



CITY OF PALO ALTO OFFICE OF THE CITY AUDITOR

August 15, 2016

The Honorable City Council
Palo Alto, California

Policy and Services Committee Recommendation to Approve a Soft Transition of the Annual Performance Report to the City Manager's Office and the Office of Management and Budget

The Office of the City Auditor recommends a soft transition of the annual Performance Report to the City Manager's Office and the Office of Management and Budget. At its meeting on June 14, 2016, the Policy and Services Committee approved and unanimously recommended the City Council accept this direction. The Policy and Services Committee minutes are included in this packet.

Respectfully submitted,

Harriet Richardson
City Auditor

ATTACHMENTS:

- Attachment A: Performance Report Discussion (PDF)
- Attachment B: Policy and Services Committee Meeting Minutes Excerpt (June 14, 2016) (PDF)

Department Head: Harriet Richardson, City Auditor



CITY OF PALO ALTO OFFICE OF THE CITY AUDITOR

June 14, 2016

The Honorable City Council
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Discussion and Recommendation to Provide Direction to the City Auditor Regarding the Office of the City Auditor's Role in Producing the Annual Performance Report and Proposed Changes for Reporting on City Departments' Performance

Recommendation

The City Auditor recommends that the Policy and Services Committee review and provide direction to the City Auditor regarding the proposed options for restructuring the process used to develop and report on City performance.

Background

The Office of the City Auditor began collecting data for and producing a Service Efforts and Accomplishments (SEA) report in 2003, to provide information to Council on the performance of City departments, including the cost of providing services, workload, performance results, five-year trend data, and benchmarking of the City's major services. The Office of the City Auditor has continued producing the report, now called the Annual Performance Report, every year since 2003.¹ The Office of the City Auditor used the Governmental Accounting Standards Board's (GASB) *Concepts Statement No. 2, Service Efforts and Accomplishments*, and 16 criteria published by GASB as guidance for developing the report. GASB's stated purpose of SEA reports was to provide more complete information about a governmental entity's performance than can be provided in traditional financial statements and schedules to assist users in assessing the economy, efficiency, and effectiveness of services provided.

Although the GASB guidance recommended focusing on the few, critical aspects of performance, the report grew from about 70 pages in 2003 to more than 130 pages in 2013 due to more data, charts, and graphs being incorporated over time. The report required almost 2,000 hours of auditor staff time to produce each year, which included the hours spent to produce The National Citizen Survey™. The City Auditor reformatted the 2014 Annual Performance Report in an effort to reduce the staff hours required to produce it and to make it more focused. The result was a 57-page report that took about 1,000 hours to produce,

¹ Beginning with the fiscal year 2012 report, the Office of the City Auditor renamed the report as the "Annual Performance Report."

including the hours spent to produce The National Citizen Survey™. Using this revised format in 2015 allowed us to reduce the hours spent producing the reports even further, to about 700.²

During the process of producing the 2014 Annual Performance Report, the City Auditor wanted to understand the extent to which departments used the performance measures in the report to monitor and manage their departments' performance and to what extent the measures aligned with the performance measures departments provided for the City's Operating Budget book. We asked departments to tell us which of the performance measures in the Annual Performance Report they used to monitor and manage performance, and we compared the measures in the report with those in the City's Operating Budget book. Of the 382 measures in the Annual Performance Report:

- 49 were used by departments to manage performance and were also in the Operating Budget book.
- 180 were used by departments to manage performance but were not in the Operating Budget book.
- 24 were in the Operating Budget book but were not used by departments to manage performance.
- 129 were not in the Operating Budget book and were not used by departments to manage performance.

Some departments also told us that they use performance measures that are not in either the Annual Performance Report or the Operating Budget book to manage their programs.

We did not do a complete reverse comparison to identify performance measures that are in the Operating Budget book but not in the Annual Performance Report; however, we identified some of those as we did our review of the Annual Performance Report measures to the Operating Budget book. Further, the Office of the City Auditor recently worked with an intern in the City Manager's Office who, to the extent possible, aligned performance measures in Questica with the goals and objectives listed in the Operating Budget for each department. That project identified many measures that are not aligned with a specific objective, as well as objectives that did not have corresponding performance measures.

Departments have sometimes also reported performance data into the International City/County Management Association (ICMA) Insights database. The ICMA database includes about 900 performance measures that are organized into 7 service clusters.³ Because the ICMA determines what performance measures it wants to collect, the measures may or may not align

² The Office of the City Auditor began tracking the time separately for the FY 2015 Annual Performance Report and The National Citizen Survey™. We spent 415 of the 700 hours on the Annual Performance Report.

³ The list of service clusters and examples of performance measures collected is available on the ICMA's website: http://icma.org/en/results/center_for_performance_measurement/icma_insights/what_we_measure.

with City of Palo Alto departments' goals and objectives, with measures that departments already track, or with measures that the department would deem important to track. However, a benefit of the ICMA database is that it can provide a more complete basis for benchmarking results than might be achieved in the Annual Performance Report.

The Office of the City Auditor collects performance measures from departments in a series of spreadsheets, the Office of Management and Budget requires departments to enter the performance measures listed in the Operating Budget book directly into the Questica performance management module, and ICMA requires participating cities to enter their performance measures directly into ICMA's database. This creates redundant efforts for departments. Audit staff, through their audits, have sometimes identified performance results that are not accurate, which could result in poor management decisions if used for that purpose. The Office of the City Auditor does not audit the performance results that departments submit as part of the process of compiling them into the Annual Performance Report.

Discussion

Performance Measurement vs. Performance Management

There is often not a clear understanding of the difference between performance measurement and performance management:

Performance measurement is the process of collecting input, output, and/or outcome data for programs, activities, and services. Performance measures are numeric descriptions of the results of an entity's work and should be collected *throughout the year (emphasis added)*.

Performance management is the practice of using performance data to compare actual results to previously identified targets, industry standards, and/or similar jurisdictions and using those results to help make decisions to improve service delivery. Performance management can help identify success stories that should be replicated, with decisions for allocating and prioritizing resources, and identify the need for changes in policy or program direction.

Using a well-developed performance management system can help an entity achieve its goals and objectives and provide accountability for efficient and effective use of resources. Having a performance measurement system without analyzing and using the data collected to manage and improve an organization's performance is not an effective use of limited and valuable resources. As shown by the numbers above, progress needs to be made to develop the Annual Performance Report into a performance management system. Because of the nature of much of the data, particularly financial data, included in the Annual Performance Report, the Office of the City Auditor cannot produce the report until several months after the end of each fiscal year when it may be too late to implement changes that could reverse a negative trend in performance.

Linkage Between Performance Management Systems and Internal Controls

There is a strong linkage between an effective performance management system and an effective internal control system. Both, when properly designed and implemented, assess the quality of performance over time and allow for timely change when it becomes unlikely that an entity will achieve its stated objectives.

