City of Newton

Citizen Advisory Group

Report on Performance Management

March 31, 2009

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Defining Important Choices Facing the City,
Improving the City's Operational Efficiency and Effectiveness, and
Developing New or Enhanced Sources of Funding

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1. INTRODUCTION

Background

The Citizen Advisory Group's charge explicitly included an instruction "to help identify…innovative ways of increasing short- and long-term operational efficiency and effectiveness." With this charge in mind, the Citizen Advisory Group created the Performance Management Committee to investigate internal management practices in Newton. Our objective was to ensure that the City of Newton takes advantage of every opportunity to achieve greater operational efficiencies in its day-to-day activities and to ensure that citizens' tax money is spent wisely and economically.

This report focuses on key management systems in place on both the Municipal side of government and in the Schools, and in particular how effective these systems seem to be. Given the critical role that organization structure and human resources play in overall management effectiveness, we have also included some analysis of executive roles and responsibilities in one particular area that we feel merits attention.

To help evaluate Newton's effectiveness, we have brought an external perspective of what other government entities have done as well as what we might learn from the business world. We have then used those perspectives to evaluate what we actually observed occurring in Newton. Our ultimate goal has been to make specific recommendations about what Newton should do to improve the internal management and operational control over the implementation of programs, budgets, activities, and personnel.

We should note from the outset that neither this Committee, nor the Citizen Advisory Group as a whole, was in the position to conduct a full-scale assessment of the City's management efficiency and effectiveness or all its performance management systems. Comprehensively connecting internal management practices to program and budget performance in a city is a difficult task, and to do so would require greater resources and expertise than those available to us.

We also want to emphasize that the spirit of this report is to indicate ways of improving Newton's performance. The current approach to municipal management, which has served the City well in many respects over the past decades, now requires, in our opinion, some major changes, especially in light of our increasingly resource-constrained operating environment. Many City and School employees and their managers have been working tirelessly over the years to deliver first-rate municipal and educational services. Many departments are staffed by highly qualified people who understand their jobs, have statewide reputations, are attuned to the Mayor's aspirations for the City, work well together, and feel a high degree of responsibility for their work. In addition, the Mayor and his department heads have remained steadfast in their commitment to preserving a top-notch educational system, a public safety system that has made Newton one of the safest cities in America, and a government that provides key quality of life programs—such as senior services, library services, parks and recreation programs, just to name a few. Newton residents have also benefitted from many innovations in service delivery related, for example, to Health & Human Services and Senior Services. Indeed, Newton has a reputation

among other Massachusetts communities for superior services not only because we have more resources compared to most communities, but also because the Mayor and his team believe in high standards. And where senior managers have had to be eased out of their jobs, the Mayor has done so without public spectacle. The Mayor has consistently sought to populate the City with talented, self-motivated individuals who are committed to the highest standards of public service and integrity. As a result, many of Newton's departments have shown their innovative capacity time and time again—whether it is the Department of Public Works in their efforts to run equipment more efficiently in the face of escalating energy costs and constrained resources or the Police and Fire Departments in their efforts to reorganize their approaches to policing and fire prevention or the Newton Public Schools as they introduce new curriculum and teacher coaching. But, the management practices that have got us to where we are now are unlikely to get us to where we need to go, given the squeeze on funding and residents' continued desire for first class services.

With all this in mind, the intent in this report is not to diminish Newton's many accomplishments and administrative talents, but rather to identify and recommend ways of leveraging these capabilities and improving administrative effectiveness in the difficult years that lay ahead. One of the hallmarks of organizational excellence is the insistence on continual improvement. We recommend improving Newton's performance through a new management system, which has elements that have been neither requested nor required before, but which we believe will be essential tools to help Newton redirect its efforts and maximize its performance in the future. This is therefore a report focused on the future that uses an assessment of the current state not as a critique but rather as a foundation for determining opportunities to improve.

Objectives.

The objectives of the Performance Management Committee were threefold:

- To develop a framework for understanding the effectiveness of current performance management processes in Newton;

- To conduct an "as-is" assessment of performance management;

- To recommend changes to improve overall managerial and operational effectiveness, and also to support the implementation of recommendations of the other Citizen Advisory Group committees.

Methodology

The Committee proceeded along multiple research tracks: (1) conducting a series of interviews and discussions with leading members of Newton's management on both the City and School sides; (2) reviewing a number of internal documents that shed light on current performance management practices; (3) researching both how other cities were approaching the challenges of performance management and identifying ideas and practices from the business world that have clear relevance to city government.   A list of interviewees is included in Appendix A.

Overview

Earlier reports of the Citizen Advisory Group have suggested a number of changes to help address Newton's structural deficit and, in particular, to improve cost effectiveness, to achieve efficiencies, and to increase revenue generation. In the current operating environment—where recession (and possibly deflation) is bound to be succeeded by inflation, which in turn will make balancing municipal budgets more difficult than ever since property tax revenues (80% of total revenues) are largely capped by Proposition 2 1/2 while key operating costs are not—we believe that it is especially important for Newton to have a robust management system in place to support officials in developing and implementing their cost and effectiveness improvement strategies. For example, we believe that the management team should be assisted in conducting operational reviews at a more detailed level than they currently do (and is possible by such ad hoc groups as the Citizen Advisory Group) and streamlining and continuously improving Newton's municipal and school operations.

To this end, we believe that the management system should reinforce and even require the City's operating managers to think outside of the box and beyond department boundaries or "silos"—looking at the big picture of city government as well as managing the details of their departments—and to tirelessly pursue the objective of continuous improvement. In short, the management system should repeatedly encourage these managers to identify the changes to make on behalf of the public, thereby pre-empting the need for multiple citizen advisory groups and other similar task forces in the future.

For this to happen, operations improvement needs to be reinforced by a management system embedded in the organization's operating model. When supported by a routine administrative process, Newton's managers will have a stronger likelihood of success under adverse operating conditions. This is because the ideas that are routinely generated, evaluated, and implemented

by an organization's employees carry with them the kind of specific organizational knowledge that no outsider possesses. Individuals inside the organization have a unique ability to generate such informed ideas, given the right operating culture. Creating and sustaining such a culture requires managers to be given the tools, systems, and incentives that reinforce this kind of thinking and behavior.

Our overall observation is that while senior officials currently pursue innovation throughout the City, Newton's current approach to management nonetheless needs to change to increase the level of commitment and the amount of daily attention to the rigorous pursuit of continuous improvement in municipal operations. To this end, we believe that Newton's operating managers could and should be more systematically supported in their operational improvement responsibilities by the introduction of a more formal management system. (While there is also room for improvement in the management system of the Newton Public Schools, we found that the School's management system contained several important features that were absent in municipal operations.)

In general, Newton's current *modus operandi* is much more informal than the approach we are recommending. The Mayor tries to hire good people, give them direction, intervene when problems arise, and support and encourage his strong management team. As noted above, this management approach has served the City well in the past, although the City's annual surveys, sent to all households, asking residents to assess the quality of municipal services, may suggest that public perceptions of City services have declined over the past five year. (See Appendix B for a summary report on the perceived quality of public services in Newton.)

Given the economic headwinds that we are facing as a city, we believe that it is essential to upgrade our approach to *performance management*. Performance management refers to how an organization sets long- and short-term goals for itself, which are consistent within an overall mission; how its leadership measures achievement against these goals; and how systems of accountability (with related consequences) both motivate and guide the behavior of managers and employees toward the achievement of established goals.

Performance management also refers to how an organization attracts and retains top performers and creates a management culture that is forward looking, proactive, focused on objectives, and dedicated to continuous performance improvement.

In this report, we set out a framework for how we think performance management could work in Newton and identify where changes with current practice may be needed.

To get started, we lay some groundwork by presenting a generalized, descriptive overview of the best performance management practices used by other communities.

From this general discussion and our collective experience in both the private and public sectors, we then introduce a more formal way of thinking about what a complete performance management system entails and how Newton currently measures up against such a system's characteristics. We are perfectly aware that we are setting a high, but achievable (and increasingly necessary), standard of performance.

Finally, we recommend some specific actions that we believe Newton should take to begin to fill the gap between the best practices that we have outlined and Newton's current *modus operandi*.

2. SUMMARY OF RECOMMENDATIONS

This Performance Management Committee of the Citizen Advisory Group recommends that the Mayor, the Board of Aldermen, and the School Committee work collectively to implement the following seven recommendations. The first six refer to the substance of performance management. The seventh addresses public input and participation in the performance management process.

- **Strategic and Operational Planning.** Develop a living document that represents a full and complete statement of the Mayor's vision for Newton. Serving as a strategic plan, this document must connect annual and longer-term department-specific goals, benchmarks, program performance metrics or measures, and priorities to this vision; it must include explicit timetables for organizational accomplishment; it must be reviewed and revised regularly (say, every two years) in response to changing priorities and fiscal realities; and it should take full advantage of the work contained in the *Newton Comprehensive Plan*.[1]

- **Monitoring Organizational Performance.** Develop and use a system for monitoring organizational performance on a continuous basis to ensure that departmental goals and other elements of the City's strategic and operational plans are met and that employees, elected officials, and residents have a clear picture of performance.

   More specifically, we recommend that Newton augment its capacity to monitor and control its performance by (1) identifying high level performance measures that reflect the City's strategic plan priorities, (2) identifying department performance metrics that align with the high level metrics, (3) reporting on these key performance metrics at appropriate time intervals, and (4) communicating them with employees and citizens (to achieve transparency).

   There are a variety of monitoring and control systems and software tools available to municipal government. This Committee has been impressed with the potential of the PerformanceStat process—we could call it NewStat for Newton—as *the* principal tool for monitoring and controlling the performance of Newton's municipal operations.

