

# City of Alexandria, Virginia

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## MEMORANDUM

DATE: MARCH 6, 2007

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER

SUBJECT: BUDGET MEMO # 4 : MANAGING FOR RESULTS INITIATIVE (MFRI) OVERVIEW

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The attached Managing For Results Initiative (MFRI) Overview has been developed as a primer on the new management system introduced in the FY 2008 Proposed Budget. This will be added as an appendix to the Proposed Budget on the website and in the Approved Budget. You may wish to insert it into your Proposed Budget binders.

I expect you will have questions about some of the the budget or performance numbers that may be different than what you expected to see. Although I hope you will understand that this new system is a work-in-progress, I encourage you to use the upcoming work sessions on the departmental operating budget, beginning with the work session on public safety on March 12, 2007 as an opportunity to raise your questions with staff. We will attempt to keep the staff presentations brief so there is more time for discussion. I am hopeful that your questions will generate a meaningful and educational conversation about City services.

MFRI is a multi-faceted approach to continuous improvement that includes budgeting and goal setting at the program and activity level, performance measurement, performance reporting, and business planning to link City Council's Strategic Plan goals to individual departments' plans for services.

The program and activity budgets and performance measures presented in the budget are only the beginning phase of this initiative. In the future, we will develop performance reports and a series business plans for a variety of service areas as explained in the overview.

Because this is a new initiative launched only last year, some aspects may need to be fine-tuned over time. These aspects could include program or activity cost allocations that need to be revisited as the budget and accounting system is further developed or performance data that needs to be revised as collection methods are improved.

Attachment: MFRI Overview

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# City of Alexandria's



## Managing for Results Initiative

Alexandria initiated in 2006 a Managing for Results initiative (MFRI) to achieve City Council's vision for results-focused, financially sustainable, and accountable government. Managing for results is both a management philosophy and a process used to focus government on achieving the results the community values.

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***City Council's Mission Statement for the City:***

***Alexandria City Government is financially sustainable, provides excellent services that are valued by its customers, and engages the entire community as it plans for its future***

***City Council's Strategic Plan  
Goal #6***

***The City Government  
is Financially Sustainable,  
Efficient, and Community  
Oriented***

## **What is MFRI?**

**Identifies community needs**

**Develops plans for addressing the needs**

**Establishes policies, programs and services according to plans**

**Tracks performance and costs**

**Evaluates and revises plans and services based on performance results**

**MFRI is a long-term investment and effort**

## **What is the Managing for Results Initiative?**

Alexandria joins a growing number of government organizations who are adopting results-focused management systems. According to the Government Accounting Standards Board (GASB):

“the ideas behind (managing for results) are basic: to identify the needs a government is trying to address; to develop an overall plan (mission, goals, objectives, and strategies) for addressing those needs; to come up with policies, programs, and services to meet those needs; to organize and implement budgeting, accounting, and management systems that support the strategies, goals, and objectives laid out in the overall plan; and finally to develop and track cost and performance data that allow the government to gauge its progress in reaching its goals and objectives, and tweaking (or changing) strategies, programs, policies, management systems, or budgets when necessary. Approaching government operations in such terms can have powerful impacts on government decision making and results.”<sup>[1]</sup>

Developing a managing for results system is a long term investment where managing for results elements will be brought on line over time, and organizational capacity will increase with experience.

While the overall premise of managing for results is quite simple, execution of the practices will be challenging. The experience of other organizations has demonstrated that a long term commitment to building systems, engaging stakeholders and changing organizational culture is needed in order to achieve sustained success. With this in mind, the City Manager's Office began the initiative early in 2006 working with a team of consultants highly experienced in managing for results to assess current practices, identify assets in place and establish strategies for success honed by lessons learned from other organizations.

The MFRI is a long term commitment to develop lasting systems that consistently deliver valued results for Alexandria.

[1] [http://www.seagov.org/aboutpmg/mfr\\_intro.pdf](http://www.seagov.org/aboutpmg/mfr_intro.pdf) current on 1/09/07. The Governmental Accounting Standards Board (GASB) is the entity responsible for establishing the standards by which government organizations report their financial condition to stakeholders.

**How MFRI Works:**

**Plans for Services**

**Measures Performance**

**Uses Results to Inform Budget Decisions**

**Uses Plans and Performance Data to Manage Programs & Activities**

**Continuously Improves through Assessment of Results**

**Provides Accountability to the Community**

**How Does the System Achieve Results?**

Alexandria's system has seven major components illustrated in the model below.

City Council's strategic plan and policy direction provide the overall guidance, and the City Manager's Office will translate that guidance into action by developing "business plans" for major results areas in the government.

**The City of Alexandria's Managing for Results Initiative**



Development of a performance information and cost data system will provide a fundamental foundation that enables the City to define the major programs and activities it provides; assign and track the costs; and measure the quantity, quality and impact of these services.

Budgeting will be informed by the cost and performance information, and decision makers at all levels can align investment of budget dollars with the results Council wants to achieve for the community.

Managers will use goals, objectives, targets and data systems to manage, monitor and ultimately deliver the planned results.

