MEMORANDUM

TO: Civil Grand Jury

FROM: Ben Rosenfield, Controller

                Peg Stevenson, Performance Director

DATE: September 3, 2013

SUBJECT: Response to the Report "You Can Only Manage What You Measure"

The Controller's Office has reviewed the report, "Auditing the City Services Auditor: You Can Only Manage What You Measure." We appreciate and share the Civil Grand Jury's belief in the importance of performance measurement and benchmarking as tools in the effective management of public resources. The report provides helpful feedback in a number of areas within this broad field. We have attached our required responses to the report's findings and recommendations, and offer the following general observations:

- **Best Practice Cities.** The report highlights Portland, Oregon and Vancouver, Washington for recognition by the Governmental Accounting Standards Board (GASB) and the International City/County Manager Association (ICMA) for performance measurement. Please note that San Francisco is one of only five of the 20 largest U.S. cities be awarded the 2013 Certificate of Excellence for Performance Measurement by ICMA. San Francisco also received ICMA awards in 2009, 2010, and 2011.

- **Benchmarking.** We concur that regularizing our benchmarking work will add value for both the public and city leadership. We have worked during the past two years to grow our benchmark reporting of San Francisco versus comparable services in other jurisdictions, and have plans to complete reports on a quarterly basis in the year ahead. It should be noted that benchmarking is also performed in many of the technical assistance projects and audits we have performed during the last decade, a fact not mentioned in the report's narrower focus on our recent reporting.

- **Performance Reporting.** The report focuses heavily on our annual performance measure report as the suggested vehicle to improve public transparency and access to performance information. We do not believe that this single static report is the only platform available to increase the public's ability to gauge government efficiency. We have placed a major development emphasis during the past two years on improving

public access to key government financial and performance information, first through a bimonthly "Government Barometer" and then more recently in an interactive web tool, SFOpenBook, that allows a member of the public to search, browse, and download financial, budget, economic, and performance information. Improvements to these higher-use, self-navigational products during the year ahead will continue to improve public access into the efficiency and effectiveness of city government.

- **Performance Measurement.** We concur with the report's assessment that a mixed set of departmental performance information – ranging from measurements of inputs, outputs, outcomes, efficiency, and service quality – provide the most balanced view of performance. We will continue to work with departments to revise performance data captured in our central system to improve this balance for selected departments – during this last year, for example, efficiency measures were added and updated for 16 departments.

Thank you for your review and thoughts regarding this important topic, and for the opportunity to respond to the report's findings and recommendations.