Two internal control frameworks are widely recognized in the United States. The first, *Internal Control – Integrated Framework*, is published by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission; and the second, *Standards for Internal Control in the Federal Government*, is published by the United States Government Accountability Office (GAO), under the authority of the Comptroller General of the United States, and is adaptable to local government entities.⁴ Both frameworks recognize that management is responsible for internal controls and identify the same five components of an effective internal control system:

- **Control Environment** – The control environment represents the tone at the top of an organization through its set of standards, processes, discipline, and structure for internal control. It includes evaluating performance and holding individuals accountable for their internal control responsibilities. Effective performance management systems have sustained support from an organization’s top management, and a results focus that permeates the organizational culture. Indeed, a San Francisco Civil Grand Jury report issued in 2009 reported that the primary cause of the city’s failure to deliver on its promise of performance measurement was a lack of leadership on the part of the mayor and his department heads.
- **Risk Assessment** – Risk assessment is a dynamic and iterative process for identifying and assessing risks that can prevent an entity from achieving its objectives, including identifying, analyzing, and responding to significant changes. Effective performance management systems use a risk-assessment process to help identify the barriers that might prevent an organization from achieving its goals and objectives.
- **Control Activities** – Control activities are the policies and procedures that management establishes to achieve an organization’s objectives. Control activities include defining and assigning responsibility and are performed at all levels of an organization and at various stages of a business process. Control activities include top-level reviews of actual performance to planned or expected results and analysis of significant differences. Organizations with effective performance management systems document the sequence of expected or desired outcomes through planned actions and activities (i.e., procedures).
- **Information and Communication** – Information and communication involves the processes of identifying information requirements, obtaining relevant data from reliable sources, processing the data into quality information, and communicating the necessary quality information throughout (i.e., up, down, and across reporting lines) the entity, and includes communication

⁴ An Executive Summary of *Internal Control – Integrated Framework* is available for download, and the complete Framework is available for purchase at <http://www.coso.org/ic.htm>. *Standards for Internal Control in the Federal Government* is available for download on the GAO’s website at <http://www.gao.gov/greenbook/overview>.

with external parties as appropriate. Organizations with effective performance management systems have established mechanisms for communicating outcome expectations and how to achieve them to responsible personnel in the organization.

- Monitoring – Monitoring is a *continuous* (emphasis added) process that includes assessing the quality of performance over time, evaluating and documenting results, and assessing and responding to change by taking prompt corrective action to affect performance or efficiency if improvements are necessary. Organizations with effective performance management systems continuously monitor performance, evaluate results, and take action to address performance issues that may prevent an organization from achieving its objectives.

Internal controls are, and always have been, a management responsibility. Requiring management to report on its own performance helps to fulfill these internal control responsibilities. It also provides the benefit of allowing those who best understand their performance to explain what they did to achieve success, reasons why they were not able to meet their performance goals, or corrective action needed to help them achieve their performance goals. Further, as auditing standards have been updated, they have increased the emphasis on auditors maintaining their independence, which specifically includes not performing management functions. The standards identify an auditor developing an audited entity's performance measurement system as an example of a management responsibility that would impair the auditor's independence.

Establishing an Effective Performance Management System

A wide variety of literature is available regarding how to develop and implement effective performance measurement and performance management systems. Although the literature varies in approaches, there are several common themes:

- Alignment with organizational goals and objectives is crucial for successful performance measurement systems. Adopting measures from other organizations is the same as adopting their strategy, which may not be right for another organization.
- Only key performance measures – those that relate to major or critical programs, activities, and services and major goals and objectives of the organization – should be tracked. Collecting data simply because it is available or easy to capture may not provide meaningful information that can be used for strategic decision making and can result in an organization being data rich but information poor. Tracking too much data can also result in placing too much attention on noncritical activities.
- Performance measurement systems should be used as a positive tool – one that allows an organization to track progress and direction toward strategic goals and objectives rather than one that attempts to place blame if the goals and objectives are not met.
- Although performance measures generally should be consistent over time for comparability, performance measurement is an iterative process that recognizes when there is a need to develop new measures based on new initiatives and eliminate measures that are either no longer relevant to an organization's goals and objectives or no longer serve the purpose of driving improvement.

- Analysis of data must be performed to turn the data into information that can be used to identify the cause-effect relationship that has resulted in gaps between goals and reality.
- Decision makers must have performance information promptly to allow corrective action to be taken as soon as negative trends are identified.
- Balance is important, e.g., a mix a measures to show if a work unit is accomplishing its mission, if the work unit's customers are happy, if the work is being done well, if the work is being done efficiently, and if appropriate progress is being made on special initiatives.

The City of Palo Alto's Annual Performance Report primarily reports on data that is readily available and has been collected for many years. Although some of the performance measures are benchmarked against other jurisdictions, very few of the measures have identified performance targets, which makes it difficult, if not impossible, for users of the report to know how well departments are doing toward achieving their goals and objectives.

Types of Performance Measures

Performance measures fall into one of three categories:

- **Input** - The financial and nonfinancial resources used to produce outputs, e.g., number of staff, dollars, hours, information, raw materials, or others' work that is fed into a process to produce an output/service.
- **Output** - The quantity of what is made or the service provided, e.g., permits, contracts, reports, citations, scrap/waste created by the process.
- **Outcome** - The result of a process; outcomes can be expressed in terms of efficiency or effectiveness:
 - **Efficiency outcome** - The cost or lapsed time to produce an output/service.
 - **Effectiveness outcome** - How well a work unit did toward achieving the expected or desired results, often expressed in terms of a rate or percentage.

Criteria for Effective Performance Measures

Performance measurement literature often expresses the need for performance measures to be SMART:

- **S**pecific - A clear description of what level of performance is expected and what is being measured; should begin with an action word such as "increase," "reduce," "establish," "attain," and should relate back to the objective.
- **M**easurable - Data can be used to measure the results and demonstrate how much progress is being made toward achieving the objective, e.g., how much, how many, how well; the data used to measure the results should come from reliable sources that provide consistency from one period to another so that results can be compared over time.
- **A**ttainable - The goal is doable, assuming that the necessary skills and resources are available; attainable goals should provide a challenge but not be so difficult to achieve (i.e., "stretch goals") that they become demoralizing, nor so easy to achieve that they do not motivate staff.

- **R**elevant - There is a clear relationship between the performance measure and the organization's goals and objectives, and the result will be important.
- **T**ime-bound - There is a clear time frame for accomplishing the goal, e.g., a target date or other milestone.

Having an effective continuous performance monitoring and reporting system could also potentially eliminate the need for other reports that departments produce on a routine basis.

Policy Implications

It is important to recognize that revamping the current performance reporting system is a major undertaking that will take time to implement. Decisions need to be made regarding the timeline for implementation and whether the Office of the City Auditor should continue producing the Annual Performance Report in its current format until implementation of a new performance reporting system is in place. Policies adopted regarding a revised process for performance reporting should recognize the importance of focusing on the few, critical aspects of performance for each department, rather than on collecting so much data that the process loses meaning and impact.

