USING A MODEL MUNICIPAL PERFORMANCE MEASUREMENT SYSTEM TO ASSESS MID-SIZE TEXAS CITIES' SYSTEMS

Micah Grau

An Applied Research Project
(Political Science 5397)
Submitted to the Department of Political Science
Texas State University
In Partial Fulfillment for the Requirement for the Degree of
Masters of Public Administration

Fall 2008

Faculty Approval:

_____

Dr. Patricia M. Shields

_____

Dr. Diane Rahm

_____

Mrs. Nancy Warren, M.A

Using a Model Municipal Performance Measurement System to Assess Mid-size Texas Cities' Systems

By

Micah Grau

Abstract

Performance measures provide municipalities the opportunity to improve public accountability, build public trust, and make more informed decisions. While literature on the topic of performance measurement abounds, little work has been done to formulate the elements of a model municipal performance measurement system.

The purpose of this research is threefold. First, using available literature, elements of an ideal municipal performance measurement system are identified. Second, the model is used to gauge mid-size Texas cities use of performance measures. Finally, recommendations for improving mid-size Texas cities' performance measurement systems are presented.

Empirical research is conducted using content analysis of Fiscal Year 2008 Budget documents to determine, to what extent, these twenty-three Texas cities follow the municipal performance measurement system model when developing annual budgets. A survey is distributed to city managers of the studied cities to gauge how close each city, as a whole, meets the ideal model.

Overall, the research indicates mid-size Texas cities meet the model municipal performance measurement system under the performance culture, the developing performance measurement systems, and the application of performance measures categories. Less support, however, exists for the benchmarking and reporting elements of the model.

About the Author

Micah Grau works as a Budget and Special Projects Coordinator for the City of Hutto, Texas where one of his responsibilities includes collecting, analyzing, and disseminating performance information. Prior to working for the City of Hutto, he served as a City Manager's Office Intern for the City of Kerrville, Texas. He received his undergraduate degree in Political Science from Texas A&M University in 2005, and is a recipient of the 2007 Clarence E. Ridley Scholarship from the Texas City Managers Association (TCMA). He is active in the Texas City Managers Association (TCMA) and Government Finance Officers Association of Texas (GFOAT). Micah Grau can be reached by e-mail at micahgrau@gmail.com.

TABLE OF CONTENTS

TABLES AND FIGURES

APPENDICES

Chapter 1: Introduction

The City of Anytown, Texas, is facing a budget shortfall this year of $2 million. Rising fuel and other operational costs have placed increased financial restraints on a stagnant tax base. New growth has slowed to a standstill. Resident's expectations for service, however, continue to rise. To make matters worse, citizens' trust of the local government is at an all time low because of unfavorable press coverage about the City. City officials were accused of misusing public resources and corruption. The allegations were ultimately proven false, but the public continues to distrust city officials as negative media coverage abounds. The positives of the community have gone unreported.

The City adopted a strategic plan three years ago, but most citizens in the community are unaware it exists. City officials are unable to gauge their progress in meeting strategic goals because a system to measure progress toward these goals has not been developed. Despite the budget shortfall and needed infrastructure repairs, programs benefiting very few continue to receive funding because of a small but vocal group's persistent support. Elected officials fear the scrutiny that would follow if these programs' funding was reduced. Elected officials lack data needed to make funding decisions consistent with city priorities.

Turnover and absenteeism have become an issue in many departments because city employees are disheartened by the lack of community support. Both result in decreased productivity. Political instability and negative perceptions about the community have made recruiting qualified employees more difficult.

Sound familiar? The challenges facing Anytown, Texas are similar to those faced by a number of cities in Texas and across the country. Many government officials face citizens that expect more services and demand lower taxes (Gaebler and Osborne 1992). State and federal

mandates have placed increased demands on local governments without providing the means to accomplish the tasks. While citizens expect more, resources remain fixed forcing government to do less with more and reallocate resources. This economic problem of resource scarcity is commonly faced by city leaders.

Performance Measurement

One way cities can better manage the resource allocation process, gain back public confidence, and work towards improved efficiency and effectiveness is through the use of performance measures. Performance measurement is a management tool that can be widely applied to an organization to improve strategic planning, budgeting, contracting, evaluating employees, and more (Behn 2002, 5; Hatry 2006, 31). Performance measures can help an organization assess how resources are utilized to produce goods or services. Because measures reflect how well an organization is delivering services that meet goals and objectives, performance measures are closely connected with planning, goal setting, and budget processes.[1]

Performance measures exist in both the private and public setting. Unlike private businesses where results are measured through profits, assessing results in the governmental sector can be more difficult (Ammons 1995, 33). The Governmental Accounting Standards Board (GASB) notes the difference in performance measurement between governmental and for-profit corporations (Epstein et al. 2005, 2).

> Government performance measures differ from those of private-sector, for-profit businesses because the purpose of a government is quite different from that of a business. The primary purpose of a for-profit business is generally recognized as being to increase the wealth of its owners, and its primary focus as being on generating a return on investment. Although social and environmental concerns matter, they are not considered to be the primary purpose or goal of for-profit organizations.

---

[1] See for example Berman 2007, 59; Hatry 2006, 312.

For governments, the primary purpose is to provide services and to make and enforce laws and policies that enhance or maintain the well-being of their citizens. In doing so they provide services that generally would not be provided by the private sector at the quantity, quality, and price considered appropriate by public policy; address circumstances in which markets are not sufficiently competitive and efficient; and deal with instances when the cost of a good or service is not exclusively borne by the producer, or when the benefit of a good or service is not exclusively enjoyed by the purchaser or recipient of the good or service (Epstein et al. 2005, 2).

Emergence of Performance Measurement in the Public Sector

Throughout the second half of the twentieth century, the United States government has undergone intense reform (Light 2006). The rapid ascension of the United States as an economic and worldwide leader has resulted in mounting governmental spending and increased levels of governmental involvement in the daily lives of citizens. Increased governmental spending, a better educated electorate, and government scandals such as Watergate, has led to "heightened public distrust toward government" (Light 2006, 6).

Governments are responding to public distrust by becoming more transparent and accountable to citizens. Organizations can improve accountability by incorporating performance measures into strategic planning, budgeting, and decision-making processes.[2] Public accountability can improve through performance measurement integration because efficient and effective use of tax dollars can be demonstrated and recorded (Ammons ed. 1995, 16).

Government reform in the 1990s was a result of the mounting public distrust and perceptions of government waste. Ted Gaebler and David Osborne's (1992) *Reinventing Government* criticized traditional bureaucratic operations and ignited a firestorm of reform beginning at the federal level. Their book urged new ways of thinking in order to create a more efficient and effective government. The Clinton Administration quickly embraced the idea by

---

[2] See for example Ammons ed. 1995, 1; Poister and Streib 1999.

passing the Government Performance Results Act of 1993, which formalized and reformed performance measures at the federal level to demonstrate fiscal stewardship and improve program efficiency and effectiveness in hopes of increasing public confidence (Bingham and Felbinger 2002, 45). Government has become increasingly focused on customers as it has shifted from a rule-based role to one of results (Kamensky 1993, 396; Hatry 2006, 3). Progressive management forms such as Total Quality Management, Performance-based Management, Management by Objectives, and Managing for Results have developed as a result of the post bureaucratic movement and new public management philosophies that shift government's focus towards customers. All have relied on performance measurement for making better informed decisions.

State governments, including the State of Texas, soon followed the federal lead by integrating performance measurement in their strategic planning and budgeting processes (Este 2007, 21). The idea of measuring performance, however, was not new to local government as municipalities were some of the first governmental entities to develop performance measures (Este 2007, 33). Clarence Ridley and Herbert Simon (1938, 21) began advocating the use of performance measurement in the late 1930s as a way to assess not only how much work was done but also how well and to what effect. As Ridley (1937, 112) stated, "the community must be convinced at every step that the governmental program is worthy of support." Local governments have the responsibility "to report not only how much they spend, but also how much work they do, how well they do it, how efficiently, and, ideally, what their actions achieve" (Ammons 1995, 37).

Research Purpose

Many local governments still struggle to develop sound performance measurement systems. Deciding what and how to measure is a challenge faced by many organizations. Previous studies of municipal performance measurement systems have determined that performance measures are frequently used as part of a city's budget process.[3] A study by Poister and Streib (1999, 328) found that performance measures are more often used in cities with populations exceeding 250,000. David Ammons (1995) studied ninety-seven cities throughout the United States and found that performance measures are predominantly used in budgeting but the majority of cities studied lack sound performance measurement systems. According to Behn (2002, 7), most managers claim to use performance measures but not enough to "produce real improvements." Kinney and Riggini (2008, 15) acknowledge that more governments are measuring performance. A study conducted by the Government Finance Officers Association (GFOA) revealed many municipal public servants now consider performance measurement "an expected part of a manager's job" (Kinney and Riggini 2008, 15).

While much has been written on the topic of municipal performance measurement, little has been done to formalize a set of criteria for municipalities to follow when establishing a performance measurement system. Behn (2007, 8) cautions that developing a municipal performance measurement model is difficult as each city operates under different conditions and circumstances. Existing literature, however, provides recurring elements that should be included in each municipality's performance measurement system. Through a review of performance measurement literature, the following criteria are consistently noted by scholars and practitioners as essential for creating a sound municipal performance measurement system.

---

[3] See for example Ammons 1995; Usher and Cornia 1981; Poister and Streib1999; Kinney and Riggini 2008.

1. **Performance Culture** - Develop a sustainable performance-based culture through leadership support and employee buy-in.

2. **Developing Performance Measurement Systems** - Develop a mix of reliable and valid performance measures that are linked to strategic goals and positively influence behavior.

3. **Application of Performance Measures** - Apply performance measures to the strategic planning and budgeting process to improve operational effectiveness and efficiency, and to demonstrate public accountability.

4. **Benchmarking** - Benchmark performance data with local and national standards. Monitor trends to analyze performance and determine whether services or improving or slipping.

5. **Reporting** - Report performance consistently and timely. Knowing the report's audience is also important as managers need information to improve services while citizens want to know the overall performance of the city and how it compares to others.

The purpose of this research is threefold. First, the research identifies the elements of an ideal municipal performance measurement system based on the available literature. Second, the research uses the practical ideal model[4] to gauge the degree to which mid-size Texas cities meet the ideal model in their use of performance measures through a content analysis of mid-size Texas cities' Fiscal Year 2008 Budget documents and a survey of mid-size Texas cities' city managers. Finally, recommendations for improving mid-size Texas cities' performance measurement systems are presented.

---

[4] Practical ideal model research gauges how close a process/policy is to a standard (Shields and Tajalli 2006, 318; Shields 1998, 203).

Developing a model municipal performance measurement system can help municipalities better apply performance management to improve budgeting practices and operations. This research uses a practical ideal type conceptual framework to identify the components of a successful municipal performance measurement system. Practical ideal type research asks "what should" instead of simply "what" as it compares the practiced process to the ideal (Shields and Tajalli 2006, 324).

Chapter Summaries

Chapter two details the development of performance measurement in municipalities. A model municipal performance measurement system is developed through detection of recurring elements identified in related literature. Chapter three discusses the methodology used to conduct the research including a content analysis of mid-size Texas cities Fiscal Year 2008 Budget documents and survey of mid-size Texas cities' city managers. Chapter four presents the results of the research methodologies. Chapter five provides recommendations for improving municipal performance measurement systems and opportunities for future research.

Chapter 2: Model Municipal Performance Measurement System

Chapter Purpose

The purpose of this chapter is to identify the elements of an ideal municipal performance measurement system based on a review of related literature. Included is a brief historical look at the development of performance measures, as well as an examination of their importance in the public sector. Finally, this chapter identifies the components of an ideal municipal performance measurement system which includes organizational culture, measure development, benchmarks, and performance reports.

Performance Measures in the Public Sector[5]

Prudent fiscal stewardship through effective yet efficient management of resources and programs should be the aim of every public administrator. One way public administrators, specifically city officials, can improve fiscal stewardship and efficiency is through the use of performance measures. Measuring performance is not a new concept. The private sector has long used performance measurement as a way to maximize efficiency and output in seeking their number one measure, profit. Municipalities, however, are not profit driven like private corporations, so other criteria must be used to assess governmental performance (Ridley and Simon 1938, 20). Clarence Ridley and Herbert Simon (1938, 21) began advocating the use of performance measurement in the late 1930s as a way to assess not only how much work was done but also how well and to what effect. As Ridley (1937, 112) stated, "the community must be convinced at every step that the governmental program is worthy of support." Performance measures can be used to gain communal support.

---

[5] For other Texas State Applied Research Projects dealing with municipal budgeting or performance measurement, see Este 2007; Garcia 1999; Gray 1998; Piatt 1998; Romero 2004; Wilson 2001.

Renewed interest in performance measurement in the last few decades is a result of pushes to privatize and control spending, external pressure from elected officials and citizens for more accountability, and changes in managerial practices following the post bureaucratic movement.[6] Heightened awareness of customer service has encouraged government to shift its role from regulation to results (Kamensky 1993, 396). Measuring performance has required a paradigm shift in the thought, behavior, and attitude of public officials.

In 1992, David Osborne and Ted Gaebler published *Reinventing Government* in which they advocated the shift in public sector behavior and the use of performance measurement so governments could increase accountability and responsiveness. David Ammons (1999, 107) demonstrates the attitude shift by stating that performance measurement is more than the glass is half full or half empty; instead, the "glass is twice the size that is needed, given the quantity of liquid."

Former Vice President Al Gore piloted the shift at the federal level with a comprehensive National Performance Review and the adoption of the Government Performance and Results Act of 1993 (Poister and Streib 1999, 326). The state of Texas soon followed by adopting performance-based budgeting in the early 1990s (Este 2007, 21). The idea of measuring performance, however, was not new as municipal governments were some of the first governmental entities to develop performance measures (Este 2007, 33). Local governments have the responsibility "to report not only how much they spend, but also how much work they do, how well they do it, how efficiently, and, ideally, what their actions achieve" (Ammons 1995, 37).

---

[6] See for example Poister and Streib 1999; Este 2007; Kamensky 1993; Light 2006; Wang and Gianakis 1999.

Many professional organizations have thrown their clout in support of performance measurement. The American Society for Public Administration (ASPA), Governmental Finance Officers Association (GFOA), Governmental Accounting Standards Board (GASB), International City/County Managers Association (ICMA), and National Academy of Public Administration (NAPA) have adopted performance measures as a "best practice" approach for public administrators (Ammons ed. 1995, 2; Ammons 1995, 37). This emphasis by professional organizations has caused public officials to closely examine the benefits of measuring performance within their own organizations. Unfortunately, Robert Behn (2002, 7) fears performance measurement currently exists "more in rhetoric than reality."

Why Measuring Performance is Important

How does one know if someone is doing their job? David Ammons (ed. 1995, 18) notes "unless you are keeping score, it is difficult to know whether you are winning or losing." Ammons (ed. 1995, 158) furthers his support of measuring performance by stating "performance measures do not simply describe what has happened; they influence what will happen, as they provide information for decision makers." Similarly, Wilson (2001, 3) remarks that "you can't manage what you can't measure" and "what gets measured gets done."[7] Performance measures serve a variety of purposes as they help increase accountability, build public trust, aid in planning and budgeting, and often lead to increased efficiency. Hatry (2006, 7) notes that any agency that delivers services to the public "should be intensely concerned with the quality, outcomes, and efficiency of those services and should measure performance."

Performance measurement may be defined as an active process of measuring inputs and outputs. Management can then use the collected information to analyze the organization's

---

[7] See also Gaebler and Osborne 1992, 146.

efficiency and effectiveness in attaining desired results. Stephen Este (2007, 27) defines

performance measurement as "a systematic process of monitoring the results of activities,

collecting and analyzing performance information to track progress toward desired outcomes,

using performance information to inform program decision-making and resource allocation and

communicating results achieved or not achieved." As Evan Berman (2007, 58) notes,

"performance measurement provides a real-time assessment of what a program or policy is

doing, what resources it is using, and what it has accomplished." Through the act of measuring

performance, the effect of "performance in accomplishing its objective" can be readily measured

and analyzed for efficiency and desired outcomes to observe if the performance results in "the

attainment of an objective" (Ridley and Simon 1938, 21). Measuring and reporting

accomplishments of activities enables municipalities to demonstrate responsible use of public

resources. Use of performance measures increases the transparency of governmental actions,

holding public officials accountable to citizens.

Using Performance Measures to Increase Accountability

"The purpose of…performance measures is accountability" (Wang and Gianakis 1999,

538). Elected officials and citizens want to know how public resources are being used and to

what end (Wang and Gianakis 1999). Performance measurement is a key factor in what

Halachmi (2007, 47) calls "new public management." A study by Poister and Streib (1999)

found that performance measures are used more often with the council-manager form of

government than with the mayor-council form (328). In the council-manager form of

government, elected officials rely on a hired professional to manage the city's daily operations

instead of playing an active role themselves.   Professional managers must be accountable to

citizens, elected officials, and the business community to demonstrate not only how public tax

18

money is spent (Poister and Streib 1999, 328) but also how well it is used to deliver quality services (Hatry 1980, 312).

Performance measurement is "at the core of developing public accountability" (Este 2007, 16). Through performance measures, citizens are made aware of how public resources are used by public officials. "Public officials must be able to better ensure…citizens that the government can effectively account for where their tax dollars go and how they are used" (Grifel 1993, 403). Performance measures create a mechanism for the public to review governmental activities. Public officials are far more likely to practice fiscal stewardship and responsible management if the public can easily scrutinize their efforts. Measuring performance can also keep staff accountable, because measures can help establish clear performance expectations and motivate employees (Este 2007, 37; Ammons ed. 1995, 158). This premise was demonstrated in the Hawthorne Lighting Experiment in which experimenters tested if lighting had an effect on performance. Researchers instead found that performance was improved by oversight (Roethlisberger and Dickson 1939). Performance measures provide a level of oversight as expectations are made clear to employees and a method to measure their progress is established.

On the contrary, Halachmi (2007, 44) argues increasing accountability can have a negative effect on production. Applying resources (time, staff, money, etc.) to oversight takes away from production. The benefits of accountability (better service, programs, or products) can usually justify the cost. Each organization should examine the costs and weigh the advantages to determine the benefit.

Using Performance Measures to Build Public Trust

Robert Behn (2007, 36) notes that most citizens do not care about the day-to-day activities of a city's operations, instead they care about results. Public officials can earn the trust

of citizens by demonstrating "a good return of services provided for tax dollars received" (Ammons ed. 1995, 16). Such a display of openness builds citizens' trust in government by providing information and a fair assessment of service levels. More importantly, performance measures enable an organization to "tell its story" about how it has met challenges and evolved over time (Este 2007, 30), something most municipalities struggle to do. To gain public confidence, cities must be willing to promote themselves and their accomplishments. Performance measures help "improve communication among managers, elected officials, and citizens" as performance statistics offer cities both the means and information to update citizens and elected officials (Wang and Gianakis 1999, 539).

Cities must play an active role in publishing information as the media generally seeks out and reports only poor performance (Este 2007, 29). Success stories often go untold because cities fail to measure and promote their accomplishments. Citizens can take pride in the fact that their city has the lowest crime rate compared to other similar cities, but if this information is never publicly relayed, how are they to know? A city might have one of the highest rated park systems in the area. Unfortunately, citizens may never know this unless performance measures are used, benchmarked, and reported.

Using Performance Measures in Strategic Planning and Budgeting

Critics of performance measurement argue that measuring focuses too much on past information (Halachmi 2007, 44). Past data, however, enables city officials to establish trends and make projections into the future (Hatry 2006, 9). In this capacity, performance measurement fills a fundamental role in strategic planning and budgeting. When used as part of the strategic planning process, performance measures help define strategic priorities, align strategic goals, and act as a barometer to measure changes in service delivery (Tigue and Greene 1994, 2). Kinney

20

and Riggini (2008, 15) assert that "unless measures are tied to strategic planning, performance measurement is likely to be useless." Performance measures reflect a "city's progress towards achieving its strategic goals and objectives" (Opie 2008, 42). Without strategic goals, how would a city know what to measure or determine if it is progressing? For this reason, performance measures and strategic goals should go hand in hand (Hurst 1980, 44).