Performance information will help everyone with a role in achieving results find ways to continuously improve performance and efficiency.

Finally, reports to Council and the public will demonstrate accountability for achieving results. As the model's cyclical pattern illustrates, future strategic direction and plans will be informed and enriched by the lessons learned in prior cycles.

## **Why MFRI:**

**Focus on Services  
Provided to the  
Community**

**Identify Levels of Service  
Provided and Areas for  
Improvement**

**Reallocate Resources for  
Better Services**

**Modify Programs,  
Activities & Policies as  
Needed**

**Improve Government  
Effectiveness and  
Efficiency**

**Communicate More  
Clearly**

## **What Benefits are Expected?**

Managing for results delivers many benefits to governments adopting the practices. According to GASB,

"the advantages of (managing for results) are straightforward: (managing for results) allows governments to organize around an evaluation of what they are trying to accomplish, and what is working and what is not based on program performance and cost information. Is the government efficiently and effectively achieving its goals and objectives? Reasons that individual governments may consider pursuing (managing for results) include:

- To focus government more clearly on citizens (including citizens as "customers" or "clients") and the services they need or want, and less on organization and process
- To establish goals and objectives and to track whether those goals and objectives are being achieved
- To answer such questions as: How efficient and effective are the government's services? What are the services' quality levels and how can they be improved?
- To allocate resources, set policies, and organize government in as close accord as possible with desired outcomes
- To determine the degree to which programs and services are aligned with the results the government is trying to achieve
- To modify policies, programs, services, or budgets in midstream based on performance data and results as they flow in
- To compare the government's performance to itself over time, or with that of other governments (or in certain circumstances, the private sector if such a comparison is appropriate)
- To better communicate to the public and legislative bodies what government is accomplishing, the extent to which goals and objectives are being achieved, and how efficiently and effectively government is functioning "[1]"

[1] [http://72.3.167.245/aboutpmg/mfr\\_why.pdf](http://72.3.167.245/aboutpmg/mfr_why.pdf) current on 1/09/07.

**Implementation Steps:**

**Assessment of Current Practices – Completed in FY 2006**

**Identification of Programs and Activities with Performance Measures – Completed in FY 2007**

**Development of Reporting Tools – Underway in FY 2007**

**Development of Business Plans – Planned for FY 2008**

**Cycle of Re-evaluation and Improvement – Ongoing**

**How Will the City Move Forward with MFRI?**

The City is implementing its results-management system in planned phases so it can reap immediate benefits while the long-term development work of MFRI continues.

**Assessment of Current Practices**

After an assessment of practices and capacity with the consulting team, the City Manager's Office and the Office of Management and Budget agreed to make the first step in identification of all programs and activities delivered by all departments.

***MFRI Implementation Schedule***

Calendar Year	Period	Program/Perform Budget	Qtrly Perf Reporting	Business Plans (Selected Areas)	Dept Use of Perform Measures	Annual Rpt to Public/Council	Modify/Refine Strategic Plan
2006	July - Dec	Develop					
	Jan - June	Use	Develop		Train		
2007	July - Dec	Refine		Develop			
	Jan - June	Use				Develop	
2008	July - Dec	Refine					
	Jan - June	Use	Use & Refine				
2009	July - Dec	Refine					
	Jan - June	Use					
2010	July - Dec	Refine					

**Identification of Programs & Activities with Performance Measures**

Following a briefing session for the City's senior management staff, departments embarked on identifying services and developing and/or refining a set of performance measures for each of those services.

**As a result of Phase II, the City government has been divided into 153 different programs, each with its own goal, budget and performance measures.**

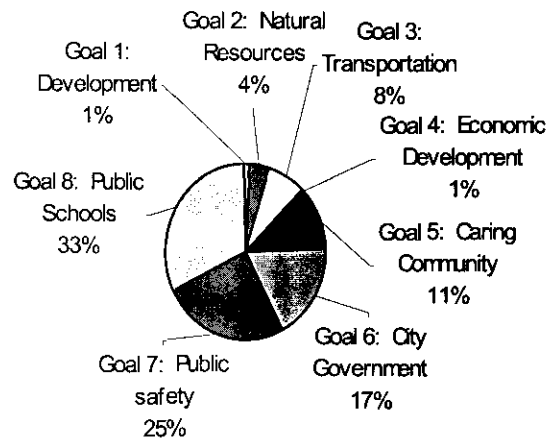
**FY 2008 Proposed Program and Activity Budget by Strategic Plan Goal**

**The 153 programs are subdivided into 507 individual activities, each with its own goal, budget and performance measures.**

### Connecting Budgets to Results

Once the services and measures were in place, the consultants and the Office of Management and Budget assisted departments in allocating costs to the services (programs and activities). These important steps will provide the initial foundation for the City's performance and cost infrastructure. The first benefit of this information is evident during preparation of the FY 2008 budget, where the services and their costs are presented for the first time. This ability to connect resources to results is the first step in budgeting for results and will enable managers, Council and the public to assess the investment of resources and the intended goals of services. In subsequent budget years when more complete cost and performance data are available, services can be evaluated both for alignment with the City's goals and for the effectiveness and quality they deliver.