Options for Discussion

There are several approaches that can be undertaken to revise the process for performance reporting:

- **Status Quo** – The Auditor's Office would continue collecting performance data and producing the Annual Performance Report as it currently does, and departments would continue entering performance results directly into Questica for budget purposes.
- **Auditor's Office Produces an Updated Version of the Annual Performance Report** - The Auditor's Office would use its summer intern to complete the project of identifying where departments do not have key performance measures for core objectives and request that departments evaluate the need to continue tracking noncritical measures and update their measures in Questica to eliminate current redundant efforts. The Auditor's Office would revise the Annual Performance Report based on the updated measures and would produce the report by extracting the data from Questica.
- **Soft Transition to the City Manager's Office/Office of Management and Budget** – The Auditor's Office would use its summer intern to complete the project of identifying where departments do not have key performance measures for core objectives and request that departments evaluate the need to continue tracking noncritical measures and update their measures only in Questica to eliminate redundant efforts that currently exist. The City Manager's Office and Office of Management and Budget would then determine how often the data should be updated, how often and what to report on, and develop a reporting format using the Questica dashboard or another format. The Office of the City Auditor's role would change to auditing the performance measures for reliability, as described in the attached proposal.
- **Use a Consultant to Work With Departments to Identify and Update Critical Performance Measures** – A consultant who specializes in performance management would work with departments to help them understand how to select meaningful performance measures and

performance targets. This option could be used alone or in conjunction with one of the other options.

A key component of any decision for how to proceed is the extent to which the City Manager's Office, department management, and the Council will use the updated performance measures for decision making purposes regarding City programs and activities.

Resource Impact

Implementing a new performance reporting system was anticipated with the Office of Management and Budget's purchase of the performance management module for Questica. However, each department will need to dedicate time and attention to reviewing and evaluating the need to continue tracking its existing performance measures, to update existing performance measures, or to develop new performance measures. The Office of the City Manager and the Office of Management and Budget will also need to develop a reporting framework and designing and implementing a new reporting tool that is compatible with Questica. Some government entities have staff who are dedicated to a performance management function. Whether additional staff are needed depend on the extent of options that Council recommends for adoption.

Environmental Review

This action is not subject to the California Environmental Quality Act.

Respectfully submitted,



Harriet Richardson
City Auditor

ATTACHMENTS:

- Attachment A: Proposal for Restructuring How City Departments Report on Their Performance (PDF)
- Attachment B: Performance Measurement and Management Resources (PDF)

Department Head: Harriet Richardson, City Auditor

Proposal for Restructuring How City Departments Report on Their Performance

Although the Office of the City Auditor has taken on the role of collecting and reporting on the City's performance measurement data and has the capacity to continue doing so, placing the reporting responsibility within the Office of the City Manager would help management satisfy its internal control responsibilities related to the information/communication and monitoring components. Much of the data in the current Annual Performance Report has low value to departments, and there is limited use of the data to monitor and manage performance within the departments. An effective performance management system would more closely align performance measures with the departments' missions, goals, and objectives and focus on measures related to core services, specific initiatives and work plans, and Council priorities. An effective performance management system would also allow the Council, management, and the public to better determine how the City is performing on an ongoing basis and identify how resources should be allocated. Realigning responsibilities would provide the Office of the City Auditor the capacity to take on a more meaningful role with regard to verifying the accuracy and reliability of performance measures. Based on this, the City Auditor proposes:

1. Shift responsibility to the Office of the City Manager for reporting to Council on how departments have performed toward achieving their goals. This would require the City Manager to:
 - a. Work with departments to identify which key measures to report on an ongoing basis. For example, the measures reported should include a core group of measures that reflect mission-essential requirements, but might also include a changing group of measures that are based on current department initiatives, significant projects, or Council priorities. Although departments might want to track additional measures internally, it is important to identify and report on only the few, most important measures that are critical to achieving each department's goals and objectives.
 - b. Work with the Office of Management and Budget to develop and design the use of Questica as it pertains to the future of performance measurement and reporting, whether that be inputting, tracking and updates, a scorecard, or reporting.
 - c. Design a report format, which could vary, for example, by reporting on a selection of key measures in a simple format, such as an infographic, on a monthly or quarterly basis and doing a more comprehensive annual report.
 - d. Determine the value of specific performance measures in ICMA's Insights database and report only on those measures that provide value to the City.
2. Change the Office of the City Auditor's responsibility to verifying the accuracy and reliability of a sample of reported performance measures each year. However, to facilitate the changes in responsibilities, propose that audit staff would:
 - a. Extract existing goals, objectives, and performance measures from departments' strategic plans, Questica, and the performance measure spreadsheets and align them into a template with existing performance measures that departments can use to review and determine the need to keep or eliminate existing measures or develop new measures. An intern in the City Manager's Office began some of this work, and an intern from Stanford's FisCAL program, scheduled to work in the Office of the City Auditor for eight weeks beginning on June 13, would assist on this project.

- b. Assist departments, as needed, in developing meaningful performance measures, including performance targets, and in identifying potential sources of data for the measures.
- c. The following provides a sample template of how the Office of the City Auditor anticipates it would collect existing information from our performance measure spreadsheets, departments' strategic plans, and Questica to facilitate changing to a more meaningful performance management process. This template would be completed for each goal and objective within a division and for each division within a department.

*****Sample Performance Measure Development Template*****

Department:

Division:

Goal 1:

Objective 1:

Performance measure 1 and performance target:

Performance measure 2 and performance target:

Objective 2:

Performance measure 1 and performance target:

Performance measure 2 and performance target:

Goal 2:

Objective 1:

Performance measure 1 and performance target:

Performance measure 2 and performance target:

Objective 2:

Performance measure 1 and performance target:

Performance measure 2 and performance target:

Performance Measurement and Management Resources

Hatry, Harry P., *Transforming Performance Measurement for the 21st Century* (Washington, DC: The Urban Institute, 2014), available at <http://www.urban.org/research/publication/transforming-performance-measurement-21st-century>.

Public Performance Measurement & Reporting Network (PPMRN), Rutgers School of Public Affairs and Administration, available at <http://ppmrn.newark.rutgers.edu/> (free registration).

Guide for Developing Relevant Key Performance Indicators for Public Sector Reporting, Office of the Auditor General of British Columbia (December 2010), available at <http://www.bcauditor.com/pubs/2010/report10/guide-developing-relevant-key-performance-indicators-kpi>.

A Performance Management Framework for State and Local Government: From Measurement and Reporting to Management and Improving (Chicago, IL: National Performance Management Advisory Commission, 2010), available at <http://www.nasbo.org/publications-data/reports/performance-management-framework-state-and-local-government-measurement-an>.

Special Meeting
June 14, 2016

Chairperson DuBois called the meeting to order at 6:10 P.M. in the Community Meeting Room, 250 Hamilton Avenue, Palo Alto, California.

Present: DuBois (Chair), Kniss, Scharff

Absent: Berman

Agenda Items

2. Discussion and Recommendation to Provide Direction to the City Auditor Regarding the Office of the City Auditor's Role in Producing the Annual Performance Report and Proposed Changes for Reporting on City Departments' Performance.

Chair DuBois: Moving on to Item 2, which is discussion and recommendation to provide direction on the Annual Performance Report.