Finding	Response	Explanation
Finding 1. The absence of measures of inputs, outputs, cost-output, per capita cost and labor efficiency as required by Appendix F of the San Francisco Charter make it difficult for citizens to evaluate and comment on the level and funding of City services.	Agree in part	We agree that the City will benefit from more unit cost efficiency measures of the types being recommended by the CGJ. However, there are multiple sources of measures, data and reports that provide citizens with the ability to evaluate and comment on City services. San Francisco is among the best in class of municipalities providing such information, and has a robust transparency effort.
Finding 2. A 2010 data integrity audit of 10 departments in the APMR found that 40 percent of the reported performance measures in the 10 departments are inaccurate. Due to these inaccuracies the APMR cannot be considered a reliable report.	Disagree in part	We agree that data integrity and accuracy are important components of a performance measurement program. Data integrity reviews are a best-practice feature of performance measurement programs, as a means to improve reliability of measures over time. The data integrity audit referenced here was a follow up to our own measure validation program that tested a sample subset of measures in all city departments. The 40% proportion does not apply to the larger BPMS database or overall to the APMR and it is not correct to extrapolate that the APMR is therefore not reliable. In addition, we have now completed the follow up testing of all departments and all failing measures were revisited and an action plan developed to improve accuracy.
Finding 3. Performance measurement reports that lack, inputs, outputs, cost-output and outcomes should not be supplemented with numerous customer service and satisfaction measures. Combining performance measures with non-performance measures reduces the utility of the report and is contrary to the intent of Appendix F.	Disagree in part	The Controller's Office has designed and used the BPMS system to allow departments to track many different types of measures. Measures can be quantitative, qualitative, milestones, customer-service related, etc. We have encouraged this type of use so that departments are not penalized when they make an effort to measure and track many types of functions. Overall we believe that this approach builds a larger and better performance measurement effort in the City. We do concur that a balanced set of performance measure types for each department provides the highest utility to both the public and City management.
Finding 4. Understaffing at the CSA might result in the CSA's inability to perform its mandated functions pursuant to Sec. F1.100(d)(9).	Agree in part	We agree that, as a result of conscious and financially-appropriate decisions made by the Controller's Office, Mayor, and Board of Supervisors through the annual budget process, staff vacancies have in some instances led to not performing all the work that would be desirable in the City's performance program. While we believe we are meeting Charter mandates, restoration of funding for staffing as the City's financial position has improved will allow the dedication of additional resources to the program. It should be noted that resources devoted to performance measurement work need to be balanced with all of the other mandates and projects that are performed by the Controller's Office and CSA in a given year.
Finding 5. There are several databases that are not fully utilized by the CSA to generate benchmarking reports that reflect industry standards outputs measures. Association databases like the ones utilized by the San Diego Independent Budget Analyst's report on recreation and parks and library departments are available. In addition ICMA maintains a benchmarking database of 18 government service areas.	Agree	There are many databases developed by professional associations, industry groups and municipalities that have high-value information. The CSA uses these in our benchmarking and technical assistance projects, and will continue to do so going forward.

Finding	Response	Explanation
Finding 6. The City data provided in the street maintenance benchmarking report does not allow the reader to determine if the cities included in the report are comparable.	Disagree	CSA chose the cities included in the street maintenance benchmarking report because they were comparable to San Francisco in one or more important respect such as size, jurisdiction or the types of work performed. We did detailed research to make the comparisons "apples to apples" by including and excluding costs and comparing functions and programs that are fundamentally providing the same or largely similar services.
Finding 7. The per capita spending reported in the DPW street cleaning benchmarking report included spending on salaries, benefits, equipment maintenance, equipment replacement, and contracts. It is important that benchmarking reports isolate and report on cost-output and labor efficiency. The DPW benchmarking report lacked cost-output and labor efficiency measures.	Agree in part	We agree that benchmarking reports should strive to report on unit cost and efficiency measures and will endeavor to include more of such measures in future benchmarking reports.
Finding 8. If benchmarking information for all 48 City departments were prepared by the CSA, the discourse about the level and funding of City services would be enhanced. Benchmarking non-enterprise City departments would make an immediate contribution to the discussion of general fund spending levels.	Agree	We agree that benchmarking information for all City departments would improve the City's understanding and discourse about public services. We are working to do more benchmarking while balancing that work with all other demands on CSA time and resources.

Recommendation	Response	Explanation
R1.1 The CSA include department inputs measures in the APMR.	Already implemented and ongoing	Continuous improvement in the use of performance data in the measurement and management of the City are key program goals. Each year, CSA works to bring additional input, output and unit cost measures into the APMR, with new measures added and removed each year. Over 80 input measures are currently tracked in the system. Further, it should be noted that the APMR is not the only tool used to provide this information to the public. During this past year, we also released an interactive website, SF OpenBook, that gives the public access to a large amount of the City's financial, economic, demographic, and performance information, with plans to expand and better integrate this data in the current and future fiscal years. We believe that, over time, this tool will become a better platform for providing performance, financial, and other information to the public than the APMR.
R1.2 The CSA include department per capita cost calculations in the APMR.	Requires further analysis	Per Capita Measures are not formally mandated or mentioned in Appendix F. As noted in the Grand Jury Report, "Reporting per capita costs for cities that may have different service levels (outputs) has the potential to be misleading." Similarly comparing departmental efficiency according to their per capita costs could be inaccurate when different types of services and costs are provided. We do believe, however, that per capita cost information, properly presented, can provide helpful information to both the public and City management, and have incorporated these high-level measures into our regular benchmarking reports. We will explore the incorporation of per capita cost calculations in other public reporting, potentially including the APMR, SFOpenBook, or other reporting formats.