   What the Committee likes best about a PerformanceStat process, which would be tailored to Newton's specific needs and objectives, is that it can tie departmental performance directly to the City's Strategic Plan and Operating Plan and Budget. NewStat can help elected officials, managers, employees and citizens focus on such questions as: What are we trying to achieve? What monies are being spent to achieve these goals? How efficient are various programs and initiatives versus alternative arrangements? Are we achieving our goals? A serious PerformanceStat process would also complement the City's strategic planning process by being relentlessly incremental when it comes to strategy implementation, the monitoring of results, and mid-course corrections.

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[1] Available at http://www.ci.newton.ma.us/Planning/2008-comp-plan.pdf .

While the specifics of a PerformanceStat process would need to reflect the interests and management style of the Mayor, what differentiates this process from other management control processes such as the one Newton currently uses, MBO (Management by Objectives), TQM (Total Quality Management), or Balanced Scorecards is that PerformanceStat typically includes the following features:

- Detailed operational measurements or metrics related to city goals,

- Information technology sufficient to support data collection and the systematic analysis of a fact base relevant to city goals,

- Detailed "fast-track" tracking of results,

- Relentless follow-up of decisions,

- A reporting process that requires the participation of all department managers so as to capture the social discipline of peer review and promote cross-department innovation and simplification, and,

- Most importantly, the mayor's participation in the day-to-day conduct of the process.

The precise nature of mayoral participation in a PerformanceStat process necessarily varies from community to community, but an absolutely essential feature of any successful process is the commitment of a mayor to vet all important (non-personnel) management decisions via the PerformanceStat forum. Off line decisions or side-deal agreements by the mayor that circumvent the PerformanceStat process would end up killing the process faster than strychnine.

This Committee recommends that, at the earliest possible time, the current Mayor or his successor in office announce the intention to institute a formal monitoring and control system. In our view, the fastest and most likely way to succeed is to use a PerformanceStat process and to hire an experienced PerformanceStat officer to lead Newton in the initial development phase and the subsequent implementation phase of a disciplined monitoring and control function. This officer should have direct, daily access to the Mayor (similar to daily national security briefing at the White House), and speak for the Mayor in his or her absence on all matters related to performance management. We think a NewStat process (tailored to the specific goals of Newton)—or its functional equivalent—should be the principal tool for linking the City's vision and priorities to department goals and other municipal objectives, thereby providing a means to assess and align management performance effectively. Were Newton to retain the executive position of Chief Administrative Officer (CAO), which we recommend, then the CAO's primary responsibilities would be overseeing and supporting departmental operations on a continuing basis. Thus, while the job of the chief PerformanceStat officer would focus on active analysis, monitoring, and control of departmental operations, the CAO's job would be more clearly managerial in both content and scope.

To get started, we recommend that the Mayor's Office select one or two municipal departments as beta-sites for a more comprehensive process. These "centers of initiative" should be selected on the basis of (a) the richness of the department's existing operations

database, (b) the enthusiasm and commitment of the department's leaders, and (c) the opportunity to make significant improvements in either efficiency or effectiveness.

We also recommend that the PerformanceStat process not be initiated immediately in Newton's Public Schools—which exist under a different governance structure than municipal departments (the elected School Committee) and face many complicated issues pertaining to performance measurement. After five years of reportedly successful experience with SomerStat, Somerville is only now beginning think through the potential application of this process (tentatively called "SchoolStat") to the city's schools.

Based on the experience of Somerville, we think that a PerformanceStat Director and a Senior Analyst would be an adequate start as far as staffing is concerned—with a first year personnel cost somewhere close to $120,000-$130,000 (assuming $70,000 for a Director and $50,000 for a Senior Analyst, or something close to those numbers).

- **Performance Appraisal and Feedback.** Develop a personnel performance appraisal process for the City that assigns clearly defined goals to individual managers and then holds them accountable for their achievement. Such a process needs to assess both goal achievements and competencies of personnel, provide timely and actionable feedback, and integrate with personal development planning. This would be a developmentally focused process. While the process could eventually be used to determine eligibility for appropriate, merit–based salary increases, we are not recommending the implementation of a pay-for-performance program at this time.

  To facilitate this process, the City needs to define the behaviors and skills required by City personnel to carry out their duties effectively and achieve the goals as articulated in an expanded Strategic Plan. These definitions need to reflect, but go beyond, simple job descriptions.

- **Personal Development Planning**. Design and implement a career development and succession planning process that assesses the talent available, manages the risk of losing key individuals, and also provides career development paths for high talent/high potential individuals.

- **Compensation Policy and Management.** Develop a compensation philosophy for municipal and school personnel that balances (a) the competitive necessity of using pay as an important tool for recruiting and retaining excellent personnel with (b) the economic necessity of limiting the average, long-run rate of salary and benefit increases to the average, long-run growth rate of City revenues. Ideally, both goals can be achieved. However, if competitive pay, or an inability to control benefit cost increases through collective bargaining, means that total compensation grows faster than the current and predicted growth in City revenues, then a combination of productivity increases or decreases in scope and quality of service will be required—unless, of course, residents are willing to commit to perpetual tax overrides.

  The *level* and *growth rate* of total compensation constitute essential elements of any compensation policy. We recommend that the Mayor initiate a public discussion of how

these two critical elements should be applied to Newton's unionized and management employees.[2]

With respect to the *level* of total compensation, this Committee recommends that elected officials set an explicit goal expressed in terms of paying City and School employees so that they fall, for example, into the top quartile or top third of total compensation paid to employees in cities of comparable size, in the case of the municipal employees, and cities with a similar commitment to education, in the case of school employees.

With respect to the average, long-run *growth rate* of total compensation for City employees, we recommend that this rate should be limited to the historic long-run growth rate of City revenues. There are many details involved in calculating the average growth rates (such as base years in the time series data, end years, nominal versus real dollar increases, and the role, if any, of revenue and inflation forecasts in computing average, long-run growth rates when union contracts come up for renegotiation). These critical details need to be worked out in consultation with unions representing Newton's employees. But the principle of relating the rate of growth in total compensation to the rate of growth in City revenues is an essential one.

If total employee compensation continues to grow faster than revenues, Newton has only a few choices (which can be used in combination): (a) property tax overrides, as noted above; (b) reducing the absolute *level* of employee pay, with potentially adverse impacts on the availability and quality of human resources; (c) decreasing scope or quality of service levels to reduce manpower requirements; (d) and/or productivity increases

To expand on the concept of productivity increases, this compensation policy has two obvious implications for the management of municipal affairs. First, since the rate of growth in healthcare costs and other benefits is currently higher than the rate of growth in City revenues by a substantial margin and, furthermore, since the rate of growth in employee benefits have been uncapped (in part by a national trend in the increase in health care costs, which are difficult to control, and in part by Newton's negotiations with unions over which we do have control) while property tax revenues are largely capped by Proposition 2 1/2, the gap between the total amount paid out in employee compensation and the total amount of revenues received by the City will need to be closed in part by perpetual productivity increases. These productivity increases, which will need to come from new ways of organizing work and the delivery of services, can be expected to reduce, over time, the number of employees on City payrolls. This is a principal way of balancing the rate of growth in employee compensation (which is 80% of Newton's cost structure) with the rate of growth in municipal revenues (80% of which is derived from capped property tax revenues) without resorting to tax overrides. (This implication obviously relates to our recommendation, discussed above, to implement a rigorous monitoring and control performance management system like NewStat.)

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[2] The Benchmarking Report of the Citizen Advisory Group has already contributed to this discussion. This Report found that, in general, the minimum and maximum salaries in Newton, regardless of department or pay level, are above average compared to the benchmarking communities. It appears that the benefits we offer may also be above average. It is not clear, however, whether or not this pattern is the result of an explicit compensation policy or a more incremental union bargaining process.

Second, to the extent that headcount cannot be reduced through value engineering and the reorganization of work, then the scope and quality of City services and programs will have to be reduced to make the growth rates of total compensation (for a reduced number of employees) and City revenues match over the long-run.

On a completely different matter related to compensation practices, this Committee also recommends investigating the potential of team-based recognition and other non-financial rewards for meeting agreed upon goals.

- **Citizen Participation in Performance Management**. Commit to incorporating public participation in Newton's performance management process. As recently stated by the Government Finance Officers Association (GFOA), "Good public participation practices can help governments be more accountable and responsive, and can also improve the public's perception of government performance and the value the public receives from local government."[3]

This recommendation is entirely consistent with the detailed research by one of this report's authors on efforts to expand citizen participation beyond the act of voting in five U.S. cities.[4] It is also consistent with the thinking of the Citizen Advisory Group expressed in its Report of Capital Infrastructure and Planning, where we acknowledged and discussed capital planning and budgeting in the public sector as an act of social choice.

As pointed out by the GFOA, public participation has traditionally meant voting, running for office, being involved in political campaigns, attending public hearings, and keeping informed on important issues of the day by reading government reports or the local newspaper. An increased level of involvement currently pursued by some governments includes surveys; focus groups; interviews; structured public hearings; the creation of public or neighborhood advisory groups to seek information during planning and information gathering phases; and reporting to the public via newsletters, public notices in community media, and public reports such as "Budgets in Brief" or "Annual Financial Reports."

Public participation efforts can be extremely valuable. But, superficial or poorly designed efforts will waste valuable staff time and financial resources, and increase public cynicism, if the public perceives that its input has not been taken seriously. To be taken seriously in cities such as Newton, the purposes of public participation must be made explicit and the City must provide feedback to the public on how their input is being used. According to the GFOA, this requires collecting, maintaining, monitoring, and analyzing information gained from public involvement activities, and using multiple communication mechanisms to ensure that those involved or interested in the process are notified of opportunities for additional feedback and of decisions made based on the public involvement process. Most importantly (in Newton's case), the Mayor's Office, together with the Board of Aldermen and the School Committee,

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[3] Government Finance Officers Association, "Recommended Practice: Public Participation in Planning, Budgeting, and Performance Management," 2009.