Harriet Richardson, City Auditor: I tried something a little bit different here instead of a PowerPoint. I see that (inaudible) landscape form. My idea was to have one sheet up there that we (crosstalk) have it in front of you instead of having to flip through multiple pages. We've discussed in the past the process for producing the Annual Performance Report. When I first came here, the report was 130-something pages. My office was spending about 2,000 hours a year combining that with the National Citizen Survey. They weren't tracking the hours separately between the two. I am now tracking those separately. We have streamlined the format of the report to reduce labor hours. This last year, it was a 57-page report, and we've reduced the hours just on the Performance Report to about 400 hours, a significant savings by streamlining the format. One of the things that I was curious about when I first came here was the extent to which those measures were used to actually manage performance. We did a couple of things. One was we sent it out to the departments and said, "Tell us everything that you—which of these measures you actually use to manage your performance." We also looked in the budget book to see which of the measures were also used in the budget book to see if there was alignment between what we were reporting in the Performance Report and what we were reporting for budget purposes. There was some large discrepancies between the two of them. Forty-nine of the measures are in the operating budget and the Performance Report, and the

departments use them to manage their performance. One hundred eight of the measures, departments used to manage performance, but they don't put them in the budget book; although, the budget book is somewhat selective in what goes in there. Twenty-four of the measures were in the budget book, but they weren't being used to manage performance. One hundred twenty-nine measures were not in the budget book and were not used by departments to manage performance. We were collecting a lot of data without it really being used to manage performance. The concept of performance measurement is that you're going to use it to manage your performance. One of the things that also stuck out with me is the Auditor's Office was producing the report. A basic element of internal control is that management reports on their performance. It is a management function; it's always been a management function. Jim believes it's a management function, and that he should be the one who's actually reporting on the performance. What I'm here to do tonight is really just have some discussion about how we transition from it being something that our office would continue doing to something that the City Manager's Office would do. Normally you see performance management in the Budget Office. It's typically something that's done because they do the budget and it's typically part of the budget process. One of the key things that I've noticed here is that the way do it, they're really separate processes, the Performance Report and the budget. They're not synched in anyway. When Walter was here, he bought for the City an add-on module to the budget system, Questica. It's a performance management module. The idea was going to be that it would eventually become one process where everyone in the City enters the data in one place, and it's used for budget purposes, it's used for performance management. With Walter leaving, then with Staff changes, that's been somewhat on hold. Now it's kind of where do we go from here. Another key thing that stood out to me is we were collecting all this data in the Auditor's Office, and I think there was a sense that the auditor's independent; therefore, there's more validity to what's in the report. It really was a data collection exercise. Give us your data, and we'll put it in this format. We weren't validating it in any way. By looking at changing it, I think the auditor could play a different role which would be we do some validation of the data every year. It would be on a sample basis. We would select some measures, and we'd look at where's the data coming from, is it reliable, does it reflect what you actually think that you're measuring. I can give some examples. In other places where I've worked, we did this a lot of times as part of our audits. We'd look at the measures. We looked at, for example, IT one year. They had a measure for customer service, and it was what percentage of the customers were satisfied with the service. The way they collected the data was if someone didn't complain, they counted it as 100 percent satisfied. It was a whole series of measures that were that way. We found that with other places that we actually looked at the performance measures. I'm not saying that Palo Alto is

that way, but I'm saying that there is some value in looking and making sure that when the measures are reported out, you know that what you're seeing means what you think it represents. What I'm proposing is that we do a soft transition. The question is during that soft transition do we continue to produce the report. Right now, we have a summer intern, Marisa Lin from Stanford.

Vice Mayor Scharff: Welcome, Marisa.

Ms. Richardson: There was an intern in the City Manager's Office who started working on this process, Ayleen from Germany. I don't know if any of you met her. What we've done up to this point is taken the data from Questica and tried to align the measures that are in the Performance Report and what's in the budget book to see where the gaps are. Marisa's going to continue with this project. We're going to identify where the gaps are, what things really should be measured. One of the things that's a key item in this is that when you do performance measurement and performance management, you really want to focus on the items that are critical to your mission. You can measure lots of things, but you can get so out of control with measurement that you really aren't focused on what are the most important things. What we would do is set up a framework, and then the City Manager and departments would fill in the gaps with identifying what is important to them, what are the really most important measures, and then come up with a new reporting mechanism which would likely be more frequent, because right now we report about six months after the end of the year. It's too late to take corrective action of something that might be taking a negative trend in process. If you're monitoring throughout the year, which is what performance management is, then you take corrective action when you see a negative trend developing. What I wanted to do tonight is just kind of have some discussion about what this process would be, what the direction should be for us and the City Manager's Office for moving forward in this direction. I do recognize that shifting it to Office of Management and Budget (OMB) and shifting it to more of a performance management system would likely require a Full Time Equivalent (FTE) at some point in OMB. I know right now that's not in the budget.

Chair DuBois: I'd like to suggest we break the conversation into at least two pieces. I think on Page 7, there's some options for how the report is created. I think we should talk through the options and not just focus on this one proposal.

Council Member Kniss: You're on Page 7?

Chair DuBois: Maybe separately we should have a discussion about key performance measures and how we can approve the actual data that we're getting. I think you kind of mixed two different issues there, who does the report and whether the data is useful or not in what we're reporting.

Ms. Richardson: It is both of those issues.

Vice Mayor Scharff: I guess it's a broader issue, for me, than that. To me, it's a management tool issue in real time as opposed to that at the end of year you get these performance measures. What I heard her say was these issues come up and you can correct course. Part of it, for me, is not for us to tell them what data to collect, frankly. It's for the City Manager's Office to determine what data will be the most effective as a management tool.

Chair DuBois: It's multiple levels, right? It's a tool for the Council and feedback to the Council. On one hand, I'm looking at it as a dashboard for us, but it should also be aligned with management, which is their tool.

Council Member Kniss: Do you all see this coming every month or something?

Chair DuBois: That's why I was trying to break it into the ..

Vice Mayor Scharff: No, I don't.

Chair DuBois: ... data, which the data can be used for multiple things, versus how do we produce a report for Council and the public on performance of the City.

Council Member Kniss: What do you mean by the data could be used for multiple things?

Chair DuBois: The data could be used by managers ongoing throughout the year, if it was available. That's separate from putting it into a report.

Vice Mayor Scharff: That's the tool that I hear the City Manager wants to move towards.

Ms. Richardson: Yes.

Suzanne Mason, Assistant City Manager: No.

Vice Mayor Scharff: No? Yes?

Ms. Mason: We would like to be measuring useful information. We'd like to be using Questica to collect that data. It definitely is going to take some time. Walter was prepared to jump off into ...

Vice Mayor Scharff: He left.

Ms. Mason: ... performance reporting. It required a lot of effort to do the transition. I just wanted to share a few things with you just to comment on. I totally agree—we agree with Harriet's recommendations. I think part of it is a resource function and the frequency as well as making this conversion. We talked about this a little bit. It's going to take time for OMB to re-staff and have the adequate resources to lead this effort and probably a dedicated FTE to make sure it's continuous. The other part on data collection and frequency, which in my past experience I've found challenging, is it depends on where your data is coming from and whether it's readily available. Let's say you're measuring recruitment timeframes, time from vacancy to fill it. That's a very pertinent HR performance measure. If your system measures that, you're in good shape, and it uploads to the performance tracking system, you're in great shape. If it really takes Staff in HR to manually kind of shut down the system and then do a manual effort to record ...