Recommendation	Response	Explanation
R1.3 The CSA include department outputs measures in the APMR.	Already implemented and ongoing	Continuous improvement in the use of performance data in the measurement and management of the City are key program goals. Each year, CSA works to bring additional input, output and unit cost measures into the APMR, with new measures added and removed each year. Over 100 output measures are currently tracked in the system. Further, it should be noted that the APMR is not the only tool used to provide this information to the public. During this past year, we also released an interactive website, SF OpenBook, that gives the public access to a large amount of the City's financial, economic, demographic, and performance information, with plans to expand and better integrate this data in the current and future fiscal years. We believe that, over time, this tool will become a better platform for providing performance, financial, and other information to the public than the APMR.
R1.4 The CSA report cost-output labor measures (cost per unit of output or the units of service provided per full time equivalent employee)	Already Implemented and ongoing	Continuous improvement in the use of performance data in the measurement and management of the City are key program goals. Each year, CSA works to bring additional input, output and unit cost measures into the APMR, with new measures added and removed each year. Currently, approximately 50 labor efficiency measures are tracked in the system. Further, it should be noted that the APMR is not the only tool used to provide this information to the public. During this past year, we also released an interactive website, SF OpenBook, that gives the public access to a large amount of the City's financial, economic, demographic, and performance information, with plans to expand and better integrate this data in the current and future fiscal years. We believe that, over time, this tool will become a better platform for providing performance, financial, and other information to the public than the APMR.
R2. The CSA continue to audit the accuracy of reported performance measures in the APMR to ensure an improved error rate that is acceptable to the Citizens' General Obligation Bond Oversight Committee	Already Implemented and ongoing	We concur that continuous work to ensure and improve the accuracy of department-reported performance measures is an important component of the program. The referenced audit of performance measures from the APMR was only a small sample of CSA's work to improve the validity and relevance of performance measures included in the APMR. CSA has since completed our validation effort, which has included review of data from all city departments. CSA has also completed a follow up re-examining all the measures which failed to meet data accuracy standards and setting out an action plan for improving performance measure validity and relevance, and plan to perform continued validation work in the year ahead.
R3. The CSA eliminate performance measures from department performance measurement reports that do not meet the GASB SEA qualitative characteristics (relevance, understandable, comparable) and are inconsistent with the legislative intent of Appendix F.	Will not be implemented, not warranted	CSA's performance programs includes updating department performance measure sets by working with every department to remove outdated and unused measures and to add new measures that more accurately reflect the work done by departments. The GASB SEA qualitative characteristics are a good starting point for the development of performance measures, but the GASB structure is not the only format that can be used for the development of performance measures. While CSA has the ability to influence department performance measure sets the departments are ultimately responsible for development of performance measures. In addition we believe that BPMS and other platforms should continue to be able to be used by departments to report a variety of types of measures.

