

AGENDA ITEM #6
March 3, 2009

MEMORANDUM

February 27, 2009

TO: County Council

FROM: Stephen B. Farber, Council Staff Director 

SUBJECT: FY10 Operating Budget preparation – Update on Results-Based Budgeting and CountyStat

On February 2 the Management and Fiscal Policy Committee reviewed two fiscal initiatives of the Leggett administration, Results-Based Budgeting (RBB) and CountyStat, with OMB Director Joseph Beach, Assistant Chief Administrative Officer Fariba Kassiri, and CountyStat Manager Chris Cihlar. Committee members asked them to provide this briefing to the Council. They will discuss the slides on ©1-13.

Linking performance more closely to budget decisions is a goal shared by the Council and the Executive. Committee Chair Trachtenberg requested this review to measure the progress achieved to date on both initiatives and to determine what impact they are having on preparation of the Executive's Recommended Operating Budget for FY10 – that is, how the Executive's decision-making process for the FY10 budget differs from the FY08 or FY09 process.

The slides describe the objectives of RBB and CountyStat, the processes they employ, and steps that CountyStat has taken during its first year of operation. The slides on ©9-12 are of particular note. They outline what CountyStat views as the positive impact it has already achieved in four areas: managing overtime, the Pedestrian Safety Initiative, the Positive Youth Development Initiative, and the Alternative Dispute Resolution process.

Montgomery County Results-Based Accountability

Council Briefing – March 3, 2009
Presented by CountyStat and OMB



Agenda

- **Overview of Results-Based Accountability Framework**
 - Linking Performance to Budgetary Decisions
 - Interrelationship of Priority Objectives, County Performance, Departmental Performance, and Results-Based Budgeting

- **Focus on Customer Needs and Results**
 - Recent Efforts (Town Hall Meetings and Budget Forums; Resident Survey; MC311; ERP)
 - CountyStat Year-One (Capacity Building; Policy Translation; Data Analytics and Integration)
 - Illustrative Examples of CountyStat Impact
 - Departmental Overtime
 - Pedestrian Safety Initiative
 - Positive Youth Development Initiative
 - Alternative Dispute Resolution Process

- **Results-Based Accountability – Next Steps and Opportunities**



Presentation Purpose

- **Managing performance and delivering results through CountyStat and Results-Based Budgeting**
 - CountyStat seeks to improve performance by creating greater accountability and transparency, providing policy translation to assist with department and topic specific strategic planning and through the application of data analytics into the decision making process.
 - Results-Based Budgeting ensures that resource allocation is based on County priority objectives to make government more responsive, that programs and initiatives are operating effectively and efficiently, and that tax dollars are spent wisely through the use of performance data as a primary basis for review and analysis of budgetary requests.



Results Accountability - Status

Work in Progress

- Montgomery County is transitioning into a results-based accountability system that creates direct linkages between County priority objectives, performance, and decision making.
- Iterative process that requires continuous changes in corporate culture; development of reliable, useful, and relevant performance data; and refinements in processes, systems, and techniques.

Activities and Accomplishments

- Departmental performance plans and all their Headline Performance Measures reviewed, revised and completed.
- New "Dashboard" reporting system on departments' Headline Performance Measures and Sub-Measures completed and will go online very shortly.
- Indicators, after an inter-agency development process, completed and benchmarked against comparable counties. The Indicators will go online shortly.
- Special topic reviews completed and ongoing: Overtime; Positive Youth Development; Affordable Housing, Pedestrian Safety.
- New Performance Sub-Measures submitted with FY10 Budget.
- Training provided on Results Based budgeting, headline measures, and program measures to budget staff and Management Leadership Service during FY08 and FY09.
- Budget Manual, processes, system, and publication revised to reflect focus on results accountability.



Linking Performance to Budget Decisions - Benefits

1. Departments use historical and projected performance data and other reliable and relevant evidentiary data to justify budgetary allocations expenditures through the demonstration of performance results.
2. Provides a better basis for decision making and administration of budgets including additional investments or budgetary reductions since these decisions would be based on alignment with priority objectives and performance data.
3. Enhances opportunities for cross departmental/agency coordination and resource allocation decision since the corresponding impact of resource changes on performance can be evaluated in a timely and objective manner.

Departments tailor budget requests to align with County priority objectives, maintain or improve performance goals, comply with legal mandates, and other relevant guidance.