Vice Mayor Scharff: What a nightmare.

Ms. Mason: It is a balancing act between the value of the frequency of the data and the frequency. I'm just giving you examples. It's not as simple. I actually in a previous life purchased a performance management system. We brought in a consultant to do a citywide effort on rebuilding the entire city around—we called it Focus on Results Long Beach. It had a whole framework, and it was a very labor-intensive process.

Vice Mayor Scharff: It didn't work.

Ms. Mason: It never fully got off the ground. I think keeping it simple ...

Council Member Kniss: Because it was too labor intensive.

Ms. Mason: It was too labor intensive.

Council Member Kniss: It really got in the way of what you hoped ...

Ms. Mason: To accomplish.

Council Member Kniss: Yes. It got bogged down (crosstalk).

Ms. Mason: Did I need monthly data on how long it's taking us to hire? That's really an annual measure that tells me something.

Vice Mayor Scharff: You clearly don't

Ms. Mason: I think it differs. The Police Department better be measuring their performance data on a very real-time basis and change course.

Chair DuBois: I think we're talking about what are those KPIs, key performance indicators, that actually are useful to the manager. If you need to use them for your daily job, you'll be doing them.

Ms. Mason: I think the manager should question if it's taking a department four months to fill a vacancy. That's a problem. Do we have the right resources? Do we have the right process? Have we created these generalist business processes that are doing too many things? That's good data, but it's really not meaningful until you have a year's worth of it to see what's really our average time. I don't think we can make blanket statements about frequency.

Ms. Richardson: I agree.

Ms. Mason: I do think the overall recommendations here and that there are measures we should see on a regular basis, like time to answer a dispatch call.

Chair DuBois: I went back and looked at some old Performance Reports. There's a lot of numbers in here that, I think, are kind of meaningless. We're spending a lot of time gathering these and cleaning them up. I think that's what we're talking about. What's the right data that's really useful. I think the department should figure out what's useful to them. I do think Council should have some input on what's useful to Council in terms of—really it's the efficiency ratings. What's the output for whatever the input is. Like the Library, how many volumes we have doesn't really mean much. Some of the Public Works metrics are actually pretty good. It's like percentage of potholes fixed. There's other areas where that leaves a question, which is how many potholes weren't fixed. Those are the kinds ...

Ms. Richardson: Normally you see timeliness for fixing a pothole as a measure.

Vice Mayor Scharff: Not the number. It's the timeliness.

Ms. Richardson: It's the timeliness, and then it's your Pavement Condition Index (PCI) for overall street condition.

Chair DuBois: I do think there's a lot of areas where we're serving the public where what's actually most relevant is customer satisfaction, and we don't report a lot of that. That would probably involve some kind of survey or something.

Vice Mayor Scharff: I agree with you. Things like the PCI index, they're useful, but what's more useful is to say PCI index increase or decrease.

Chair DuBois: That one's not bad. You can kind of see ...

Vice Mayor Scharff: You're right. It's do things get better or do things get worse.

Council Member Kniss: I think the so-called data collection and measurements and so forth that we've concentrated on a lot lately are also sometimes, as you just said, Suzanne, can start to get burdensome. If it's the kind of thing that gets reported on a regular basis, you're reporting it every two weeks or every four weeks or something like that, I think it starts to get in the way of your overall assessment of a performance. It's like taking little bits and pieces and saying, "Right now it's a disaster," and then two weeks later it's terrific. I think we have to watch for that at the same time.

Ms. Richardson: Even now I would say some of that happens. The departments know we're going to ask for this every year, and we send it out. It's not like they have the information and can just hand it to us. We usually get them in about a month. A lot of times, we get "can we get another two weeks, can we get another two weeks." It's not like the information is just handy.

Chair DuBois: To me that's a real mismatch.

Ms. Richardson: It's an effort for them to gather the data even at the end of the year.

Ms. Mason: Again, it depends on the information.

Chair DuBois: We're asking for ...

Ms. Mason: Having someone stop doing their job to go gather the information is challenging. Finding that balance between ...

Chair DuBois: To me, it's an indication of a mismatch. We're asking for data that they don't find useful for their department.

Ms. Richardson: Correct.

Chair DuBois: Why are we even asking that?

Ms. Richardson: That's what you see in here with these numbers.

Ms. Mason: Sometimes it takes time to correct it, if it's a manual effort. It's great if you have a system that's uploading directly and producing the data.

Chair DuBois: I'm just saying if we are reporting data that aligns with that department manager's goals, they better be tracking it throughout the year, because they need to know how they're doing. I'd be totally in favor of getting rid of meaningless data.

Ms. Richardson: One hundred and fifty-three measures.

Vice Mayor Scharff: I would support (crosstalk).

Chair DuBois: There's stuff in here on Code enforcement.

Ms. Mason: We totally agree with the recommendation. I also think when we start determining the measures, we should look at what is the beneficial frequency of gathering this data.

Vice Mayor Scharff: We're totally with you.

Ms. Mason: Sometimes a once a year look at that ...

Council Member Kniss: Is ample. Other times ...

Chair DuBois: It needs to be honest, though. There was like a Code Enforcement metric. It was like how many Code enforcement things were responded to in 120 days. That just seemed like a length of time that was chosen to make the report look better. I'm not sure most residents would say 120 days was responsive.

Ms. Mason: You know what I also think, and I don't know this. ICMA, the International City/County Managers Association, has a very robust performance measurement process. It's very intense and thorough. Some of these measures may have come off the national measurement program. You want to be able to compare jurisdiction to jurisdiction, so you try and create a barometer for consistency. That measure sounds like an ICMA measure to me. Here we may have a higher standard, within 30 days or within two weeks.

Ms. Richardson: In some cases, I think if some of that data came and you said, "We should collect it for ICMA purposes," we're collecting it for ICMA purposes and not because it's beneficial to us.

Vice Mayor Scharff: I'm not really interested in collecting data for ICMA purposes.

Ms. Mason: I think this was an early-on push. We are debating this right now. ICMA actually has a system and all those things. Your point is really well taken in that each jurisdiction has a different barometer for what's acceptable performance and different parameters in the technology we use to do things.

Council Member Kniss: Just a question about the historical perspective. The auditor has done this for how long?

Ms. Richardson: Since 2002.

Council Member Kniss: Switching to the City Manager has taken almost 15 years.

Ms. Richardson: There wasn't really discussion, I don't think, about switching it over until I came and I was talking to Jim about it. Jim feels like it's his responsibility to measure his own performance. It was something initiated many years ago by a previous auditor, and it's just stuck as a City Auditor work plan item.

Council Member Kniss: I appreciate the explanation.