"As a budgeting tool, a measure helps an agency outline its service objectives, identify funding alternatives, establish funding priorities, and service funding levels" (Wang and Gianakis 1999, 539). The Government Finance Officers Association (GFOA) urges municipalities to use performance measures to "assess accomplishments on an organization-wide basis" (GFOA 2007). Performance measures, used in strategic planning, carry over to the resource allocation process as "what if" scenarios can be evaluated and their impact on future services considered. If a particular budget request is not funded, performance measures give practitioners the ability to predict what the effect will be in future years based on current performance and trends.

Through the budget process, performance can be linked to the amount of resources allocated (Tigue and Green 1994, 2; Wang 2002, 35). Managers can demonstrate resource needs and let elected officials make service level decisions based on the available resources and strategic priorities. Using performance information in this manner helps policymakers remain focused at a higher, decision-making level by showing the required resources to provide the desired level of service (Grifel 1993, 405). Sunnyvale, California, for example, measures the cost of providing programs and lets the City Council determine what level of service to provide given the resources (Gaebler and Osborne 1992, 143). Performance measurement is a practical

tool that enables financial managers to identify options and helps policy makers choose the right course of action (Ridley and Simon 1938, 20).

Budget discussions with policymakers should not focus on whether an additional street maintenance worker is needed. Instead, the data will reflect that the department is unable to meet service delivery targets established through policy by the elected officials as additional resources are needed. For example, a city council may set a policy objective of filling every reported pothole within twenty-four hours. Current available resources may make this goal impossible because the number of potholes far exceeds the amount of staff available for pothole repairs. A department can justify additional resource needs through the use of performance measures by demonstrating efficient and effective use of current resources. Doing so forces elected officials to decide whether or not to provide additional resources to meet the service level goal or amend it. Either way, the burden of meeting the target goal has been removed from the department and placed on the policymakers. Rather than question staff regarding inefficiencies and inabilities to meet goals, the policymakers are fully aware of the circumstances surrounding potholes.

Utilizing performance measures in the budget process is not a new concept. Performance measurement has been a basis of popular budgeting methods for the last half century. Program Planning Budgeting (PBB), Zero-Based Budgeting (ZBB), and Budgeting for Results have all included performance measurement as a basis for resource allocation. While many of these budgeting methods have come and gone, the use of performance measurement remains. Continued support for funding is justified through performance measures (Grifel 1993, 404).

Using Performance Measures for Operational Improvement

Kamensky (1993, 398) disagrees with using performance measures as a budgeting tool as he feels they should only be used in management decisions to "improve or sustain organizational performance." Authors agree that performance measures are a good management tool.[8] Tigue and Green (1994, 7) believe that "at a minimum, collecting and reporting performance data raises the quality of the debate on programs and services." Tigue and Green's (1994) statement is true as information is necessary to discuss how well a service is delivered and how it can be improved (Hatry 1980, 312). The results of measuring a service may reveal obvious enhancements that can be made to better the overall efficiency and effectiveness of a service even when no problem was thought to exist.

In a survey conducted by Poister and Streib (1999, 328), performance measures were found to be used the most by municipalities to make better management decisions. The survey also revealed that city managers were the primary audience of performance reports (Poister and Streib 1999, 328). City managers can use performance data to make better decisions that improve the delivery of programs and services. Non-performing programs can be altered to increase performance or cut altogether to prevent waste of resources. Without performance measures, this analysis would not be possible.

Elements of an Ideal Performance Measurement System

Creating a successful performance measurement system is no small or easy task. It requires commitment, time, patience, and financial resources. As Robert Behn (2007, 8) notes, "there is no correct, prescribed, [or] fixed 'model'…that a city must methodically follow." Each city presents unique circumstances and opportunities. What works for one city may not be

---

[8] See for example Grifel 1993; Tigue and Green 1994; Kamensky 1993.

applicable or meaningful to another. Nevertheless, successful performance measurement

systems contain a few essential elements. First, a city must create a performance measurement

culture in which all levels of the organization believe in and understand the benefits of

measuring performance. Employees should be committed to the endeavor. Second,

development of the performance measurement system should include a clear understanding of

what and how to measure. Third, cities must apply performance measurement to the strategic

planning and budgeting processes to align measures with goals. Fourth, cities must benchmark

and target their measures to encourage optimal performance and maximize the benefit of

performance measurement. The fifth and last key element of an ideal performance measurement

system is reporting. Cities should report the results of performance so the information can be

used in decision-making and the public's trust in the local government increased.

Performance Culture

Performance measurement requires buy-in at all levels of the organization. The

Government Finance Officers Association recognizes that "establishing a receptive climate for

performance measurement" is crucial to a program's success (GFOA 2007). While managers

use the information to make decisions, line personnel should also buy into performance

measurement to encourage accurate and systematic data collection. The National Academy of

Public Administration (NAPA) recommends gathering support for goal setting and monitoring

performance results at all levels including policymakers, staff, and citizens (Ammons ed. 1995,

2). Generating public interest in performance measurement should force managers and

policymakers to place greater emphasis on developing a sound performance measurement system

(Ammons 1995, 43).

Developing a performance-based culture is difficult as employees may feel threatened by change and perceive performance measurement as someone looking over their shoulder. Employees often find evaluation of their effectiveness and efficiency threatening, even when their employment status is not in question (Ammons ed. 1995, 41). Measuring performance threatens the status quo as new methods and ideas are evaluated for improved service delivery (Ammons ed. 1995, 15). In established organizations, veteran employees may have done the same thing every day for the last twenty years. Employees have seen management fads come and go throughout the years and believe performance measurement will be yet another movement that too will pass (Behn 2007, 9). Understanding these excuses and tendencies can help city administrators overcome resistance to measuring performance.

Overcoming resistance to reform is essential for success. Active resistors say "it won't work" while going through the motions but never truly embracing the ideas of performance measurement (Behn 2007, 11-12). Resistors do the minimum to supply information, but do less to encourage a performance mentality amongst coworkers. Robert Behn (2007, 34), writing about Baltimore's Citistat Performance Strategy, observes that department directors who failed to participate in the Citistat program were quickly removed. Swiftly ending any threat to performance measurement is imperative. Threats may be remedied through continued training of resistant staff and through persistent reliance on data to demonstrate its importance in decision-making.

From a practical standpoint, critics argue that performance measurement has limited validity because measures lack sufficient checks and balances (Behn 2002, 8). Managers may falsify information or construct easily accomplished measures (Wilson 2001, 24). From a political viewpoint, critics argue measures do not serve a purpose (Behn 2002, 8). Without

political support, managers and staff will devote little time to developing a system. From a managerial viewpoint, critics argue measuring performance is too difficult and the cost of measuring outweighs the benefit (Behn 2002, 8). From the psychological perspective of employees, critics argue that measuring performance creates fear and requires a complete paradigm shift (Behn 2002, 8). Some employees think that "accountability means punishment" and that they will be held responsible and possibly fired if they do not perform well enough (Behn 2002, 12). Each of these previously mentioned fears and excuses can be calmed through the establishment of a sound performance measurement system that includes all of the practical ideal elements.

Leadership

"Unless measures are something more than decorations for the budget…any enthusiasm for measurement will quickly lose its luster" (Ammons 1999, 107). Simply putting measures in a budget document is not enough to build a performance culture. Active and energetic leadership is required to develop a performance culture that relies on accurate information to make decisions.[9] Performance measurement must be demonstrated, reinforced, and used. Stubborn reliance on performance data for decision-making will signal that performance measurement is not just another management fad. A city manager's actions can help morph organizational culture into one that relies on performance data for decision-making. "Leaders set expectations and show how performance measurement is an important and consequential management tool" (Berman 2007, 70). Securing managerial commitment is the number one step identified by David Ammons (ed. 1995, 30) in developing a successful performance measurement system. Employees must be convinced that the latest management initiative will last (Behn 2007, 18).

---

[9] See Ammons ed. 1995; Behn 2002, 19; Behn 2007, 9; Berman 2007; Grifel 1993, 406; Kinney and Riggini 2008, 15; Morrill 2008; Opie 2008, 44.

Carolyn Heinrich (1999) asserts establishing a performance culture must be a bottom-up approach. While the push may come from within the organization, successfully sustained performance measurement requires a strong commitment from leadership to instill and nurture a performance culture mentality. Hatry (2006) notes that leadership support is needed to devote the time and resources required to measure performance and that leadership must actively use the data obtained. Departments within a city may utilize performance measurement with limited success, but maximizing performance measurement's potential requires support from the entire organization (Hatry 2006). For example, finance is needed for pecuniary information; the technology department is needed for data processing and survey processing, etc. (Hatry 2006).

Line employees caught up in daily city operations will continue to operate as in the past unless a great deal of energy is used to create an organizational-wide paradigm shift. Just as top management must be committed to the endeavor, supervisors must also demonstrate the importance and benefit of performance measurement to line employees. Otherwise, front-line staff will fail to understand their important role in measuring performance. They will instead focus on completing their daily tasks, just as they have in the past. Without communicating the significance of performance measurement to all levels of the organization, the effort will fail to reach its full potential (Behn 2007, 36).

A performance culture requires leaders to establish targets, monitor results, analyze failures, and reward successes (Behn 2007, 9). Employees determine the importance of new initiatives by the devotion of leadership to the program. When leaders commit resources to measuring performance, they demonstrate its importance to employees (Behn 2007, 19). A city manager's or mayor's involvement from the start of the process exhibits its importance and attracts others to the process. Conversely, Behn (2007, 19) notes that delegating performance

measurement to someone lower in the organization quickly sends a message to employees that performance measurement is not a high priority. Leadership should actively use performance measures in the decision-making process, proving to employees the information they collect is relevant, useful, and worthwhile (Ammons ed. 1995, 12; Theurer 1998, 22). Staff "must be assured of management's commitment to [measuring performance] and convinced of management's resolve to use performance measurement to improve, rather than to drain resources from, services to the public" (Ammons ed. 1995, 29).

Successfully introducing performance measures to the organization is a precursor to its success. As previously mentioned, performance measurement can be scary for employees who fear termination because of their performance. Performance measures should not be used to punish employees because it will turn them away from the concept (Theurer 1998, 23). Employees should be shown that performance management is a tool that the organization can use to improve. Most employees want to be accountable and provide outstanding service. Civic-minded individuals often join the ranks of public servants because of a desire to help others (Saint-Germain 1995, 508).[10] Leadership can capitalize on this mindset by demonstrating how performance measures help employees increase accountability, improve delivery of services, and raise the public's perception towards government.

Emphasis should be placed on the fact that performance measurement is merely a tool for improving the delivery and management of services. Este (2007, 47) notes "when systems are presented as a positive step toward working smarter, they are generally going to be better received." Introducing the organization to other cities utilizing performance measurement may

---

[10] Gaebler and Osborne (1992, 161) note governmental managers sought governmental jobs because they want to have a "positive impact on their community." Performance measurement training should build on this principle and demonstrate the benefit to the community.

be an effective way to motivate employees to adopt performance measurement. This "best practices" approach can be very motivating as the possibilities of measuring performance are unveiled and employees are able to connect the dots of how performance measures can be used to make improvements in their own departments and justify future budget requests.

Empower Employees

Involving employees in establishing the performance measurement system from the start is a positive way of developing a performance culture. Empowering employees who may otherwise actively resist the culture shift creates a sense of responsibility. Employees are less likely to let an initiative fail when their name is associated. A psychological study by Richard Miller et al. (1975) on the effects of attribution and persuasion on student's behavior found attribution proved considerably more effective in changing behavior than persuasion. Thus, growing support among employees through empowerment and building excitement about the performance measurement possibilities is more effective than traditional top-down approaches mandating employees measure performance.

Poister and Streib (1999, 333; Theurer 1998, 22) encourage organizations to involve employees and give them discretion in establishing measures. "Performance measurement works best when the process is open to contributions from others" (Wilson 2001, 19). Active participation inspires employees and helps them understand the bigger picture of why measuring performance is important. Otherwise, employees may feel performance measurement is another top-down approach. Unless employees are actively tied to the performance measurement process, they will do little more than comply with mandates and the organization will fail to produce the necessary culture shift.

Gaebler and Osborne (1992, 258) note that opening up the process to all employees helps create a better system and can assist overcoming resistance. Resistors to the process may often say "You can't measure what I do" or "You're measuring the wrong thing" (Ammons ed. 1995, 28-29). Pulling opposing employees into the process and asking for assistance choosing measures they feel correctly reflect their jobs may help eliminate resistance. The administrator of the program can explain why he or she feels a measure is important and get feedback from the employees who provide the service.

More than employees need to be involved in creating the performance culture for the system to be truly successful. Stakeholder involvement should be broad and include elected officials, citizens, and civic groups (Wilson 2001, 17). As policy setters, elected officials should provide insight into what they want measured. Citizens also play a vital role in helping determine what the average citizen wants to see reported and how best to relay the information to the public. Wang (2002, 32) cautions using citizens to develop measures as they will only be interested when personally affected.

Creating a Sustainable Culture

Creating a city-wide performance culture should ensure the sustainability of the program despite political or leadership turnover. Building this type of organizational sustainability is important as city manager's tenure is often short. Hence, it is essential not only to have leadership support, but also the support of the entire organization. Developing a performance-based culture should be an integral part of the organization's core values and management philosophy, as well as engrained in the minds' of employees.

Organizations need a team knowledgeable in performance measurement to provide continued training and development. This core group of employees can aid the organization in

building momentum and motivate others to jump on board. Furthermore, making easy, common sense improvements to a program based on performance data builds sustainability by demonstrating performance measurement works (Behn 2007, 12, 46).

Rewarding positive performance also builds sustainability. Recognizing performance reinforces the performance-based culture and further motivates employees (Ammons ed. 1995, 158; Grifel 1993, 406).

The initial development of the system is critical because long-range success depends on the development of a sustainable performance-based culture. Once a culture is developed, the benefits of measuring performance should become evident and keep the ball rolling. Este (2007, 34) notes that cost-saving efforts alone resulting from performance measurement often stimulates a sustainable performance-driven culture.

Developing a Performance Measurement System

Leadership alone cannot create a functional performance measurement system without linking the system to the decision-making and planning process (Ammons ed. 1995, 98). Hence, the structural design of a performance measurement system is directly tied to the performance measurement program's success. A system that fails to provide timely and suitable information to decision-makers cannot lead to improved performance and negates the purpose of measuring.

Developing a sound performance measurement system involves determining what to measure, choosing between the different types of measures, identifying data availability, and administering the system. Tigue and Green (1994, 8; Este 2007, 35) contend determining exactly what and how to measure is one of the most difficult steps in the development process. A sound measurement system should focus on outcomes, use only a handful of good measures,

provide information that is useful for policy and program decision-making, generate data

consistently, and report findings to the public on a regular basis (Ammons ed. 1995, 61).

David Ammons (1999, 106) stresses it is important to first get the performance measures

right, and then worry about application. For most cities, this may necessitate a significant

amount of time and energy because developing measures requires an examination and analysis of

both the organization's mission and goals. Berman (2007, 59) defines performance measurement

as "a process for assessing progress toward achievement of program goals." Organizations

cannot know what to measure without a strong sense of what the organization is trying to

accomplish (Ammons ed. 1995, 158).[11]

Types of Measures

Performance measurement is only possible after first deciding what and how to measure

(Este 2007, 35). Wang and Gianakis (1999) assert that a measure is invalid if it is not linked to a

goal. While activities may be measured, these measures will not tell the user anything about

performance if the organization has not defined its goals and objectives. Thus, tying

performance measures to organizational goals is crucial. Developing goals and performance

indicators simultaneously may help employees better comprehend the purpose of performance

measurement. For each organizational goal, objectives or tasks should be identified that will

help accomplish goals. Performance measures can be crafted based on the objectives. For

example, a city may develop the model demonstrated in Figure 2.1.

---

[11] Hatry (2006, 39) adds that the mission and objective must first be identified as measures reflect the program's
intentions.

Figure 2.1: Linking Measures to Goals Model

> **Goal:** Improve Utility Billing customer service.

> **Indicator:** Customer wait time.

> **Objective:** Reduce customer wait time.

> **Strategy:** Hire an additional Utility Billing Clerk

> **Measure:** Average customer wait time; customer satisfaction with Utility Billing's customer service.

Once organizations have identified goals and objectives, they can carefully choose indicators that measure their progress in meeting the goals and objectives. Choosing between the available information and the different types of measures can be difficult. Organizations often suffer from what Poister and Streib (1999, 326) refer to as the DRIP Syndrome (Data Rich but Information Poor). Organizations often become inundated with data, but lack the know-how to convert the information into useful figures. Knowing the different types of performance measures and linking the data to organizational goals can help cities sift through information and determine what is useful.

Many types of measures exist including inputs, outputs, workload, efficiency, effectiveness, productivity, outcome, results, and many others. Scholars and practitioner's opinions of the different types of measures have shifted over time. In 1985, Grizzle (330) encouraged measures to be output oriented, relevant, quantifiable, and defined. While Grizzle (1985) helped establish a foundation for performance measurement, today outcome measures are encouraged to be output oriented instead.

Only four broad measurement categories are used to create a workable model - input, output, efficiency, and outcome. The four identified categories are the predominant types of measures discussed by scholars and practitioners.[12]

Regardless of the category of measures, scholars and practitioners agree that measures should be relevant, understandable, consistent over time, and put to use.[13] Measures should be specific, measurable, achievable, relevant, and timely (SMART) (Morrill 2008; Kinney and Riggini 2008, 22). Measures are relevant when they relate to the organization's goals and objectives (Epstein et al. 2005, 16). Measuring something irrelevant that provides no benefit to the organization is just a waste of time. Measures must be understandable so employees know how and why to measure. A clear understanding of measures will encourage consistency over time, which is necessary for trend analysis. Measures must also be valid and verifiable (Morrill 2008). An auditor verifying performance data should be able to generate the same information as submitted.

Input measures, also known as explanatory and workload measures, are defined as the number of resources associated with the delivery of specific services (Tigue and Green 1994, 3; Berman 2007, 60). The average number of phone calls received, number of potholes, and the number of widgets are all input measures. Input measures do not directly convey anything about how well a job is performed, but they help determine what resources are required and play a part in calculating efficiency. Tracking how many calls per day each employee can adequately process may help establish realistic workload volumes and demands. Quality may suffer if

---

[12] See Hatry 1980; Kestenbaum and Straight 1995; Tigue and Green 1994; Morrill 2008.

[13] See Berman 2007, 6 and Opie 2008, 42.

workloads are unmanageable. Conversely, having more employees than workload demands can lead to inefficiencies.

Output measures track the number of widgets produced, potholes repaired, waterlines fixed, and customers helped. They are the "direct results of program activities" (Berman 2007, 62). Workload measures[14] do not say anything about how well or how efficiently the work is completed (Ridley and Simon 1938, 21). When contrasted with inputs, however, efficiency measures can be determined.

Efficiency measures assess the inputs required for each output.[15] Efficiency measures tell what was received for the amount expensed (Ridley and Simon 1938, 21). Combining the resources used to fix water leaks and the number of water leaks repaired enables a city to average the cost of repair for each water leak. Knowing the average cost of a service is valuable as it provides information for operation improvement and budgeting. Performance measures can help a city keep a finger on the pulse of operational efficiency by monitoring changes over time. If repairing a water leak has cost a city an average of $150 in the past and suddenly the cost jumps to $200, the city can look for the reasons why.

Outcome measures, also known as effectiveness or result measures, monitor the actualization of initiatives and goals. Outcome measures differ from output measures "in that they represent the activities, services, or functions provided to support the accomplishment of an organization's stated outcomes" (Kestenbaum and Straight 1995, 202). Outcome measures indicate the degree to which objectives are achieved and the quality of the work performed.[16]

---

[14] Input and output measures are both considered workload measures as they measure the number or volume of inputs and work produced.