**The Operating Budget and the Strategic Plan**



Building the performance and cost data infrastructure is one of the greatest challenges in results management; this capability requires a number of years and considerable effort to build. In many cases, individual departments have not been requested to detail program input, outcome and service quality data as rigorously or consistently as now required for it to be useful for management and budget purposes. The Office of Management and Budget will work with departments during the first half of calendar year 2007 to assess data availability and develop plans to collect and track data consistently and accurately. In particular, departmental cost data that has been historically budgeted and expended by organization will need to be reallocated and accounted for on a program and activity basis. This will include accounting for payroll data on a program and activity basis, as well as charging vendor payments and other non-personnel costs to appropriate program and activity categories.

**The FY 2008 Proposed Budget contains a total of 1,839 program and activity performance measures.**

**Regular Reporting of Performance Information**

This is an essential capability for measuring proper performance and managing programs as well as for accountability and continuous improvement. While departments have always reported their performance to the City Manager's Office, the form and usefulness of these reports have varied. During calendar year 2007, the City will work with selected pilot departments and the City Manager's Office to test, refine and develop internal reporting formats to begin reporting in FY 2008 the sets of performance measures that were developed during the program and activity identification phase. The set of measures for each program and activity includes output, efficiency, service quality and outcome measures.

**Types of Performance Measures**

Type	Definition	Example
Output	Amount of Service Provided	# of lane miles resurfaced
Efficiency	Cost Per Unit of Service	Cost per lane mile resurfaced
Service Quality	Quality of Service Provided	% streets resurfaced on schedule
Outcome	Impact on the Community	% of streets in good to excellent condition

The complete set of measures is intended to measure the volume of service provided to the community (output), the unit cost of the service (efficiency), the quality of the service provided (service quality), and the impact the service has on the community (outcome). Outcome measures focus on the broader impact of the programs and activities on the community as a whole, such as teen pregnancy rates, criminal investigation cases closed, or the percent of the waste stream diverted through recycling. By implementing the full set of measures, staff and the community are able to evaluate programs and activities from multiple perspectives.

Once internal management reporting is well established, attention will be turned to translating relevant performance information into reports that will be useful and informative to Council and ultimately to the public.



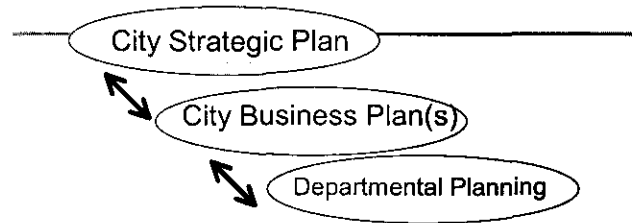
**Business Plans for  
City services to be  
developed  
beginning in FY  
2008**

**Business Planning  
Links Strategic Plan  
Goals to  
Departmental  
Service Efforts**

### Business Planning

When pursuing results of the significance and magnitude reflected in City Council's strategic plan, it is clear that efforts beyond single departments and often beyond the government alone will be required. The role of the City Manager's Office is to integrate and manage strategies, projects and programs so they achieve the results Council and the community want. Beginning in FY 2008, coordinated business plans will be developed for key results areas that support Council's strategic plan and policies. The City Manager's Office and the Office of Management and Budget will develop an approach and timeline and begin this important work during FY 2008. Development of business plans to encompass key results areas will require at least several years to cover the breadth of topics. During their development, the business plans will provide an opportunity for dialogue with Council when validating proposed strategies and objectives. These plans should prove useful when Council updates its own Strategic Plan in future years and will accelerate the cycle of achieving better results.

#### **Develop Aligned Plans to Achieve City Goals**



Cascading plans with linking goals, objectives and performance measures

***Managing for results is a philosophy and process rather than a project with a beginning or end. City Council, the City Manager's Office and departments will all play an important role in advancing the MFRI. All share the commitment to implementing lasting systems that deliver the very best results for the community we serve.***

### Continuous Improvement

Moving from collecting performance information to managing performance requires a combination of improvements in many areas. Advancements to systems, learning and organizational culture must be continually driven by committed leadership.

Continuous improvement requires the setting of goals and measurable objectives, the use of feedback mechanisms that enable organizations to become more proficient and efficient, and the practice of regular, interactive forums to evaluate performance.

The City Manager's Office and the Office of Management and Budget will establish a series of training, knowledge sharing, and development opportunities to help managers at all levels understand and successfully practice results management. As evidenced by the initial assessment, many departments have well functioning, exemplary practices in place in some program areas. This knowledge base can be tapped and extended.

Additionally, the City will continue to work with the International City and County Management Association (ICMA) and other professional organizations to learn and adapt best practices. In particular, the City will continue to participate in ICMA's national performance measurement project where City costs, outputs and other data can be benchmarked with other similar local governments in the United States.

Managing for results is a philosophy and process rather than a project with a beginning or end. City Council, the City Manager's Office and departments will all play an important role in advancing the MFRI. All share the commitment to implementing lasting systems that deliver the very best results for the community we serve.