Chair DuBois: I do have some concerns. If we want to switch to kind of the options for creating this stuff. You guys have gotten really good at it. Getting the hours down to 400 hours is impressive. That's not an FTE. I'm a little bit concerned that you guys have kind of got this process down, and now we're going to switch it over to OMB, which is really understaffed, and have to hire another person. I almost wonder if one of your other options was the second bullet here, producing an updated version. I think there's a mix of things here that the City Manager's Office and the department heads could be working on useful metrics. Again, we're doing this ERP redesign, and I think that's really a key part of the ERP. It should be collecting and reporting useful data. The City Manager could own that, but you could still own production of the Annual Report. Hopefully there would be alignment there, and you could do some of the things you're talking about, which is auditing that report at the same time. I'd like to hear more about really why, just in terms of time and dollars, we would want to move it.

Ms. Richardson: It's more because they're monitoring their performance rather than us just collecting data and putting it in a report.

Chair DuBois: I'm saying those are separate things.

Vice Mayor Scharff: I think we hire ...

Chair DuBois: They could monitor their performance and use the ERP versus producing this Annual Report. Those are two different things.

Ms. Mason: I think it's a good idea as we explore the ERP to see what kind of data can come from the ERP directly into Questica.

Vice Mayor Scharff: That's making it non-manual. Obviously the more non-manual the better.

Ms. Mason: It's assuming, though, that—there are certain measures that hopefully will come such as number of employees who don't pass probation. That's a sign you're not doing good recruiting. An ERP system should be able to tell you that in a year and feed that data. There's other measures that may not be as easily received.

Ms. Richardson: I know Questica has some reporting. I know it has a dashboard capability, but I also know that its reporting capabilities aren't that great. You can use third-party software, like Crystal Reports or something like that, and develop reports directly from Questica. Right now, that Performance Report, every single page, is an individual PowerPoint slide. It's not the most efficient way of producing it. I think having an automated report would make more sense.

Council Member Kniss: Has Questica been used?

Ms. Richardson: It's being used right now only for budget purposes. The departments at budget time—a few months before the budget comes forward, they put all their performance measures in there. If they want to update something, they put that in there. We're not taking the data from that to use for the Performance Report. We're still sending a spreadsheet out to the departments and saying fill this out. That's where we get the data from. There's also some timing issues, because we're doing ours. When they put their budget information in, it's really—for Fiscal Year '16 Budget, they put in Fiscal Year '15 data because that was what was available. They're putting that in about the time that we would have already completed our—right about the time we would have been completing our Performance Report.

Council Member DuBois: Can you explain—it's not clear to me that the performance metrics are necessarily tied to the budget. You talk about things like satisfaction, response time. It's clear to me that that maybe belongs to the City Manager in terms of management performance, but why the tie to the budget?

Ms. Mason: A program budget should tell you this is what suppression in the Fire Department costs and here's our data on how we're doing. When you're

reviewing the budget, you might say—the Code Enforcement example is a great one. Let's say we shared with you that we respond to Code enforcement violations within 30 days of receiving the complaint. In the budget process, you say, "That's unacceptable. We want within three business days of the complaint coming in that our citizens have been contacted." We say, "We're going to need a lot more Code enforcement officers to deliver that service." There should be a tie and a link between what you're spending, the resource investment and the results. Just like the workers' comp ...

Chair DuBois: Just as long as we're getting that. Those performance metrics are not necessarily all dollar related. I would just be worried if it was driven by OMB, and they would focus on financial metrics more than ...

Ms. Mason: They shouldn't be. They're management and budget, so they're management as well. They should be helping us look at performance. We should make sure and communicate that we communicate in terms of here's what you're investing, here's your return.

Vice Mayor Scharff: The other thing I wanted to say is I thought the metrics should tell reasonably agreed upon what the metric means. I'll give you an example. You just said that if we have a number of employees that don't meet probation, we were not necessarily recruiting correctly.

Ms. Mason: We may have a problem.

Vice Mayor Scharff: You also may have a problem if too many employees get through probation, because you may not be ...

Ms. Mason: Evaluating correctly.

Vice Mayor Scharff: Correctly and letting go—given the way Civil Service works, you actually end up with employees ...

Ms. Mason: I'd give you a different measure on that.

Vice Mayor Scharff: I'm just saying that I think it's not always that easy to know what these metrics mean. Obviously you have—if you're going to report to Council, I think some of the metrics you report to Council are clearly useful to us. Code enforcement occurred in this and that. We all have a sense of what that means. You're right tying it to resources. There should be a lot of internal ones maybe that the City Manager's performance ...

Ms. Mason: Yeah, that don't go in the budget.

Vice Mayor Scharff: That don't go in—something like that. I'm not sure—unless you said historically the pattern is, we've done all these studies, 90

percent should be the number. If you're above 90 percent, you're letting too many people through. If you're below 90 percent, you're not. I'm not sure we have the data to back up what those numbers are.

Ms. Mason: I was just giving you some that I've worked on recently. Truly, if 10 percent of your employees are not successful, you have an issue. You're not doing a good recruitment.

Vice Mayor Scharff: I wasn't really interested in the details. It was more a point that you could have metrics that don't necessarily ...

Ms. Mason: Tie to the budget.

Vice Mayor Scharff: We as Council Members, who don't have the background, may interpret them incorrectly. I see that all the time on Council. We get some data, and maybe I'm interpreting it incorrectly, but I think my fellow Council Members are interpreting it incorrectly. It's open to interpretation without anyone having any training in how you interpret that data.

Council Member Kniss: A good point. Could we come back to this for a minute? Tom, you started there. I'm reading your policy implications again. I'm wondering, as I look at this, whether or not we might start with Number 2 and morph into Number 3. Part of it is just knowing—this is one of those times when you know what's going on within the City. We know that, as you said Tom, OMB numbers are down. It may be, Harriet, that you have time to monitor this for another year. What you said is should you continue producing this until implementation of a new performance system is in place. I'm wondering if you should do this for another year and then gradually do the soft transition over to the City Manager's Office. Is that something you two could support or do you look ...

Chair DuBois: The other point I want to talk about was the move to the new ERP system, which may or may not happen in a year. I think ...

Ms. Richardson: It won't happen in a year. It's probably at least 2018.

Chair DuBois: Right. I think there's some interesting challenges there. Again, the City Manager and the department heads, you've really got to spend some time thinking about your processes and the design in the ERP. I could see a role for the auditor in that process as long as it's the right role. I think, again, the departments need to own their own metrics, but you could have a role in that. If you kept this report until that new ERP was in place, that might make more sense.

Ms. Richardson: IT is starting two tracks for planning the new system, which is part of their Phase 2. One is a strategic phase, and one is a tactical phase. The tactical phase is really looking at the requirements for each department, documenting them. The strategic phase is thinking of it more in a broader sense. Jonathan has asked for a representative from each department to participate in that. I have had discussion with him, and we are going to participate more as an adviser, so kind of the role you're talking about on that piece of it.

Chair DuBois: I actually think you should be the Council's representative in the design of the ERP, what are the metrics that should be exposed to Council and make sure they're collected.

Ms. Richardson: We've got something going with Jonathan about what our role would be for that. I'm also planning to put some items into our performance audit plan. That's ...

