

INTRODUCED: February 12, 2018

A RESOLUTION No. 2018-R019

As Amended

To request that the Chief Administrative Officer cause to be developed a policy and methodology to implement performance budgeting for all departments, boards, commissions, and agencies of the City for the purpose of using performance indicator data to allocate resources.

\_\_\_\_\_  
Patron – Mrs. Robertson

\_\_\_\_\_  
Approved as to form and legality  
by the City Attorney  
\_\_\_\_\_

PUBLIC HEARING: FEB 26 2018 AT 6 P.M.

WHEREAS, the Office of the City Auditor completed an audit of the City’s budgeting process for the 12-month period ending on June 30, 2015, which made certain recommendations aimed at improving the City’s budgeting development process; and

WHEREAS, the Council believes that it is in the best interests of the citizens of the City of Richmond that the Council request that the Chief Administrative Officer cause to be developed and implemented performance budgeting for all departments, boards, commissions, and agencies of the City for the purpose of using performance indicator data to allocate resources;

NOW, THEREFORE,

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF RICHMOND:

AYES:            8            NOES:            0            ABSTAIN: \_\_\_\_\_

ADOPTED:      OCT 8 2018      REJECTED: \_\_\_\_\_    STRICKEN: \_\_\_\_\_

That the Council hereby requests that the Chief Administrative Officer cause to be developed and implemented a performance budgeting policy for all departments, boards, commissions, and agencies of the City for the purpose of using performance indicator data to allocate resources and which includes, at a minimum, the following components:

(a) Key performance indicators developed for the operations and function of each department which are easily measurable and tied to the City's seven focus areas.

(b) Methods of evaluating compliance with key performance indicators.

(c) Require allocation of budget resources to departments based on compliance with key performance indicators.

(d) For City operations and functions where it is not feasible to base budget allocations entirely on key performance indicators, a method to use performance measurement as one factor for establishing future budgets.

BE IT FURTHER RESOLVED:

That the Council hereby requests that the Chief Administrative Officer implement the performance budgeting policy for the Mayor's proposed budget for the fiscal year commencing July 1, [~~2018~~] 2019, and ending on June 30, [~~2019~~] 2020.



# Richmond City Council

The Voice of the People

Richmond, Virginia

Lou Brown Ali  
Council Chief of Staff

## Office of the Council Chief of Staff

### Ordinance/Resolution Request

RECEIVED  
FEB 02 2018  
CITY ATTORNEY

**TO** Allen Jackson, City Attorney

**THROUGH** Lou Brown Ali, Council Chief of Staff *LB*

**FROM** Charles M. Jackson, Council Budget Analyst *C.S.*

**COPY** Ellen Robertson, 6<sup>th</sup> District Council Member  
Meghan K. Brown, Deputy Council Chief of Staff *MKB*  
Kiya Stokes, 6<sup>th</sup> District Liaison  
Haskell Brown, Deputy City Attorney

**DATE** February 1, 2018

**PAGE/s** 1 of 3

**TITLE** Request an Implementation of a Performance Based Budget that Associates Services with Performance Measures

This is a request for the drafting of an Ordinance  Resolution

REQUESTING COUNCILMEMBER/PATRON

Ellen Robertson

SUGGESTED STANDING COMMITTEE

Government Operations

#### ORDINANCE/RESOLUTION SUMMARY

The patron requests a resolution to request that the City's Administration implement a 'Performance Based Budget' (PBB) that **specifically connects services to performance measures** with the implementation of such to be ready and incorporated into the Mayor's FY2019 proposed budget.

#### BACKGROUND

##### Performance-based budget defined:

Performance-based budgeting is a common management tool to track service efficiency and effectiveness, where individual programs adopt mission statement, goals, objectives and performance measures (and targets) to demonstrate the outputs, efficiencies and outcomes of service delivery. For example, a major output for public safety is the number of service calls. A major outcome is the timeliness of these service calls as tracked by response time. An advantage of performance budgeting or the incorporation of performance measurement information in the budget, is that it enables the local government unit to use efficiency and effectiveness measures in making resource allocation decisions (versus budgeting on previous year funding decisions). Ultimately it is an approach to budgeting by focusing on the relationship between program funding levels and expected results from that program.

### **Performance Budget Formulation & Implementation:**

Conventional theory and practice on performance-based budgeting include:

- **In the budget proposal stage**, it is usually the operating agency/department in cooperation with the central budget office that **proposes target levels of performance achievement that are to be met with the funding provided**.
- During the fiscal year, the operating agency/department uses these performance targets to measure its success in providing the service promised to public officials and the central budget office.

### **Sample Performance Budget Model :**

A sample model of performance budgeting is provided (Exhibit 1) to guide departments with establishing a performance framework. The model is based upon conventional theory and practice (of performance-based budgeting) complete with definitions of commonly used indicators of program/service results.

*Exhibit 1. Sample Performance Framework*

<b>Measure</b>	<b>Target Metric</b>	<b>Actual Metric</b>	<b>Variance</b>
Output	5,000 recycling tons collected	6,000 recycling tons collected	1,000 tons
Outcome	Increase self-sufficiency by 10% (Ex. pay for one's housing in 6 mos.)	Increase self-sufficiency by 5%	5%
Customer Satisfaction (of service quality)	95% customer satisfaction of streets each year	85% customer satisfaction	10%
Process Efficiency	100% graduation rate for cadets entering academy	85% graduation rate	15%
Financial Efficiency	\$156 per case review of job trainees	\$150 per case	\$6
Financial Effectiveness	\$156 per job trainee who remains employed	\$150 per job trainee	\$6

### **Common Performance Reporting Categories:**

**Output:** The amount of something produced by either department personnel or resource (equipment, machine, etc.) Output can be counted immediately after the process is over and remains part of the causal chain to outcomes.

**Outcome:** The major focus of all performance measure systems. An outcome is an achievement of what you set out to do. An outcome *measure* reports the degree to which a purpose of a program is met.

**Measures of Satisfaction (Service Quality):** Determines how various populations perceive the program. These may include service recipients or the populace at large. Targets should set reflecting progressive increases in satisfaction.

**Process Efficiency:** The relationship between critical inputs and their later transformation to outputs. Inputs are resources required to perform services such as personnel, space, time, equipment. Since in most cases these resources can be purchased, they are considered as financial inputs. In the table above the formula for process efficiency is:

$$\text{Process efficiency} = \frac{\text{Graduating cadets}}{\text{Enrolled cadets}}$$

**Financial Efficiency & Financial Effectiveness:** The relationship between the funds spent on financial inputs (personnel, equipment, space, time, etc.) and agency or program outcomes. It communicates how well public resources are used to achieve the outputs and/or outcomes of a program. The two types of formulas include:

Financial efficiency =  $\frac{\text{Funds spent on career counselors}}{\text{Number of case reviews per year}}$

Financial effectiveness =  $\frac{\text{Funds spent on career counselors}}{\text{Program enrollees who remain employed}}$

**FISCAL IMPACT STATEMENT**

Fiscal Impact Yes  No

Budget Amendment Required Yes  No

Estimated Cost or Revenue Impact:

An approximate estimate cannot be determined at this time.  
Staff time and resources will be required to draft performance measures and provide sufficient training to department staff.

Attachment/s Yes  No