THE BUDGET AS PERFORMANCE PLAN

The City of Albuquerque's *Performance Plan* is an integral part of the City's budget and performance management process. A direct manifestation of the goal-setting and strategic management framework outlined in the *Vision in Action Ordinance* (and now incorporated in the Budget Ordinance) and the City Charter, the Performance Plan builds upon the financial plan component of the Budget by addressing four critical objectives:

1. The Performance Plan seeks to enhance the budget as a tool that aids departments in managing for results; the budget becomes a plan of action with an historical context for the entire City government.

2. The Performance Plan augments financial data already provided to policy makers in the resource allocation process with additional information and data - performance measures.

3. The Performance Plan describes the means by which desired outcomes, defined through an extensive community involvement process, are achieved or influenced.

4. The Performance Plan helps employees understand how they contribute to organizational goals and important community conditions.

The City's strategic management and budgeting process involves **citizens, elected leaders, managers, and employees** in a collaborative effort to:
*   identify and improve important community or customer conditions,
*   provide effective public services that respond to changing conditions, and,
*   ultimately, strengthen the foundation for a more sustainable community.

This process rests on a three-tiered measurement system.

1. It starts with goal progress indicators (GPI) of desired community conditions that illustrate if we are making progress toward the broad goals, called for in the City Charter, defined through a citizen participation process and many surveys, and adopted by the Mayor and Council.

2. It then connects City services, activities, and functions to those desired conditions and measures the outcomes of City services in the context of the desired conditions.

3. Finally, it drills down to performance measures at the programmatic and service levels, measuring what the City does (how much and how well) to influence the desired conditions, measured in Tiers 1 and 2.

EXAMINING CITY STRATEGY – CONNECTING THE MEASUREMENT TIERS

"Management exists for the sake of the institution's results. It has to start with the intended results and has to organize the resources of the institution to attain these results." Peter Drucker on Management Challenges of the 21st Century.

Major changes were made to the FY/05 edition of the City's Performance Plan and are sustained in the FY/06 Proposed Enterprise Performance Plan.

1. The organization of the Plan remains by goal, but now departmental program strategies (and related service activities) are presented by Desired Community Condition within each Goal, instead of by department. This connects programmatic strategy directly to intended results and starts to break down artificial organizational barriers among programs sharing common purposes.

2. The three Tiers of Measurement are being integrated in this volume. The recently published *Albuquerque Progress Report 2004* (Tier 1) measures the progress the community is making toward the Desired Conditions of each respective Goal. Goal Progress Indicators (GPI) for each respective Desired Condition precede the program

and service measurements that influence the respective Desired Condition.

To make it easier for the reader, Goal Progress Indicators are presented on **yellow** sheets, followed by City performance information, presented on standard **white** stock.

HOW TO READ AND INTERPRET THE CITY PERFORMANCE PLAN

The City's Performance Plan is organized by Goal, then by Desired Community Condition, and finally by Department. City Program Strategies – designed to address the Desired Condition – follow the presentation of the assessments of the Desired Conditions (GPIs). These assessments were developed by a city citizen commission named the **Indicators Progress Commission (IPC).**

The IPC's mission is:
- to lead the City's Goals process that results in Goals and Desired Community Conditions being recommended to the Mayor and City Council; and,
- to measure the progress the City is making in achieving the Goals.

The IPC does this by measuring the Desired Conditions via Goal Progress Indicators (GPI). The GPIs presented in the Performance Plan are presented verbatim from the *Albuquerque Progress Report 2004*. Each GPI is presented in a common format that:
- describes the Indicator,
- suggests why it's important,
- identifies the data sources,
- describes what we can tell from the data, and
- presents the data itself.

What does the City do to influence the Desired Conditions, i.e., move the community to the outcomes desired by our citizens? Through Program Strategies and the related Service Activities that compose them, the Mayor and City Council adopt financial and performance plans to deliver services. City Departments use these plans and resources to deliver services.

By looking at what the City does in the context of desired results, the City is moving closer to the direction articulated in the Drucker quote above. Organizational resources are being presented in this manner not to de-emphasize the accountability of departments, which implement (deliver or provide) City services.

Presenting City services in this manner provides a strong focus on the customer (client, constituent) – the consumers of City services. It also identifies if a commonality of purpose exists within strategies.

Measurement of Program Strategies starts with the articulation of Strategy Outcomes. Ideally, these should relate to the Desired Condition each is linked to and may be an intermediate step to the ultimate end Desired Condition. Strategy Outcomes are statements of the intended results of the Program Strategy and these outcomes should have at least one outcome measure for each statement.