Vice Mayor Scharff: That's not the role of the Auditor, though.

Chair DuBois: We don't really have anybody that could represent us.

Vice Mayor Scharff: Sure, the City Manager represents us. We hire and fire him. That's his job.

Ms. Richardson: We're looking at it more ...

Chair DuBois: (crosstalk) reporting and auditing.

Ms. Richardson: We're looking at it more from an advisory role, thinking about what types of things we would look at from an audit perspective and making sure that if we see something that's going astray from what we would expect to see if we were in there auditing, that we're advising them that this is really not the way we would want to see it be done. That's really the role that we were planning to take for that piece of it.

Vice Mayor Scharff: I find this to be a really difficult discussion. You gave us four options here. There's no really report from the City Manager's Office as to what they want. I find that—this is all about—if you guys came to me and said, "We'd like to do the soft transition. That's the recommendation of the City Manager's Office." That's your recommendation. I'd be like, "That's great, and here are the mechanics to do it." If you came to us and said, "We want to do the Auditor's Office production of an updated version of the report." Liz just said transition to the soft transition in a year, because of these things. That would be very helpful too. I don't feel like I have enough information to say let's do the soft transition right now, which frankly would be my

preference, because I don't think this report is all that useful. I think you spend a lot of time on it. I'm actually wondering if you could maybe cut one of your Staff members or have them work half time on it. If you're saving 400 hours, you've gone from 2,000 hours, so we could save some on that FTE. Maybe that's not a possibility; maybe it is. I'm thinking just maybe you guys could put together and come back to us with "after talking, this is what we think the right Staff recommendation is."

Ms. Mason: We did talk. I just want to say that. We were pretty clear this is not a current year thing that could be handled. We were actually saying we would try, if the OMB could get staffed up, to implement in conjunction with the budget cycle. It really does take bringing in a consultant to work with you on best practice and ...

Chair DuBois: Which is the fourth point here.

Vice Mayor Scharff: The fourth point.

Ms. Mason: It is an effort. I do think it's going to be reflective. We can prepare a response and a joint recommendation. Some of it's going to be based on time and resources.

Council Member Kniss: It sounds a whole lot to me, just listening to the time and resources, as though, if you took Number 2 and gradually moved it into Number 3, that soft transition, without getting into all the bells and whistles of it, that would actually go reasonably well. Hearing Suzanne and what she's been saying.

Vice Mayor Scharff: I would support that.

Chair DuBois: I'm just concerned, again, 400 hours is 10 weeks versus an FTE. There's like a (crosstalk).

Ms. Mason: It was 2,000 hours. I want to share this. Harriet had the equivalent of a full-time Staff person doing this job. The other thing is what's being recommended is beyond what's being done. Right now, Harriet is just providing you data. She's taking data from the departments and putting it into a nice report and giving some commentary. What really is being recommended is that you have a vigorous system that is kept updated, that someone's working with the departments, training them on what's needed, we're going to do quarterly reporting or whatever that might look like. You really are talking about a much more rigorous effort than just collecting data.

Council Member Kniss: That's this updated version that you speak of.

Vice Mayor Scharff: Not, that's not. That's the transition to the City Manager's Office.

Ms. Richardson: That's transition, correct.

Council Member Kniss: No, that's Number 2, the Auditor's Office.

Ms. Richardson: It's really part of Number 3. Once it's transitioned over, that's what it would become, more of a management (crosstalk).

Council Member Kniss: I think we should transition it. I just think—this is about timing tonight more than anything else.

Vice Mayor Scharff: I'm good with 2 to 3 if Harriet's good with 2 to 3.

Ms. Richardson: I'm good with 2 to 3. I'm not even certain one year is enough. We need to take—I think we just sort of play it by ear (crosstalk).

Council Member Kniss: Some of us will be here in a year from now.

Ms. Richardson: We do a report this year, maybe we scale it back again.

Vice Mayor Scharff: Some of us won't.

Ms. Richardson: We scale it back maybe and take what the departments told us are the key measures this year and eliminate all the rest of that from the report. One of the things that we also need to work on, in reference to Council Member Scharff's comment about is it really meaningful, is a lot of the performance measures don't have targets in the Performance Report. Without a target, you really don't know is that good or is it bad, because we don't know what it should be.

Ms. Mason: The targets are in the budget document.

Ms. Richardson: For the ones (crosstalk).

Ms. Mason: You should be setting a target. You should also be explaining why is this measure important. That's what I've always had, why is it important to measure this.

Vice Mayor Scharff: Exactly. That was really my point.

Ms. Richardson: (crosstalk).

Ms. Mason: That has been a section that is ...

Council Member Kniss: There's some stuff that's kind of useless.

Chair DuBois: It seems really useful if you keep the report this year and you focus on improving the measures, deleting, adding things that are useful. Again, I think the criteria is it's useful to the department head, the City Manager and to the Council.

Vice Mayor Scharff: I like the idea of using the summer intern, because it's the perfect role for that.

Council Member Kniss: I know from time to time you've mentioned a dashboard, Tom. I don't quite know ...

Chair DuBois: That's kind of how I view this, as kind of a ...

Council Member Kniss: Although dashboards, as I've used them, tend to focus in one particular area so that you can really look at them. When I was at the County, we did the hospital on a dashboard. Easy to keep; very, very clear; how many patients have you got in there; what's happening to them; how many infections. It was really very determinative. I'm not quite sure how you take an entire City from A to Z and put it on a dashboard.

Ms. Mason: Some of the systems, as far as the dashboards are concerned, is I as the City Manager have a dashboard that comes off the system. I say these are my top ten measures in the City, and I want to see them monthly and the target Harriet speaks of. We set a target of less than three days to respond to a Code Enforcement violation. That's, let's say, on our dashboard. The City Manager sees two months in a row we're at 14 working days. It's showing up red, so the dashboard actually has colors on it. This is way out of range. Is it good to be more or less. You program all that into the system. I mean, this was the system I was building. Everybody has their own dashboard. Each Council Member could have their own dashboard. It pushes right out to them. That's sometimes what's referred to as a dashboard.

Chair DuBois: If you go too far, then it becomes hard to maintain. People want to use it every day. Checking that balance is tough. Again, I could see kind of starting down that path by refining this report. At some point bringing in a consultant, and then moving over to the new system.

Ms. Mason: Maybe that's also part of the future, that we actually develop a transition plan that we think would be workable and what the requirements would be, working perhaps with a consultant on what's a reasonable system, what would the requirements be, what would frequency be, where would it be housed. Then we could come back with the transition plan, because then we would be informed as to what's required.

Council Member Kniss: If we were to move from two to three, it sounds as though that could be reasonable. I would make a Motion that we incorporate the Number 2 recommendation from you Harriet and within a reasonable length of time move to the soft transition that you have suggested. I would not limit the time at this point. I think that's something that we need to ...

Chair DuBois: What about what Suzanne just said? Have them come back with a ...

Vice Mayor Scharff: I'll second that.

Chair DuBois: ... plan for how they do that transition.

Vice Mayor Scharff: I'll second that. That's fine; we could add in that ...