[15] See Berman 2007, 66; Hatry 2006, 7; Epstein 2005, 22; Usher and Cornia 1981, 231.

[16] See for example Ammons 1995, 41; Hatry 2006, 16; Usher and Cornia 1981, 232.

Outcome measures are preferred because they reflect the end results of service delivery (Hatry 2006). In the customer service example given previously, an outcome measure would be the overall customer satisfaction with utility billing's customer service.

Beryl Radin (2006, 2) challenges public sector's use of performance measures as "paradoxical" largely because of outcome measures. Radin (2006, 2) states "while the emphasis on outcomes is appealing, it is difficult to put into operation" because of differing political agendas that make it impossible to anticipate program outcomes. Clearly stated and agreed upon goals are needed to help alleviate this dilemma. Furthermore, no single measure should be considered alone. Radin's (2006) point of focusing solely on outcomes should not be ignored. Otherwise, objectives may be achieved, but at what cost? Consideration of input, output, and efficiency measures is also important.

Outcome measures are often criticized for their perceived lack of validity. Rarely are experiments designed and carried out to determine if the program is the lone cause for the outcome (Hatry 2006, 24). A city's police department could quickly credit a reduction in crime to a newly imposed juvenile curfew when the reduction is actually related to economic or other conditions. Despite this threat, outcome measures should continue to be evaluated and a common-sense approach applied. Each entity will need to weigh the pros and cons of conducting a costly experiment.

Measures may be quantitative or qualitative, objective or subjective. Gaebler and Osborne (1992, 355) encourage the use of both quantitative and qualitative measures because some "results are impossible to quantify." Objective measures are based on empirical observations instead of perceptions (Wang and Gianakis 1999, 538). Objective measures would demonstrate the same findings no matter who measures. One would expect elected officials to

prefer objective measures because bias' is minimized. A study by Wang and Gianakis (1999, 545), however, found that elected public officials prefer subjective measures because they measure how well a goal or objective is achieved in the customer's eyes. The objective numbers of arrests made, miles patrolled, and response times "mean little for many public officials if residents are not satisfied" with the services they are receiving (Wang and Gianakis 1999, 546).

Subjective measures are most beneficial when "used to assess individuals' aggregated perceptions, attitudes, or assessments toward a public sector product or service" (Wang and Gianakis 1999, 538). The same study revealed finance officials prefer objective measures over subjective measures because they directly show how resources allocated during the budget process are transformed into services (Wang and Gianakis 1999, 539).

Characteristics of Good Measures

After identifying the different types of measures, the next step in deciding what to assess is to recognize desirable characteristics. For measures to provide insight into a city's efficiency and effectiveness, measures should be valid, reliable, understandable, timely, resistant to perverse behavior, comprehensive, non-redundant, sensitive to data collection costs, and focused on controllable facets of performance (Ammons ed. 1995, 21-22). Hurst (1980, 45) states that measures should also be reproducible. Doing so confirms reliability and enables trends to be tracked over time.

The Government Finance Officers Association (GFOA) (2007) recommends measures that are congruent to program goals and objectives, outcome oriented, reported, used in decision-making, designed to positively motivate staff, and "limited to a number and degree of complexity that can provide an efficient and meaningful way to assess the effectiveness and efficiency of key programs." Hatry (1980, 314) also encourages entities to create a limited yet meaningful

number of measures. Too many measures can be costly and overwhelming for employees to manage.

Because measures have the ability to influence the employee behavior, carefully choosing measures that provide a system of checks that prevent goal displacement and discourage perverse behavior is vital.[17] "Measures that produce the right incentives" should be used (Kamensky 1993, 400).

Goal displacement occurs when a department puts all of its resources towards the attainment of a measured goal while neglecting other important areas (Ammons ed. 1995, 105 and Berman 2007, 70). The number of citations written is an example of how measures can encourage goal displacement and perverse behavior. Measuring the number of citations issued can lead police officers to become "overzealous in issuing tickets" as they believe the number of citations written directly reflects their performance (Ammons ed. 1995, 21). Likewise, employee safety accidents may go unnoted if staff feels reporting may jeopardize annual safety bonuses.

Cities can safeguard against negative behaviors by carefully choosing a mix of measures that cover the broad spectrum of services provided (Wang 2002, 31).[18] This should encourage employees to give attention to each of the services delivered. Ammons (ed. 1995, 105) asserts creating a system of checks and balances helps hold perverse behavior in check. Opie (2008, 45), however, cautions local government to not get bogged down in measurement by trying to measure everything possible. A mix of key measures should be chosen to report on core services

---

[17] See for example Ammons ed. 1995, 158; Behn 2007, 7; Este 2007, 51; Gaebler and Osborne 1992, 358; Hatry 1980, 313; Kestenbaum and Straight 1995, 206.

[18] Hatry (2006, 22) and Berman (2007, 67) note it is important to use a mix of the different types of measures. Focusing only on efficiency can lead to shortcuts that compromise service quality. Including numerous students into a single classroom will improve efficiency but create a less effective learning environment (Berman 2007, 67).

and strategic goals. Periodically reviewing performance measures to ensure alignment with

organizational policies is also a good idea (Kestenbaum and Straight 1995, 206).

Measure validity and reliability is an important part of an ideal performance measurement

system. Often asked is how accurate do measures need to be? Wang and Gianakis (1999, 546)

note that measures should be free from random measurement error. Objective quantitative

measures should be accurate enough that the numbers reflect real trends and aggregated

perceptions of service customers. Survey results, for example, should provide a minimum

confidence level of 95%. Subjective measures do not require as high of validity because

perceptions may differ from person to person. Random selection and statistical rules apply when

aggregating subjective measures to explain the perceptions of a larger population.

Measurement audits[19] should be conducted occasionally to ensure proper measurement

techniques and to validate the information provided by departments (Behn 2007, 16; Rivenbark,

William and Pizzarella 2002, 414). Measurement audits differ from performance audits which

consider operational efficiency and effectiveness to make service delivery improvements

(Ammons ed. 1995, 5). Clarity and consistency of measures are improved through measurement

audits (Rivenbark, William and Pizzarella 2002).   Audits enable cities "to identify weaknesses

in [the] reporting process, providing managers with an understanding of the integrity of

performance measures" (Rivenbark, William and Pizzarell 2002, 416).

Measuring performance can be costly. For this reason, what and how to measure should

be carefully considered. The Government Finance Officers Association (2007) cautions

administrators to ensure the benefit of measuring exceeds the resources needed to measure

---

[19] Measurement audits look at the techniques used by departments to measure the inputs, outputs, efficiencies, and effects of service delivery. While a performance audit ensures goal attainment, measurement audits validate the data used in decision-making to improve performance.

(Hatry 1980, 314). Measurement audits can help weigh the costs and benefits to ensure the cost of measuring is justified (Rivenbark, William and Pizzarella 2002, 416).

The data used in performance measurement can come from a variety of places. Just as a mix of measures should be used, a mix of data should also be utilized to provide information from varying sources and perceptions. For example, a city's afterschool program may be rated highly by the <1% of the population that uses the program. Are the majority of citizens satisfied with their tax dollars supporting this program? Regularly asking questions like this helps ensure tax dollars are spent the way citizens want.

Ammons (ed. 1995, 100) encourages cities to use existing data when possible, thus reducing costs and work because the information is already available. Cities can utilize the input and output data that is available (Behn 2007, 17). Simple analysis can transform workload information into useable data. Comparing inputs to outputs produces efficiency measures which can be compared to surrounding cities or standards. Outcome or results data is more difficult to determine as it relates to service delivery goals. For example, the outcome of the goal to improve customer service should be measured through the customer's perception, which can be difficult to attain. Improving average customer wait time may play a role, but the desired end result is to improve the customer's perception of customer service. Common ways to collect opinion data includes exit surveys, customer service cards, and citizen surveys. Aggregating the subjective results of a survey provides the population's perception of customer service.

Benchmarking Performance

Once appropriate measures are developed and a performance culture established, a city can introduce benchmarking into its performance arsenal. Benchmarks, or service delivery targets, are established performance standards based on expectations of service (Ammons 1999,

106; Berman 2007, 66). Stephen Este (2007, 34) states "there can be no accountability without a scale by which action can be measured or benchmarked." Epstein et al. (2005, 17) notes without knowing specific targets it is difficult to determine if a department is meeting expectations. Citizens and elected officials want to know how their service compares to other organizations (Ammons 1999, 107). The media often compares one cities data with others. To ensure this is done fairly, cities should benchmark so appropriate comparisons can be made (Ammons 1999, 106).

Benchmarking is important because it helps cities compare their service delivery across time and with other organizations, identifying needed improvements and analyzing gaps between ideal and actual service (Ammons 1995, 37; Ammons ed. 1995, 14). Benchmarks are, by and large, internally established and self-imposed.[20] Benchmarks enhance employees' understanding of expectations by identifying target levels of service and encouraging continual advancement towards improvement. Ideal service levels come from a number of sources, including from within the organization (self-imposed), recommendations of professional organizations, and from best practices identified by other cities (Ammons 1999, 106-107). Private sector comparisons may also serve as benchmarks (Hatry 1980, 336). While rare, comparing a cities performance with private service providers helps a city evaluate the benefit of contracting out certain services.[21]

---

[20] State and federal mandates may also establish benchmarks. For example, Texas Senate Bill 12 requires political subdivisions to reduce electric consumption by 5%.

[21] Cities considering contracting out garbage collection service should evaluate the cost (inputs), efficiencies (time per street), and outcomes (customer satisfaction) before deciding. A private provider may have the resources required to provide the customer expected level of service while a City does not.

Ammons (1999) encourages cities to identify organizations that provide the best-in-class service and to determine the factors leading to their success. This "best practices" approach can help cities discover innovative and better ways to provide services.

Tracking data across time enables a city to decipher incremental manipulation of programs and measure the effects. Trend analysis allows a city to compare data from year to year and determine if service is improving or worsening (Ammons 1999, 107).

A good example of benchmarking is pothole repair. Elected officials may set a service expectation of filling all potholes within 48 hours of reported (Behn 2007, 16). Such a benchmark is an example of a self-imposed service delivery goal. Professional organizations may provide other useful benchmarks for cities including setting aside a minimum number of park acres per 1,000 citizens or maintain staffing ratios of a certain number of employees per program participants. The International City/County Managers Association's (ICMA) comparative performance measurement program offers data from cities across the country for use in benchmarking.

Benchmarking can create resistance within a city as employees fear comparison with differing organizations. Employees often feel that cross-comparison with other governmental entities is unfair because each has unique situations (Ammons 1999, 108). Halachmi (2007, 45) warns about "methodological vulnerabilities" than can result from differences in size, geographical layout, demographics, and more. While Ammons (ed. 1995) notes that comparisons could and should be made with other cities regardless of physical differences, he cautions benchmarking jurisdictions to make sure apples are compared to apples. Key criteria such as population, geography, size, staffing, and many other factors should be evaluated when considering benchmarks (Opie 2008, 43). Differences in reporting practices must be disclosed to

get a true comparison. For example, geographic differences may make it more difficult for one city to have a fire response time under five minutes than another. The difference, however, does not make a response of five minutes or less a bad benchmark. One city may have to work harder than another to match service levels. Citizens expect the same, if not better, service delivery in their town, regardless of differences.

Reporting Performance

The last piece in creating a performance measurement system is reporting the results. Performance measurement is done in vain if the results are not properly reported. Performance reports communicate "information about how well a government" achieves its goals and objectives (Epstein et al. 2005, 4). Therefore, elected officials, managers, citizens, civic groups, and many others have an interest in a city's performance. Reported information must be delivered regularly and in a timely manner - to managers for decision-making, to elected officials and citizens to demonstrate accountability, and to employees to show the information is used and to let employees self-evaluate their performance.[22]

Reporting performance is not a new concept. In 1937, Clarence Ridley, former executive director for the International City/Council Managers Association (ICMA), advanced the idea of reporting performance to the public. Ridley (1937, 115) advocated presenting information "in such a way that [it] can be understood by the average citizen." Cities like Detroit reported performance using billboards and newsreels (Ridley 1937, 113-114). Today, cities use a number of reporting techniques to relay performance information to the public including interactive websites, report cards, videos, annual performance reports filled with charts and graphs, and more.

---

[22] See for example Grizzle 1985, 334; Ammons 1995, 46; GFOA 2007; Este 2007, 42; Epstein et al. 2005, 35.

Unfortunately, "municipal performance measures have the attention-grabbing quality of a list of ingredients in packaged breakfast cereal" (Ammons 1995, 39). Reporting performance with comparable benchmarks helps improve citizens' interest (Wang 2002, 33; Ammons 1995, 43). Simply stating the crime rate of the local area means little to the average citizen; but when contrasted with surrounding cities, it is quite meaningful.

Performance reports should be organized around and provide a description of strategic goals, and the efforts to attain them.[23] Cities should report efficiency and outcome measures to citizens and elected officials as they directly report on the attainment of goals. The Governmental Accounting Standards Board (GASB) recommends reporting key measures that relate to the overall conditions of the community (Epstein et al. 2005, 18). Supplementing performance reports with explanatory context, trends, analysis, input, and output data is also beneficial because it helps the audience understand the information (Hatry 2006, 23; Epstein et al. 2005, 27). A department may report that a program's users rate it 'superior'. Without supplementary information, the department may fail to report that the program has only five participants when hundreds were expected. Only reporting the program's rating would have been misleading.

Using clear and simple terms in reports can help prevent confusing and overloading citizens with information (Ammons ed. 1995, 128). Data translation is frequently required to decode raw data into understandable information (Este 2007, 41; Kamensky 1993, 397). Organizations have presented user-friendly report cards and other simple and easy to read reports to make the information understandable, thus enabling citizens to easily perceive if the city is

---

[23] See Ammons ed. 1995, 127 and Berman 2007, 65; Opie 2008, 43.

meeting goals without deciphering technical jargon and numbers. Reports ought to define

measures and their relation to strategic goals so citizens may easily grasp what is reported.

Trends (multi-year comparisons) and anomalies should be explained.

City managers may need more detailed data in order to make informed decisions. Hatry

(2006) likens performance measures to a competitive sport. The coach needs statistics to

determine which plays and formations work the best and when. Likewise, a city manager needs

up-to-date information to best run a city.

Kaplan and Norton (1992) created a "balanced scorecard" to provide managers with

timely comprehensive performance data. The balance scorecard reports a comprehensive mix of

measures necessary to steer the organization and forces managers to consider measures together

when making decision, thus reducing goal displacement (Kaplan and Norton 1992, 73).

Summary of Conceptual Framework

Table 2.1 provides a summary of recurring elements of an ideal municipal performance

measurement system identified in the literature. The conceptual framework connects the

research purpose with related literature and identifies appropriate methodologies (Shields 1998,

202). Table 2.1 connects related literature to the identified elements. Five recurring elements

were identified through review of the literature. Authors and scholars agree creating a successful

municipal performance measurement systems includes creating a performance culture,

developing a system with a mix of measures tied to strategic goals, applying measurement to the

strategic planning and budgeting processes, benchmarking with other organizations, and

reporting performance results.

Table 2.1 Conceptual Framework

Performance Measurement Categories	Literature	
Performance Culture • Leadership support • Empowerment of the employees • Sustainability	Ammons ed. 1995 Ammons 1995 Ammons 1999 Este 2007 Behn 2002 Behn 2007 Berman 2007 GFOA 2007 Hatry 2006 Heinrich 1999 Kinney and Riggini 2008	Miller, Richard, Phillip Brinkman, and Dianna Bolen 1975 Morrill 2008 Saint-Germain 1995 Theurer 1998 Tigue and Greene 1994 Wang 2002 Wang and Gianakis 1999 Wilson 2001
Developing Performance Measurement Systems • Mix of Measures • Measures tied to goals • Positively influence behavior • Data validity and reliability	Ammons ed. 1995 Ammons 1995 Ammons 1999 Epstein et al. 2005 Este 2007 Behn 2007 Berman 2007 Gaebler and Osborne 1992 GFOA 2007 Grizzle 1985 Hatry 1980 Hurst 1980 Kamensky 1993	Kestenbaum and Straight 1995 Kinney and Riggini 2008 Morrill 2008 Opie 2008 Poister and Streib 1999 Radin 2006 Ridley and Simon 1938 Tigue and Greene 1994 Usher and Cornia 1981 Wang 2002 Wilson 2001
Application of Performance Measures • Strategic Planning • Budgeting	Ammons ed. 1995 Behn 9007 Este 2007 GFOA 2007 Grifel 1993 Hatry 1980 Hurst 1980 Kamensky 1993	Kinney and Riggini 2008 Opie 2008 Poister and Streib 1999 Tigue and Greene 1994 Ridley and Simon 1938 Wang 2002 Wang and Gianakis 1999
Benchmarking • Targets • Best practices • Trend analysis	Ammons ed. 1995 Ammons 1995 Ammons 1999 Behn 2007 Epstein et al. 2005 Este 2007	GFOA 2007 Hatry 1980 Halachmi 2007 Opie 2008 Poister and Streib 1999
Reporting • Audience • Content • Timely	Epstein et al. 2005 Este 2007 Grizzle 1985 Hatry 2006	Kamensky 1993 Opie 2008 Poister and Streib 1999 Ridley and Simon 1938

Chapter Summary

Chapter two identified five recurring key elements of a model municipal performance

measurement system based on a review of related literature. Recurring elements identified in the

literature included the importance of establishing a performance-based culture, developing a mix

of measures that positively motivate staff and prevent goal displacement, applying performance

measurement to the strategic planning and budgeting processes, benchmarking, and reporting

results.

Chapter 3: Research Methodology

Chapter Purpose

The methodology chapter describes the empirical research methods used to gauge mid-size Texas municipal cities' performance measurement systems with the practical ideal model developed based on the literature. Practical ideal type research gauges how close a practice is to a standard (Shields 1998, 203). Mid-size Texas cities' performance measurement systems are assessed using a content analysis of the Fiscal Year 2008 Budget documents and a survey of city managers. For the purpose of this research, mid-size Texas cities are defined as legally incorporated Texas municipalities with populations larger than 50,000 but less than 100,000 according to the United States Census Bureau's 2000 census.

Operationalization of the Practical Ideal Model

Table 3.1 operationalizes the practical ideal model developed through review of the literature. Both research methods are provided side-by-side in relation to the practical ideal categories. The content analysis of Fiscal Year 2008 Budget documents did not apply to all criteria identified in the practical ideal model. For example, not all elements of performance culture can be determined through analysis of the budget documents.

Table 3.1: Operationalization of the Practical Ideal Model

Ideal Type Categories	Research Method	
	Content Analysis of Fiscal Year 2008 Budget	**City Manager Survey**
Performance Culture		
Leadership Support	Performance measures are integrated throughout the budget document. The performance measurement process is discussed. (1=No, 5=Yes)	The City Manager supports the use of performance measures in the organization. Elected officials urge the use of performance measures. Overall, mid-level supervisors are supportive of performance measures in the organization.

Ideal Type Categories	Research Method	
	Content Analysis of Fiscal Year 2008 Budget	City Manager Survey
Performance Culture		
Leadership Support		The city manager or mayor is active in the performance measurement initiative from the start. Performance measurement is sold to the organization as a toll for improvement.
Empowerment of the employees		Line employees are involved in establishing what is measured. Each employee is responsible for reporting his or her performance data.
Sustainability		Employees are regularly trained on the purpose and importance of measuring performance. Performance data is used regularly in decision making.
Developing Performance Measurement Systems		
Mix of Measures	The budget contains a mix of measures for each department. The budget contains input measures. The budget contains output measures. The budget contains efficiency measures. The budget contains outcome measures.	Measures are developed for each major program offered by the city. The organization utilizes input measures. The organization utilizes output measures. The organization utilizes efficiency measures. The organization utilizes outcome measures.
Measures tied to goals	Measures are linked to goals included in the budget.	Performance measures are tied to the strategic goals of the organization.
Positively influence behavior		In my opinion, the organization utilizes some measures that may adversely influence employee behavior. Employees have an aversion to measuring their performance.