[4] Jeffrey M. Berry, Kent E. Portney, and Ken Thomson, *The Rebirth of Urban Democracy* (The Brookings Institution, 1993).

also needs to explain how public involvement has made a difference in plans, budgets, and performance, and gather public feedback on how successful the process has been through the public's eyes.

- **Top Management Structure.** Modify the current management structure of the City to include a Chief Financial Officer (CFO) position to assist the Mayor in designing and implementing an enhanced financial planning and management operation. A CFO would work collaboratively with the existing Chief Administrative Officer and a new PerformanceStat Officer (recommended above). In Section 5 below, we lay out the logic for this expanded top management structure and present an initial sketch of a new executive role constellation at City Hall. Since there is a provision for a city "Finance Director" in the early versions of Newton's charter, we do not believe that this recommendation requires charter reform.

  Even though a new Mayor would obviously want to select his or her own CFO, and recognizing that the FY2010 budget is tight, we do not think the City of Newton can afford to wait for the next Mayor to bolster and improve the financial analysis done in the City.

  A conceptual blueprint or process map summarizing these recommendations appears below in Figure 1. Two of the "boxes"—namely Compensation Policy and Management and Top Management Structure—involve critical policy choices.

  The former clearly has major implications for the conduct of important "union-management" relationships throughout the City, many of which are occurring right now. Indeed, Compensation Policy and Management is not only a key aspect of monitoring and control, but transcends this core management process as one of the most defining policies of a city's operating strategy.

  The latter – Top Management Structure – affects the constellation of executive roles used to govern the City, and also is central to defining a city's *modus operandi*.

Figure 1

Process View of Performance Management Recommendations
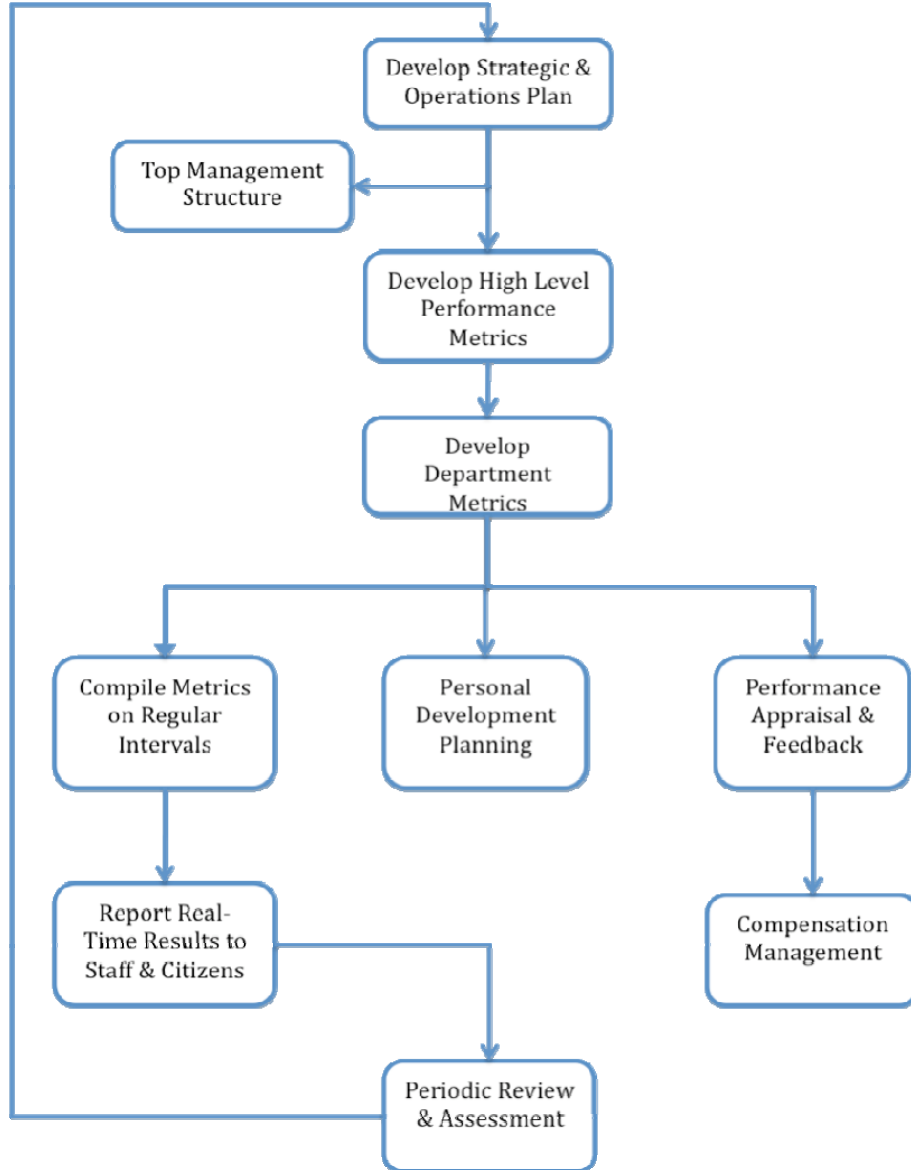
3. A GENERAL INTRODUCTION TO PERFORMANCE MANAGEMENT

IN MUNICIPAL GOVERNMENT

In an era of lean government, structural budget deficits, widespread perceptions of declining public services, and troubling economic headwinds, the importance of promoting management efficiency and effectiveness cannot be overstated. Compared to most cities and towns in Massachusetts, Newton's management is considered a leader. Nonetheless, studies of organizational practices in both business and municipal government suggest that the presence of an explicit mission, strategic planning, goals and objectives, and performance assessment most assuredly creates the conditions for improvements in effectiveness and efficiency. Yet, we have found that there are few departments in Newton's city government that systematically and consistently set measurable objectives and assess their progress. Rather, managers measure performance informally and qualitatively. Suffice it to say that the City, as a whole, is not fully engaged in what has variously been called "strategic management" or "performance management." As one city administrator put it, "it is not Newton's style."

This section focuses on the potential benefits that could accrue to Newton should it begin the systematic and explicit process of linking strategic planning, and objective and goal setting with performance assessment. It provides some examples of how such management systems operate in other municipalities, with special emphasis on how internal management systems try to ensure that there are links between the activities of departments, the finances that are budgeted and expended, and the measurable goals of the department and the city.

The goal of all performance management systems in government, whatever the specifics of their design, is to ensure that in the day-to-day operation of city departments maximum attention is being paid to the achievement of specified goals and objectives.

There is certainly no single best system for accomplishing performance management, but it is important for municipalities to have some system in place. In the best of all worlds, performance management systems fully integrate the day-to-day operations of municipal departments with overarching goals of the sort that might be articulated in a comprehensive strategic plan. In other words, performance management systems try to ensure that all of the day-to-day activities of city departments are consistent with, and in service to, achievement of the larger, long-term goals of the city. Moreover, performance management systems also integrate the programmatic goals of departments with their personnel management processes, thereby ensuring that departmental employees who bear responsibility for implementing programs are evaluated and rewarded on the basis of success, i.e. achieving program goals.

The vast majority of cities and towns in Massachusetts have not invested systematically in such management systems. Rather, like Newton, they use more qualitative, informal management styles. Some exceptions include Andover, Arlington, Bedford, Hingham, Lexington, Needham, and Somerville—which have adopted performance management

practices to varying degrees and participate in the International City Management Association's (ICMA) Center for Performance Measurement initiative. In other states, local governments have made such investments, and much of what is discussed in this report comes from the experiences of two such states that stand out in this regard – Colorado and New Jersey.[5] In the latter, a major effort was undertaken starting in 2001 to institute the New Jersey Initiative, an effort to build municipal management capacity, and to assess various methods of managing for results.

Strategic and Comprehensive Planning

The starting point for municipal performance management is often the strategic or comprehensive plan. Without going into a lot of detail here, municipal strategic plans represent efforts of city leaders to articulate the mission, goals, and objectives that the municipality seeks to achieve over some designated period of time. Most cities work under five year time frames, with periodic revisions to the plan. In current practice, strategic plans start with the broad mission of the City and clearly defined priorities (especially in periods of fiscal constraint). Then, the strategic plans are organized around city service and program areas, such as land use, transportation, public safety, education, housing, economic development, environment and sustainability, and other areas—rather than by the department or agency that provides specific services.[6]

With most strategic plans, each program area includes metrics that are developed to measure performance, define goals and set timetables, and contains a process for regularly monitoring progress toward achieving the goals. These are usually accompanied by an assessment of the legal authorities, resources, and impediments to achieving the stated goals. Management systems (discussed in more detail later) are put in place to try to ensure that this monitoring actually takes place, and if progress is not being made, actions can be taken. In other words, efforts are made to ensure that the performance information is actually used in making program management decisions.

An example of a city's strategic plan may provide a clearer picture of how such plans can serve as the foundation for performance management. Figure 2 below is one page from the lengthy *Toward a Sustainable Seattle* strategic plan in Seattle, Washington. This plan, issued in 2005 and updated annually, provides a comprehensive statement of the City's policy goals. This particular page comes from the "Capital Facilities Element" section that provides a wide array of specific goals as targets for the City's capital improvement process. This particular section omits capital facilities that would be used for public transportation, and utilities, both of which are covered by separate strategic plans. This strategic plan element is accompanied by a comprehensive inventory of the city's capital assets (not shown here).

