OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

Date Issued: February 2, 2007 **IBA Report Number:** 07-22

City Council Docket Date: February 5, 2007

Item Number: 200

Subject: Additional Information for "Budget Authority" Discussion

The purpose of this report is to provide additional information on the "Budget Authority" item scheduled for discussion with the Council on Monday, February 5, 2007.

THE IBA PROPOSAL

A. The Proposed Resolution does the following:

- Requests that the Mayor identify service level impacts of budget reductions each year in the proposed and final budgets (approved by resolution 1/29/07 for FY 08 budget process, this would apply the concept to future years as well).

Attached are examples of the level of information that is provided to the Council and the public during the City of Phoenix budget process when budget reductions are being considered.

- Requests the CFO to expand the existing Quarterly Budget Reporting to report on BPR budget changes and service level adjustments. Currently this reporting is focused on technical adjustments in the budget.

B. The Proposed Appropriation Ordinance Revisions do the following:

- Requires Council approval, through Quarterly Budget Report process, for mid-year budget changes that eliminate or reduce service levels.

- Clarifies that service levels continue from one fiscal year to the next unless a) changes are reported to Council in the Quarterly Budget Review Process; or b) changes are called out in the annual budget process.

This language mirrors a similar resolution in the City of Oakland, which changed from a City Manager form of government to a Strong Mayor form for a trial period in 1998 and switched to the Strong Mayor form on a permanent basis in 2004. In June 8, 2006, the Oakland City Council passed the attached Resolution No. 79949 regarding mid–year budget changes by the City Administrator:

> "FURTHER RESOLVED: that the City Administrator must obtain approval from the City Council before he/she (1) substantially or materially alters the relative agency allocations of funding set out in the Policy Budget* (2) substantially or materially changes the levels of service expressly prioritized and funded by the Policy Budget,* including but not limited to layoffs and/or freezes that would substantially or materially (a) change levels of service; (b) affect programs; or (c) eliminate or suspend entirely programs funded by the Policy Budget."*
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> (*In Oakland the "Policy Budget" equates to San Diego's Final Budget after incorporating Council - Approved Changes.)

C. The Proposed Repeal of the Business Process Reengineering Ordinance does the following:

- Replaces current requirement in the BPR Ordinance, for a 60-day waiting period before BPR can be implemented, with date-certain Quarterly Reporting Process.

- The Ordinance should stay in place if not replaced by reporting to Council in the Quarterly Budget Review Process.

- Does NOT eliminate or impact Mayor's BPR program.

- ONLY addresses the existing Council review process by streamlining it.

GFOA BEST PRACTICE ON USING PERFORMANCE MEASUREMENT FOR DECISION MAKING

Attached is the GFOA recommended best practice from 2002 recommending the incorporation of service levels into the budget development and budget decision-making process.

The term service levels and performance measurement are often used interchangeably and can be very confusing. Performance measurement was defined in 1980 by the Government Accounting Office (GAO) as an assessment of an organization's performance, including measures such as:

- **Inputs –** e.g. the budget and labor-hours committed to the service.
- **Outputs** – e.g. number of customers served, miles of roads cleaned.
- **Efficiency –** e.g. cost per customer or cost per mile.
- **Effectiveness –** e.g. percentage of customers served or percentage of streets cleaned.
- **Quality –** e.g. accuracy and thoroughness often determined through citizen satisfaction surveys.

The IBA proposal does not propose implementation of performance measurement as outlined above, to the full extent. Rather, service levels, as addressed in the IBA proposal, speak to "output measures" such as:

- What is the community getting for the funds that are allocated to this service?
- If a reduction is proposed for the service area, how will the service change?

However, it is important to note that my staff and I were just briefed this afternoon on a very important program being developed by Rick Reynolds and Anna Danegger, known as the City of San Diego Management Program. This program will tie together strategic planning, performance monitoring and the budget decision-making process, and the identification of departmental service levels will be a key component of this effort. This program, which the Mayor plans to roll out shortly, will serve as a catalyst for this service level effort.

When identified in the budget process and budget documents, such service levels help to inform the community what services they can expect for their tax dollars, and can contribute substantially to the decision-making process.

Attached are pages from the City of Phoenix budget document, which provide examples of useful service level information. We would like to work with Rick Reynolds and his team to develop a service level definition that works for the City of San Diego and identify 3-5 key service levels in each major program area for publication in the FY08 budget document. This information could then serve as baseline information for the FY09 budget process.

Below are examples of service levels that could be used:

<u>Streets</u>

- Street miles swept
- Miles of major streets constructed

<u>Libraries</u>

- Number of items circulated
- Number of books in stock

- Annual circulation per capita
- Number of hours open for public service per week

Neighborhood Services

- Number of neighborhood cleanup meetings facilitated
- Number of sites where graffiti was removed
- Response time of first call to initial inspection on Code Compliance cases

BENCHMARKING

Once service levels are identified for a community, benchmarking is another important aspect of measuring service delivery. Benchmarking against other cities for performance provides an interesting and useful measure regarding efficiency and effectiveness while recognizing that needs and expectations also differ from community to community. Attached is information on service levels provided in the City of Phoenix budget document that compares service levels from ten years prior to the current budget year and also compares current year to the next year. This information is then compared to several benchmark cities and presented in the budget document. This is a component of performance measurement to consider for the future.

[SIGNED]

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Attachments (1-5)