Ideal Type Categories	Research Method	
	Content Analysis of Fiscal Year 2008 Budget	City Manager Survey
Developing Performance Measurement Systems		
Positively influence behavior		Superior employee performance reflected in performance measures is rewarded. Performance data is used in employee evaluations. A broad spectrum of measures are used to limit goal displacement.
Performance data validity and reliability	The source of the performance measurement information is defined.	Performance reports are regularly audited to ensure validity. Measures are clearly defined so that they are calculated consistently.
Application of Performance Measures		
Strategic Planning	Long-range strategic goals are included as part of the budget document. (1=No, 5=Yes) Key indicators are identified in relation to strategic goals.	Key indicators are identified during the strategic planning process.
Budgeting	Budget requests are justified by performance data. Has the City earned the Distinguished Budget Presentation Award from the Government Finance Officers Association for the current or preceding year? (1=No, 5=Yes)	Data from the performance measurement system has led to decisions to adjust budgets.
Benchmarking		
Targets	Targets are established for applicable measures.	Leadership within the organization sets performance targets or goals.
Best practices	Targets are based on comparisons with national standards. Targets are based on regional top performers.	The jurisdiction benchmarks performance measures against other jurisdictions to gauge the effectiveness of strategic initiatives.
Trend analysis	Prior year performance data is included for trend analysis. Major changes or shifts in trends are explained.	The jurisdiction tracks performance data over time to determine whether performance in strategic result areas has improved over previous levels.

Ideal Type Categories	Research Method	
	Content Analysis of Fiscal Year 2008 Budget	City Manager Survey
Reporting		
Audience	Performance measures are defined.	The City Council regularly receives information on performance. Performance information is regularly reported to line staff. Performance information is regularly reported to the city manager. Performance data associated with strategic goals is reported to the public.
Content	Charts and graphs are utilized to report performance indicators.	Illustrations and graphs are used to report measures. Measures are defined in reports to enable the reader to understand the measure. Variances between time periods or other jurisdictions are explained in performance reports. Reports predominantly contain efficiency and outcome measures relating to the attainment of strategic goals.
Timely		Measures are reported in a timely manner to be used in decision making.

Performance Culture

Determining to what extent performance measurement is engrained in the culture of a city is difficult to accomplish by only looking at a city's budget document. Employee empowerment and performance culture sustainability are not evaluated through the content analysis of the Fiscal Year 2008 Budget documents because the documents do not provide information on performance measurement development. Performance culture is operationalized

in the content analysis of Fiscal Year 2008 Budget documents by examining the extent performance measures are integrated and relied on throughout the document. Budget documents are evaluated to determine if the budget process overview includes a summary of how performance measures are used to justify budget requests.

Performance culture is operationalized in the survey of mid-size Texas cities' city managers by asking respondents to rate how much leadership supports the use of performance measures within the organization. City managers are asked to grade how often they encourage the use of measures in the city and also to what degree supervisors and elected officials urge and rely on the collected data. City managers are also asked to assess employees' involvement in establishing measures and the city's efforts in creating a sustainable performance culture.

Developing Performance Measurement Systems

The developing performance measurement systems element is operationalized by the content analysis by measuring how often Fiscal Year 2008 Budget documents contain a mix of input, output, efficiency, and outcome measures. The content analysis also reveals the validity and reliability of measures presented in the document by determining if measures are defined.

As the content analysis only looks at a small application of performance measures in budget documents, the survey helps confirm findings by asking city managers to identify on a likert-scale their agreement with statements regarding measures overall in their cities. City managers are also asked to rate how measures influence behavior within the city. For example, city managers are asked to state to what degree managers feel employees fear measuring performance.

Application of Performance Measures

The application of performance measures element is operationalized in the content analysis by determining whether or not measures are connected to long-range strategic goals in the budget documents and whether or not funding requests are justified by performance indicators.   The survey asks city managers to gauge how performance indicators play a role in the strategic planning process and whether or not performance information has led to a decision to adjust budgets.

Benchmarking

The benchmarking element is operationalized in the content analysis be evaluating whether targets, best practices, and trend analyses are included in the Fiscal Year 2008 Budget documents. The content analysis looks to see if targets are established for applicable measures and if prior year performance data is included and variances explained.

The benchmarking element is operationalized in the survey by asking city managers to rate how targets or benchmarks are established based on best practices of other comparable jurisdictions.

Reporting

The reporting element is operationalized through the content analysis by looking for elements that improve performance data reports. Fiscal Year 2008 Budget documents are analyzed to determine if performance measures are defined and presented in audience friendly formats that include charts and graphs.

Reporting is operationalized in the survey by asking city managers to identify the intended audiences of performance data and to determine the frequency, content, and timeliness of performance reports.

Content Analysis

The first research method in this study is a content analysis of the selected cities' Fiscal Year 2008 Budget documents. Content analysis was chosen because it provides an unobtrusive view of how performance data is put to practice in the studied cities' annual operating budget documents. Earl Babbie (2004, 314) states content analysis is the study of recorded communications. A content analysis is appropriate for this study as a city's annual budget document is often regarded as a communication device that provides explanation and justification for budget requests.

The Adopted Fiscal Year 2008 Budget document is studied for each of the twenty-three mid-size Texas cities included in the research. The Fiscal Year 2008 Budget was chosen because it is the most recent published budget document available. All budget documents were downloaded from websites operated by the studied municipalities except for Missouri City, Texas, which provided the budget document upon request.

Content Analysis Coding

A likert-scale was used to assess the inclusion and frequency of performance measures in Fiscal Year 2008 Budget documents except where otherwise noted in Table 3.1. Babbie (2004, 169) defines a likert-scale as a standardized research response that determines "the relative intensity of different items." A likert-scale is appropriate for the content analysis because it allows frequency of performance measurement characteristics to be noted. Each response was assigned a value of 5 (very often), 4 (often), 3 (sometimes), 2 (seldom), and 1 (never) based on the frequency of inclusion in the budget document. For example, if input measures are included in nearly every department in the budget document, the city would receive a score of "very

often." Cities that included input measures frequently but not for every department would receive a score of "often."

Other responses in the content analysis are assigned a value of 5 (yes) and 1(no) as delineated in Table 3.1 due to the dichotomous nature of the item. For example, one of the content analysis questions asks if the city has received the Distinguished Budget Presentation Award from the Government Finance Officers Association. Either a city has received the award or not. Coding dichotomous scores as 5 (yes) and 1 (no) allows averaged results to be combined and indexed with likert-scaled responses. Indexing responses enables overall scores for particular categories to be determined. The coding sheet used for the content analysis is located in Appendix B.

Survey

While performance measures can and should be used to justify budget requests, they can serve as a management tool to improve operations throughout an organization (Wang and Gianakis 1999, 539). Completing a content analysis of the studied cities' 2008 Budget Documents only provides a piece of performance measurement's application. A survey of the studied cities' city managers is also used to assess mid-size Texas cities' performance measurement systems. According to Babbie (2004, 243), surveys are the best method available for collecting data to describe a population and is excellent for measuring attitudes of groups.

A drawback of survey research is that data may become skewed from lack of responses. Response bias occurs when the views of the non-responders differs from those of respondents, making generalizations about the population difficult (Berman 2007, 88). Response bias is controlled by encouraging survey participation. A cover letter was distributed with the survey

explaining the research purpose and to encourage participation.[24] Follow-up letters and phone calls were also utilized to remind individuals to complete the survey. Babbie (2004, 260) states that follow-up letters "provides an effective method for increasing return rates." The survey and letters were distributed electronically using a web-based survey and e-mail to decrease research cost and encourage participation. Of the twenty-three surveys distributed, nine were completed and returned resulting in a response rate of 39%.

The survey instrument was pre-tested on fifteen city officials of municipalities not included in the research. The pre-test was used to improve survey language and eliminate question bias.

Survey Coding

A likert-scale was also used to code survey responses of city managers. City managers were asked to rate their degree of agreement with the statements presented in Table 3.1. Each response was assigned a value of 5 (strongly agree), 4 (agree), 3 (neutral), 2 (disagree), and 1 (strongly disagree). Unanswered survey items were assigned a value of 0 (no response).

Research Population

The purpose of the research is to develop a model municipal performance measurement system and then gauge to what degree mid-size Texas cities meet the ideal model in their use of performance measures through a content analysis of mid-size Texas cities' Fiscal Year 2008 Budget documents and a survey of mid-size Texas cities' city managers. Mid-size Texas cities, for the purpose of this research, are defined as legally incorporated Texas municipalities with populations larger than 50,000 and less than 100,000 according to the United States Census Bureau's 2000 Survey. These cities were chosen for this study because they represent some of

---

[24] See Appendix C.

the fastest growing areas in the state of Texas. As such, the selected cities are large enough to

expect a level of sophistication in the budget process for justifying requests. Furthermore, the

number of cities fitting the criteria provides a manageable number of cities to study in the time

allotted.

Figure 3.1: Location of Cities
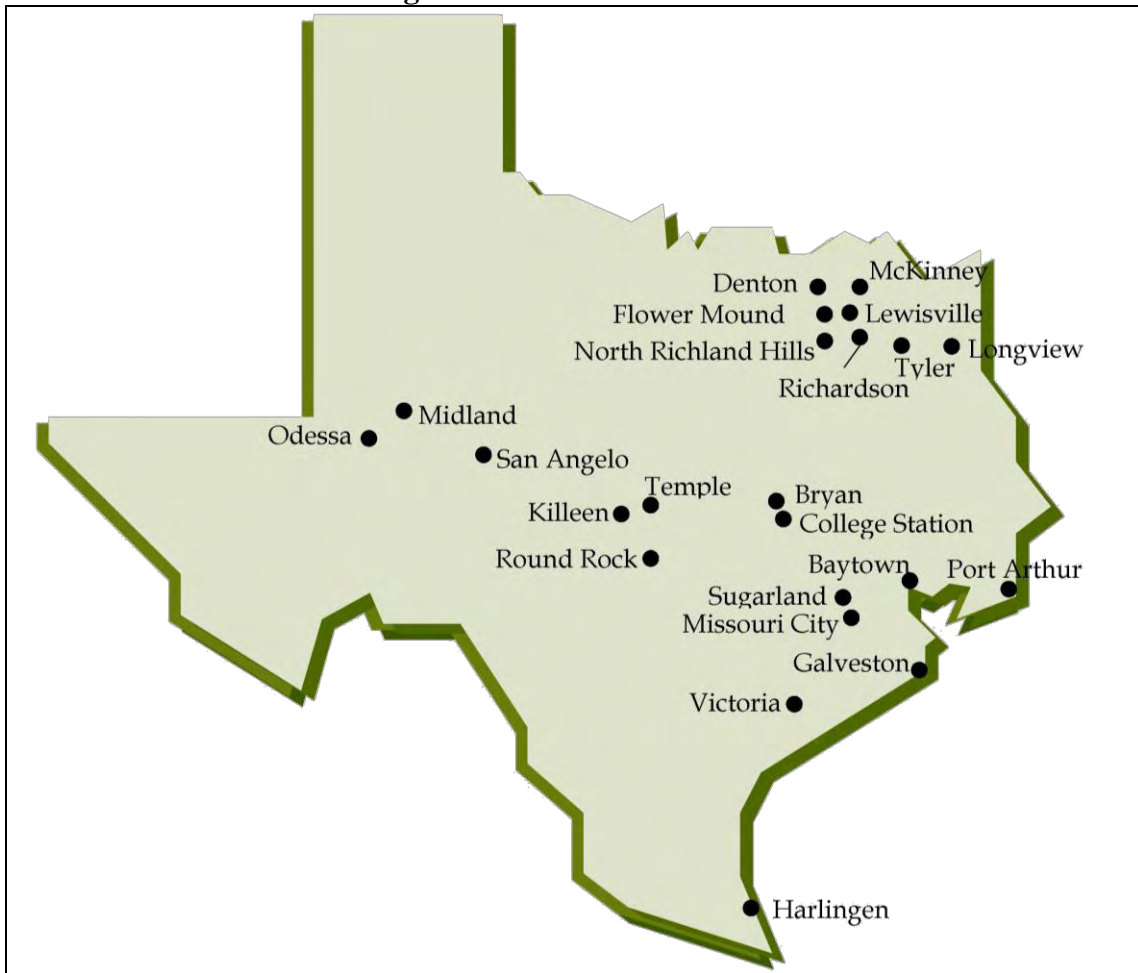
The entire population of twenty-three cities fitting the research population parameters is

included in the study. Figure 3.1 includes the studied cities and their location within Texas for

reference. A list of studied cities and 2000 U.S. Census Bureau population information is

included in Appendix A.

Strengths and Weaknesses of Research Methods

Triangulation is used to strengthen the survey research. Triangulation occurs when two or more research methods are used to test a subject, thus balancing the strengths and weaknesses of one research method with another (Babbie 2004, 113). In this research, a content analysis of the studied cities' budget documents only provides one element of a municipal performance measurement system's application. Using a survey adds a comprehensive assessment of the municipalities' performance measurement system and can verify information collected in the content analysis. Likewise, the content analysis provides validity to the survey findings despite a low survey response rate.

A more comprehensive approach to assessing mid-size Texas cities' performance measurement systems would include a document analysis of internal memos and reports along with structured interviews of the studied cities' managers. The scope of this research does not include these methods due to time limitations and associated costs. Recommendations for further research are included in Chapter Five.

Human Subjects Protection

This research was exempted by the Texas State Institutional Review Board.[25] The content analysis of Fiscal Year 2008 Budget documents evaluates existing public records. Surveys distributed to public officials (city managers) assess the performance measurement activities practiced in mid-size Texas municipalities. The research posed no harm to individuals.

---

[25] See Appendix D.

Chapter Summary

  The methodology chapter outlined the research methods used to assess mid-size Texas municipalities performance measurement systems. The strengths and weaknesses of the research are discussed in relation to the content analysis and survey. Coding and survey items were developed and linked to the practical ideal model developed in Chapter two. Chapter four presents the content analysis and survey results of mid-size Texas municipalities' performance measurement systems.

Chapter 4: Results

Chapter Purpose

The first purpose of the research is to identify the elements of an ideal municipal performance measurement system based on the available literature. Secondly, the research uses the practical ideal model to evaluate how well mid-size Texas cities meet the model in their use of performance measures. The evaluation is completed using a content analysis of mid-size Texas cities' Fiscal Year 2008 Budget documents and a survey of mid-size Texas cities' city managers.

This chapter summarizes the results of the content analysis[26] of mid-size Texas Cities' Fiscal Year 2008 Budget documents and survey[27] of city managers by ideal category type. The five practical ideal type elements identified in the literature include the importance of establishing a performance-based culture, developing a mix of measures that positively motivate staff and prevent goal displacement, applying performance measurement to the strategic planning and budgeting processes, benchmarking, and reporting results.

Overall, the content analysis reveals mid-size Texas cities meet the performance culture, the developing performance measurement systems, and application of performance measures elements of the practical ideal model municipal performance measurement system. Mid-size Texas cities Fiscal Year 2008 Budget documents, however, do not meet the model municipal performance measurement system under the benchmarking and reporting elements.

The survey results of mid-size Texas cities' city managers indicate mid-size Texas cities meet the municipal performance measurement systems model under all categories. It is

---

[26] Complete content analysis results can be found in Appendix E.

[27] Complete survey results can be found in Appendix F.

important to note, however, that only nine city managers of the twenty-three cities responded to the survey. Thus, the survey responses cannot be easily generalized to the larger group and are not particularly meaningful. Therefore, greater reliance should be placed on the content analysis results of Fiscal Year 2008 Budget documents. The survey results, however, can provide insight in how responding mid-size Texas cities use performance measurement systems.

Performance Culture

The first component of an ideal municipal performance measurement system is performance culture. The Government Finance Officers Association (GFOA) recognizes that creating a receptive culture for performance measurement is crucial for success (GFOA 2007). By developing a performance culture, cities can create a more receptive environment for positive change by ensuring that all employees understand the purpose and reason for such measurements. Engaging employees in the performance measurement process can help overcome resistance within an organization (Ammons ed. 1995, 41).

Based on performance measurement literature, creating a performance culture requires three things: leadership support, empowerment of the employees, and sustainability. Leadership support is necessary to demonstrate the importance of measuring performance to employees.[28] Organizational leaders must be willing to commit time and resources to measuring performance in order to provide benefit to the city (Ammons ed. 1995 and Behn 2007).

As mentioned above, empowering employees to have an active voice in the performance measurement process is crucial to creating a performance culture. Allowing employees to have a say in what gets measured can lead to increased buy-in at all levels of the organization.[29]

---

[28] See for example Ammons ed. 1995; Behn 2002, 19; Behn 2007, 9; Berman 2007; Grifel 1993, 406; Kinney and Riggini 2008, 15; Morrill 2008; Opie 2008, 44.

[29] See Poister and Streib 1999; Wilson 2001; Theurer 1998; Gaebler and Osborne 1992.

The last component of developing a performance culture is sustainability. A successful performance measurement system should be able to weather political storms, economic downturns, and leadership turnover because it will continually demonstrate its ability to help the city make better operational and financial decisions. Performance cultures are sustained by continually training employees on the value and importance of performance measurement (Este 2007). Behn (2007) notes that actively and regularly applying performance measures in decision-making creates sustainability as employees are able to see for themselves the benefit of measuring.

Content Analysis

Determining the extent to which performance measurement is engrained in the culture of a city is difficult to accomplish by only looking at a city's budget document. Employee empowerment and performance culture sustainability are not evaluated through the content analysis of the Fiscal Year 2008 Budget documents. Leadership support for performance measurement, however, can be determined by evaluating budget documents.

Table 4.1 Performance Culture - Content Analysis
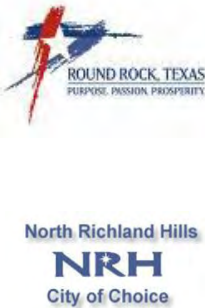
Combined Budget Scores N=23						
Practical Ideal Category	**Question**	Never	Seldom	Sometimes	Often	Very Often
Performance Culture						
Leadership Support	Performance measures are integrated throughout the budget document.	17%	9%	4%	13%	57%
	The performance measurement process is discussed.	No = 78%			Yes = 22%	
Empowerment of employees						
Sustainability						

Table 4.1 provides the results of the content analysis of Fiscal Year 2008 Budget documents relative to the performance culture category. Over half of the budgets (70%) integrated performance measures throughout the budget document often or very often, demonstrating leadership's support of using performance measures in the budget process. 78% of budget documents, however, did not contain a discussion of how performance measures are used in the budget process, indicating mixed results. Overall, scores indicate mid-size Texas cities provide the necessary leadership support to develop model municipal performance measurement systems.

Figure 4.1 highlights the cities that best demonstrate a performance culture in the budget document. Under the direction of City leadership, these cities have incorporated performance measures throughout the budget documents and thoroughly discuss

Figure 4.1: Performance Culture Best Practices
The City of Round Rock includes a thorough description of performance measurement and states the importance of measuring "to not only plan for and provide adequate levels of quality service but to also provide a means of measuring and reporting the results of our efforts." North Richland Hills' Budget discusses the importance of developing measures related to core activities of the City and the connection between measures and goals.

the role performance measures play in the budget process. Providing an overview of the role performance measures play in the budget process enables readers to understand why measures are included.