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[5] Other examples come from cities participating in the International City Management Association's (ICMA) Center for Performance Measurement. For more information about this Center, see http://www1.icma.org/main/bc.asp?bcid=107&hsid=1&ssid1=50&ssid2=220&ssid3=297&t=0

[6] This is very much like the way the recently adopted Newton Comprehensive Plan is organized. This plan contains sections on Land Use, Transportation and Mobility, Housing, Economic Development, Open Space and Recreation, Natural Resources, Planning, Facilities and Services, and several other areas.

Figure 2 shows the specific goals (labeled CFG1 through CFG9) and associated policies (labeled CF1 through CF16) designed to achieve these goals. Largely because these capital Facilities goals and policies are created to support the goals and policies found in other functional departments, they tend to be stated in rather general terms. In this section, a concerted effort is made to ensure that the "strategic capital investment policies" (CF1 through CF8), the "facility siting policies" (CF9 through CF12), and the "relations with other public entities policies" (CF13 through CF16) are explicitly connected to the goals. All of this is meant to convey the idea that any and all city policies that affect capital facilities maintenance and replacement are identified and understood so that specific projects can be fully coordinated.

Importantly, Seattle has a management system in place that focuses the attention of all relevant city administrators on achieving the goals outlined in the Plan, measuring progress, and reporting on results. As specific departments and agencies engage in planning and implementation of capital projects, they are responsible for ensuring that such projects comply and conform to these outlined goals and policies. The management system ensures that the day-to-day capital project activities are monitored, and that they are consistent with the articulated goals.

Another key feature of cities' strategic plans is that they serve as official policy statements of the goals, missions, and timetable affecting all city government departments and agencies. As an official statement, a strategic plan represents a consensus articulation of where the city is headed and how it is going to get there. It presumably reflects a consensus among all the key actors, including the mayor, the city council (Seattle's counterpart to Newton's board of aldermen), and top administrators, as well as the general public and other stakeholders. Of course, achieving consensus on the wide range of issues contained in a strategic plan requires explicit attention to the planning processes, an issue discussed more fully later in this document.

Figure 2

Sample of Goals and Policies from the Comprehensive Plan in Seattle (WA)

Capital Facilities Element

A   Capital Facilities Policies

discussion

This section does not apply to transportation or utilities capital facilities. Please see the Transportation or Utilities Elements of this Plan for policies related to those facilities. Various agencies, such as the Seattle Department of Parks and Recreation, the Seattle Center and the Seattle Public School District, prepare functional plans to guide development of specific facilities for carrying out their respective missions.

goals

CFG1   Provide capital facilities that will serve the most pressing needs of the greatest number of Seattle citizens, and that will enable the City to deliver services efficiently to its constituents.

CFG2   Preserve the physical integrity of the City's valuable capital assets and gradually reduce the major maintenance backlog.

CFG3   Make capital investments consistent with the vision of the Comprehensive Plan, including the urban village strategy.

CFG4   Site and design capital facilities so that they will be considered assets to the communities in which they are located.

CFG5   Provide capital facilities that will keep Seattle attractive to families with children.

CFG6   Encourage grass-root involvement in identifying desired capital projects for individual neighborhoods.

CFG7   Encourage community input to the siting of public facilities.

CFG8   Incorporate sustainability principles and practices including protection of historic resources, into the design, rehabilitation, and construction of City buildings and other types of capital facilities.

CFG9   Encourage the protection of City-owned historic facilities when planning for alteration or maintenance of these facilities.

strategic capital investment policies

CF1   Plan capital investments strategically, in part by striving to give priority to areas experiencing or expecting the highest levels of residential and employment growth when making discretionary investments for new facilities. The City will use fiscal notes and policy analysis to assist in making informed capital investment choices to achieve the City's long-term goals.

CF2   Assess policy and fiscal implications of potential major new and expanded capital facilities, as part of the City's process for making capital investment choices. The assessment should apply standard criteria, including the consideration of issues such as a capital project's consistency with the Comprehensive Plan and neighborhood plans, and its effects on Seattle's quality of life, the environment, social equity, and economic opportunity.

CF3   Emphasize the maintenance of existing facilities as a way to make efficient use of limited financial and physical resources.

capital facilities element

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January | 2005

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Performance Metrics

Without ways of measuring programmatic performance, strategic plans would seem like pie-in-the-sky statements with little hope of affecting the quality of city services. Performance management requires specification of quantitative and qualitative performance metrics that can be used to measure and monitor achievement of municipal goals.

The metrics used to measure progress toward achieving goals vary greatly from place to place and from department to department. There is no universal set of metrics that every city can or should use. In some program areas, such as public safety, there is great commonality across cities in what is measured, but different cities set different standards. For example, measures of crime rates, response times, and clearance rates are essentially universal, and nearly all city police departments utilize very similar measures. In other areas, metrics are far less standardized, and can vary greatly from place to place. Indeed, in many programmatic areas, the metrics must be "home-grown" to reflect the unique character or unique goals of specific municipalities.[7] Many, but certainly not all, performance metrics are designed to either measure program efficiencies or effectiveness (amount of output or activity per dollar of expenditure).

To be clear, there are specific program areas where Newton does have either explicit or implicit metrics of performance. In its discussions with city administrators, members of the Citizen Advisory Group heard about explicit metrics in public safety and in public works, and implicitly in capital financing with regard to the City's bond rating. To some degree, metrics are also in place in the Newton Public Schools, and these metrics are discussed more fully elsewhere in this report. The point here is that there is no systematic effort to develop goals and metrics across *all* of Newton's administrative departments. Combined with the absence of a fully articulated citywide mission and goals, the absence of performance metrics means that Newton lacks clarity about what it is trying to accomplish and whether its results are acceptable. Details concerning some performance metrics will be provided below.[8]

Some examples of cities' performance metrics might help to clarify the foundation of performance management. Figure 3 below shows a single page from Westminster, Colorado's annual performance measurement report. Westminster is a city of about 105,000 people. This page shows two of the many metrics used to monitor the city's performance.

At the top of the page is a statement of the objectives or goals that apply to parks and recreation. Below is a description of what the City's Park Services Division does to achieve

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[7] In many respects, selecting metrics to measure performance involves the same issues confronted by the CAG's Benchmarking effort. The metrics used in the Benchmarking Report, in part, reflect an effort to devise some means by which to compare Newton's program performance to other municipalities. Just as this Benchmarking effort encountered major challenges, so too do efforts to establish program performance metrics as part of internal management systems. See the Benchmarking Report at: http://www.ci.newton.ma.us/CitizenAdvisoryGroup/reports/2008/10082008-CAGBenchmarkingReport.pdf

[8] For a comprehensive list of performance metrics developed by the ICMA's Center for Performance Management, see http://www.icma.org/main/bc.asp?bcid=133&hsid=12&ssid1=2470&ssid2=2546

these goals, followed by a graph and discussion showing how Westminster compares to other Colorado cities in terms of the efficiency of maintaining parkland. Thus, this report shows how well the city is meeting its specified goals, and allows the city to understand how it stacks up against other comparison municipalities. The lower half of Figure 3 shows analogous information about the performance of the city's public library. As noted later, Westminster is one of now seventeen Colorado and Wyoming municipalities that have created the Colorado Performance Measurement Consortium, and nearly all of these municipalities use very similar performance metrics.[9]

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[9] The municipalities in Colorado include Colorado, Aurora, Centennial, Colorado Springs, Denver, Englewood, Fort Collins, Golden, Longmont, Loveland, Northglenn, Thornton, Westminster, and Windsor; and in Wyoming Casper.

Figure 3

Performance Metrics from Westminster, Colorado

Objectives: Increase green space (parks, open space, etc.) — Preserve vistas and view corridors — Increase public and cultural arts — Attractive low water use landscaping — Well-designed and maintained private developments and buildings

To meet this challenge, Park Services has reorganized crews to provide better coverage for the most visible maintenance needs. Staff is still in the process of fine-tuning crew assignments, but staff believes that the positive effects of the reorganization will be reflected in 2008 Citizen Survey results. Staff is also evaluating contracted facility landscape maintenance to determine if these and other areas can be maintained efficiently through an outside contractor. When compared to 2006 data from other Colorado cities that participate in CPM, Westminster's number of FTE per 100 acres was 2.0, which was slightly under the average of 2.5. This is another indicator of the efficiency of Park Services crews. This indicator, along with an increase in Citizen Survey ratings of park maintenance as "good" or "very good" from 70% in 2004 to 80% in 2006, shows an effective use of limited resources.

Providing a Balanced, Up-To-Date, and Cost Effective Library System

Supporting lifelong learning and cultural enrichment also helps achieve a "Beautiful City." The City strives to operate its libraries, College Hill and Irving Street, in the most cost-effective manner possible while providing a level of service that is better or comparable to other libraries. Two key indicators that the City uses to gauge achievement of these goals are circulation per capita and cost per circulating item. The Colorado State Library requires that all libraries within the State report statistics to the Library Research Service (LRS), allowing for comparison of services libraries offered. Of the 12 public library systems serving a population larger than 100,000 in Colorado during 2006, Westminster Libraries' circulation per capita was 13.83, which was well above the average of 11.69. This shows strong activity at the libraries that is supported by a variety of relevant materials and resources. Westminster Libraries' cost per circulating item was the lowest of all other reporting libraries at $1.83, which was well below the average of $4.53. Compared to the 74 library systems that reported data to ICMA CPM for 2006, Westminster had the third lowest operating and maintenance expenditures per item circulated at $1.75, well below the average of $4.15. This cost data shows that Westminster libraries are being managed very efficiently.