Service Activity measurement focuses on the work, service units, and service demand, i.e., on outputs. Also, service quality is measured (effectiveness of the service or customer satisfaction with the service).

> **"…most observers of the government world agree that an emphasis on outcomes is here to stay – having gone well beyond the fad status to an undeniable trend. The fact that it has even survived a change in political party affiliation within the federal administration is clear evidence of its permanence…."** Penna and Phillips

PERFORMANCE BUDGETING

Progressive municipalities are transitioning to performance-based budgeting that ties resource allocation to measures of service effectiveness. This movement has been prompted by direction from the *Governmental Accounting Standards Board (GASB)*, the *Government Finance Officers Association (GFOA)*, the *International City/County Management Association (ICMA),* and the Federal government through the *Government Performance and Results Act*, as well as major public policy research institutions like *The Kennedy School of Government at Harvard Univ*ersity and the *Urban Institute*. The *National Advisory Commission on State and Local Government Budgeting* has been instrumental in advancing the integration of performance and budgeting.

The City's strategic management process fills a key missing link — the connection of a high level community strategic planning process that identifies and measures desired community and customer conditions with performance-based budgeting.

The City's process continues to mature.

- In June 2002 the second Goals Forum was held in which citizens developed a vision for our community and identified Albuquerque's desired future.

- The Indicators Progress Commission met throughout the summer of 2002 with citizen volunteers from the Goals Forum to draft proposed five-year goals and desired community conditions.

- These recommendations were substantially adopted by the Mayor and City Council in Enactment Number 133-2002.

- The IPC published the *Albuquerque Progress Report 2004*, in June 2004 based on these goals.

- The FY/05 and FY/06 Performance Plans are organized by these goals and desired conditions.

- Late in FY/06 the process will begin again with the third Goals Forum.

ALIGNMENT and CONTEXT

A central purpose of the City's strategic management system is to align City services around desired results, i.e., not only by Department – the organizational entity that expends the resources of dollars and staff. This is a common characteristic of entities attempting to "manage by results."

Another related purpose is to measure results. Measurement of service outputs has been a common practice in local governments since the 1930's, although the City of Albuquerque has been attempting to do this sporadically since the 1970's and continuously from 1996. **But for measurement to pay off, context is needed. Fiscal accountability depends on performance accountability. Performance accountability depends on fiscal accountability.** Without a broader context, the most important questions can't be answered. In the book, *The Price of Government – Getting the Results We Need in an Age of Permanent Fiscal Crisis*, authors David Osborne and Peter Hutchinson identify 5 key sets of questions, the answers to which will determine the success of managing fiscal pressures while at the same time delivering the services citizens want and need.

1. **Getting a Grip on the Problem**: Is it short or long term? Is it driven by revenue or expenses, or both?

2. **Setting the Price of Government**: Determining how much citizens are willing to pay.

3. **Setting the Priorities of Government**: Deciding which results citizens value most.

4. **Setting the Price of Each Priority**: Deciding how much the government will spend to produce each of these outcomes

5. **Purchasing the Priorities**: Deciding how best to produce the desired results at the price citizens are willing to pay.

Measurement for Improved Responsiveness, Effectiveness, and Efficiency

The City's strategic management and budgeting process focuses on how to make governmental organizations responsive to community conditions, accountable to citizens and customers, and more effective in its delivery of services. Performance-based budgeting represents a change from traditional budgeting with the latter's focus on resources. This budget manifests this shift to *measurement* of results and outcomes, service effectiveness and efficiency. Improved effectiveness, in turn, depends upon developing an understanding of the impact services are having on customers and community conditions. This is why performance measurement is critical. It lies at the heart of this new budgeting model, functioning at the strategic and operational levels.

Measurement gives those program managers interested in improving their services the tools and data needed to analyze, articulate, and overcome a number of service delivery gaps extent in local government today:
- the gap between budgeted resources (flat) and services delivered (growing),
- the gap between services delivered and service demand (productivity),
- the gap between services delivered and service effectiveness (satisfaction), and,
- the gap between actual and desired community conditions (effectiveness).