Recommendation	Response	Explanation
R4.1 The CSA spend and staff to a level that will allow it to fulfill all of the requirements of Appendix F and remain within the dedicated source of revenue under Sec. F1.100(d)(9).	Already implemented and ongoing	As noted above, we believe that we are fulfilling all Charter mandates. At the same time, we are filling vacancies in FY14 and additional staff hours will be made available for the performance program.
R4.2 The Citizens' General Obligation Bond Oversight Committee monitor open positions and spending in the CSA to ensure the CSA has adequate staff and consultant resources to ensure that all of the requirements of Appendix F are being achieved.	Requires further analysis	In the July 2013 meeting of the CGOBOC this issue was discussed. CSA is willing and able to report on our staffing status in our normal quarterly reports to CGOBOC. These reports also contain status updates on CSA work and often comment on Appendix F requirements. CGOBOC can determine their satisfaction or what further information they would like to receive from CSA.
R5. The CSA utilize industry standard outputs measures when preparing benchmarking reports.	Already implemented	We have recently completed two additional benchmarking reports: Jail Population and Library Services and in each of these used industry standards and existing databases. Each benchmark report has been developed using research on industry standard measures. Benchmarks are subject to the availability and comparability of data. Benchmark reports tentatively planned for FY14 include parks and recreation, transportation, public safety, and financial and debt management, and industry outputs will be incorporated in these and future reports.
R6. CSA benchmarking reports provide data that enable the reader to determine that peer cities in the report are providing comparable services (outputs) to San Francisco.	Already implemented	We concur that comparability is an important consideration in benchmarking work. Appendix F, Section 101 states that CSA shall review benchmarks and conduct comparisons of agencies performing similar functions. In each of CSA's published benchmarking reports similar services are compared. Where exceptions were found clarifying context is also researched and included in the report. Both the Jail and Library services reports provided general descriptions of the similarities and differences of the comparison cities, with similar information provided in all future reports.
R7. Benchmarking reports prepared by the CSA report labor efficiency in the manner prescribed by Sec. F1.101(a)(2).	Already implemented and ongoing	We also believe that unit cost measures are important and have included them in our benchmarking efforts, as possible and appropriate - It is not feasible to always include specific types of measures due to the variation in industry benchmarks and the availability of data. The Street Maintenance report included expenditures per road repavement mile and expenditures per street tree. The Jail report included cost per jail day. The Library report included cost per borrower and program attendees per $1000 in expenditures. Other efficiency measures included Number of Potholes "Repaired Yearly (in Thousands per Pothole Crew FTE)", "Street Trees Pruned Annually per Tree Maintenance FTE", and other measures. We will continue to work to include efficiency measures in future benchmarking and other reporting.
R8. The CSA benchmark the City's general fund departments prior to benchmarking the City's enterprise departments.	Will not be implemented, not warranted	While the majority of our recent and planned benchmarking reports have focused on General Fund operations, we believe that the funding source for a given service should be one consideration among many when setting benchmarking priorities. Benchmark reports planned for FY14 include parks and recreation, transportation, public safety, and financial and debt management, the majority of which are at least partially funded through the City's General Fund.