Source: *Take A Closer Look: How Performance Measures Build a Better City. The Westminster 2007 Performance Report*, p. 19. Found at: http://www.ci.westminster.co.us/files/takeacloserlook2007.pdf

The Conduct of Performance Management

Sustained, relentless, and systematic attention to performance ensures that the activities of department managers and employees are focused on achieving specified long-term goals and objectives. It also helps identify problems with implementing the policies and programs designed to achieve those goals, and to prescribe management interventions that can be taken to minimize inefficiencies that might result from these problems. Perhaps the most important aspect of any performance management system is the intent to "align" every aspect of municipal government activity to goals and priorities. In other words, it represents a systematic effort to ensure that employees' time allocation, budgets and budget management (actually spending the authorized and allocated funds), personnel policies and personal evaluations, information technology, and other administrative functions of government are all in sync.

In the absence of a performance management system, the lack of progress toward achieving a particular objective or goal may not be discovered for a significant period of time, a state of affairs that seems common in many municipal governments. Indeed, analysis from the New Jersey Initiative highlights how prevalent it is for the activities of local government to be unrelated to specified goals and objectives.[10] Although performance management has been advocated at all levels of government since at least the early 1990s, progress toward developing performance management systems has been quite slow. Yet, there is emerging evidence that using performance management carries great promise in helping to make municipal government more effective and efficient.[11]

In recent years, there have been numerous efforts under way to promote the development of performance management systems. In one of these, the International City Management Association (ICMA) created its Center for Performance Management, where it has recruited municipal governments from all around the country to participate in efforts to engage in citywide performance management. As noted earlier, the municipalities of Andover, Arlington, Bedford, Hingham, Lexington, Needham, and, most particularly, Somerville are listed as Massachusetts participants. In another, the National Advisory Council on State and Local Budgeting, and the Government Finance Officers Association have worked to promote the use of performance management and measurement in local budgeting.[12] In New Jersey, the New Jersey Initiative has sought to design performance management systems based on actual experiences in that state.[13] Seventeen municipal governments in Colorado and Wyoming are now part of the Colorado Performance Measurement Consortium.

Cities that engage in performance management exhibit a wide array of specific methods and techniques. Some adopt systems developed elsewhere, including variations on the

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[10] Dana Harsell and Vernon Dale Jones, "Managing for Results: Implementing Challenges Faced in New Jersey Municipal Government." Paper presented at the 2002 Meetings of the American Political Science Association, Boston.
[11] Thomas Plant and Janine Douglas, "The Performance Management Cotinuum in Municipal Government Organizations," in *Performance Improvement*, Vol. 45, No. 1m January 2006, pp. 43-48.
[12] For more information about this initiative, see
http://www.gfoa.org/index.php?option=com_content&task=view&id=489&Itemid=259
[13] http://www.maxwell.syr.edu/campbell/nji/QAaboutNJI.htm

PerformanceStat or CitiStat system as used in Baltimore, Maryland and Somerville, Massachusetts;[14] some develop their own, almost from scratch; and still others purchase and adopt "turnkey" systems developed by third party private sector vendors, such as Albuquerque's adoption of a data collection and information sharing system marketed by IBM's Cognos division.[15]   (A summary examination of the PerformanceStat model, especially as developed as SomerStat in Somerville, is presented in Section 4.3 below.)

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[14] Teresita Perez and Reece Rushing, *The CitiStat Model: How Data-Driven Government Can Increase Efficiency and Effectiveness.* Center for American Progress, April 2007. Found at http://www.americanprogress.org/issues/2007/04/pdf/citistat_report.pdf For more information about the CitiStat model, and its application in Somerville, see the proceedings and supporting materials from the 2003 Workshop "Bringing CitiStat to Massachusetts: Can CitiStat Work in Greater Boston?" held at the Kennedy School of Government, found at http://www.hks.harvard.edu/rappaport/training/special/citistat.htm .

[15] http://www.cognos.com/company/success/albuquerque.pdf

4. ELEMENTS OF PERFORMANCE MANAGEMENT ADDRESSED
IN THIS REPORT

In order to be clear about the term "performance management" used throughout this report, we have included below a list of seven components that are commonly thought to make up such a management system. They can be cast in different ways, but collectively each of these components need to be in place in some fashion and in an integrated manner for an organization to optimize its effectiveness:

- Strategic planning

- Operational planning

- Monitoring organizational performance

- Individual and team goal setting

- Performance appraisal and feedback

- Personal development planning

- Compensation policy and management

Each of these seven components is described below in turn, followed by our assessment of what we believe to be the current state of these elements in Newton—in both the municipal and school environments.

4.1 STRATEGIC PLANNING

Definition

Common usage of the term "strategic planning" refers to the process by which an organization clarifies or changes its long-term objectives and the manner by which those objectives will be met. The purpose of strategic planning is help organizations assess the current environment, anticipate and respond appropriately to changes in the environment, envision the future, and develop means of bridging the gap between present conditions and the envisioned future. Strategic planning for public organizations is based on the premise that leaders must be effective strategists if their organizations are to fulfill their missions, meet their mandates, and satisfy their constituents in the years ahead.

The strategic planning process often includes the coming together of the organization's leadership in an "offsite" meeting to get away from the day-to-day operational demands on leadership's time that might otherwise get in the way of sustained thinking about the future. The process is typically led by the senior manager (e.g., Chairperson, CEO, Mayor) but all managers are involved – operations, finance, technology, human resources, etc. In the municipal government, this process might also include the Board of Aldermen, the School Committee, and members of the public at large. The output of such a meeting or series of meetings should be a clear-cut mission statement from which the organization's goals, strategies, programs, and activities logically flow. One of the critical uses of such a mission statement is to help an organization decide what it should do and, more importantly, what it should not be doing.

The organization's stakeholders are typically the starting point for re-thinking strategy – defining what their expectations are and how they will be met. Other environmental factors are also taken into account, such as macro economic or legacy issues specific to the organization concerned. Normally, external reports, benchmarking data or other sources of intelligence are commissioned to create a fact-based context for strategic planning.

One common outcome is not just broad objectives and a prioritization of objectives, but also the development of a "scorecard" with a small number of metrics that individually measure key aspects of the strategy's success and, taken together, represent a "balanced" overall view of the health of the organization.

One aspect of strategic planning that has become more prevalent recently is "workforce planning." This specific aspect of the strategy looks at the talent pipeline of an organization and relates it to the anticipated demand for talent, based on both numbers and skill-sets required over the coming few years. This is very important as it can sometimes take years to build up a full functioning team and the alternative of hiring externally can be very expensive and risky. Similarly, with changing resource needs re-skilling and re-deployment of people becomes much more feasible if this longer-term approach is employed. At more senior levels, this approach is used in succession planning, which can be seen as both a risk mitigation and leadership development strategy.

Finally, the strategy is developed as a three, five or ten year plan or roadmap to achieve the ultimate mission of the organization. (In the case of a municipality, it is longer than elected terms of office.) Then the plan is communicated broadly using a variety of media such as a website, "town hall meetings," meetings of community leaders with citizen interest groups, manager briefings and the like. In this way, the process is shared throughout the organization so that all employees have the opportunity to see how their role fits in with that of the organization as a whole and to get on board with its mission. In addition, this communication process facilitates citizen understanding of the objectives of elected officials and gives them an opportunity to reflect upon and respond to the priorities embedded in the strategic plan.

Municipal Perspective

Newton's Mayor, the Board of Aldermen, and the School Committee represent the City's principal stakeholders, the citizens. One of the Mayor's key roles should be to set out a vision or plan for the City, not just for the Mayoral term, but also for the following ten years, and then, working with department heads, to establish specific long-term goals.

The Mayor uses an informal planning process rather than a systematic, formal one. His goals are set forth in qualitative terms by such means as his Annual State of the City report. However, the Citizen Advisory Group found little evidence of *systematic* strategic planning and explicit, measurable goal setting. Earlier in the current Mayor's tenure, some strategic planning was conducted but was felt by many department heads to have never led to any new or innovative action plans. Today, there are many interactions between the Mayor's Office and department heads where the Mayor has a chance to set goals and give directions, but we believe that the informal planning and goal setting process will not get us to where we need to be in the future.

Our interviews also revealed that there is a range of opinion among City managers about the value of strategic planning in the first instance, with one or two voices expressing frustration at its absence and other voices expressing doubts about its value or relevance. Without such a process, however, we believe that the employees of the City cannot have an opportunity to relate their roles to something larger than their discrete daily activities and to work effectively as a group in pursuing breakthrough ideas to achieve more with available resources.

When we look at Newton's problems in the area of long-term capital planning, the Committee concludes that this lack of *systematic* strategic planning involving the Mayor, the Board of Aldermen, the School Committee, and department heads is an important factor in the significant under-funding of the City's infrastructure and the services that depend upon this infrastructure. For example, capital spending decisions other than those requiring bonds to be issued have commonly become tactical "up or down" votes on individual items. They have lacked an overall context of how any individual spending priority compares to all the others in importance or how it fits within a long term plan targeted at a specific objective. Also, the funds made available for such capital spending are drawn from any cash surplus at the end of the year rather than from a fund that has been created to support a planned, long-term strategic capital improvement program. (See the Citizen Advisory Group's Report on Capital Infrastructure and Planning for a detailed discussion of these administrative practices.)

School Perspective

On the School side, there has been a much more visible process of strategic planning. The process has focused on identifying the skills and behaviors that those kindergarteners entering the school system now would need by the time they graduate from high school—using that perspective to then work backwards to ensure that programs and processes are in place to deliver those skills and behaviors. The process has involved parents, citizens and other stakeholders in terms of prioritization and focus.   This initiative should be commended as the kind of exercise that helps sets objectives and choices.