Fulfilling the Promise of the City's Strategic Management Process

The City's strategic management process expands the influence of everyday citizens in their government by involving them in a community goal-setting process. The resulting targeted outcomes should influence government policies and program strategies. The independent citizen commission, the Indicators Progress Commission (IPC), monitors and reports on the community's progress toward achieving its goals — ongoing performance feedback essential to both city government and the community. All of this renewed citizen involvement enhances the quality of civic democracy. The City's performance-based budgeting system focuses on results, responsiveness, and accountability — elements essential to fostering service improvement and efficiency.
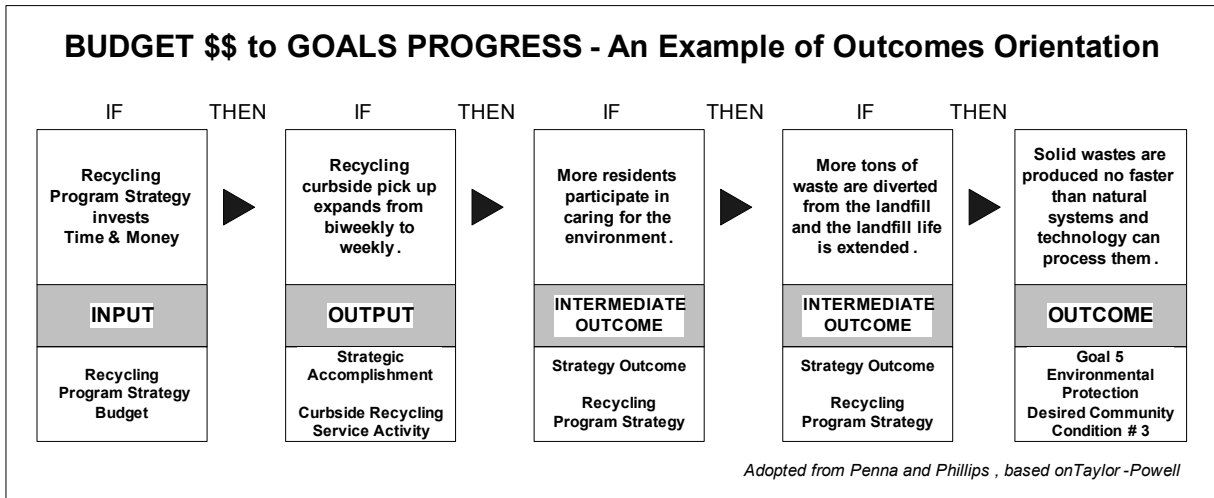
Managing and measuring for results are tied to resource allocation decisions. City managers have stories to tell about the impacts they're having on improving community conditions. This process gives them that opportunity. Moreover, it requires managers to break out of their departmental silos and work with other agencies in maximizing the desired impact on community conditions. And once again, it encourages managers to ask themselves the right questions: What do you do? Why do you do it? What impact do your services have on community/customer conditions? Is your mix of services the most effective? We may not able to answer these questions to the extent we will in a few years. But the power is in the asking because it returns the focus to its proper place, not only what we do, but why we do it. And we can't answer these questions without recognizing the customer/client/constituent as the most important element in the budgeting equation.

The City's Strategic Management process supports policy makers in their deliberations by focusing on community and customer conditions. The provision of additional data and meaningful trend analyses should serve to enhance the public policy dialogue, which takes place during the decision-making process. This data also supports the City's improvement and efficiency initiative — the *G.E.A.R. (Governmental Efficiency and Results)* process. While efficiency in governmental service delivery is important, it must be balanced by results - the consequences of providing the service on the customer/client/constituent.

Making the shift to focusing on results backed up by meaningful measurement is a long term process. The City of Albuquerque has been recognized by both *Quality New Mexico* (Roadrunner Award) and the *Government Finance Officers Association* (Special Recognition for Performance Measurement for FY 03 and FY 04) for the progress made to date. Yet, the promise of strategic management and performance budgeting will remain unfulfilled until all the stakeholders in the process (citizens, elected officials, top management, departmental and division management, and front line employees) see the benefits in establishing performance accountability in this system.

