Metrics

Budget requests will quantify expected performance improvements or reductions resulting from a change in resources. Bureaus may use their Key Performance Measures or other performance data to quantify performance impacts.

FY 2015-16 - Budget Manual (page 35)

“Bureaus enter the expected results of the package in the text 2 field. The expected results narrative must quantify the impact on service delivery effectiveness/outcomes. These impacts may or may not be captured in the bureau’s reported performance measures (see PM_GOAL in Performance Section below). Regardless, the narrative must clearly describe the causal link between the outputs from bureau activities and the outcomes resulting from these outputs. Detail should include when outcomes are expected to occur and for how long (i.e. one-time vs. ongoing results). Where applicable, expected results should be compared to either bureau historical performance data or comparable performance data from non-City programs with similar objectives. This narrative is published in the Decision Package Summary report, which is part of the bureau’s Requested Budget submission.”

Step 5 – Program Performance Narrative

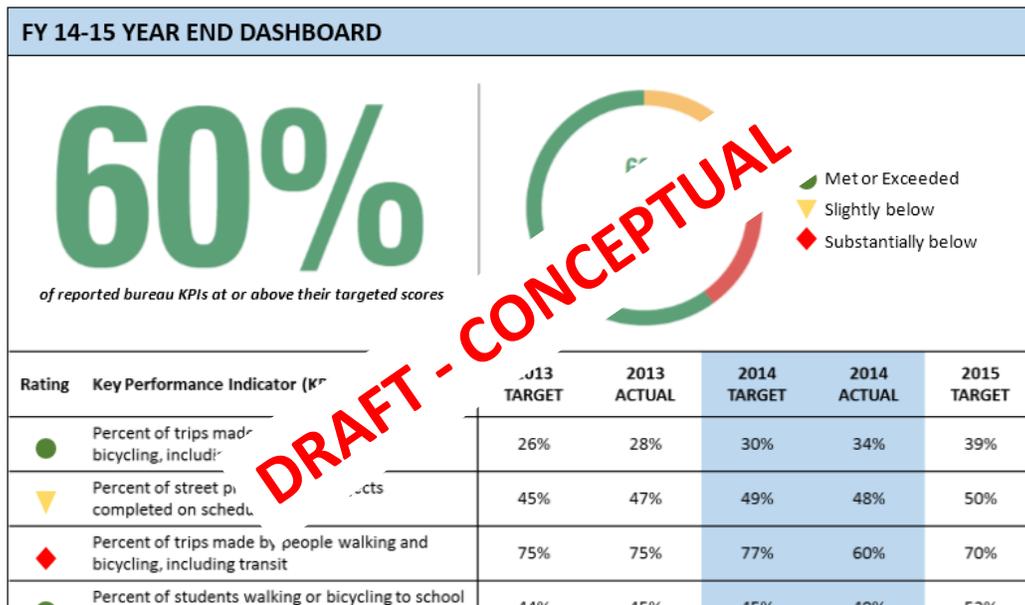
Please refer to the Budget Manual “Programs” section (page 43) for details on drafting the performance narrative for each budgeted program. Where applicable, Key Performance Measures should be the point of focus for this section. Below is the related excerpt from the budget manual:

FY 2015-16 - Budget Manual (page 43)

“Performance - what has been accomplished and/or is expected to be accomplished in the budget year: focus discussion on key performance measure results or targets, but other accomplishments may be discussed briefly; do not merely refer readers to the performance measures in the table.”

Step 6 – Performance Dashboards

CBO will then create a performance dashboard for each bureau. These dashboards will be available to Council during the budget process and will ultimately be published online. Below is conceptual example of a performance dashboard:



Frequently Asked Questions

1. Should each bureau identify 4-5 key performance measures?

No. Bureaus should identify a “handful” of measures which are the most selective and useful. Recognizing the uniqueness of each bureau, there is not fixed number of KPMs required.

2. Once KPMs are identified, should all of the remaining performance measures no longer be reported (i.e. archived)?

No. The process for archiving performance measures remains unchanged. Contact your CBO analyst to discuss archiving measures.

3. Are KPMs new measures not currently in BRASS therefore not reported in the budget?

Maybe. KPMs may be existing measures reported in BRASS, new measures to start reporting, or existing measures reported for other purposes and external to BRASS. Once finalized the KPM’s will be included in the FY 2015-16 Adopted Budget.

4. Should KPMs include input, output, workload, efficiency, and effectiveness measures?

Maybe. KPMs are results-oriented and therefore should focus on measures of efficiency and effectiveness with limited exceptions for workload measures which are necessary to provide context for specific KPMs.

5. What are the major changes to the budget process?

A. Program performance section will focus on KPMs (as applicable).

B. KPM metadata (i.e. data collection methodology) will be included as a means to detail the underlying assumptions made when developing the KPMs.

C. CBO reviews will focus on KPMs.

D. Council budget work sessions will include bureau-level dashboards.

6. What if there are questions for issues not fully addressed?

Please contact CBO analyst with additional questions.

Additional Resources

The list below, which is by no means comprehensive, provides sources of additional information.

1. A Performance Management Framework for State and Local Government: From Measurement and Reporting to Management and Improvement (GFOA)
2. Lessons from Performance Measurement Leaders: A Sample of Larger Local Governments in North America (GFOA)
3. Performance Measurement: Getting Results (Harry Hatry)
4. Leading Performance Management in Local Government (David Ammons)
5. Public Performance Measurement and Reporting Network (Rutgers School of Public Affairs and Administration)
6. Performance Management Across the U.S. (Jamal Jones, Finance Department, City of Houston)
7. Performance Measure Guide (State of Washington, Office of Financial Management, Budget Division)
8. Managing for Results: A Proposal for the City of Portland (Office of the City Auditor, December 2002)

The links below illustrate performance management approaches in cities across the country:

- Mecklenburg County, NC
<http://charmeck.org/mecklenburg/county/CountyManagersOffice/OMB/dashboards/Pages/default.aspx>
- Washington, DC,
<http://dc.gov/trackdc>
- Corpus Christi, TX
http://www.ccbasc.cc/scorecard/cpr_main.cfm
- Montgomery County, MD
<http://www.montgomerycountymd.gov/countystat/dashboard.html>
- Flagstaff, AZ
<http://www.flagstaff.az.gov/DocumentCenter/Home/View/38513>
- Tulsa, OK
<https://www.cityoftulsa.org/our-city/financial-reports/key-performance-indicators.aspx>