Montgomery County's Eight Priority Objectives

- **A Responsive and Accountable County Government**
- **Affordable Housing in an Inclusive Community**
- **An Effective and Efficient Transportation Network**
- **A Strong and Vibrant Economy**
- **Children Prepared to Live and Learn**
- **Healthy and Sustainable Communities**
- **Safe Streets and Secure Neighborhoods**
- **Vital Living for All our Residents**

The Eight Priority Objectives were developed by a group of 100 community representatives during the 2006 County Executive Leggett Transition

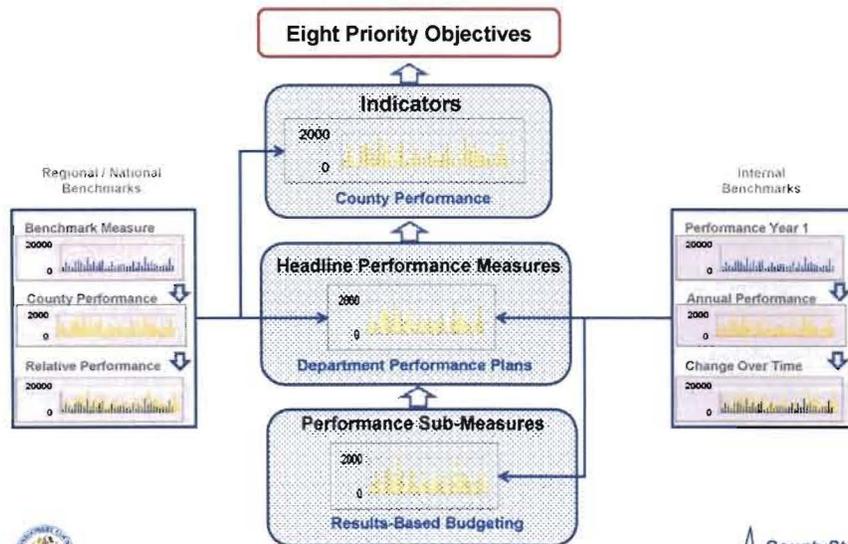


Measuring and Quantifying the County's Progress in Each of the Eight Priority Objectives

- **Indicators:** Sets of data that represent a high-level barometer of County performance and reflect the quality-of-life in Montgomery County. Indicators are influenced by multiple departments and subject to external factors often beyond the control of County government.
 - Level of Analysis: National/Regional
- **Headline Performance Measures:** Outcome-based measures that monitor results achieved by County departments.
 - Level of Analysis: National/Regional and Internal
- **Performance Sub-Measures:** Measures that link budget items to departmental Headline Performance Measures and monitor results achieved at programmatic level.
 - Level of Analysis: Internal



Interrelationship of Priority Objectives, County Performance, Departmental Performance, and Results-Based Budgeting



4

Interrelationship of Priority Objectives , County Performance, Departmental Performance, and Results-Based Budgeting - Illustrative Example: MCFRS

County Priority Objectives: All programmatic decisions within MCFRS address one or more of the high-level Eight County Priority Objectives and ensures they are working toward common goals that deliver results.

Safe Streets And Secure Neighborhoods

Indicator (County Performance): Although MCFRS can not be held accountable for all of the variables that go into the following a performance indicator, the performance of the MCFRS has a direct effect on the County's overall ability to mitigate fire-related damage.

Annual net change in loss of life, number of injuries, property damage, and financial loss due to structural fires

Headline Measures (MCFRS Performance): These headline measures each contribute to the ability of MCFRS to impact a portion of the above indicator on fire-related damages in the County.

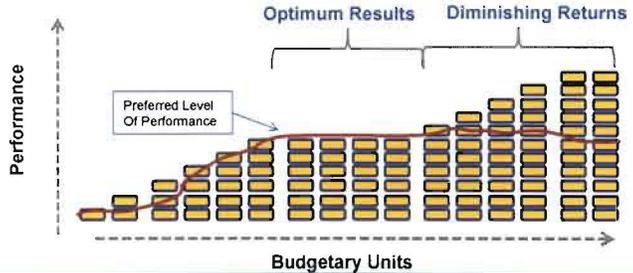


Sub-Measures (Results Based Budgeting): These Performance Sub-Measures (illustrative) are related to program budget elements in the MCFRS budget. Changes in the individual budgetary resources within each program impacts Performance Sub-Measures, Headline Performance Measures, County Indicators, and ultimately County Priority Objectives.



Linking "Preferred/Acceptable Level of Performance" to Optimum level of "Returns on Investment": Defining Optimum Results and Diminishing Returns

Cost benefit analysis of changes in budgetary resources on performance provides information on potential overspending in instances that have minimal impact on performance.



Policymakers determine the level of acceptable performance with input from departments on the cost benefit of aligning budgetary resources to optimize the use of County resources.