Table 4.2 Performance Culture - Survey

Practical Ideal Category	Question	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Overall Score
Combined Budget Scores N=9							
Performance Culture							
Leadership Support	The City Manager supports the use of performance measures in the organization.	0	0	0	4	5	Strongly Agree
	Elected officials urge the use of performance measures.	0	0	3	3	3	Agree
	Overall, mid-level supervisors are supportive of performance measures in the organization.	0	0	4	5	0	Agree
	The city manager or mayor is active in the performance measurement initiative from the start.	0	0	2	5	2	Agree
	Performance measurement is described to the organization as a tool for improvement.	0	0	1	5	3	Agree
Empowerment of employees	Line employees are involved in establishing what is measured.	0	0	4	4	1	Agree
	Each employee is responsible for reporting his or her performance data.	0	1	4	4	0	Neutral - Agree
Sustainability	Employees are regularly trained on the purpose and importance of measuring performance.	0	2	3	3	1	Agree
	Performance data is used regularly in decision making.	0	0	3	5	1	Agree

The city manager survey results indicate mid-size Texas cities incorporate elements necessary to create a performance culture. Survey results suggest that mid-size Texas cities provide the necessary leadership support to create successful municipal performance measurement systems. City managers strongly agree that they are supportive of performance measurement in their cities. Most surveyed agree that elected officials and mid-level managers are supportive of performance measures within their organizations.

Mid-size Texas cities reportedly empower employees and involve them in the performance measurement process. Survey results demonstrate employees are involved in creating performance measures. Mid-size Texas cities, however, have varying views on self-reported performance data by employees as four city managers responded neutral and four responded as agree, perhaps limiting the overall effectiveness of their performance culture. Mid-size Texas city managers responding to the survey agree that their organizations create performance measurement sustainability by regularly training employees and demonstrating measurements benefit by actively using performance data to make decisions.

Developing Performance Measurement Systems

Ammons (ed. 1995, 98) blames most cases of performance measurement failure to a poorly designed system that lacks useable measures. Creating a structurally sound performance measurement system requires a mix of measures tied to strategic goals of the city that positively motivate and influence employee behavior. Measures should also be valid and reliable.

The four most prominently mentioned measures included input, output, efficiency, and outcome or effectiveness measures.[30] Using a combination of these measures can help cities avoid goal displacement as a multitude of measures are used for multiple goals.[31]

---

[30] See for example Hatry 1980; Kestenbaum and Straight 1995; Tigue and Green 1994; Morrill 2008.

Wang and Gianakis (1999) assert that a measure is invalid if it is not linked to a goal. Linking measures to strategic goals helps employees better understand the importance of the goals and their individual role in attaining the goals.

Measures should also be valid and reliable. Measurement audits should be regularly conducted to verify data and ensure reports are accurate. Critics of performance measurement often cite the cost of measurement as a hindrance. Measurement audits can be helpful in ensuring that the benefit of measuring outweighs the cost (Hatry 1980, 314).

Content Analysis

The content analysis of Fiscal Year 2008 Budget documents reveals to what extent mid-size Texas cities develop performance measurement systems in accordance with the practical ideal model. Table 4.3 outlines the results of the content analysis.

Table 4.3 Developing Performance Measurement Systems - Content Analysis

Practical Ideal Category	Question	Never	Seldom	Sometimes	Often	Very Often
Combined Budget Scores N=23						
Developing Performance Measurement Systems						
Mix of measures	The budget contains a mix of measures for each department.	26%	0%	13%	35%	26%
	The budget contains input measures.	17%	17%	0%	35%	30%
	The budget contains output measures.	13%	17%	0%	13%	57%
	The budget contains efficiency measures.	26%	4%	26%	17%	26%
	The budget contains outcome measures.	26%	17%	9%	30%	17%
Measures tied to goals	Measures are linked to goals included in the budget.	30%	13%	35%	17%	4%
Positively influence behavior						

---

[31] Goal displacement occurs when a city puts all of it resources towards the attainment of a measured goal while neglecting other important goals (Ammons ed. 1995, 105).

Practical Ideal Category	Question	Never	Seldom	Sometimes	Often	Very Often
Developing Performance Measurement Systems						
Performance data validity and reliability	The source of the performance measurement information defined.	43%	30%	17%	4%	4%

Overall, mid-size Texas cities' budgets barely meet the municipal performance measurement model under the "developing performance measurement systems" category. While over half of the budgets regularly contained a mix of measures, only 43% of budgets contained efficiency measures and 47% contained outcome measures "often" or "very often."

Only 21% of studied budgets linked performance measures with budget goals regularly, and only 8% of budgets regularly included a definition of the measure. The City of Longview's Fiscal Year 2008 Budget provides a good example of how to link goals and strategies with performance measures but does not contain any information. Longview has a framework in place but must take it a step further by providing data. Figure 4.2 includes an excerpt from the City of Longview's Budget for the Geographic Information Systems Department. Outcomes and targets are linked with each measure.

Figure 4.2: City of Longview – Geographic Information Systems[32]

	Strategies	Measures	Targets	Outcomes
Customer/ Stakeholder Perspective	Market city strengths through strong public relations: -Use GIS Day to inform citizens and students about the values and uses of GIS at the City. -Utilize Channel 5 to communicate the importance of 9-1-1 addressing and the posting of addresses. -Provide customer satisfaction surveys to internal departments.	1. Number of attendees at GIS Day. 2. Number of addresses not posted. 3. Results of customer satisfaction surveys.	1. 600 Attendees 2. 65% of addresses posted 3. 85% of customers are satisfied or very satisfied with GIS	1. Remaining responsive, open and flexible to our citizens. 2. Maintain a safe and welcoming community.
Finance Perspective	Promote ownership of employees' value to the organization and their connection to the bottom line: -Seek out opportunities to reduce or avoid costs with the use of GIS. -Continue current collaborative relationships and seek out new ones. -Integrate GIS into departments' daily activities and increase GIS analysis to solve problems and answer questions. -Integrate GPS into data collection.	1. Cost savings created with the use of GIS 2. Cost avoidance through collaboration 3. Number of shared projects 4. Efficiencies gained through technology	1. One cost savings per quarter 2. At least one cost avoidance through collaboration 3. At least one shared project through collaboration. 4. On efficiency through technology per quarter	1. Exercising corporate responsibility for city resources and results. 2. Seeking collaborative relationships.

The City of Round Rock's Fiscal Year 2008 Budget also provides a good example of linking measures to budgetary objectives as most budget goals are directly followed a supporting performance measure. Figure 4.3 provides an example of how measures are tied to goals and objectives.

Figure 4.3: Best Practices Developing Performance Measures[33]

> ➤ **Goal:** Continue to evaluate and improve the level of service provided to all customers.
>
>> ➤ **Objective:** Survey customers and increase sponsorships and partnerships.
>>
>>> ➤ **Measures:**   1) Program survey results are above average or better
>>>   2) Secure cash and in-kind sponsorships
>>>
>>>> ➤ **Trend Analysis:** Surveys tell us what we are doing right and what we are doing wrong. Fundraising and sponsorships/partnerships will help us recover program costs.

---

[32] Figure 4.2 from City of Longview Fiscal Year 2008 Budget document, 95.

[33] City of Round Rock Fiscal Year 2008 Budget document, 165.

Not only are budget objectives linked to long-term department goals, but important measures are included to help the reader determine if the objective is meeting the stated goal. Furthermore, trend analysis is provided to help the reader interpret the information.

Survey

Table 4.4 provides the results of the mid-size Texas cities city manager performance measurement survey regarding the practical ideal element of developing performance measurement systems.

Table 4.4 Developing Performance Measurement Systems - Survey

	Combined Budget Scores N=9						
Practical Ideal Category	**Question**	**Strongly Disagree**	**Disagree**	**Neutral**	**Agree**	**Strongly Agree**	**Overall Score**
Developing Performance Measurement Systems							
Mix of measures	Measures are developed for each major program offered by the city.	0	0	4	4	1	Agree
	The organization utilizes input measures.	0	0	2	5	2	Agree
	The organization utilizes output measures.	0	0	0	6	3	Agree
	The organization utilizes efficiency measures.	0	0	1	6	2	Agree
	The organization utilizes outcome measures.	0	0	1	6	2	Agree
Measures tied to goals	Performance measures are tied to the strategic goals of the organization.	0	0	2	4	3	Agree
Positively influence behavior	In my opinion, the organization utilizes some measures that may adversely influence employee behavior.	0	5	4	0	0	Disagree
	Employees have an aversion to measuring their performance.	0	4	3	2	0	Disagree

Combined Budget Scores N=9							
Practical Ideal Category	**Question**	**Strongly Disagree**	**Disagree**	**Neutral**	**Agree**	**Strongly Agree**	**Overall Score**
Developing Performance Measurement Systems							
Positively influence behavior	Superior employee performance, as reflected through performance measurement, is rewarded.	0	1	4	4	0	Neutral - Agree
	Performance data is used in employee evaluations.	0	1	2	6	0	Agree
	A broad spectrum of measures are used to limit goal displacement. (Goal displacement occurs when an employee focuses on one activity because it is measured and ignores other important activities).	0	1	4	4	0	Agree
Performance data validity and reliability	Performance reports are regularly audited to ensure validity.	0	3	2	3	1	Neutral
	Measures are clearly defined so that they are calculated consistently.	0	1	2	5	1	Agree

Overall, the results indicate responding city managers believe their organizations include a mix of measures, measures tied to goals, measures that positively influence employee behavior, and valid and reliable data. Surveyed city managers agree their organizations contain a mix of input, output, efficiency, and effectiveness measures. Four out of nine surveyed city managers agree performance measures are developed for each major program offered by their city.

According to Table 4.4, mid-size Texas cities meet the practical ideal model by tying performance measures to strategic goals of the organization. Seven of the responding city

managers agree or strongly agree that their organizations tie performance measures to strategic goals.

The survey results indicate some of the participating cities utilize measures that positively influence behavior. The majority of surveyed city managers disagree that their organizations utilize measures that adversely influence employee behavior and that employees have an aversion to measuring performance.

City managers reveal through the survey that some mid-size Texas cities have not begun regular audits of performance data to ensure validity. Six of the nine responding city managers, however, affirm their cities define measures, enabling consistent calculation.

<div align="center">

Application of Performance Measures

</div>

Using performance measures in the strategic planning and budgeting process can help ensure performance management success. Performance measurement is done in vain unless it is tied to the strategic planning process (Kinney and Riggini 2008, 15). Measures help define strategic priorities and act as a barometer to measure changes in service delivery (Tigue and Greene 1994, 2). Performance measures reflect the "city's progress towards achieving its strategic goals and objectives" (Opie 2008, 42).

"As a budgeting tool, a measure helps an agency outline its service objectives, identify funding alternatives, establish funding priorities, and service funding levels" (Wang and Gianakis 1999, 539). By using performance measures, cities can link outcomes or results to funding inputs. Measures help establish realistic operational outcomes for the fiscal year and provide insights into programs and services. Councilmembers often set service level

expectations. Using performance measures enable city officials to demonstrate why service

levels are realistic or not based on multiple factors.[34]

Content Analysis

Table 4.5 Application of Performance Measures - Content Analysis

Combined Budget Scores N=23						
Practical Ideal Category	**Question**	**Never**	**Seldom**	**Sometimes**	**Often**	**Very Often**
Application of Performance Measures						
Strategic planning	Long-range strategic goals are included as part of the budget document. (1=No, 2=Yes)	No = 22%			Yes = 78%	
	Key indicators are identified in relation to strategic goals.	96%	0%	0%	0%	4%
Budgeting	Budget requests are justified by performance data.	83%	13%	0%	4%	0%
	Has the City earned the Distinguished Budget Presentation Award from the Government Finance Officers Association for the current or preceding year? (1=No, 2=Yes)[35]	No = 9%			Yes = 91%	

According to the content analysis results, mid-size Texas cities struggle to apply

performance measures to the budgeting and strategic planning process. Table 4.5 reveals almost

80% of mid-size Texas cities include long-range strategic goals as part of the budget document.

Only the City of Sugar Land, however, included key indicators aligned with each long-range

---

[34] For example, a councilmember may wish to rehabilitate 25% of a cities roadway infrastructure. Using efficiency measures to provide the cost per linear foot, it becomes clear that such a large scale project is not feasible for one year, unless the councilmember is willing to take resources away from another highly successful program. The decision now becomes a political one for the elected officials. Using performance measures in the budget process not only helps allocate resources but also manage expectations.

[35] The complete GFOA Budget scoring criteria for the Distinguished Budget Presentation Award is included in Appendix G.

strategic goal. Figure 4.4 is an excerpt from the City of Sugar Land's budget. For each strategic

goal, the related measure is included.

Figure 4.4: Measures Linked to Goals[36]

CITY OF SUGAR LAND GOALS AND OBJECTIVES	
Objectives	Goal Measures
GOAL 2: SAFEST CITY IN AREA	

◆ Rapid Response To An Emergency: Police Fire, EMS, Public Works	◆ Response Time (9-1-1):
	  ◆ Police
	  ◆ Fire/EMS
	  ◆ Public Works

◆ Improved Emergency Preparedness Through Better Coordination And Intergovernmental Cooperation	◆ Percent of After Action Review critiques and improvements implemented from drills and EOC activations

Furthermore, 83% of cities did not include performance data to justify budget requests as

part of the budget document. The published budget documents, however, may not provide a

complete picture of how cities use performance measures. A follow-up study including a content

analysis of budget worksheets and workshop presentations may provide a clearer understanding

of how performance measures are used in the budget process.

The Government Finance Officers Association (GFOA) offers a Distinguished Budget

Presentation Award to cities meeting certain criteria including specifications for performance

measures.[37] The GFOA Budget Criteria requires cities to include performance measures for each

individual department and to integrate them throughout the document. Furthermore, the

performance data should relate to goals and objectives. Only two of the twenty-three budgets

analyzed do not participate in the awards program. All twenty-one cities that participate in the

---

[36] Figure 4.4 from City of Sugar Land Fiscal Year 2008 Budget document, 14.

[37] The specifications for performance measures can be found under "The Budget as an Operations Guide" in Appendix G.

program won the award for Fiscal Year 2007 Budgets. Fiscal Year 2008 results were not

available at the time of the study.

Survey

Table 4.6 Application of Performance Measures – Survey

Practical Ideal Category	Question	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Overall Score
Combined Budget Scores N=9							
Application of Performance Measures							
Strategic planning	Key indicators are identified during the strategic planning process.	0	0	3	5	1	Agree
Budgeting	Data from the performance measurement system has led to decisions to adjust budgets.	0	0	3	4	2	Agree

Table 4.6 demonstrates surveyed city managers appropriately apply performance

measurement to the strategic planning and budgeting processes. Six out of nine respondents

agree or strongly agree key performance indicators are identified during the strategic planning

process. Six out of nine respondents indicate performance data has led to decisions to adjust

budget levels.

Benchmarking

Benchmarking and targeting allows a city to determine if it is meeting service targets and

goals (Este 2007).   Benchmarks, or service delivery targets, are established performance

standards based on expectations of service (Ammons 1999, 106; Berman 2007, 66).

Benchmarking with national standards and other cities enables citizens and elected officials to

contrast their service with other organizations (Ammons 1999, 107). Benchmarking is important

because it helps cities compare their service delivery across time and with other municipalities,

identifying needed improvements and analyzing gaps between ideal and actual service (Ammons 1995, 37; Ammons ed. 1995, 14). Benchmarks help staff understand expectations by establishing target levels of service and encouraging continual advancement towards improvement.

Ammons (1999) encourages cities to identify organizations that provide the best-in-class service and to determine the factors leading to their success. This "best practices" approach can help organizations discover better ways to provide services.

Content Analysis

Table 4.7 Benchmarking - Content Analysis

Combined Budget Scores N=23						
Practical Ideal Category	**Question**	**Never**	**Seldom**	**Sometimes**	**Often**	**Very Often**
Benchmarking						
Targets	Targets are established for applicable measures.	43%	13%	13%	4%	26%
Best practices	Targets are based on comparisons with national standards.	100%	0%	0%	0%	0%
	Targets are based on national or local top performers.	100%	0%	0%	0%	0%
Trend analysis	Prior year performance data is included for trend analysis.	17%	13%	0%	0%	70%
	Performance variances or shifts in trends are explained.	70%	17%	4%	4%	4%

Unfortunately, mid-size Texas cities do a poor job of benchmark performance measures in the Fiscal Year 2008 Budget documents. The City of Killeen provides the best example of performance measurement benchmarking, as noted in Figure 4.5. None of the cities in the study, including Killeen, incorporated best practices information based on national standards or targets

Figure 4.5: Benchmarking Best Practices

The City of Killeen's Budget provides the best example of performance measurement benchmarking of the selected cities. Targets are regularly established for measures and variances in performance data from year to year are explained.

from top performing organizations. 30% of the budgets contained targets for applicable measures often or very often, although the source for the target is not defined. It appears that targets included in budgets are established by the organization based on trends.

The majority of the cities (70%) included prior year performance data for comparisons, but only two of the twenty-three documents included an explanation of trend variances with regularity. Follow-up research should evaluate other documents produced by mid-size Texas cities such as annual reports to determine if benchmarks are included.

Survey

Table 4.8 demonstrates city manager's perceptions of performance benchmarking in mid-size Texas cities. City managers clearly agree targets and trends are analyzed within their organizations as all nine respondents responded agree or strongly agree. Furthermore, four out of nine respondents indicate their cities use best practices to benchmark their city's performance with other jurisdictions.

The survey results further support the findings of the content analysis with regards to trend analysis. 70% of the budgets provided prior year performance data to enable trend analysis. Likewise, eight of nine responding city managers agree or strongly agree that their cities track performance data over time.

Table 4.8 Benchmarking - Survey

	Combined Budget Scores N=9						
Practical Ideal Category	**Question**	**Strongly Disagree**	**Disagree**	**Neutral**	**Agree**	**Strongly Agree**	**Overall Score**
Benchmarking							
Targets	Leadership within the organization sets performance targets or goals.	0	0	0	8	1	Agree
Best practices	The jurisdiction benchmarks performance measures against other jurisdictions to gauge the effectiveness of strategic initiatives.	0	2	2	4	1	Agree
Trend analysis	The jurisdiction tracks performance data over time to determine whether performance in strategic result areas has improved over previous levels.	0	0	1	6	2	Agree

Reporting

Performance measurement is done in vain if the results are not properly reported as they communicate "information about how well a government" achieves its goals and objectives (Epstein et al. 2005, 4). Therefore, elected officials, managers, citizens, civic groups, and many others have an interest in a city's performance. Reported information must be delivered regularly and in a timely manner - to managers for decision-making, to elected officials and citizens to demonstrate accountability, and to employees to show the information is used and to let employees self-evaluate their performance.[38]

---

[38] See Ammons 1995, 46; Este 2007, 42; Epstein et al. 2005, 35; GFOA 2007; Grizzle 1985, 334.

Performance reports should be organized around and provide a description of strategic goals, and the efforts to attain them (Opie 2008, 43; Ammons ed. 1995, 127). Performance reports should be supplemented with explanatory context, trend analysis, and a mix of data so audiences can better understand the information (Hatry 2006, 23; Epstein et al. 2005, 27). Inclusion of clear and simple terms may help prevent confusing and overloading citizens with information (Ammons ed. 1995, 128). Data translation is frequently required to decode raw data into understandable information (Este 2007, 41; Kamensky 1993, 397). Charts and graphs are useful for presenting data in easy to understand formats.

Reports ought to define measures and their relation to strategic goals so citizens may easily grasp what is reported.[39] Trends (multi-year comparisons) and anomalies should be explained.

Content Analysis

The content analysis of Fiscal Year 2008 Budget documents reveals mid-size Texas cities do not follow the model municipal performance when it comes to reporting performance. Performance measures were regularly defined in only 13% of the budget documents. Charts and graphs were regularly used in only 22% of the studied cities' Fiscal Year 2008 Budget documents. Table 4.9 provides the breakdown of the content analysis results in relation to the reporting category.

---

[39] See for example Ammons ed. 1995; Epstein et al. 2005; Hatry 2006; Kamensky 1993; Ridley 1937.