> **"Highly effective people … focus their attention and energy on their desired outcome or on what they want instead of … problems."**
> Clawson and Bostrom

BUDGET $$ to GOALS PROGRESS - An Example of Outcomes Orientation

IF	THEN	IF	THEN	IF	THEN	IF	THEN

Recycling Program Strategy invests Time & Money	Recycling curbside pick up expands from biweekly to weekly.	More residents participate in caring for the environment.	More tons of waste are diverted from the landfill and the landfill life is extended.	Solid wastes are produced no faster than natural systems and technology can process them.
INPUT	**OUTPUT**	**INTERMEDIATE OUTCOME**	**INTERMEDIATE OUTCOME**	**OUTCOME**
Recycling Program Strategy Budget	Strategic Accomplishment — Curbside Recycling Service Activity	Strategy Outcome — Recycling Program Strategy	Strategy Outcome — Recycling Program Strategy	Goal 5 Environmental Protection Desired Community Condition # 3

Adopted from Penna and Phillips , based onTaylor -Powell

PERFORMANCE PLAN TERMINOLOGY

Goal

In accordance with the requirements of the City Charter (Article 4, Section 10(d), Eight Five-Year Goals were adopted by the City Council and the Mayor in November 2002. These goals are broad-based statements of what kind of community citizens of Albuquerque want it to be.

Desired Community Condition

These are statements that describe specifically what conditions would exist upon achievement of a particular Five-Year Goal. These, too, were adopted by the Mayor and City Council in Enactment Number 133-2002. *Goal Progress Indicators* are used to measure the status of Desired Community Conditions.

Strategy Outcomes

The Strategy Outcome is associated with the Program Strategy. It should be expressed as two elements — **outcome statement(s) and measure(s)**. The outcome statement can be considered the desired result of the program strategy; the outcome measure quantifies the desired outcome or end result. Strategy Outcome Statements answer the question, "What conditions in the community or among the strategy's customers/clients would be addressed as a result of this program strategy?" Strategy Outcomes should be related to the appropriate Desired Community Condition. Outcome Measures help us understand if the Condition is improving.

Priority Objectives

Priority Objectives are specific steps for achieving the Five-Year Goals, usually fitting within the scope of one particular service activity. The achievement of a Priority Objective often qualifies as a Strategic Accomplishment. An objective describes in specific and measurable terms the results a program is expected to achieve toward a certain goal. As a rule, each objective is attainable within a specified period of time, preferably within a fiscal year or two.

The Approved Budget document provides a reference to annual Priority Objectives and their associated Service Activities.

The setting of Priority Objectives most often comes about prior to the annual budget process. The City Charter specifies that the City Council, in its role as a policy setting body, shall annually review and adopt one-year objectives related to the Five-Year Goals for the City. To carry out this mandate, an annual Priority Objectives Resolution is created jointly by the Mayor and the City Council, with support and recommendations from City departments.

Input Measures

Inputs are the financial (budget) resources allocated to perform a Program Strategy or a Service Activity. These resources are appropriated by the City Council at the Program Strategy level.

Output Measures

At the Service Activity level, Output Measures are measures of workload or service delivered — of what and how much is being done.

Strategic Accomplishments

In those cases in which Service Activities focus primarily on one of the following — planning functions, strategic support, or individual project implementation — "output" may be better identified as a specific strategic accomplishment (e.g. "Updated the Comprehensive Plan" or "opened a new community center.") This is work that is both tangible and major in scope, but does not lend itself readily to unit measurement.

Quality Measures

If Output Measures quantify what is being done, Quality Measures quantify how well it is being done — its levels of effectiveness and/or customer satisfaction. These measures are difficult to develop, and may require time to refine. But good ones are immensely valuable. Surveys are often utilized to determine customer satisfaction.

Adopted 2002 – 2006 Vision Statement, Five Year Goals and Desired Community Conditions

Vision Statement:

Albuquerque is a thriving high desert community of distinctive cultures coming together to create a sustainable future.