Linking Department's Performance to Budgetary Analysis and Decision Making - Process Elements

- Departments identify and prioritize key budgetary resources that impact departmental performance.
- Departments identify Performance Sub-Measures (based on existing program budget categories) that link to Headline Performance Measures and County Indicators.
- Departments project the impact of budgetary resource changes on the ability to meet performance measure goals.
- Departments tailor budget requests to align with County priority objectives, maintain or improve performance goals, comply with legal mandates, fiscal limitations, and other relevant guidance.



Additional Information - Understanding the Linkage Between Performance and Budget

- Increases or decreases in budget do not necessarily correlate to changes in departmental or County-wide performance
- Complex interrelationships exist between budgetary resources and performance.
 1. Performance often requires multiple budgetary resources working in congruence.
 2. Budgets are not static, yet performance goals often remain constant.
 3. All budgetary resources do not have the same impact on performance.
 4. Difficult to isolate and measure the impact of resource changes on performance due to confounding factors (e.g. economy, population changes)
 5. Complexities of tracking and measuring government service delivery process.
 6. Development of accurate and useful performance measures is a time consuming and challenging process.

Non Performance related considerations are important factors in the budget process (Equity, Legal Mandates, Collective Bargaining, etc.) and can not always be expressed in quantifiable terms for a cost benefit calculation.



Focus on Customer Needs and Results

- **Town Hall Meetings and Budget Forums**
Provide a forum for free and candid dialogue and input from residents on County service and resource priorities.
- **Resident Survey**
Residents provided feedback on what is working well and what is not, and communicated their priorities for community planning and resource. The survey results are being monitored thru departments performance plans.
- **ERP (Enterprise Resources Planning System)**
The County is modernizing its Core Business Systems to improve efficiency, effectiveness and responsiveness. The ERP will provide a significant upgrade to the County's financial, procurement, human resources and budgeting systems, will streamline business processes, and will produce enhanced reports for data-driven decision making – all key to improving customer results.
- **MC311 (Constituent Relationships Management System)**
The County is developing a centralized 311 Call Center and Constituent Relationship Management system (CRM). The public will ultimately be able to call one number to access County government services. At the same time, the County will be able to improve its ability to ensure that every caller gets a timely response.



CountyStat Year-One Focus on Customer Needs & Results Capacity Building

- **County Internal Survey**
CountyStat focuses departments on their internal capacity building efforts through its administration, management and analysis of the annual Internal County Survey. This survey provides County employees the opportunity to evaluate the quality of services departments offer internally. CountyStat assists in the improvement process by conducting data analytics, and providing departments with the opportunity to seek out best practices and improve their performance.
- **CountyStat Rotational Fellowship Program**
CountyStat introduced an opportunity for selected Montgomery County government employees to spend half of their work time, over a twelve week period, in the CountyStat office. This Rotational Fellowship helps participants to improve their data gathering, analysis, and presentation-building skills, with a focus on the appropriate development and display of data and narrative.
- **Departmental Internal Overtime Tracking**
CountyStat developed a module that allows the County departments to track their expenditures and report on overtime utilization. One analyst from each of the four participating departments was trained on how to query and analyze data in the payroll system.

Capacity building is the process of enabling departments to strengthen and internalize their data analysis capabilities through ongoing training and mentorship.



CountyStat Year-One Focus on Customer Needs & Results Policy Translation

- **Montgomery County Performance Dashboard**

CountyStat is developing the Montgomery County Performance Dashboard. This will serve as a valuable tool for policymakers and residents enabling them to monitor County performance over time to ensure the needs and priorities of residents are consistently met by County policies. <http://portal-dev.mcgov.org/CountyStats/>

- **County Indicator Project**

CountyStat is developing a set of high-level community indicators, which will be used to gauge the County's overall performance and reflect the quality-of-life in Montgomery County. This process will further translate the County's policies and priority objectives into operational realities. [V:\CountyStat\Indicators_Finalized_1-16-09_v8.pdf](#)

- **Cross Agency Initiative Support**

CountyStat supports the articulation of policy for each of the County Cross-Agency Initiatives by providing facilitation services that ensure programs are functioning in concert, as intended and are having a measurable impact on the policies advocated by the County.

Policy translation is the process of assisting departments in the conversion of policy concepts into operational realities.



CountyStat Year-One Focus on Customer Needs & Results Data Analysis and Integration

- **Geospatial Information Systems (GIS) Integration**

CountyStat utilizes GIS data analysis to analyze the effectiveness of various topics such as the pedestrian safety initiative, the speed camera program, and impact of foreclosures on the County.