Dept	Program	Goal	Performance Measure	FY12 Actual	FY13 Target (if available)	FY13 Projected	FY14 Target	FY15 Target
AAM	Asian Art Museum	Provide quality programs on Asian	City cost per visitor	$ 34.15	$ 28.48	$ 22.77	$ 32.86	$ 34.28
ADP	Administration - Adult Probation	Maximize staff effectiveness	Probationers per Probation Officer	102	N/A	64	50	50
ADP	Administration - Adult Probation	Maximize staff effectiveness	Probation officer cost per active probationer	863.45	N/A	971.44	1000	1000
CON	Payroll & Personnel Services	Provide accurate, timely financial transactions	Cost per 1000 checks issued	$110.00	$110.00	$110.00	$110.00	$110.00
DBI	Inspection Servi	Improve Code Enforcement Turnaround Time	Inspections per inspector/day (building)	11.4	11	11	11	11
DBI	Inspection Servi	Improve Code Enforcement Turnaround Time	Inspections per inspector/day (electrical)	13.3	11	11	11	11
DBI	Inspection Servi	Improve Code Enforcement Turnaround Time	Inspections per inspector/day (plumbing)	10.1	11	11	11	11
DEM	DEM Emergency Communication	Respond quickly to incoming calls	Calls handled per dispatcher FTE/hour	13	14	14	14	14
DPH	Laguna Honda	Improve health outcomes among San Francisco	Cost per patient per day at Laguna Honda	$ 790	$ 835	NA	$ 876	$ 920
DPW	BSES	Maintain cleanliness of City streets/sidewalks	Cost per curb mile mechanically swept (controlled routes)	$ 69.06	$ 73.40	$ 73.40	$ 73.40	$ 73.40
DPW	BSSR	Maintain City streets in good repair	Cost per block paved by BSSR	$ 26,853	$ 23,021	$ 23,021	$ 23,021	$ 23,022
FAM	Admissions	Provide quality art and educational experience to attract a large and diverse audience	City cost per visitor [All museums]	$ 7.24	$ 7.65	$ 7.58	$ 8.66	$ 8.81
JUV	Log Cabin Ranch	Improve results for residents placed at Log Cabin Ranch	Cost per youth per day - Log Cabin Ranch	567	577	577	577	577
JUV	Juvenile Hall	Provide a safe and secure environment for staff and detainees	Cost per youth per day - Juvenile Hall	$ 367	$ 377	$ 377	$ 377	$ 377
LIB	Systemwide	Meet citizens' needs in quantity and availability of library collections	Collection Expenditures per Number of Borrowers	$ 22.41	N/A	$ 22.54	$ 23.65	$ 25.79
LIB	Systemwide	Meet citizens' needs in quantity and availability of library collections	Expenditures per Number of Visits	$ 12.76	N/A	$ 12.82	$ 13.31	$ 13.44
LIB	Systemwide	Meet citizens' needs in quantity and availability of library	Expenditures per Circulation of physical & eMedia materials	$ 8.15	N/A	$ 8.26	$ 8.42	$ 8.60
MTA	Goal 3: Improve the environment and quality of life in San	Objective 3.4: Deliver services efficiently	Cost per revenue mile	$ 26.82	N/A	$ 27.89	$ 29.01	$ 30.17
MTA	Goal 3: Improve the environment and quality of life in San	Objective 3.4: Deliver services efficiently	Cost per boarding	$ 2.93	N/A	$ 3.05	$ 3.17	$ 3.30

Dept	Program	Goal	Performance Measure	FY12 Actual	FY13 Target (if available)	FY13 Projected	FY14 Target	FY15 Target
MTA		Goal 3: Improve the environment and quality of life in San	Objective 3.4: Deliver services efficiently	Farebox recovery ratio	31%	N/A	31%	30%	30%
PRT	Maintenance	Financial Stability - Improve utilization of maintenance resources	Maintenance cost per square foot of Port facilities	$ 1.73	$ 1.71	$ 1.64	$ 1.71	$ 1.71
PRT	Real Estate & Management	Economic Impact - Achieve maximum revenue from leasing activities	Revenue per square foot of rentable space	4.7	4.6	4.7	4.7	4.7
PUC	Customer and Community	Invest in customers/communit	Cost per gallon of water	$ 0.70	N/A	$ 0.78	$ 0.84	$ 0.94
PUC	Customer and Community	Invest in customers/communit	Cost per gallon of wastewater	$ 0.99	N/A	$ 1.04	$ 1.09	$ 1.15
PUC	Customer and Community	Invest in customers/communit	Cost per Kilowatt hour of electricity	$ 0.10	N/A	$ 0.11	$ 0.08	$ 0.10
REC	Neighborhood and Citywide Services	Improve the quality of park maintenance and create safe, welcoming parks and facilities	Operating Investment Per Acre of San Francisco Parks Maintained (Excluding Golf and Natural Areas)	$ 15,250	N/A	$ 16,265	$ 15,250	$ 15,250
REC	Neighborhood and Citywide Services	Improve the quality of park maintenance and create safe, welcoming parks	Number of Permits Issued Per RPD Permit Staff	4,687	N/A	4,605	4,687	4,687
SCI	Academy of Sciences	Ensure that visitors receive an excellent guest experience	City cost per visitor	$ 1.96	$ 1.98	$ 1.98	$ 2.01	$ 1.94
SHF	Custody	Provide for the secure and safe detention of persons arrested or under court order	Average Daily Population Cost per day	$ 150.49	N/A	$ 174.70	$ 168.73	$ 175.44