MOTION: Council Member Kniss moved, seconded by Vice Mayor Scharff to direct the City Auditor to implement the Staff recommendation to produce an updated version of the Annual Performance Report and, within a reasonable amount of time, move to a soft transition to the City Manager's Office and the Office of Management and Budget.

Council Member Kniss: I think I'd just like ...

Vice Mayor Scharff: I don't want to be too prescriptive on the City Manager right now.

Council Member Kniss: I'd just like to move it along at this point.

Vice Mayor Scharff: I would like to add that you come back with a plan, but you suggested that you're the City Manager's Office. I'm not going to tell you to go hire a consultant, because you may decide you don't need a consultant or you may decide you need a consultant. That's up to you guys.

Ms. Mason: It depends on how rigorous we want this. That's really, honestly—Walter had a plan. I remember before he left, we all met. It definitely was to transition to Questica, to go out and have the departments evaluate the data. It wasn't about is this the right measure for Code enforcement. Sometimes a consultant will help you say what are really the best practice measures, what would you recommend. Really it's about transitioning everything to Questica, bringing the measures down to what's meaningful for us. That might not need a consultant.

Council Member Kniss: We've got a Motion.

Vice Mayor Scharff: I seconded it.

Council Member Kniss: I think you all can work with that. Am I right? I'm thinking how many people we're talking have been gone. We're talking about Walter's gone. Pretty soon we're going to be talking about you're gone, Suzanne.

Ms. Mason: I know; it's a crazy opportunity.

Chair DuBois: Can you repeat that Motion?

Council Member Kniss: My Motion is based on Harriet's options for discussion. Take Number 2; I won't attempt to condense it other than to say that you do the updated version and you move at some pace, not to be determined by us tonight but at some pace, to the soft transition to the City Manager's Office to the OMB.

Chair DuBois: Can we add they will come back to us at some point with a ...

Council Member Kniss: Whenever.

Chair DuBois: ... plan for how they're going to do that?

Council Member Kniss: What's a reasonable amount of time for you to come back with that again? Do you need six months?

Ms. Mason: I think definitely six months. I also think in conjunction with planning ...

Council Member Kniss: More than six months?

Ms. Mason: Actually six months would be good. In conjunction with next year's budget process, as we plan the budget, there may be a step ...

Vice Mayor Scharff: You've got to (crosstalk).

Ms. Richardson: I'd also like to know if David thinks that's reasonable, because he knows the (inaudible) of OMB right now.

David Ramberg, Assistant Director of Administrative Services: David Ramberg, Assistant Director of Administrative Services. I did talk with Lalo ahead of time. At a high level, Administrative Services Department (ASD) is very much on board with whatever plan you guys decide on doing. The soft plan idea is fine. The main concern has already been articulated. You guys know well OMB is very thin on Staff right now. Our primary objective is bringing in the new Staff, getting them trained up and then really focusing on what Finance Committee and Council needs us to focus on, which is getting the budget fixed in 2018. That'll be kind of the primary focus over the next

budget months. Six months, going into next year, the six month idea of coming back with a plan probably sounds about right. We can probably do something. That would be right around yearend, so it might be a busy time with Finance Committee and other things like that. We might need a little room on that.

Chair DuBois: Whatever. I'd just like to hear what the plan is.

Council Member Kniss: What do you think, David? Come back within 6-9 months?

Mr. Ramberg: Yeah, 6-9 months would be a little bit more flexible and probably be more workable. January, we'll have a little bit more breathing room, and we can probably just ...

Council Member Kniss: Let's incorporate that into the motion then.

Mr. Ramberg: Thank you.

INCORPORATED INTO THE MOTION WITH THE CONSENT OF THE MAKER AND SECONDER to replace in the Motion, "within a reasonable amount of time, move to a soft transition to the City Manager's Office and the Office of Management and Budget" with "and to return to the Policy and Services Committee in 6-9 months with a plan outlining the soft transition to the City Manager's Office and the Office of Management and Budget."

MOTION AS AMENDED RESTATED: Council Member Kniss moved, seconded by Vice Mayor Scharff to direct the City Auditor to implement the Staff recommendation to produce an updated version of the Annual Performance Report and to return to the Policy and Services Committee in 6-9 months with a plan outlining the soft transition to the City Manager's Office and the Office of Management and Budget.

Chair DuBois: This doesn't need to be in the Motion. I've heard said a couple of times and I just want to be clear that this isn't just an exercise in deleting unneeded metrics. It's really figure out what are the right metrics. You may be adding metrics, right?

Ms. Richardson: That would be something we'd spell out in the plan, what ...

Vice Mayor Scharff: Part of the transition—what I heard, which seems important to me, is that the Auditor's Office becomes an auditor here and not the collector of information. You go validate the data. Right now your Office has the imprimatur as if you've validated this data. You're producing the

report, and you haven't. I much prefer the City Manager produces it, you audit. (crosstalk).

Ms. Richardson: I knew there was some perception that we had more of a role than what we've had.

Chair DuBois: Can you just talk a little bit, how did you go from 2,000 hours to 400 hours.

Council Member Kniss: Wait a minute. I think he's a consultant, and maybe he's looking for your tricks.

Chair DuBois: I'm a little concerned (crosstalk) one person (crosstalk) auditing (crosstalk).

Ms. Richardson: It was really taking a lot of inefficiencies out of the process. If you look at the Report from a couple of years ago and look at this one, we've reduced the pages by quite a bit. We've reduced the number of graphics. If you look at the one prior to 2014, it was very, very heavy in graphics. A former Council Member referred to it as graphics gone wild. There were a lot of pictures in there, and they were actually—it wasn't just put a picture. It was cut out the outline of the fire engine and put it in there. There were a lot of inefficiencies in the process. I've eliminated those.

Council Member Kniss: Some of this was just smart editing, right?

Ms. Richardson: Yes.

Vice Mayor Scharff: It was good management by Harriet. Why don't we say that?

Ms. Richardson: Thank you.

Chair DuBois: The only concern would be if we now have two groups doing it, that it would take a lot more time again.

Ms. Richardson: I think once the process is down and if we can get it automated, then it's just going to be a routine kind of thing. Right now, it's just been a very manual process. People might think that's automated, but we start off with spreadsheets. We move into PowerPoint. That's not efficient either. By eliminating some of that data that we're collecting, that doesn't necessarily need to be in there. One of the things, we do have a lot of financial data in there. Financial data's also available on the Comprehensive Annual Financial Report (CAFR). Do we need to put it in there too? It's really kind of a question of how much should be really in here. I think if we focus it really on just the performance aspects—some of that financial data we need to

calculate some of the performance aspects. Do we need to put it all in there also?

Ms. Mason: I just want to add that in many cities, the performance information is part of the Budget as we're talking about. That actually is your Performance Report. If you want a pretty, glossy Performance Report, that's a different deal. It could become just part of our annual budget reporting process.

Chair DuBois: Our budget's not long enough; we should add another section. Should we vote on this Motion? All in favor. Thank you that was a very useful discussion. I think it will be good to get a (inaudible) report.

MOTION AS AMENDED PASSED: 3-0 Berman absent