Table 4.9 Reporting - Content Analysis

	Combined Budget Scores N=23					
Practical Ideal Category	**Question**	**Never**	**Seldom**	**Sometimes**	**Often**	**Very Often**
Reporting						
Audience	Performance measures are defined.	39%	39%	9%	9%	4%
Content	Charts and graphs are utilized to report performance indicators.	65%	13%	0%	13%	9%
Timely						

While the majority of mid-size Texas cities did a poor job of incorporating easy to read illustrations of performance data in the Fiscal Year 2008 Budget documents, a few cities excelled. Figures 4.6 and 4.7 provide examples from the City of College Station and McKinney of simple yet effective ways to visually convey performance information.

Figure 4.6 Best Practices Reporting[40]

---
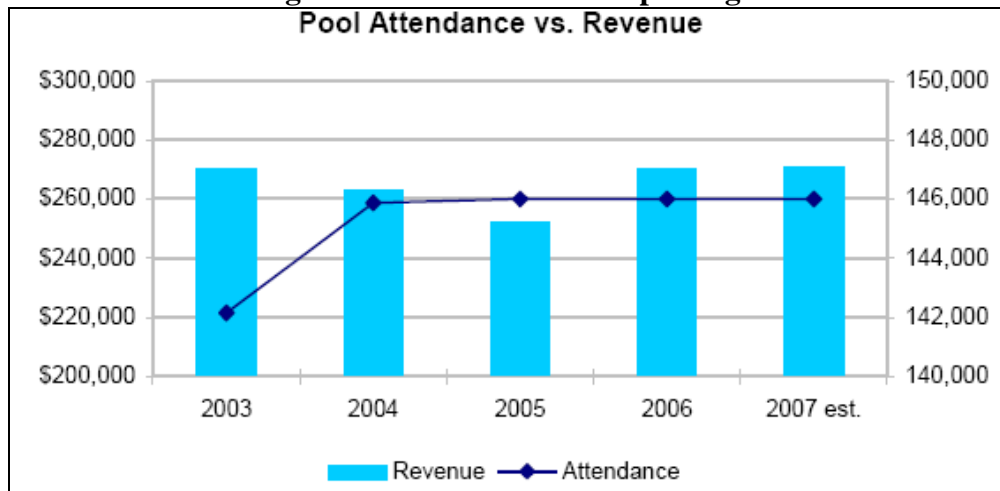
[40] Figure 4.6 from City of College Station Fiscal Year 2008 Budget document, 14.

Figure 4.7 Best Practices Reporting[41]
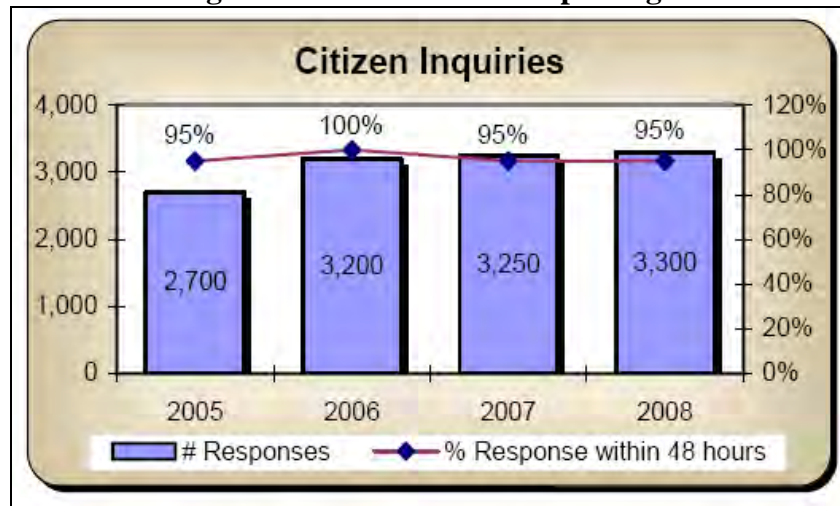
Both Figures 4.6 and 4.7 combine related information to provide the reader with more

information. For example, not only does Figure 4.7 provide the number of responses to citizen

inquiries, but the information is included with an efficiency measure of the percentage of

responses within 48 hours.

Survey

Table 4.10 Reporting – Survey

Combined Budget Scores N=9							
Practical Ideal Category	**Question**	**Strongly Disagree**	**Disagree**	**Neutral**	**Agree**	**Strongly Agree**	**Overall Score**
Reporting							
Audience	The City Council regularly receives information on performance.	0	2	2	5	0	Agree
	Performance information is regularly reported to line staff.	0	1	4	4	0	Neutral - Agree
	Performance information is regularly reported to the City Manager.	0	0	2	5	2	Agree

---

[41] Figure 4.7 from City of McKinney 2008 Budget document, 55.

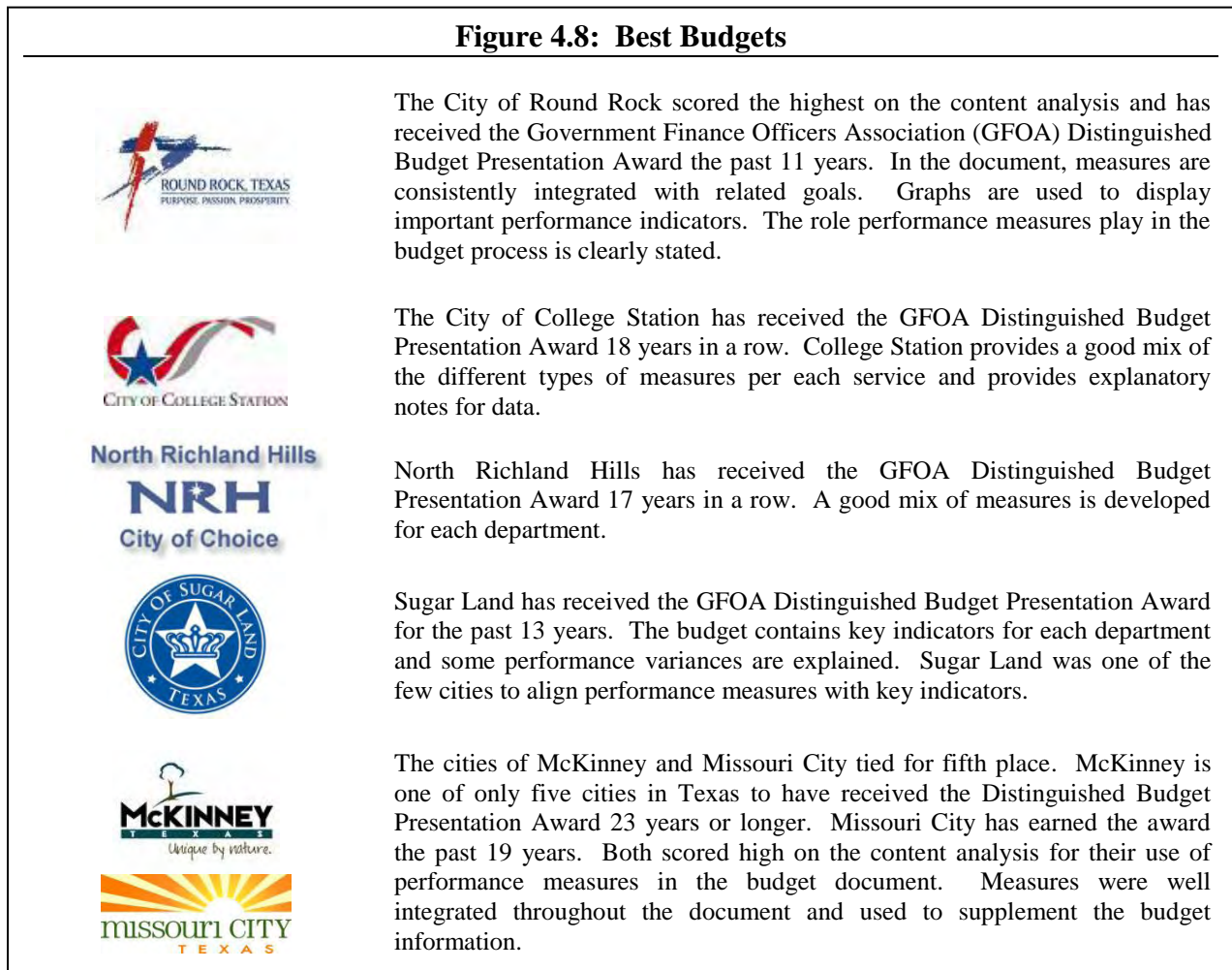| Practical Ideal Category	Question	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Overall Score
Reporting							
Audience	Performance data associated with strategic goals is reported to the public.	0	2	3	4	0	Agree
Content	Illustrations and graphs are used to report measures.	0	1	2	6	0	Agree
	Measures are defined in reports to enable the reader to understand the measure.	0	3	1	5	0	Agree
	Variances between time periods and/or other jurisdictions are explained in performance reports.	0	3	2	4	0	Agree
	Reports predominantly contain efficiency and outcome measures relating to the attainment of strategic goals.	0	1	4	4	0	Neutral - Agree
Timely	Measures are reported in a timely manner to be used in decision making.	0	0	2	7	0	Agree

Overall, performance reporting survey results indicate responding mid-size Texas cities meet the practical ideal model for reporting performance measures. Appropriate audiences are presented performance data in a timely manner and in a format consistent with the model. Five out of nine survey respondents agree performance reports are regularly provided to the city council and the city manager. Fewer cities, however, responded that performance data is reported back to line staff. Five out of nine respondents agree measures are defined to increase the reader's understanding. This finding is not supported by the content analysis which revealed only 13% of mid-size Texas cities define measures in the budget document often or very often.

Respondents also agree that measures are reported in a timely manner to be used in decision-making.

Best Practice Budgets

Figure 4.8 includes the top six mid-size Texas municipal budgets based on the content analysis. These cities best incorporated performance measures into their budgets in accordance with the practical ideal categories.

Figure 4.8: Best Budgets

The City of Round Rock scored the highest on the content analysis and has received the Government Finance Officers Association (GFOA) Distinguished Budget Presentation Award the past 11 years. In the document, measures are consistently integrated with related goals. Graphs are used to display important performance indicators. The role performance measures play in the budget process is clearly stated.

The City of College Station has received the GFOA Distinguished Budget Presentation Award 18 years in a row. College Station provides a good mix of the different types of measures per each service and provides explanatory notes for data.

North Richland Hills has received the GFOA Distinguished Budget Presentation Award 17 years in a row. A good mix of measures is developed for each department.

Sugar Land has received the GFOA Distinguished Budget Presentation Award for the past 13 years. The budget contains key indicators for each department and some performance variances are explained. Sugar Land was one of the few cities to align performance measures with key indicators.

The cities of McKinney and Missouri City tied for fifth place. McKinney is one of only five cities in Texas to have received the Distinguished Budget Presentation Award 23 years or longer. Missouri City has earned the award the past 19 years. Both scored high on the content analysis for their use of performance measures in the budget document. Measures were well integrated throughout the document and used to supplement the budget information.

Chapter Summary

The results chapter provides the outcomes of the mid-size Texas cities content analysis of Fiscal Year 2008 Budget documents and survey of city managers. Overall, the content analysis reveals mid-size Texas cities meet the performance culture, the developing performance measurement systems, and application of performance measures elements of the practical ideal model municipal performance measurement system. Mid-size Texas cities Fiscal Year 2008 Budget documents, however, do not meet the model municipal performance measurement system under the benchmarking and reporting elements. The survey results of mid-size Texas cities' city managers indicate mid-size Texas cities meet the municipal performance measurement systems model. The survey results, however, must be viewed with caution as only nine of the twenty-three cities responded to the survey.

Chapter 5: Conclusion and Recommendations

Chapter Purpose

The purpose of the conclusion and recommendations chapter is to wrap-up the research by extrapolating the current status of mid-size Texas cities performance measurement systems based on the developed model. Recommendations for improving mid-size Texas cities municipal performance measurement systems and future research topics are also included in the chapter.

Mid-size Texas Cities Recommendations

The results chapter provided the outcomes of the mid-size Texas cities content analysis of Fiscal Year 2008 Budget documents and survey of city managers. Overall, the content analysis reveals mid-size Texas cities meet the performance culture, the developing performance measurement systems, and application of performance measures elements of the practical ideal model municipal performance measurement system. Mid-size Texas cities Fiscal Year 2008 Budget documents, however, did not meet the model municipal performance measurement system under the benchmarking, and reporting elements.

The survey of city managers results indicates mid-size Texas cities meet all elements of the municipal performance measurement systems model. The survey results, however, should be cautiously interpreted as only nine city managers responded. While the survey findings cannot be generalized to the larger population of mid-size Texas, they do provide a certain level of insight regarding municipalities' use of performance measures.

Table 5.1 summarizes the results of the empirical research and provides recommendations to improve mid-size Texas cities municipal performance measurement systems. The lack of survey responses (39% response rate) prevents generalizing the survey

findings to the larger population. Thus, survey results meeting the practical ideal model are

reported as "weak-meets."

Table 5.1 Summary of Findings and Recommendations

Practical Ideal Category	Results	Recommendations
Performance Culture		
Leadership Support	**Content Analysis:** Meets **Survey:** Weak - Meets	Overall, content analysis evidence suggests cities provide the necessary leadership support to establish performance measurement systems. Individual cities, however, must make improvements in this area. The City Manager should play an active role in performance measurement to reinforce its importance.
Empowerment of employees	**Content Analysis:** Not Applicable **Survey:** Weak-Meets	Survey results indicate a weakness in this sub-category. Employees should be given the opportunity to actively participate in the performance measurement process. They should be given ownership over their measures, prompting greater buy-in and more accurate reporting. Establishing performance targets may help motivate employees.
Sustainability	**Content Analysis:** Not Applicable **Survey:** Weak-Meets	Opie (2008) notes the importance of properly training employees on performance measurement. Greater emphasis should be placed on regularly training all individuals within the city.
Developing Performance Measurement Systems		
Mix of measures	**Content Analysis:** Meets **Survey:** Weak-Meets	Cities should increase the use of efficiency and outcome measures in the budget documents as they provide the greatest level of information regarding a program's success. Outcome measures cannot be determined until goals are identified.
Measures tied to goals	**Content Analysis:** Does not meet **Survey:** Weak-Meets	The content analysis shows that measures are not regularly tied to goals in mid-size Texas cities' budget documents. Linking key measures for each goal provides readers a better understanding of the implications of funding amounts. The City of Round Rock's budget document is a good example of tying measures to goals.
Positively influence behavior	**Content Analysis:** Not Applicable **Survey:** Weak-Meets	Integrating performance measurement training may help alleviate this fear. As Theurer (1998) suggests, performance data should not be used to punish employees because it will turn them away from the concept.

Practical Ideal Category	Results	Recommendations
Developing Performance Measurement Systems		
Performance data validity and reliability	**Content Analysis:** Does not meet **Survey:** Weak-Meets	Mid-size Texas cities' budgets should incorporate the source and definition of performance measures so any citizen can understand what is reported. Cities should also regularly audit performance data to ensure valid and reliable data is reported.
Application of Performance Measures		
Strategic planning	**Content Analysis:** Meets **Survey:** Weak-Meets	The content analysis revealed that mid-size Texas cities include long-range strategic goals as part of the budget document but fail to link key performance measures to strategic goals. Doing so identifies key measures for the city
Budgeting	**Content Analysis:** Meets **Survey:** Weak-Meets	Budget documents should include discussions justifying budget requests based on the performance data. Performance data should be used to answer why additional resources are needed, how they will be used, and to what end.
Benchmarking		
Targets	**Content Analysis:** Does not meet **Survey:** Weak-Meets	Budget documents should include annual performance targets for applicable measures. Cities should also provide the basis for the target such as national standards, trends, etc.
Best practices	**Content Analysis:** Does not meet **Survey:** Weak-Meets	Budget documents should incorporate best practice targets so readers can see how their city's service compares to others.
Trend analysis	**Content Analysis:** Does not meet **Survey:** Weak-Meets	Cities should better incorporate trend analysis in budget documents. Major changes should be explained.
Reporting		
Audience	**Content Analysis:** Does not meet **Survey:** Weak-Meets	Measures should be defined so readers may better comprehend the contents of the budget document. A broad range of people read the budget document including city councilmembers and citizens. Defining measures enables all readers to better understand what is happening.
Content	**Content Analysis:** Does not meet **Survey:** Weak-Meets	Mid-size Texas cities should incorporate charts and graphs into budget documents. Visual portrayal of performance data can raise the reader's understanding of the information.
Timely	**Content Analysis:** Not applicable **Survey:** Weak-Meets	Managers should identify key operational measures, similar to the balanced scorecard identified by Kaplan and Norton (1992), to readily identify changes and make timely adjustments.

Future Research Opportunities

This research was limited due to time and financial restraints and only scraped the surface of municipal performance measurement systems. Application of performance measurement extends well beyond a municipality's budgeting process. The performance culture element could be further tested by evaluating the core values, mission, statements, and employee evaluation systems of cities. Likewise, the developing performance measurement systems element can be further studied by assessing the performance data collection methods and closely evaluating individual measures. Empirical research opportunities abound in identifying whether specific traits or attributes of a city lead to better performance measurement systems.

In-depth research should continue on the element of performance measurement application to assess how comprehensively cities apply performance measurement to the strategic planning and budgeting processes. A follow-up study including a content analysis of budget worksheets and workshop presentations may provide a clearer understanding of how performance measures are used in the budget process. Examining strategic planning documents, budget forms, and correspondence can help determine if measures are used to justify future strategic initiatives and budget requests. Further content analysis should examine municipal reports to better evaluate the benchmarking and reporting elements of the model performance measurement system.

This study could be replicated and used to evaluate different fiscal year budget documents. The survey could be distributed to a different group of public officials, such as finance directors, to determine how their opinions differ from city managers. Mid-size Texas cities performance measurement systems could also be compared to mid-size cities in other

states such as California or Florida to determine which state's local governments better utilizes performance measures.

This research was intended to provide a basis and framework for future evaluations. While much has been written on how to create performance measures, not much time has been devoted to evaluate their effectiveness in increasing accountability and improving management decisions.

Concluding Remarks

Authors and scholars have written much on the topic of performance measurement as better ideas and systems are developed. While some management fads come and go, performance measurement has stood the test of time. As Theurer (1998, 21) states, "performance measurement is not going away" because it makes so much sense. With proper use, organizations can use performance measurement to improve programs and services, increase accountability, and build public trust.

The research identified five elements of an ideal municipal performance measurement system including the importance of establishing a performance-based culture, developing a mix of measures that positively motivate staff and prevent goal displacement, applying performance measurement to the strategic planning and budgeting processes, benchmarking, and reporting results. Mid-size Texas cities were evaluated against the practical ideal type model municipal performance measurement system. The results of the content analysis and survey of city managers indicate mid-size Texas cities meet the model municipal performance measurement system. Room exists for improvements, especially in regards to mid-size Texas cities budget documents and their application of performance measures, benchmarking, and reporting.

Performance measurement offers cities a means to improve performance and public accountability within their organizations. As Radin (2006, 5) would attest, performance measures alone, however, are not the answer. A performance measurement system is only a tool (Ammons 1995, 29; Hatry 2006, 31). Measurement systems must be carefully crafted to provide benefit to a community. They must move beyond simply tracking information and use data to make improvements. Cities like the City of Anytown, Texas, mentioned in Chapter One, can use performance data to evaluate processes, programs and services, and to improve its standing with citizens by demonstrating fiscal responsibility and accountability only if sound performance measurement systems are established.

When developing a performance measurement system, it is important to create a system that fits within the organization. The ideals mentioned previously should serve as the backbone of a performance measurement system, but every measure developed should be tailored to individual cities as each provides unique services under different circumstances. The system a city chooses to construct should be flexible as it may evolve and improve as the city gets better at measuring performance and new priorities develop (Behn 2007, 46).

Bibliography

Ammons, David, editor. 1995. *Accountability for performance: Measurement and monitoring in local government*. Washington D.C.: International City/County Management.

Ammons, David. 1995. Overcoming the inadequacies of performance measurement in local government: The case of libraries and leisure services. *Public Administration Review*. 55 (1): 37-47.