GOAL STATEMENT	DESIRED COMMUNITY or CUSTOMER CONDITIONS
Human and Family Development *People of all ages have the opportunity to participate in the community and economy and are well sheltered, safe, healthy, and educated.*	▪ Residents are literate and educated and engaged in the educational processes. ▪ All levels of government, educational institutions, and the community collaborate to ensure that youth achieve desired educational outcomes. ▪ Residents are healthy and have access to health care, mental health care, and recreation. ▪ Safe, decent and affordable housing is available. ▪ The community collaborates to support the responsible social development of youth. ▪ Families are healthy and stable. ▪ Senior citizens live and function in optimal environments.
Public Safety *Citizens are safe, feel safe and secure, and have trust and shared responsibility for maintaining a safe environment.*	▪ Residents feel safe in their neighborhoods, schools, and the community. ▪ Residents are safe from crimes against persons and property. ▪ Drivers, cyclists, and pedestrians operate knowledgeably, safely, and courteously, so that travel on city streets is safe. ▪ Residents, including youth, and public safety agencies work together to prevent crime and respond to life safety issues in order to create a safe community. ▪ Domestic animals are responsibly cared for and provided safe and healthy home environments. ▪ The community is prepared to respond to emergencies, natural disasters, catastrophic acts and other events that threaten the health and safety of the public.
Public Infrastructure *Ensure that all existing communities are adequately and efficiently served with well planned, coordinated, and maintained sewer, storm, water and road systems and an integrated multi-modal regional transportation system. Ensure that new development is efficiently integrated into existing infrastructures and that the costs are balanced with the revenues generated.*	▪ A reliable water system meets health and safety standards ▪ Wastewater systems meet quality standards. ▪ The storm water systems protect lives and property. ▪ Technological infrastructure is accessible to all. ▪ Residents have safe and affordable transportation options that meet the public's needs. ▪ The street system is well designed and maintained.
Sustainable Community Development *Guide growth to protect the environment and the community's economic vitality and create a variety of livable, sustainable communities throughout Albuquerque.*	▪ Parks, open space, recreation facilities, and public trails are available, accessible, and strategically located, designed and maintained. ▪ Neighborhoods with civic and commercial destinations within walking distance are an available choice. ▪ Medium to high-density neighborhoods that contribute to a more compact urban form are an available choice. ▪ The downtown area is vital, active, safe, and accessible.

Environmental Protection and Enhancement

Protect and enhance Albuquerque's places and natural environment — its mountains, river, Bosque, volcanoes, arroyos, clean air and underground water supply.

- Air, land, and water systems protect health and safety.
- Water resources are sustainably managed, conserved & protected to provide a long term supply & drought reserve.
- Solid wastes are produced no faster than natural systems and technology can process them.
- Open Space, Bosque, the River and Mountains are preserved and protected.
- Residents participate in caring for the environment and conserving natural resources.

Economic Vitality

Achieve a vital, diverse, and sustainable economy in which businesses and residents have opportunities for success.

- The economy is diverse and broad-based.
- The economy is vital, prosperous and consistent with local and regional resources.
- There are abundant, competitive career oriented employment opportunities.

Community and Cultural Engagement

Residents are fully and effectively engaged in the life and decisions of the community to:
- *promote and enhance our pride, cultural values and resources; and,*
- *ensure that Albuquerque's community institutions are effective, accountable and responsive.*

- Residents are active participants in civic and public affairs.
- Residents participate in community organizations and sporting
- and cultural events.
- Residents are well informed of current community conditions.
- Residents appreciate, foster, and respect Albuquerque's arts and cultures.

Governmental Excellence and Effectiveness

Government is ethical and accountable; every element of government contributes effectively to meeting public needs.

ELECTED AND APPOINTED OFFICIALS
- Leaders work together for the good of the community.
- Leaders cooperate and coordinate with the other governments in the MRCOG region.
- Government and its leaders are responsive to changing community and customer conditions.

ALL LEVELS OF GOVERNMENT
- Customers conveniently access city services and officials.
- Customers can participate in their government by accessing information about services, policies, community conditions, regulations, etc.

INTERNAL SERVICES
- Financial assets are maximized and protected, and analyzed and reported accurately, understandably, and usefully.
- City assets are protected while responding fairly to inappropriate City actions.
- Products, services, and materials are obtained efficiently, fairly, and in a timely manner.
- City services, operations, and finances are measured and audited, as needed, and meet customer needs.
- Competent, well-trained motivated employees contribute to the achievement of City goals and objectives.
- The work environment for employees is healthy, safe and productive.
- City staff is empowered with information and have information processing capacity.
- Rights of way are obtained and managed and their use maximized for the public's benefit with fair compensation for use.
- City real property is effectively obtained and managed in the public's interests, & disposed of when public purpose has changed.
- City fixed assets, property, and infrastructure meet City goals and objectives.

COA BUDGET FRAMEWORK

A Budget ALIGNED with Long Term Goals and Annual Objectives

MEASUREMENT at Every Level to Focus on RESULTS

COA BUDGET Linked with ORGANIZATIONAL PERFORMANCE

GOAL

Community → **Desired Community Condition(s)**

MEASURE:
Goal Progress Indicators

Fund → **PROGRAM STRATEGIES**

MEASURES:
Strategy Outcomes
Council $ Appropriation

Department → **SERVICE ACTIVITIES**

MEASURES:
Quality
Output
Budgeted $