

Linking Performance Measures to the Annual Budget Process

At the September 23 Budget and Finance Committee, the Committee motion included a request for the IBA to develop an option for possible inclusion in the budget policy that would explicitly connect Mayoral/Council priorities and related performance measures to the annual budget process.

In our review of the draft budget policy prior to consideration by the Budget and Finance Committee, we informed Financial Management that the policy did not provide a framework for a strong connection between the City's Strategic Plan and performance measures; budget prioritization; and the City's annual budget development process. While Financial Management incorporated many of our other suggested revisions into the draft before you, this issue remains outstanding.

On page 4, in the section entitled "City Council", the proposed policy states: "The City Council members shall communicate their budget priorities to the Mayor in advance of the annual budget." However, this statement raises a number of questions with respect to next steps in the process. The budget policy would be improved if it outlined a more comprehensive and strategic approach by addressing the following questions:

- How and when will the Mayor communicate his budget priorities and vision for the upcoming budget to the City Council?
- Should there be a process in place with the goal of establishing a shared vision and budget prioritization between the two branches of government prior to budget development?
- What is the timetable for providing performance measurement data to the Council in time for it to be effectively utilized in their budget decisions?
- How will the City's performance measures be used in Mayor and Council decision-making with respect to resource allocation?
- Upon communication of Council's priorities to the Mayor, as called for in the policy, how will the Mayor follow up with the City Council?
- Will the Mayor report back to the Council those areas where his proposed budget achieves their stated priorities and where it does not?

A separate section of the policy on page 8, "Performance Reporting and Monitoring" describes the Business Office's responsibility for management of the performance monitoring program as well as the logistics of departmental reporting of results and data to the Office. However, there is no discussion as to how performance measures and results are linked to the budget process; how and when they will be provided to the community; or how and when the data will be made available to the City Council each budget cycle.

For background, the following information recaps steps that have been taken since implementation of the Strong Mayor/Strong Council form of government to link performance measures, budget prioritization and the budget process.

FY 2007-2009 Budget Priorities Resolutions

In planning for implementation of the Strong Mayor/Strong Council form of government in late 2005, the Mayor-City Council Transition Committee recommended that the City Council adopt by resolution its budgetary priorities for submission to the Mayor by February 1 of each year, and the City Council included this step in Fiscal Years 2007, 2008 and 2009. The process called for each Council member to provide individual budget priorities memorandum to the Chair of the Budget and Finance Committee who then requested the IBA to prepare a report which summarized common themes and consensus priorities and transmitted the individual memoranda to the Mayor. Prior to February 1, the City Council approved the priorities report through adoption of a resolution which was then submitted to the Mayor. There has been no official follow-up or communication from the Mayor regarding the Council-stated priorities.

San Diego Speaks

For the Fiscal Year 2010 budget process, the Council followed a different path in order to more fully engage the community in helping the Council to establish budget priorities and the results were then shared with the Mayor prior to development of this proposed budget.

On January 7, 2009, the Independent Budget Analyst outlined to the Budget and Finance Committee the legislative budget process and the methods in which the City Council had previously identified and transmitted its budgetary priorities to the Mayor. During the Committee's discussion, Chairman Tony Young expressed his interest for the Budget and Finance Committee to host a series of community meetings that would allow for citizen input prior to the formulation of the Mayor's proposed budget. The IBA and the Council members discussed various ways to effectively involve residents in the budget process, and the consensus of the Committee was that public input earlier in the budget process would increase the chances that the Mayor's proposed budget would reflect community service priorities. It was decided that a series of community meetings would be scheduled, and a citizen participation survey would be designed that could be completed in person at the community meetings, and could also be available on the City's website. This community input process is "San Diego Speaks". Over 150 speakers participated at six public budget hearings which were held in five of the City's eight Council districts.

On April 1, 2009, the Budget and Finance Committee received reports from the IBA and SDSU regarding the results of San Diego Speaks. Following the presentations, the Committee voted unanimously to provide the recommendations made during San Diego Speaks to the Mayor and Council for consideration during the budget review process

Incorporation of Key Performance Measures in the Annual Budget Process

City performance measures/service levels were incorporated into the annual budget process and budget documents for the first time during the Fiscal Year 2009 budget process. Prior to this time very little service level information was available to the Council. While the program is still in its infancy, City departments through the Business Office now provide a plethora of data on

“Performance Expectations” and “Sizing and Workload Data” as part of the annual budget hearing process and in the official budget documents. Council members and the public are now able to review the Mayor’s budget proposal based on service level projections.

Due to the high volume of measures now available, last year Councilmember DeMaio requested at the March 11, 2009 Budget and Finance Committee meeting that the Mayor and City Council adopt a narrowed list of the most meaningful measures to track City progress. The motion called for “the Business Office to work with the IBA and provide to full Council a list of Council/Mayoral performance outcomes, of no more than two to three outcome measures per department, which would be returned to the Committee for review.” In response, the Business Office recommended that the 38 City-wide performance measures contained in the City’s Strategic Plan be identified as Mayor and Council key measures (see Attachment 2). The Business Office issued a response to Councilmember DeMaio to this effect on April 13, 2009 which identified the measures and requested informal feedback but no discussion has been docketed or official action has been requested of the Committee or City Council.

In our review of the Mayor’s FY 2010 Proposed Budget in April, we noted that no actual data for these key City-wide priority measures was available during FY 2010 budget deliberations. We requested that it be compiled for inclusion in final FY 2010 budget documents but the final documents were printed without this information. In following up on the status of this matter with Wally Hill, Assistant COO, he indicated that the Mayor and Executive Team have begun to revisit the City’s Strategic Plan, its goals, objectives and related performance measures, and indicated they intend to have the results available in the near future. This review will not be completed in time for the upcoming budget reduction process, however, departments have been asked to provide the service impacts of their proposed reductions.

Conceptual Proposal for Budget and Finance Committee Consideration

The proposed budget policy provides an opportunity to articulate a strong connection between the City’s Strategic Plan, performance measures and annual budget decisions as well as outline a more strategic approach to goal setting and budget decision making between the two branches of government.

Based on the performance measurement work of the past two years, we believe the framework exists for creating a greater connection between performance measures and the budget process but additional work is needed before it can be effectively articulated in the budget policy. While we have outlined a conceptual process below, we recommend that this matter be referred back to the Budget and Finance Committee for further deliberation and discussion with the Mayor’s Office. A process that could be considered by the Committee, for memorializing in a budget policy in the future, include the following:

1. Upon completion of the Mayor’s pending review of the current 38 key city-wide measures, the revised list of key performance measures could be brought forward to the Budget and Finance Committee and the full Council for discussion, feedback and possible endorsement, as requested in the Budget and Finance Committee motion of March 11, 2009.

2. Once the key city-wide measures are finally identified, multi-year data for each of the key measures could be provided to the City Council by December of each year for these and other department measures to allow for a meaningful discussion of budget priorities with the Mayor in advance of his budget decisions.
3. Following review and consideration of the performance measurement data discussed above, as well as receipt of a financial outlook for the upcoming fiscal year, the Council could prioritize key City services and adopt by resolution by early February the levels of service they desire to see carried out for the next fiscal year.
4. The Council's budget priorities resolution could further request that the Mayor, as a part of his budget proposal, clearly articulate how his budget will impact the Council-identified service level priorities outlined in the resolution.

It is recommended that this issue be returned to the Budget and Finance Committee, and full Council as time allows, and that the budget policy be revised accordingly at a later date.