Ammons, David. 1999. A proper mentality for benchmarking. *Public Administration Review*. 59(2): 105-109.

Babbie, Earl. 2004. *The practice of social research, 10th Edition*. Belmont, CA: Wadsworth/Thomson Learning.

Behn, Robert. 2002. The psychological barriers to performance management: Or why isn't everyone jumping on the performance-management bandwagon? *Public Performance and Management Review*. 26(1): 5-25.

Behn, Robert. 2007. What all mayors would like to know about Baltimore's citistat performance strategy. *Managing for Performance and Results Series*. IBM Center for the Business of Government.

Berman, Evan. 2007. *Essential statistics for public managers and policy analysts 2nd Edition*. Washington, DC: CQ Press.

Bingham, Richard and Claire Felbinger. 2002. *Evaluation in practice: A methodological approach*. 2nd ed. New York, NY: Chatham House Publishers.

Epstein, Paul, James Fountain, Wilson Campbell, Terry Patton, and Kimberly Keaton. 2005. *Government service efforts and accomplishments performance reports: A guide to understanding*. Norwalk, CT: Governmental Accounting Standards Board.

Este, Stephen. 2007. The challenges of accountability in the human services: Performance management in the Adult Protective Services Program of Texas. Texas State Applied Research Project. Available online at http://ecommons.txstate.edu/arp/250/

Garcia, Stella. 1999. Organization performance and quality management: An analysis of workforce development organization in Texas. Texas State Applied Research Project. Available online at http://ecommons.txstate.edu/arp/230

Gaebler, Ted and David Osborne. 1992. *Reinventing government: How the entrepreneurial spirit is transforming the public sector*. Lexington, MA: Addison-Wesley.

Government Finance Officers Association Recommended Practice. "Performance management: Using performance measurement for decision making." Government Finance Officers Association. Available online at http://gfoa.org/services/rp/documents/perfmanagement.pdf

Gray, Angela. 1998. Performance measurement systems as a planning tool in public sector organizations: Overcoming obstacles to implementation and buy-in. Texas State Applied Research Project. Available online at http://ecommons.txstate.edu/arp/175/

Grifel, Stuart. 1993. Performance measurement and budgetary decision making. *Public Productivity and Management Review.* 16(4): 403-407.

Grizzle, Gloria. 1985. Performance measures for budget justification: Developing a selection strategy. *Public Productivity Review.* 9(4): 328-341.

Halachmi, Arie. 2007. Performance measurement: Test the water before you dive in. In *Public Policy and Administration,* ed. Howard Balanoff, 43-49. Dubuque, IA: McGraw-Hill.

Hatry, Harry. 1980. Performance measurement principles and techniques: An overview for local government. *Public Productivity Review.* 4(4): 312-339.

Hatry, Harry. 2006. *Performance measurement: Getting results.* 2nd ed. Washington DC: Urban Institute Press.

Heinrich, Carolyn J. 1999. Do government bureaucrats make effective use of performance management information? *Journal of Public Administration Research and Theory* 9(3): 363-393.

Hurst, E. Gerald. 1980. Attributes of performance measures. *Public Productivity Review.* 4(1): 43-49.

Kamensky, John. 1993. Program performance measures: Designing a system to manage for results. *Public Productivity & Management Review.* 16(4): 395-402.

Kaplan, R. and D. Norton. 1992. The balanced scorecard – measures that drive performance. *Harvard Business Review.* January-February: 71-79.

Kestenbaum, M. and R. Straight. 1995. Procurement performance: Measuring quality, effectiveness, and efficiency. *Public Productivity & Management Review.* 19(2): 200-215.

Kinney, A. and J. Riggini. 2008. Measuring for a purpose: Trends in public-sector performance measurement and management practices. *Government Finance Review.* 24(9): 14-23.

Light, Paul. 2006. The tides of reform revisited: Patterns in making government work. *Public Administration Review.* 66(1): 6-19.

Miller, Richard, Phillip Brinkman, and Dianna Bolen. 1975. Attribution versus persuasion as a means for modifying behavior. *The Journal of Personality and Social Psychology.* 31(3): 430-441.

Morrill, Christopher. 2008. Performance measurement. Presented as part of the *Budget Analyst Academy,* Chicago, IL 12-15 August 2008.

Opie, Barbara. 2008. Measuring what matters. *Government Finance Review.* 24(2): 42-45.

Piatt, Le Ann Estes. 1998. Analysis of municipal government performance appraisal systems. Texas State Applied Research Project. Available online at http://ecommons.txstate.edu/arp/188

Poister, T. and G. Streib. 1999. Performance measurement in municipal government: Assessing the state of the practice. *Public Administration Review.* 59(4): 325-335.

Radin, Beryl. 2006. *Challenging the performance movement: Accountability, complexity, and democratic values (public management and change).* Washington, DC: Georgetown University Press.

Ridley, Clarence. 1937. Municipal reporting taken seriously. *The Public Opinion Quarterly.* 1(1): 112-116.

Ridley, C. and H. Simon. 1938. The criterion of efficiency. *Annals of the American Academy of Political and Social Science.* 199: 20-25.

Rivenbark, William, and Carla Pizzarella. 2002. Auditing performance data in local government. *Public Performance and Management Review.* 25(4): 413-420.

Roethlisberger, F. and W. Dickson. 1939. *Management and the worker.* Cambridge, MA: Harvard University Press.

Romero, Michelle. 2004. A utilization assessment of the Texas performance measurement system. Texas State Applied Research Project. Available online at http://ecommons.txstate.edu/arp/26

Saint-Germain, Michelle. 1995. Similarities and differences of public service among public administrators on the US-Mexico border. *Public Administration Review*. 55(6): 507-516.

Shields, Patricia M. 1998. Pragmatism as a philosophy of science: A tool for public administration. *Faculty Publications-Political Science.* Paper 33. Available online at: http://ecommons.txstate.edu/polsfacp/33

Shields, P. and H. Tajalli. 2006. Intermediate theory: The missing link to successful student scholarship. *Journal of Public Affairs Education.* 12(3) 313-334. Available online at: http://ecommons.txstate.edu/polsfacp/39/

Theurer, Jim. 1998. Seven pitfalls to avoid when establishing performance measures. *Public Management.* 90(6): 21-24.

Tigue, P. and J. Greene Jr. 1994. Performance measurement: The link to effective government. *The Government Finance Officers Association Research Bulletin.* April 1994. 1-9.

Usher, Charles and Gary Cornia. 1981. Goal setting and performance assessment in municipal budgeting. *Public Administration Review.* 41(2): 229-235.

Wang, XiaoHu. 2002. Assessing performance measurement impact: A study of U.S. local governments. *Public Performance and Management Review.* 26(1): 26-43.

Wang, X. and G. Gianakis. 1999. Public officials' attitudes toward subjective performance measures. *Public Productivity & Management Review.* 22(4): 537-553.

Wilson, Timothy. 2001. Pragmatism and performance measurement: An exploration of practices in Texas State Government. Texas State Applied Research Project. Available online at http://ecommons.txstate.edu/arp/71/

Appendix A: Cities and Population

City		2000 Population	Interesting Facts
1. Baytown		66,430	Oil was discovered near Baytown in 1908. It is the site of the first offshore oil drilling in Texas.
2. Bryan		65,660	Bryan serves as the county seat for Brazos County. The City was founded as a train depot in the late 19th Century.
3. College Station		67,890	College Station is home to Texas A&M University and the George Bush Sr. Presidential Library.
4. Denton		80,537	Denton serves as the county seat for Denton County and is home to the University of North Texas and the Texas Women's University.
5. Flower Mound		50,702	Flower Mound incorporated in 1961 to avoid annexation by the City of Irving. Today it serves as a booming suburb of the Dallas-Ft. Worth metropolis.
6. Galveston		57,247	Once the largest city in Texas, a hurricane destroyed much of the Texas shipping and trading business in 1900. Spanish explorer Cabeza de Vaca shipwrecked on Galveston Island in 1528.
7. Harlingen		57,564	Harlingen was established as an agricultural hub in the early 1900s, bringing merchants and wealth to the area.
8. Killeen		86,911	Located in Bell County, Killeen's growth has been fueled by Fort Hood. The military based was originally founded in 1942.
9. Lewisville		77,737	Lewisville has largely developed as a bedroom community to Dallas and Ft. Worth. Lewisville's population has sky rocketed since the opening of the Dallas-Ft. Worth International Airport.
10. Longview		73,344	Longview's existence can be credited to the Southern Pacific Railroad Company, which created the town to act as a major rail hub. The Southern Pacific Line was one of only a few to cross through the south all the way to California.
11. McKinney		54,369	The town was named after Collin McKinney, one of the signers of the Texas Declaration of Independence.
12. Midland		94,996	Midland originally served as a small train filling station until oil was discovered in 1923, causing the population to boom.

13. Missouri		52,913	Located near Houston, the town was hit by a blizzard in 1895 causing many residents to relocate elsewhere. Oil was discovered in 1919.
14. North Richland Hills		55,635	Original settlers to the area came as a land grant colony in 1848.
15. Odessa		90,943	Odessa's population boomed with the discovery of oil in the 1920s. Odessa gained national attention from the book *Friday Night Lights* written by H.G. Bissinger about the Permian High School Football Team.
16. Port Arthur		57,755	Home of singing legend Janis Joplin, the City gained economic prosperity for its oil refineries.
17. Richardson		91,802	Richardson is located in the "telecom corridor" of Texas. Many technology companies have relocated their corporate offices to Richardson.
18. Round Rock		61,136	Known as the "Sports Capitol of Texas," Round Rock gets its name from a unique limestone formation in Brushy Creek. Round Rock is also home to Dell, Inc and the Round Rock Express minor league baseball team.
19. San Angelo		88,439	San Angelo is the county seat of Tom Green County and home of Angelo State University. The town developed in conjunction with Fort Concho.
20. Sugar Land		63,328	Originally part of Stephen F. Austin's land grant, Sugar Land began as a sugar plantation in the mid 19th Century.
21. Temple		54,514	Temple is known as the "Wildflower Capitol of Texas" for its abundant wildflower growths each spring. Temple is also home to Scott & White Memorial Hospital.
22. Tyler		83,650	Tyler is the county seat for Smith County. Temple is known as the "Rose Capitol of Texas" as approximately 20% of the nation's roses are grown in the area.
23. Victoria		60,603	Victoria is the county seat of Victoria County. The area of Victoria was settled as part of a land grant in 1824, making it one of the first settlements in Texas.

Appendix B: Budget Coding Sheet

FISCAL YEAR 2008 COMBINED BUDGET SCORECARD

City	1. Performance measures are integrated throughout the budget document.	2. The budget contains a mix of measures for each department.	3. The budget contains input measures.	4. The budget contains output measures.	5. The budget contains efficiency measures.	6. The budget contains outcome measures.	7. Measures are linked to goals included in the budget.	8. The source of the performance measurement information defined.	9. Key indicators are identified in relation to strategic goals.	10. Budget requests are justified by performance data.	11. Targets are established for applicable measures.	12. Targets are based on comparisons with national standards.	13. Targets are based on national or local top performers.	14. Prior year performance data is included for trend analysis.	15. Performance variances or shifts in trends are explained.	16. Performance measures are defined.	17. Charts and graphs are utilized to report performance indicators.	18. The performance measurement process is discussed. (1=No, 5=Yes)	19. Long-range strategic goals are included as part of the budget document. (1=No, 5=Yes)	20. Has the City earned the Distinguished Budget Presentation Award from the Government Finance Officers Association for the current or preceding year? (1=No, 5=Yes)
Baytown																				
Bryan																				
College Station																				
Denton																				
Flower Mound																				
Galveston																				
Harlingen																				
Killeen																				
Lewisville																				
Longview																				
McKinney																				
Midland																				
Missouri																				
North Richland Hills																				
Odessa																				
Port Arthur																				
Richardson																				
Round Rock																				
San Angelo																				
Sugar Land																				
Temple																				
Tyler																				
Victoria																				
Average	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Appendix C: Performance Measurement Survey and Cover Letter

Dear (insert name),

My name is Micah Grau, and I am working on my Masters of Public Administration at Texas State University. I am currently working on a research project to gauge mid-size Texas cities performance measurement systems.

The purpose of the research is to compare mid-size Texas cities performance measurement systems with an ideal model system that I have developed based on performance measurement literature. City managers of Texas municipalities with populations 50,000 – 100,000 are asked to complete the five-minute electronic survey assessing their cities use of performance measures. Please complete the survey by October 25th.

The results of the survey will be compiled and published as an Applied Research Project for Texas State University. The finalized and published results of the survey will be shared with participants.

I ask that you click on the link below to take the survey. Please mark the answer that best fits your individual city's performance measurement system. I ask that you email me at micahgrau@gmail.com or call (830) 433-0518 should you have any questions or concerns.

Thank you in advance for your time and participation.

(Insert Link to Survey)

Thank you,

Micah Grau

Mid-size Texas Municipal Performance Measurement Systems Survey

Please select which response best fits with how performance measures are used within your organization. Individual responses will not be shared.

1. What is your city's name? The results of this question will only be used to gauge survey participation.

[_____]

What is your city's name? The results of this question will only be used to gauge survey participation.

2. The City Manager supports the use of performance measures in the organization.

○ **Strongly Agree**　　○ Agree　　○ Neutral　　○ Disagree　　○ Strongly Disagree

3. Elected officials urge the use of performance measures.

○ Strongly Agree　　○ Agree　　○ Neutral　　○ Disagree　　○ Strongly Disagree

4. Overall, mid-level supervisors are supportive of performance measures in the organization.

○ Strongly Agree　　○ Agree　　○ Neutral　　○ Disagree　　○ Strongly Disagree

5. The city manager or mayor is active in the performance measurement initiative from the start.

○ Strongly Agree　　○ Agree　　○ Neutral　　○ Disagree　　○ Strongly Disagree

6. Performance measurement is described to the organization as a tool for improvement.

○ Strongly Agree　　○ Agree　　○ Neutral　　○ Disagree　　○ Strongly Disagree

7. Line employees are involved in establishing what is measured.

○ Strongly Agree　　○ Agree　　○ Neutral　　○ Disagree　　○ Strongly Disagree

8. Each employee is responsible for reporting his or her performance data.

○ Strongly Agree　　○ Agree　　○ Neutral　　○ Disagree　　○ Strongly Disagree

9. Employees are regularly trained on the purpose and importance of measuring performance.

○ Strongly Agree ○ Agree ○ Neutral ○ Disagree ○ Strongly Disagree

10. Performance data is used regularly in decision making.

○ Strongly Agree ○ Agree ○ Neutral ○ Disagree ○ Strongly Disagree

11. Measures are developed for each major program offered by the city.

○ Strongly Agree ○ Agree ○ Neutral ○ Disagree ○ Strongly Disagree

12. The organization utilizes input measures.

○ Strongly Agree ○ Agree ○ Neutral ○ Disagree ○ Strongly Disagree

13. The organization utilizes output measures.

○ Strongly Agree ○ Agree ○ Neutral ○ Disagree ○ Strongly Disagree

14. The organization utilizes efficiency measures.

○ Strongly Agree ○ Agree ○ Neutral ○ Disagree ○ Strongly Disagree

15. The organization utilizes outcome measures.

○ Strongly Agree ○ Agree ○ Neutral ○ Disagree ○ Strongly Disagree

16. Performance measures are tied to the strategic goals of the organization.

○ Strongly Agree ○ Agree ○ Neutral ○ Disagree ○ Strongly Disagree

17. In my opinion, the organization utilizes some measures that may adversely influence employee behavior.

○ Strongly Agree ○ Agree ○ Neutral ○ Disagree ○ Strongly Disagree

18. Employees have an aversion to measuring their performance.

○ Strongly Agree ○ Agree ○ Neutral ○ Disagree ○ Strongly Disagree

19. Superior employee performance, as reflected through performance measurement, is rewarded.

○ Strongly Agree ○ Agree ○ Neutral ○ Disagree ○ Strongly Disagree

20. Performance data is used in employee evaluations.

○ Strongly Agree ○ Agree ○ Neutral ○ Disagree ○ Strongly Disagree

21. A broad spectrum of measures are used to limit goal displacement. (Goal displacement occurs when an employee focuses on one activity because it is measured and ignores other important activities).

○ Strongly Agree   ○ Agree   ○ Neutral   ○ Disagree   ○ Strongly Disagree

22. Performance reports are regularly audited to ensure validity.

○ Strongly Agree   ○ Agree   ○ Neutral   ○ Disagree   ○ Strongly Disagree

23. Measures are clearly defined so that they are calculated consistently.

○ Strongly Agree   ○ Agree   ○ Neutral   ○ Disagree   ○ Strongly Disagree

24. Key indicators are identified during the strategic planning process.

○ Strongly Agree   ○ Agree   ○ Neutral   ○ Disagree   ○ Strongly Disagree

25. Data from the performance measurement system has led to decisions to adjust budgets.

○ Strongly Agree   ○ Agree   ○ Neutral   ○ Disagree   ○ Strongly Disagree

26. Leadership within the organization sets performance targets or goals.

○ Strongly Agree   ○ Agree   ○ Neutral   ○ Disagree   ○ Strongly Disagree

27. The jurisdiction benchmarks performance measures against other jurisdictions to gauge the effectiveness of strategic initiatives.

○ Strongly Agree   ○ Agree   ○ Neutral   ○ Disagree   ○ Strongly Disagree

28. The jurisdiction tracks performance data over time to determine whether performance in strategic result areas has improved over previous levels.

○ Strongly Agree   ○ Agree   ○ Neutral   ○ Disagree   ○ Strongly Disagree

29. The City Council regularly receives information on performance.

○ Strongly Agree   ○ Agree   ○ Neutral   ○ Disagree   ○ Strongly Disagree

30. Performance information is regularly reported to line staff.

○ Strongly Agree   ○ Agree   ○ Neutral   ○ Disagree   ○ Strongly Disagree

31. Performance information is regularly reported to the City Manager.

○ Strongly Agree   ○ Agree   ○ Neutral   ○ Disagree   ○ Strongly Disagree

32. Performance data associated with strategic goals is reported to the public.

○ Strongly Agree   ○ Agree   ○ Neutral   ○ Disagree   ○ Strongly Disagree

33. Illustrations and graphs are used to report measures.

○ Strongly Agree   ○ Agree   ○ Neutral   ○ Disagree   ○ Strongly Disagree

34. Measures are defined in reports to enable the reader to understand the measure.

○ Strongly Agree   ○ Agree   ○ Neutral   ○ Disagree   ○ Strongly Disagree

35. Variances between time periods and/or other jurisdictions are explained in performance reports.

○ Strongly Agree   ○ Agree   ○ Neutral   ○ Disagree   ○ Strongly Disagree

36. Reports predominantly contain efficiency and outcome measures relating to the attainment of strategic goals.

○ Strongly Agree   ○ Agree   ○ Neutral   ○ Disagree   ○ Strongly Disagree

37. Measures are reported in a timely manner to be used in decision making.

● Strongly Agree   ○ Agree   ○ Neutral   ○ Disagree   ○ Strongly Disagree

38. Comments

Comments

Appendix D: Institutional Review Board Exemption

DO NOT REPLY TO THIS MESSAGE. This email message is generated by the IRB online application program.

Based on the information in IRB Exemption Request EXP2008H6525 which you submitted on 09/24/08 13:51:37, your project is exempt from full or expedited review by the Texas State Institutional Review Board.

If you have questions, please submit an IRB Inquiry form:
http://www.txstate.edu/research/irb/irb_inquiry.html
Institutional Review Board
Office of Research Compliance
Texas State University-San Marcos
(ph) 512/245-2314 / (fax) 512/245-3847 / ospirb@txstate.edu

JCK 489
601 University Drive, San Marcos, TX 78666

Texas State University-San Marcos is a member of the Texas State University System
NOTE: This email, including attachments, may include confidential and/or proprietary information and may be used only by the person or entity to which it is addressed. If the reader of this email is not the intended recipient or his or her agent, the reader is hereby notified that any dissemination, distribution or copying of this email is prohibited. If you have received this email in error, please notify the sender by replying to this message and deleting this email immediately. Unless otherwise indicated, all information included within this document and any documents attached should be considered working papers of this office, subject to the laws of the State of Texas.

