

City of Alexandria, Virginia

MEMORANDUM

DATE: APRIL 18, 2005

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER

SUBJECT: BUDGET MEMO # 62 : UPDATE ON DEPARTMENT PERFORMANCE AUDITS AND BENCHMARKS (COUNCILMAN KRUPICKA AND COUNCILMAN SMEDBERG'S REQUEST) AND ORGANIZATIONAL EFFICIENCY (COUNCILMAN MACDONALD'S REQUEST)

This memorandum responds to Councilman Krupicka and Smedberg's request for an update on the department audits and the metric/benchmark/indicator setting process for each department as well as for the City Council's Strategic plan. It also responds to Councilman Macdonald's request for similar information on the status of these efforts.

Staff is pursuing a four-pronged approach to increasing organizational efficiency. The four approaches are 1) performance audits to be conducted annually in selected departments by external specialists; 2) development of performance measures directly related to the Strategic Plan goals, objectives and actions; 3) performance measurement assistance to departments or programs, and 4) process re-engineering. The following is an explanation and status update for each area.

(1) Performance audits - Two departments, Fire and T&ES, have been selected to participate in the first of a series of external performance audits that are planned to occur on an annual basis and focus on a new set of departments each year. The FY 2005 budget and FY 2006 budget each contain \$350,000 for such studies. The purpose of the audits, which are a continuous improvement tool, will be to evaluate the efficiency and effectiveness of City departments and develop performance benchmarks for ongoing evaluation and future service level decision making. This will be accomplished by examining the departments' operational policies and procedures; reviewing and improving their workload and performance measure sets; and benchmarking the results to comparative jurisdictions and industry standards. OMB and the City Manager's Office are working on a scope of work for the first two audits with the cooperation of Fire and T&ES staff. Staff is now in the process of preparing bid solicitation, as well as finalizing the audit work plans.

(2) Strategic Plan measures - Staff has begun to identify performance measures, either new or existing within the City's extensive current set of measures and indicators, that could be used to evaluate the progress of Strategic Plan goals, objectives and actions. This work will continue on a track parallel to the audits, with the audits possibly creating new Strategic Plan measures in some cases.

(3) Additional performance measurement assistance - In seeking a qualified firm or firms to perform the performance audits, staff hopes to also contract for assistance in improving and developing performance measures for departments. The procurement of this service will be concurrent with the hiring of the performance audit consultants. Also, under auspices of the chief administrative officer committee at COG, the International City and County Management Association (ICMA) and local governments in the Washington, D.C. area will soon begin a regional performance measurement and benchmarking consortium. In the development of performance measures for departments, input from relevant boards, commissions and community groups will be considered and sought where appropriate.

(4) Re-engineering - As part of the continuous improvement process for customer service as well as to make City operations more efficient, it is our plan to use the performance audit consultant procurement process to retain consultants whose expertise is the re-engineering of processes. This work may either be part of a performance audit, or a stand alone process. Finally, as part of the FY 2007 budget preparation process, staff will be working with departments to identify opportunities for budget savings beyond the \$1.2 million reflected in the FY 2006 proposed budget as expenditure reductions.