However, an effective strategic planning process also needs to be both inclusive and closely managed with clear milestones, tight meeting management and, especially, effective communications. It is not entirely clear that this was the case with the recent visioning planning process that the Schools went through. Similarly, effective strategic planning requires significant administrative leadership and direction if, in the inevitable absence of constituency consensus on goals and priorities, watered down goals and vague objectives are to be avoided. This is as great a challenge for the Newton Public Schools as it is for many other municipal, for-profit and non-profit organizations.

No matter how effective or ineffective the strategic planning process has been in terms of developing a credible action plan, its success is ultimately dependent on how it is integrated with the capital planning and budgeting processes. One of our concerns is that the process by which approximately 56% of Newton's total Operating Budget is allocated to the Schools does not take the School Department's strategic plans or vision into account. As a result, the School Department subsequently has to continually adjust their plans in accordance with how much money has been allocated. Although financial reality has to be the foundation of any strategic plan, it does not appear that the School's visioning and the City's budgeting processes are linked together. As an example, while the Newton Public School department developed a three year technology plan in January 2008, it received only 15% of the recommended funding. If strategic plans are to mean anything in a practical sense, they need to be funded and implemented even when there are short-term competing requirements pulling in other directions.

4.2 OPERATIONAL PLANNING

Definition

Operational planning uses the overarching mission and strategy as the starting point for what is typically a one-year "tactical" planning process. Operational planning is focused on one-year goals, typically also tied to the annual budgeting process. Departmental goals are established that are consistent with the longer term strategy and which should align with the "scorecard" metrics described above. Goals are sometimes said to "cascade" from the strategic to the operational/departmental to individual manager or employee goals providing, if done correctly, a clear line of sight for individuals from their efforts to the collective achievement of the organization's strategy.

Unlike strategic planning, there is typically a very clear annual timetable linked to the end of the previous financial year and the establishment of the budgets for the upcoming year in the operational planning phase. Budgets are developed, rolled up, revised and rolled down in multiple iterations until the numbers are satisfactory. Operational planning should, if managed correctly result in a continuous re-allocation of resources consistent with both short- and long-term goals (and the changing operating environment) and be viewed almost as a contract between individual managers and the organization: these resources are granted for one year to achieve the goals laid out. Of course, where mandated services are involved in government, such as with Police and Fire Departments, a failure to meet goals cannot result in a reallocation of resources; nevertheless, there are always ways to meet mandated standards with increasing efficiency, and operational planning and resource allocations can and should address this possibility.

Municipal Perspective

There is a very clear annual budgeting process in place for the City. It is essentially incremental in nature because the process begins with last year's numbers as a baseline and then is adjusted based on available funds, new initiatives, and current circumstances. This process has also been described by several of the people we interviewed as a "numbers game" that does not really involve thinking about priorities from a City-wide or strategic perspective. Eventual approval of budgets by the Board of Aldermen seems to be based more on the instincts of the Aldermen and not on an underlying data-driven or strategic rationale for specific spending plans.

Even though the Board of Aldermen has recently started asking department heads to come in with goal statements as prefaces to their budgets and then to update the Board on their progress, there are apparent teething problems with this process. We heard that one specific department pro-actively prepared detailed work plans to lay out priorities and provide a framework for accountability for their implementation. When these plans were eventually presented to the Board of Aldermen to help inform its setting of departmental priorities, the Aldermen did not seem to have an informed process for responding to the department's initiative or using the plans in the Board's own decision-making. Not surprisingly, this time-consuming effort to develop detailed work plans was abandoned quickly.

Within the current budget process, department goals are established and recognition is given of prior year accomplishments. However, these goals are developed largely by the department heads, and although they are encouraged to make them materially different from the prior year, they do not relate to any overarching set of strategic or City-wide objectives. Departments thus have a lot of leeway or discretion in determining their own goals, which while promoting initiative also risks a lack of consistency with the City's overarching mission.

Once drafted, department goals are checked for compatibility with the Mayor's wishes, which strikes us as being the wrong way round. While Newton's department managers are competent and knowledgeable about their many opportunities and lingering problems, who else than the Mayor, armed with a long-run vision for the City, is in a better position to articulate broad departmental goals and priorities for the coming year? In addition, the current approach risks a continual "business as usual" mindset. The current approach to setting goals and priorities also appears to us as a tactical, "silo'd" exercise that is not coordinated across city departments. Indeed, during times of severe resource constraints, the managerial instinct is to draw back and look inward, focusing increasingly only on those functions clearly within a specific department's purview, exacerbating this silo effect. There is thus a serious risk of few shared goals and little collaboration or teamwork across departments.

Equally important, apart from periodic questioning by the Mayor's Office and episodic questions by Aldermen during the budget process or in the context of other appropriation requests during the year, it is not clear how accountability for achievement or non-achievement of goals is monitored and enforced. Neither is it clear how the consequences of achievement or non-achievement are managed (other than extreme cases where managers need to be eased out). Further, there is no structured forum for managers to describe achievement of goals or barriers to achievement on a regular basis (even though the Mayor does hold monthly meetings with senior staff and department heads). Such a forum can be a powerful, reinforcing incentive to managers to achieve success

There could also be a much more visible planning process that presents choices to citizens. For example, in the Department of Public Works, the Pavement Condition Index (PCI) for roads and pavement might be a good metric to use to confirm priorities. PCI measures road and pavement quality – a score of 80 means good condition, while at 70 the roads are starting to go. Using this language system, an example of a publicly agreed goal could be that Newton wants to maintain class 1 roads at 80% and class 2 roads at 75% and resources would be allocated to meet this goal. (To the credit of the DPW, this department has developed an encouraging approach to data analysis that will allow them to initiate precisely the kind of goal setting and the concomitant resource allocation mentioned above.)

Following from such an operational plan for each department, a work plan or program could be developed with tasks, milestones and budget requirements to deliver on these agreed-upon goals. Such a plan could then be monitored, and the department concerned would have a clear target for their own work planning.

School Perspective

In the Newton Public Schools, the budget process starts around Thanksgiving each year with a sub-committee of the School Committee issuing budget guidelines for the upcoming year to the

Superintendent. These guidelines can be annual or span several years. The critical step in the process occurs, however, around January when the Mayor tells the Superintendent what percent increase the School Department can expect in its budget. At this point, the Superintendent starts building a budget to meet the Mayor's financial requirement.

From December through March, the Superintendent works with the Administrative Council (Principals, Department heads, and the central management team) in crafting a budget based on these two sets of guidelines. In the first week of March, the Superintendent's Proposed Budget is presented to the School Committee and is discussed in several meetings in March. At the end of March or early April, the School Committee votes, and it becomes the official Committee budget. The latitude for redeploying resources within the budget, year-on-year, is quite small given that much of the budget is made up of fixed costs. Still, some choices have to be made since there is never enough money allocated to cover what is originally proposed. The final step is for the Board of Aldermen to formally approve the budget in late April or early May. The amount of discussion among the Board of Aldermen before approval is quite variable. The goals for the year are then published on the website. The budget year then runs July 1st to June 30th.

The process for operational planning in the Schools is tied closely to its internal budget process and appears to be effective at deploying resources where they are needed short term. We believe that the Schools have a very clear knowledge of where the money is being spent. For example, the School Department makes trade-offs each year between class sizes and individual programs, and the operating budget reflects these trade-off decisions.

What concerns this Committee, however, is that these short-term operating decisions often become *de facto* long-term ones in the absence of the kind of longer term integrated plan described above. Indeed, one of the deterrents to effective operational planning is that in the absence of a long-term strategic plan and corresponding set of financial commitments, the City's practice of making budget allocations only for one year at a time inhibits the ability of the Newton Public Schools to put in place annual operating plans that relate to a longer term strategic plan. (See pages 28-29 of the School Cost Structure Report for detailed recommendations addressing how Newton Public Schools should structure planning and budgeting to avoid the short-term orientation and incrementalism of the current administrative process.)

4.3 MONITORING ORGANIZATIONAL PERFORMANCE

Definition

Any effective organization needs information in order to make decisions. That information should be collected and presented in such a way that management can see what is happening and take action accordingly. A typical approach is to develop a set of performance measures that sum up how well the organization is doing against its goals—goals that are both financial and operational, and based on the needs of external and internal stakeholders. While largely numerical, these metrics can be qualitative as well. Such metrics are typically reported monthly with crucial metrics being reported more frequently. Without such management reporting, an organization is "flying blind" and will often not realize problems until they are too late to address.

Before evaluating Newton's current practices, we set out below one of the most promising tools that could assist City executives in promoting and tracking departmental and personal accountability and performance. It is known in its most general form as the PerformanceStat process. This process has been used in municipalities of various sizes over the past decade

A municipality can be said to employ a PerformanceStat process if "it holds an ongoing series of regular, frequent, periodic, integrated meetings during which the chief executive and/or principal members of the chief executive's leadership team plus the individual director (and the top managers) of different subunits use data to analyze the unit's past performance relative to its goals, to follow up on previous decisions and commitments to improve performance, to establish its next performance objectives, and to examine the effectiveness of its overall performance strategies."[16]

Based on a series of visits to Somerville where a PerformanceStat process has been adopted and heartedly supported by the Mayor, discussions with faculty at Harvard's Kennedy School who are active students of PerformanceStat processes in a wide array municipal governments, and a close reading of the research available on similar initiatives around Massachusetts, New England, and the nation as a whole, we think this methodology—in some form—could substantially improve Newton's operations. We have observed how such a process can be a very effective way of tracking and managing the performance of municipal operations against a variety of performance measures that both include and go way beyond costs. It may also be applicable to school operations.[17] While we are particularly impressed with PerformanceStat, we note that there are many variations of the PerformanceStat process, many important success

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[16] Robert D. Behn, "Designing PerformanceStat," *Public Performance & Management Review*, Vol. 32, No. 2, December 2008, p. 207.