- **Specific Department Needs (Example Libraries Customer Survey)**

CountyStat provides an internal data analysis capability that departments can leverage in order to conduct analysis that normally would exceed their internal capacity. For example, CountyStat analyzed survey data obtained by Public Libraries and saved the County the expense of hiring outside consultants.

- **County Benchmarking Project**

CountyStat is further integrating data analytics into the decision making process and seeking best practices by comparing Montgomery County performance to other jurisdictions through its ongoing efforts to benchmark program and County performance at a regional and a national level.

Data Analytics and Integration is the process of using data to inform program decisions and engraining the use of data into the decision making process



Example
CountyStat Impact : Managing Overtime

- **Tracked overtime use in all four departments through quarterly meetings**
 - Examined long-term trends in overtime use
 - Investigated effect of specific overtime-generating events
 - Identified individuals earning significant amounts of overtime relative to their annual base salary
 - Monitored overtime hours and cost
 - Monitored annual and sick leave hours
 - Measured whether overtime hours are disproportionately claimed by higher-paid employees

All four departments (largest user of overtime) have shown declines in overtime hours and cost from calendar year 2007 to calendar year 2008.

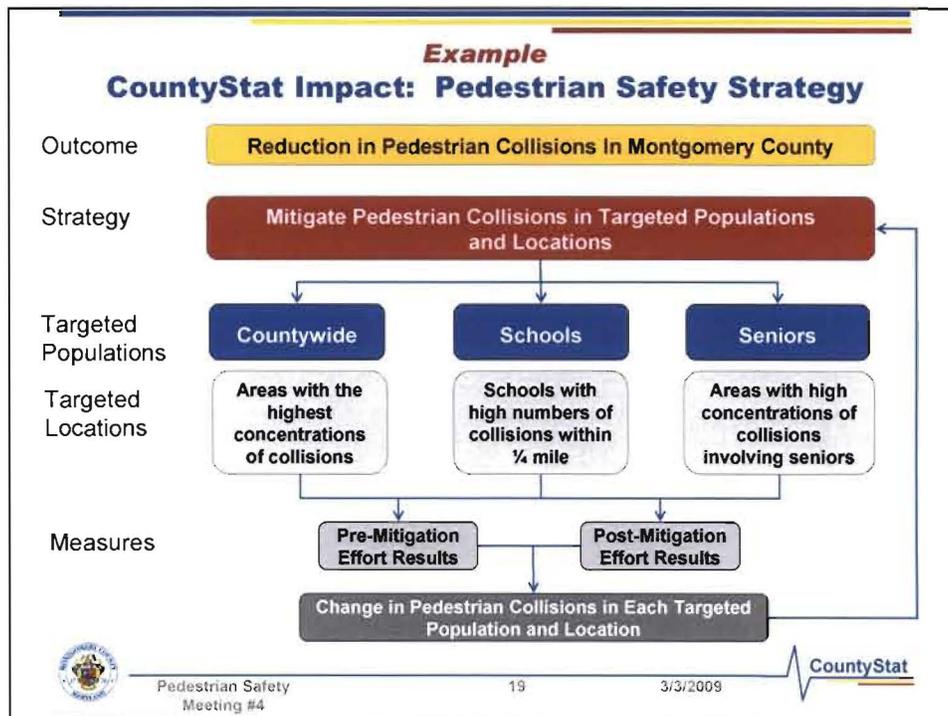


Example
CountyStat Impact : Managing Overtime

- **Even with cost of living adjustments, all four departments showed declines in overtime cost**
 - The CY07 number of overtime hours would have cost \$42,728,628 in CY08 assuming a 4.5% COLA
 - Actual CY08 costs represent a savings of \$7,168,000 from this adjusted amount

	CY07		CY08		Difference (CY08-CY07)	
	Hours	\$	Hours	\$	Hours	\$
MCFRS	382,385	\$17,649,352	288,948	\$14,074,314	-93,437	-\$3,575,038
MCPD	238,131	\$11,138,637	200,494	\$9,894,367	-37,637	-\$1,244,270
DOCR	104,391	\$4,068,445	93,850	\$3,972,138	-10,541	-\$96,307
DOT	235,920	\$8,032,206	223,254	\$7,619,648	-12,666	-\$412,558
Total	960,827	\$40,888,640	806,546	\$35,560,467	-154,281	-\$5,328,173