Appendix E: Content Analysis Results

Combined Budget Scores N=23						
Practical Ideal Category	**Question**	Never	Seldom	Sometimes	Often	Very Often
Performance Culture						
Leadership Support	Performance measures are integrated throughout the budget document.	17%	9%	4%	13%	57%
	The performance measurement process is discussed. (1=No, 2=Yes)	No = 78%			Yes = 22%	
Empowerment of employees						
Sustainability						
Developing Performance Measurement Systems						
Mix of measures	The budget contains a mix of measures for each department.	26%	0%	13%	35%	26%
	The budget contains input measures.	17%	17%	0%	35%	30%
	The budget contains output measures.	13%	17%	0%	13%	57%
	The budget contains efficiency measures.	26%	4%	26%	17%	26%
	The budget contains outcome measures.	26%	17%	9%	30%	17%
Measures tied to goals	Measures are linked to goals included in the budget.	30%	13%	35%	17%	4%
Positively influence behavior						
Performance data validity and reliability	The source of the performance measurement information defined.	43%	30%	17%	4%	4%
Application of Performance Measures						
Strategic planning	Long-range strategic goals are included as part of the budget document. (1=No, 2=Yes)	No = 22%			Yes = 78%	
	Key indicators are identified in relation to strategic goals.	96%	0%	0%	0%	4%
Budgeting	Budget requests are justified by performance data.	83%	13%	0%	4%	0%
	Has the City earned the Distinguished Budget Presentation Award from the Government Finance Officers Association for the current or preceding year? (1=No, 2=Yes)	No = 9%			Yes = 91%	

Benchmarking						
Targets	Targets are established for applicable measures.	43%	13%	13%	4%	26%
Best practices	Targets are based on comparisons with national standards.	100%	0%	0%	0%	0%
	Targets are based on national or local top performers.	100%	0%	0%	0%	0%
Trend analysis	Prior year performance data is included for trend analysis.	17%	13%	0%	0%	70%
	Performance variances or shifts in trends are explained.	70%	17%	4%	4%	4%
Reporting						
Audience	Performance measures are defined.	39%	39%	9%	9%	4%
Content	Charts and graphs are utilized to report performance indicators.	65%	13%	0%	13%	9%
Timely						

Appendix F: Survey Results

Combined Budget Scores N=9							
Practical Ideal Category	**Question**	**Strongly Disagree**	**Disagree**	**Neutral**	**Agree**	**Strongly Agree**	**Overall Score**
Performance Culture							
Leadership Support	The City Manager supports the use of performance measures in the organization.	0	0	0	4	5	Strongly Agree
	Elected officials urge the use of performance measures.	0	0	3	3	3	Agree
	Overall, mid-level supervisors are supportive of performance measures in the organization.	0	0	4	5	0	Agree
	The city manager or mayor is active in the performance measurement initiative from the start.	0	0	2	5	2	Agree
	Performance measurement is described to the organization as a tool for improvement.	0	0	1	5	3	Agree
Empowerment of employees	Line employees are involved in establishing what is measured.	0	0	4	4	1	Agree
	Each employee is responsible for reporting his or her performance data.	0	1	4	4	0	Neutral - Agree
Sustainability	Employees are regularly trained on the purpose and importance of measuring performance.	0	2	3	3	1	Agree
	Performance data is used regularly in decision making.	0	0	3	5	1	Agree

Developing Performance Measurement Systems							
Mix of measures	Measures are developed for each major program offered by the city.	0	0	4	4	1	Agree
	The organization utilizes input measures.	0	0	2	5	2	Agree
	The organization utilizes output measures.	0	0	0	6	3	Agree
	The organization utilizes efficiency measures.	0	0	1	6	2	Agree
	The organization utilizes outcome measures.	0	0	1	6	2	Agree
Measures tied to goals	Performance measures are tied to the strategic goals of the organization.	0	0	2	4	3	Agree
Positively influence behavior	In my opinion, the organization utilizes some measures that may adversely influence employee behavior.	0	5	4	0	0	Disagree
	Employees have an aversion to measuring their performance.	0	4	3	2	0	Disagree
	Superior employee performance, as reflected through performance measurement, is rewarded.	0	1	4	4	0	Neutral - Agree
	Performance data is used in employee evaluations.	0	1	2	6	0	Agree
	A broad spectrum of measures are used to limit goal displacement. (Goal displacement occurs when an employee focuses on one activity because it is measured and ignores other important activities).	0	1	4	4	0	Agree
Performance data validity and reliability	Performance reports are regularly audited to ensure validity.	0	3	2	3	1	Neutral

	Measures are clearly defined so that they are calculated consistently.	0	1	2	5	1	Agree
Application of Performance Measures							
Strategic planning	Key indicators are identified during the strategic planning process.	0	0	3	5	1	Agree
Budgeting	Data from the performance measurement system has led to decisions to adjust budgets.	0	0	3	4	2	Agree
Benchmarking							
Targets	Leadership within the organization sets performance targets or goals.	0	0	0	8	1	Agree
Best practices	The jurisdiction benchmarks performance measures against other jurisdictions to gauge the effectiveness of strategic initiatives.	0	2	2	4	1	Agree
Trend analysis	The jurisdiction tracks performance data over time to determine whether performance in strategic result areas has improved over previous levels.	0	0	1	6	2	Agree
Reporting							
Audience	The City Council regularly receives information on performance.	0	2	2	5	0	Agree
	Performance information is regularly reported to line staff.	0	1	4	4	0	Neutral - Agree
	Performance information is regularly reported to the City Manager.	0	0	2	5	2	Agree
	Performance data associated with strategic	0	2	3	4	0	Agree

	goals is reported to the public.						
Content	Illustrations and graphs are used to report measures.	0	1	2	6	0	Agree
	Measures are defined in reports to enable the reader to understand the measure.	0	3	1	5	0	Agree
	Variances between time periods and/or other jurisdictions are explained in performance reports.	0	3	2	4	0	Agree
	Reports predominantly contain efficiency and outcome measures relating to the attainment of strategic goals.	0	1	4	4	0	Neutral - Agree
Timely	Measures are reported in a timely manner to be used in decision making.	0	0	2	7	0	Agree

Survey Comments[42]:

While we have made progress with performance measures, we are not anywhere near where we want to be in their use. We have found that many department heads have challenges thinking and planning in this way. I personally suspect it is due to the wide range of academic backgrounds of department heads and even lack of higher education exposure to such tools. But that is an opinion and I cannot back it up with direct facts. But a reasonable person can see the academic backgrounds and can see that there is little business and management education, and most of this comes from OJT.

---

[42] Survey respondents were given the opportunity to provide open comments. Only one comment was received.

Appendix G: Government Finance Officers Association (GFOA) Distinguished Budget Presentation Award Criteria

Detailed Criteria Location Guide   **Name of Entity:** _____
Distinguished Budget Presentation Awards Program   **State/Province:** _____
Government Finance Officers Association

Cite specific page references on the lines in response to each question.

The Budget as a Policy Document (PD)

PD1.   *Mandatory:* The document should include a coherent statement of entity-wide long-term financial policies.
- Is there a summary of financial policies and goals? _____
- Do the financial policies include the entity's definition of a balanced budget? _____
- Are all financial policies presented in one place? _____

PD2.   The document should include a coherent statement of entity-wide, non-financial goals and objectives that address long-term concerns and issues.
- Are non-financial policies/goals included? _____
  - Are these policies/goals included together in the Budget Message or in another section that is separate from the departmental sections? _____

PD3.   The document should describe the entity's short-term initiatives that guide the development of the budget for the upcoming year.
- Are short-term initiatives included? _____
- Does the document discuss how the short-term initiatives guided the development of the annual budget? _____
- Are changes in staffing levels for the budget year explained? _____
- If there are no changes in staffing levels, is that item noted? _____

PD4.   *Mandatory:* The document shall include a budget message that articulates priorities and issues for the budget for the new year. The message should describe significant changes in priorities from the current year and explain the factors that led to those changes. The message may take one of several forms *(e.g., transmittal letter, budget summary section).*
- Does the message highlight the principal issues facing the governing body in developing the budget *(e.g., policy issues, economic factors, regulatory, and legislative challenges)?* _____
- Does the message describe the action to be taken to address these issues? _____ _____
- Does the message explain how the priorities for the budget year differ from the priorities of the current year? _____
- Is the message comprehensive enough to address the entire entity? _____

PD5.   The document should include clearly stated goals and objectives of organizational units *(e.g., departments, divisions, offices or programs).*
- Are unit goals and objectives identified? _____ _____
- Are unit goals clearly linked to the overall goals of the entity? _____ _____
- Are short-term objectives quantifiable? _____ _____

The Budget as a Financial Plan (FP)

FP1. The document should include and describe all funds that are subject to appropriation.
- Is a narrative or graphic overview of the entity's budgetary fund structure included in the document? _____
- Does the document indicate which funds are appropriated? (Other funds for which financial plans are prepared also may be included in the document.) _____
- Does the document include a description of each individual major fund included within the document? _____
- If additional or fewer funds are included in the audited financial statements, does the document indicate this fact? _____

FP2. *Mandatory:* The document shall present a summary of major revenues and expenditures, as well as other financing sources and uses, to provide an overview of the total resources budgeted by the organization.
- Does the document include an overview of revenues and other financing sources and expenditures and other financing uses of all appropriated funds? _____
- Are revenues and other financing sources and expenditures and other financing uses presented either (1) together in a single schedule OR (2) in separate but adjacent/sequential schedules OR (3) in a matrix? _____
- Are revenues presented by major type in this schedule (*e.g., property taxes, intergovernmental, sales taxes, fees, and charges*)? _____
- Are expenditures presented by function, organizational unit, or object in this schedule? (For funds other than the main operating fund of the entity, a presentation by fund normally would satisfy this requirement.) _____

FP3. *Mandatory:* The document shall include summaries of revenues and other financing sources, and of expenditures and other financing uses for the prior year actual, the current year budget and/or estimated current year actual, and proposed budget year.
- For annual budgets, are revenues and other financing sources and expenditures and other financing uses for the prior year, the current year, and the budget year presented together on the same schedule(s) or on schedules presented on adjacent/sequential pages? _____
- Is this information presented for the appropriated funds in total (or for the entity as a whole if no appropriated funds are included)? _____
- Is this information also presented at a minimum for each major fund and for other *(e.g., nonmajor)* funds in the aggregate (or for each significant fund and other funds in the aggregate if no appropriated funds are included)? _____
- For biennial budgets, are revenues and other financing sources and expenditures and other financing uses for the prior year, the current year, and both budget years presented together on the same schedule(s) or on separate schedules presented on adjacent/sequential pages? _____

FP4. *Mandatory:* The document shall describe major revenue sources, explain the underlying assumptions for the revenue estimates, and discuss significant revenue trends.
- Are individual revenue sources described? _____
- Do the revenue sources that are described represent at least 75 percent of the total revenues of all appropriated funds? _____
- Are the methods used to estimate revenues for the budget year described *(e.g., trend analysis, estimates from another government or consulting firm)?* _____
- If revenues are projected based on trend information, are both those trends and the underlying assumptions adequately described? _____

FP5.　*Mandatory:*　The document shall include projected changes in fund balances, as defined by the entity in the document, for appropriated governmental funds included in the budget presentation (fund equity if no governmental funds are included in the document.

- Does the document include the entity's definition of "fund balance" (or of "fund equity" if no governmental funds are included in the entity - frequently the noncapital portion of net assets)?
  _____
- Is the fund balance (equity) information presented for the budget year? _____
- Is there a schedule showing (1) beginning fund balances, (2) increases and decreases in total fund balances (reported separately), and (3) ending fund balances for appropriated governmental funds? _____
  _____
- Is this information presented at a minimum for each major fund and for nonmajor governmental funds in the aggregate? _____
- If fund balances of any major fund or the nonmajor funds in the aggregate are anticipated to increase or decline by more than 10%, does the document include a discussion of the causes and/or consequences of these changes in fund balance? _____
- If an entity has no governmental funds, is the change in the fund equity presented for (1) the entity as a whole, (2) the main operating fund, and (3) each significant fund? _____
  _____

FP 5. *Mandatory* (Continued)

- If an entity has no governmental funds and the fund equity of any significant fund or other funds in the aggregate is anticipated to change by more than 10%, does the document include a discussion of the causes and/or consequences of any change in fund equity that is greater than 10% in either a significant fund or other funds in the aggregate? _____
- For biennial budgets is the change in fund equity presented separately for both years of the biennium?
  _____

FP6.　The document should include budgeted capital expenditures, whether authorized in the operating budget or in a separate capital budget.

- Does the document define "capital expenditures"? _____
  _____
- Does the document indicate the total dollar amount of capital expenditures for the budget year (both budget years for biennial budgets)? _____
  _____
- Are significant nonroutine capital expenditures described along with dollar amounts? (Information in a separate CIP document does not satisfy this criterion.) _____
  _____
- If the entity has no significant nonroutine capital expenditures, is that fact clearly stated in the document?
  _____

FP7.　The document should describe if and to what extent significant nonroutine capital expenditures will affect the entity's current and future operating budget and the services that the entity provides.

- Are anticipated operating costs associated with significant nonroutine capital expenditures described and quantified *(e.g., additional personnel costs, additional maintenance costs, or additional utility costs)?* (Information in a separate CIP document does not satisfy this criterion.) _____
  _____
- Are anticipated savings or revenues expected to result from significant nonroutine capital expenditures described and quantified *(e.g., reduced utility costs, lower maintenance costs)?* _____
  _____

FP8.　*Mandatory:*　The document shall include financial data on current debt obligations, describe the relationship between current debt levels and legal debt limits, and explain the effects of existing debt levels on current and future operations.

- Is the entity's debt policy described? _____
- If the entity has legal debt limits:
  - Are debt limits described? _____
  - Are the amounts of debt limits expressed in terms of total dollars, millage rates or percentages of assessed value? _____
  - Are the amounts of debt subject to debt limits identified in the same terms used to describe the debt limits themselves? _____
- If the entity has no legal debt limits, is that fact clearly stated within the budget document? _____
- If the entity does not have and does not intend to issue debt, is that fact clearly stated? _____
- Is the amount of principal and interest payments for the budget year (two years for biennial budgets) shown for each major fund (for appropriated funds), for each significant unappropriated fund and for other funds in the aggregate? _____

FP9.   *Mandatory:* The document shall explain the basis of budgeting for all funds, whether cash, modified accrual, or some other statutory basis.
- Is the basis of budgeting defined *(e.g., modified accrual, cash, or accrual) for all funds included in the document)?* _____
- If the basis of budgeting is the same as the basis of accounting used in the entity's audited financial statements, is that fact clearly stated? _____
- If the basis of budgeting is not the same as the basis of accounting used in the entity's audited financial statements, are the differences described? _____

The Budget as an Operations Guide (OG)

OG1.   *Mandatory:* The document shall describe activities, services or functions carried out by organizational units.
- Does the document clearly present the organizational units *(e.g., divisions, departments, offices, agencies, or programs)*? _____
- Does the document provide descriptions of each organizational unit*?* _____
  _____

OG2.   The document should provide objective measures of progress toward accomplishing the government's mission as well as goals and objectives for specific units and programs.
- Are performance data for individual departments included in the document? _____
  _____
- Are performance data directly related to the stated goals and objectives of the unit? _____
  _____
- Do performance measures focus on results and accomplishments *(e.g., output measures, efficiency and effectiveness measures)* rather than inputs *(e.g., dollars spent)?* _____
  _____

OG3.   *Mandatory:* The document shall include an organization chart(s) for the entire organization.
- Is an organization chart provided which shows the entire entity? _____

OG4.   *Mandatory:* A schedule or summary table of personnel or position counts for prior, current and budgeted years shall be provided.
- Is a summary table of position counts provided for the entire entity? _____
- Does the table include the prior year, the current year, and budget year position counts? _____

The Budget as a Communications Device (CD)

CD1.   The document should provide summary information, including an overview of significant budgetary issues, trends, and resource choices. Summary information should be presented within the budget document either in a separate section *(e.g., executive summary)* or integrated within the transmittal letter or other overview sections, or as a separate budget-in-brief.

- Is summary information contained in the budget message/transmittal letter, overview section, or in a separate budget-in-brief document? _____
- Is summary information on significant budgetary issues conveyed in an easy to read format? _____ _____
- Is summary information on budgetary trends provided? _____

CD2.   The document should explain the effect, if any, of other planning processes *(e.g., strategic plans, long-range financial plans, and capital improvement plans)* upon the budget and budget process.

- Are other planning processes, *(e.g., strategic plans, long-range plans, and capital improvement plans)* identified? _____
- Are the effects of other planning processes on the current budget explained? _____ _____
- Are the long-term implications of other planning processes discussed? _____ _____

CD3.   ***Mandatory:*** The document shall describe the process for preparing, reviewing and adopting the budget for the coming fiscal year. It also should describe the procedures for amending the budget after adoption.

- Is a description of the process used to develop, review, and adopt the budget included in the document? _____
- Is a budget calendar provided to supplement (not replace) the narrative information on the budget process? _____
- Is a discussion of how the budget is amended provided in the budget document available to the public (including the budgetary level of control)? _____

CD4.   ***Mandatory:*** Charts and graphs should be used, where appropriate, to highlight financial and statistical information. Narrative interpretation should be provided when the messages conveyed by the graphs are not self-evident.

- Are charts and graphs used in the document to convey essential information *(e.g., key policies, trends, choices and impacts)*? _____
- Do the graphics supplement the information contained in the narrative? _____ _____

CD5.   The document should provide narrative, tables, schedules, or matrices to show the relationship between functional units, major funds, and nonmajor funds in the aggregate.

- Is the relationship between the entity's functional units, major funds, and nonmajor funds in the aggregate explained or illustrated? _____

CD6.   ***Mandatory:*** The document shall include a table of contents to make it easy to locate information in the document

- Is a comprehensive table of contents provided to help the reader locate information in the document? _____ _____
- Are all pages in the document numbered or otherwise identified? _____ _____
- Do the page number references in the budget or electronic table of contents agree with the related page numbers in the budget or electronic submission? _____ _____

CD7.   A glossary should be included for any terminology (including abbreviations and acronyms) that is not readily understandable to a reasonably informed lay reader.

- Is a glossary that defines technical terms related to finance and accounting, as well as non-financial terms related to the entity, included in the document? _____
- Are acronyms or abbreviations used in the document defined in the glossary? _____
- Is the glossary written in non-technical language? _____

CD8. The document should include statistical and supplemental data that describe the organization, its community, and population. It should also furnish other pertinent background information related to the services provided.
- Is statistical information that defines the community included in the document (*e.g., population, composition of population, land area, and average household income*)? _____ _____
- Is supplemental information on the local economy included in the document *(e.g., major industries, top taxpayers, employment levels, and comparisons to other local communities*)? _____ _____
- Is other pertinent information on the community *(e.g., local history, location, public safety, education, culture, recreation, transportation, healthcare, utilities, and governmental structure)* included in the document? _____

CD9. The document should be produced and formatted in such a way as to enhance its understanding by the average reader. It should be attractive, consistent, and oriented to the reader's needs.
- Is page formatting consistent? _____
- Are the main sections of the document easily identifiable? _____
- Is the level of detail appropriate? _____
- Are text, tables, and graphs legible? _____
- Are budget numbers in the document accurate and consistent throughout the document? _____

PLEASE NOTE:
- Outstanding ratings by all three reviewers on financial plan #6 and financial plan #7 and proficient ratings by all three reviewers on communications device #2 will result in special capital recognition.
- Outstanding ratings by all three reviews on operations guide #2, outstanding ratings by at least two reviewers on policy document #5, and at least proficient ratings by all three reviewers on policy document #2 will result in special performance measures recognition.