[17] PerformanceStat is only the latest of several planning, and control tools that have attracted the attention of, and been adopted by, both for-profit and non-profit organizations. MBO (Management by Objectives) and TQM (Total Quality Management) in their various renditions are only two of several other mechanisms that serve similar planning and control functions. All share a commitment to rigorous data gathering, data analysis, and tracking of relevant performance metrics.

variables, and some substitute methodologies as well. In addition, we point out that PerformanceStat can be implemented gradually.

PerformanceStat Overview

The definition of PerformanceStat given above is broad enough to bring a lot of varied activities into its tent. But there are several defining and qualifying features of a true PerformanceStat process. We have noted that such a process requires a specific focus on performance (past, present, and future), the use of data to analyze changes in performance and the effectiveness of efforts to improve performance, and frequent high-level meetings to analyze progress and follow-up on previous decisions and commitments. A casual perusal of municipal websites reveals that many pale imitations of PerformanceStat processes abound. A truly effective use of the PerformanceStat process requires the leaders of an adopting municipality, agency, or department to pay careful attention to several key design features.[18] In particular, they need to:

- Specify the performance purpose to be achieved. "What are we trying to accomplish?"

- Choose which organizational elements to include in the process. All municipal departments? Start with some first? The School Department?

- Decide what performance data will be collected and analyzed. "What data do we have? How directly do such data reflect the results we seek to produce? What other data would be more valuable? Can we obtain these additional data? How easily can the data be manipulated? Verified? Benchmarked?

- Build staff, or train at least one analyst, to analyze these data. Data do not speak for themselves. Analysts must always be asking, "How do the data help us understand how well we are doing in achieving our purpose and do better in the future?" Thus, analysts need to be creative in determining what data will be the most revealing, how current data should be compared with past data, how performance should be compared across different subunits and jurisdictions, and what deviations in performance actually mean.

- Develop the requisite infrastructure. Two pieces of infrastructure are absolutely critical: software to help collect, analyze, and display data and a dedicated room equipped with the appropriate computers, video technology, and layout to facilitate discussion of different aspects of performance.

- Determine how performance management meetings will be conducted. This is often where the process lives or dies. Organizing key aspects of the performance management meetings are neither easy nor obvious. Here are some key questions that need to be answered: "Who runs the meeting? Is the meeting a show-and-tell led by the head of the subunit whose performance is being examined? Or is the meeting conducted by the Mayor? In the Mayor's absence, who has full and clear authority to run the meeting? How often are meetings held? How often do individual department

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[18] Behn, p. 208 ff.

heads report? How does this reporting cycle fit with the data availability cycle? Who attends PerformanceStat sessions? Just department heads? Department employees? Aldermen? The public? What tone should be set? Is the meeting collegial or adversarial, feel-good or high-pressure cross-examination? What's the proper balance? How can bland discussions be avoided and a spirit of disciplined experimentation, learning, and improvement be nurtured?

- <u>Create an explicit mechanism to follow up on the problems identified, solutions proposed, and decisions made at these meetings.</u> Relentless follow-up is also a key to success. Often, follow-up tends to be "worshipped more than practiced." Tools to use include follow-up calls, memos, and electronic ticklers, all aimed at solving the problem and preparing for the next meeting where action items, problems, proposed solutions, decisions, and commitments will be reviewed.

- <u>Think through carefully how to adapt the features and principles of other versions of PerformanceStat to Newton's particular situation</u>. PerformanceStat is a demanding leadership strategy. No one gets it precisely "right" at the beginning. The process will surely fail unless the nature of performance to be improved is explicitly defined. Beyond that, however, there are open questions about data, analysis, meetings, and behavior that need to be reviewed and often revised, over and over, in light of the special demands and conditions of cities and their various departments and cities.

The Origins of PerformanceStat and Its Adoption in Somerville, Massachusetts

The PerformanceStat process, first known as CompStat, was pioneered by the New York Police Department. Later it was adopted by the City of Baltimore in all major departments, shortly after the election of Martin O'Malley as Mayor in 1999. Under O'Malley's leadership CompStat was renamed CitiStat. Over the past fifteen years, Baltimore has become the "gold standard" among CitiStat practitioners. The total start-up cost and operating cost of Baltimore's program in its inaugural year sixteen years ago was $285,000. By 2003, CitiStat in Baltimore was costing $400,000, mainly for staff salaries.[19] According to the Mayor's Office, CitiStat produced over $43 million in cost savings, cost avoidances, and revenues enhancements in its first three years of operation.[20]

Closer to home, Joseph Curtatone, a Somerville alderman who was frustrated with the lack of knowledgeable discussion of annual budgets, ran for mayor as a promoter of CitiStat. Upon taking office in January 2004, Curtatone promptly organized a series of trips to Baltimore with top staff. The result was "SomerStat," which is now a standard practice throughout Somerville's municipal operations. One result of this management innovation was that the line items in Somerville's budgets were quickly accompanied by performance-related costing. This initial innovation eventually eased the city into considering a much broader array of performance measures. (It has not been adopted yet by Somerville's School Committee.)

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[19] Baltimore is seven times larger than Newton with a population of 640,000 persons.
[20] In September 2003, Mayor Cohen attended a seminar at Harvard's Kennedy School of Government along with thirteen others from the City (ranging from the Chief of Police to the Chief Budget Officer) on "Bringing CitiStat to Massachusetts."

The Citistat/SomerStat process uses simple computer models to track many aspects of city government. After department officials gather data and enter them into computer databases, CitiStat analysts pore over the information, provide summaries of key trends and issues, and create visual depictions of the data in charts, graphs, and maps. Every other week, the Mayor and his top aides meet with officials from each department—sometimes as a group in order to maximize cross-departmental learning. At these sessions, officials review the data to assess whether departments are meeting short- and long-term goals, meeting budget, finding ways of improving performance, and drawing up "to-do" lists for the next two-week cycle.

The bi-weekly meetings of department heads are central to the conduct of the CitiStat process. Prior to these meeting, analysts assess each department's performance on a wide range of issues, identify important trends and trouble spots, and format the presentation on large screens in the CitiStat Room. A department chief may be asked by the Mayor and key aides, "Why is garbage pick-up so much slower in that neighborhood?" or "Why is your absenteeism rate so high?" One can imagine that in the domain of cost management, a department chief may be asked to answer questions related to procurement, competitive bidding, infrastructure maintenance, energy costs, capacity utilization, snow and ice removal—the list goes on. No departmental executive leaves these bi-weekly meetings without a "to do" list, which is reviewed in two weeks' time and afterwards, if necessary.

During its first year of operation in 2005, SomerStat's start-up personnel budget, which included a Director and a Senior Analyst, totaled $120,000. By 2009, as the scope of SomerStat's work expanded, the personnel budget had grown to $215,000 for a Director, two Senior Analysts, and one Junior Analyst. The vast proportion of SomerStat budget has pretty much been personnel spending, although additional monies have been spent software, hardware for a dedicated SomerStat room, and minor start-up costs at the departmental level.

Specific Tasks of SomerStat's Director

PerformanceStat programs are designed to assist a mayor in overseeing service delivery by using data and frequent accountability checks to monitor departmental performance and improve city operations. The Mayor is supported by a PerformanceStat (SomerStat) Director that has specific tasks and activities. While the organization of Somerville's government differs somewhat from Newton's (for example, Somerville currently has a Finance Director reporting to the Mayor), the job description of the SomerStat Director is useful imagining the scope of responsibilities and talents that such a person in Newton might embrace. In Somerville, the Director of SomerStat:

- Briefs the Mayor daily on city-wide problem areas or opportunities for improvement or innovation.

- Prepares for, convenes, and facilitates meetings with department heads and a SomerStat panel staffed by heads of the core management departments.

- Assists the Mayor in developing strategic goals for the City and in coordinating department level goals that relate to Mayoral goals.

- Monitors City departments in service delivery, financial performance, and completion of projects and priorities established by departments and the Mayor.

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- Secures personnel, financial, service, and operations data from administrative systems and external sources. Cleans, integrates, and analyzes data to develop recommendations.

- Continuously updates a database of tasks assigned to staff throughout the City, and updates department heads and the Mayor on open tasks at least weekly.

- Assists the Finance Department and the Mayors Office in the preparation of a program/performance-based annual operating budget.

- Solicits and manages partnerships with academia that enable the City to pursue new innovations.

- Presents to other municipalities and governmental agencies on the SomerStat model.

- Oversees administration of regular resident and staff surveys.

- Manages major new initiatives of the Mayor's Office, as requested.

PerformanceStat in Boston and Beyond

The process sketched here has been adopted by a variety of cities and states (StateStat). Some cities have considered it, but haven't generated sufficient energy to adopt it fully. Others, like the city of Boston, have adopted skinnied down versions of this process. As part of a larger management initiative unveiled by Mayor Thomas Menino nearly two years ago, he adopted some portions of the PerformanceStat process to create more accountability in city government.[21] The National League of Cities (in conjunction with the Urban Institute) has mounted an effort aimed at accelerating its adoption by helping elected officials to use a more performance-based view of government programming and budgeting. What's so interesting and important about this initiative—and its promise for Newton—is that a larger, performance-informed picture of municipal operations includes but goes *far* beyond cost containment.

Jackie Nytes, a veteran of the Indianapolis City Council who is also chair of the City Futures Finance Panel at the National League of Cities, makes a strong case for making clear connections between dollars and results.