- Example**
CountyStat Impact: Pedestrian Safety Strategy
- Focused assessment of pedestrian safety activities on reductions in pedestrian collisions
 - Demonstrated permitting inspectors in Silver Spring and Bethesda would not be effective in reducing number of pedestrian/automobile collisions allowing \$175,000 + annual expense to be retargeted
 - Demonstrated that the Safe Routes to School program is a successful and cost effective strategy for lowering pedestrian collisions thus making this program a priority of the initiative
 - Created analytic tool to allow DOT personnel to quickly analyze collisions at high incidence intersections which resulted in:
 - The Retargeting of high incidence area program using collision data
 - An effective mechanism for providing quick analysis of priority intersections
 - Used target populations results of geospatial analysis to evaluate programs and identify
 - High incidence areas
 - Safe Routes to School
 - Major lighting projects
 - Areas of particular risk for senior citizens
- CountyStat helped to develop a targeted approach to pedestrian safety, from development of goals to identification of target populations
- 

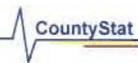
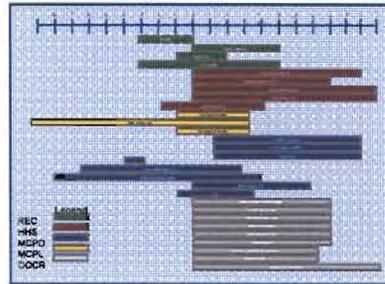

Example

CountyStat Impact: Positive Youth Development Initiative (PYDI)

Developed a six step process with PYDI stakeholders to inventory existing PYDI programming to prioritize efforts and determine appropriate budgetary decisions

- Step 1: Define and identify key aspects of positive youth development across departments.
- Step 2: Articulate an organizational approach and work plan that allows for clear linkage between overall policies and operational realities.
- Step 3: Identify which existing programs should fall under the PYDI.
- Step 4: Construct measures to demonstrate performance of programs associated with positive youth development.
- Step 5: Collect and report existing data for analysis.
- Step 6: Create future budgetary decisions on basis of performance findings.

CountyStat Analysis of PYDI Programming Offerings by Time of Day



Example

CountyStat Impact: PYDI Progress

- Restructured programming to ensure that all programs align across departments and maintain continuity of services in target locations and for target ages.
- Drafted and maintained a comprehensive listing of youth programs and services, which serves as the basis for measuring program performance.
- Articulated a comprehensive series of performance measures that gauge the effectiveness of prevention, intervention, and suppression programming.
- Documented the recommendations of the Community-based Collaboratives in order to align programmatic resources to individual community needs.
- Prioritized resource funding for current budget submission as the foundation for maximizing resources during times of financial constraint.

CountyStat will continue to facilitate interactions between PYDI stakeholders and perform data analytics on an ongoing basis



Example

CountyStat Impact: Alternative Dispute Resolution (ADR)

- Department of Correction and Rehabilitation (DOCR) identified problem of having to pay overtime to backfill positions while officers were on administrative leave pending ADR hearings
 - DOCR was essentially paying 2.5 x their regular cost to cover the position (regular salary for the officer on leave plus 1.5 x salary for the overtime to backfill)

- Built a map of the ADR process and identified communication deficiencies in that process
 - Office of Human Resources (OHR) was informed of developments late in the process and did not receive special notice that someone was on leave
 - Snail mail was being used in many steps to pass information between parties

- Constructed the timelines associated with six DOCR employees that were on administrative leave during the ADR process

- Guided DOCR and OHR personnel to explore ways of reducing the amount of time the ADR process took in these cases



Example

CountyStat Impact: Alternative Dispute Resolution (ADR)

- “Days saved” are the total time saved across all six cases.
 - 388 days in the original timelines
 - 234 days in the proposed timelines
- “Dollars saved” represent overtime costs that would have been saved in these six cases.

Time and cost savings from process improvements

Process Step	Days Saved	Dollars Saved
Investigation	24	\$7,000
Statement of Charges	30	\$9,000
ADR Request to OHR	23	\$7,000
ADR	60	\$18,000
Final Action	17	\$5,000
Total Days on Leave	154	\$46,000

Process Improvements

- Hold investigations to 21 days long
- Hold writing and delivery of statement of charges (SOC) to 10 working days
- Hold employee response time to 10 working days
- Schedule these cases for 10 working days after SOC delivered.
- Hold NODA/final action to 3 weeks

Process improvements identified are being rolled out to other Departments through an OHR-developed online submission and tracking tool.



Results-Based Accountability - Next Steps & Opportunities

- **Refine and Expand Performance Sub-Measures**
 - linkage between programs, headline measures, indicators
 - Amount of budget "covered" by Performance Sub-Measures
- **Continue to use performance information developed in CountyStat reviews in budget analysis and decision making**
- **Develop budget and performance measure process in coordination with departments**
- **Continue training and collaboration**
- **Coordinate with design and implementation of ERP and MC311**
 - Program Budget Structure
 - Performance tracking modules
 - MC311 information on community needs and government responsiveness