> Revenues are getting tighter and tighter, and we're not going to micromanage our way through this. We have to reframe the discussion with the taxpayer. This isn't about looking for fluff in budgets, for waste. We're already efficient. The question is, are we efficient at the right things? So this is about what we want to

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[21] According to city officials, since the program was created, department heads have been called to task for poor performance and their pay raises have been based on relevant performance measures. See, Donovan Slack, "Boston puts city performance stats online," *The Boston Globe*, February 18, 2009. As of February 2009, the City of Boston publishes statistics on the Internet showing how various city departments are performing, including fire, police, and schools.

> budget for: What are our priorities and what do these cost, and then explaining to citizens the tough choices.[22]

He could have added that processes like CitiStat not only help connect dollars with results, but also helps track the relationship between allocated dollars and expected results—the centerpiece of effective monitoring and management control.

Implementation: "Normandy Invasion" vs. "Toe-Hold"

The premise and promise of PerformanceStat is very appealing, especially in times of fiscal constraint, increasing municipal expenditures, and tax-fatigue. Getting started does not necessarily require a "Normandy invasion" approach to installing a PerformanceStat process. Securing a "toe-hold" position can also work if the mayor gets things started by articulating the purpose of the process, holding structured meetings, mobilizing data that already exists in the system, practicing relentless follow-up (every two or three weeks), and making it clear that whomever steps in for the mayor in his or her absence speaks for the mayor. In other words, getting started is amazingly straightforward.

To be considered consequential, it must be clear to everyone that any PerformanceStat process is "a direct line" to the mayor. Once this condition is added to those mentioned above, a city can be on its way to enhanced performance management. As an absolute minimum, such a process allows department heads to see the mayor regularly on substantive issues of performance *with hard data to highlight results* outside of a crisis situation. This can be the kind of platform from which a more disciplined and formal performance management initiative can be launched.

Municipal Perspective

Newton does not have a systematic or data-driven process for tracking and monitoring organizational performance in such areas as service quality, cost containment, or operational efficiency. In our view, Newton is thus constraining itself unnecessarily in its desire to deliver planned service improvements and desired efficiency gains.

While some municipal departments, such as the Department of Public Works and the Police Department, have instituted internal monitoring and control mechanisms in the past (see below), they are for the most part incomplete and unevenly employed. Municipal departments do make reports (sometimes twice a month, occasionally monthly or quarterly) to the Mayor, but the agendas of these reviews are reportedly quite informal, without an established reporting framework and few immediate consequences for failing to meet previously agreed-upon objectives. The individual Departments are largely left to their own devices to develop what makes sense to them in terms of reporting. These reports are typically not tied to the long-term goals of the City.

There is some reporting of year-to-date budget spending, but departmental budgets do not appear to indicate when in the year expenses are anticipated to occur. Due to this lack of calendarization, year-to-date expense reporting becomes less valuable since it does not provide

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[22] Jonathan Walters, "Data-Driven Decisions," governing.com

an accurate assessment of how much money is needed to complete work programs or how much money may be left under spent at the end of the fiscal year.

The Department of Public Works (DPW) is one department that actively uses some metrics to report internally, amounting to 24-30 pages of individual performance measures in a presentation style report. Data for these reports comes from a work order management system, which includes a way of tying the data back in an "auditable" manner. However, even for a department as engaged in performance measurement as the DPW is, it is unclear what specific City goals these measures relate to and, in fact, how some implicit goals (such as to "maintain black roads" after snowfalls) were determined in the first place. In addition, there seems to be little or no formal departmental accountability for these performance measures and outcomes to the Mayor's Office.

The DPW has used outside consulting firms to provide an objective source of data on what public works need to be done. The Consultants' reports could also be used to establish long-term goals and assist in prioritization decisions. For example, a decision on how long a backlog on pavement or sidewalk repairs we want could be informed by an assessment of what size the backlog is and the actual condition of the pavements.

Across all City departments, including the DPW, we see an opportunity to improve monitoring and control by developing a reporting framework that includes a limited number of key metrics that collectively as well as individually indicate whether Newton is on track compared to its goals.

School Perspective

For the Newton Public Schools, the key performance measures revolve around student achievement. There has been in recent years an increased and very significant focus on assessment of students at different levels—to the point that many within the School community believe too much attention is paid to student achievement that can be measured in tests. There are also difficulties sometimes in determining appropriate measures of effectiveness. For example, the Special Education program, which is governed by mandates that prescribe costs that Newton must pay, consumes a very significant proportion of the Schools budget. Yet, it is extremely difficult to come up with measures that could determine whether Newton is getting its money's worth.

In about May or June of each year, the Superintendent issues a report on how the Schools have done against the goals and budget for the year. The School Department also prepares quarterly budget updates and conducts periodic reviews for the School Committee (on which the Mayor sits). But, in this instance, reviews are typically focused on highly aggregated line items in the budget rather than operating details. For this reason, it is difficult for the School Committee to continuously monitor the costs, quality, and planned improvements of various programs and services.

On the whole, it is our Committee's opinion that the goal setting and management reporting processes in the Schools are more fully developed than on the municipal side but still have room for improvement. Performance metrics can be expanded in almost every area of activity (although we are not proposing additional measures of student academic achievement). In

addition, in some instances, there may be a reluctance to describe complicated problems openly and fully. For example, when preparing the School Cost report, members of the Citizen Advisory Group found that it was difficult to obtain information regarding the effectiveness and financial implications of the METCO program because it had never been gathered and that there was a general reluctance on the part of the School Department to discuss the issue on the grounds that it might either stigmatize the children in the program or provide ammunition to those who might oppose the program in general. Although we can fully understand these concerns, the program – like so many others – is nevertheless an important one to measure. For this reason, effort needs to be placed first and foremost on how best to communicate the information rather than simply on whether it should be gathered and communicated at all. As it turns out, our analysis reveals that except for one segment of the program, the achievement levels of METCO children were higher than for children enrolled in the Boston public schools but often lower than Newton residents. This is exactly that kind of information that could give credit where credit is due within the School Department and provide meaningful feedback where corrective action of some sort needs to be taken.

It is noteworthy that the specific PerformanceStat discipline has not, to our knowledge, yet been applied to school departments. However, the former SomerStat director is currently working on developing just such a program (SchoolStat) for Somerville.

Definition

The basic premise behind goal setting is that if individuals or teams or workgroups develop clearly defined goals and are given the resources to achieve them and then held accountable for their achievement, the individuals involved will have a much greater likelihood of achieving the desired outcomes. By so doing, the individuals will have a clearer picture of the value of their role, and their morale and productivity will be improved. The process of setting individual and group goals can be greatly enhanced, of course, by the PerformanceStat process described and recommended above.

Without such goals, individuals and groups are left to their own devices to decide how they will carry out their day-to-day responsibilities and what they will achieve. Such an environment is not likely to result in operational efficiency or effectiveness. We would also add that specific goals do not hamper initiative and creativity. Managers and union employees still have full opportunity to improve operational efficiency and effectiveness.

Goal setting can be pushed well into the organization, but it is most effective for those management and supervisory roles where individuals do have some discretion over how to manage their time. As with the example of organizational goals described earlier in the report, individual goals can be made to balance a mix of hard financial measures (e.g., staying within budget) with softer qualitative ones (e.g., customer satisfaction). A mix of goals such as these helps intermediate between often-conflicting priorities, while establishing a minimum threshold of performance in each important category. As an example, such a mix of goals might include developmental goals—developing oneself and others—as well as addressing the organization's service goals and financial imperatives.

Goals should be set as early in the financial or budget year as possible to allow individuals the longest time possible within the year to achieve them. Multi-year goals can be set as well.

Municipal Perspective

From our interviews, the Committee learned that Newton lacks a formal process for setting objectives with municipal department heads and their direct reports. This is not to say, of course, that no expectations are discussed. They are. But to the extent that Newton lacks a systematic goal setting process, it makes performance appraisals and personal feedback all the more difficult than it naturally is. (See Performance Appraisal section below). Similarly, it makes holding individuals accountable for achieving departmental goals all the more difficult, as well.

School Perspective

The Newton Public Schools have a much more robust individual and team goal setting process. The Superintendent sets goals for each of his direct reports. Examples of such goals have included reducing staff and being more efficient in specific areas. For example, over the past year, one manager had the opportunity of making some consolidations in her staff organization to reduce cost. This was, in fact, one of her goals for the year, and that goal was duly achieved.

In addition, all the direct reports of the Superintendent are challenged to respond to general goals with specific actions over the coming year. Because of lack of time, the Committee has no knowledge as to what extent, if any, the Superintendent's direct reports set goals in turn for their reports.

4.5 PERFORMANCE APPRAISAL

Definition

A typical approach with a non-unionized management work is to have a mid-year and end-of-year appraisal process where goals (if they have been set) and job responsibilities are evaluated.

A mid-year appraisal is less formal and can just be a "check-in" to ensure that the individual is on track and, if not, what if any corrective action should be taken. There may be no actual forms completed. If forms exist, the parties may not go through a detailed review and approval process, given the interim nature of the mid-year check-in.

The end-of-year process is typically more formal, with the reviewer taking time to assemble evidence of accomplishments. Some organizations institute a self-assessment, which can be an effective means to encourage individuals to examine their own performance and evaluate it. Then, comparing a self-assessment with the reviewer's assessment can add richness to the overall evaluation and also encourage the reviewee to "own" his or her evaluation as well as the recommendations that come from them.

Performance evaluations are best seen as conversations between the parties involved and, as such, should be seen as just a formal continuation of what should be happening regularly throughout the year. Ultimately, there should be no surprises during a final assessment.

The assessment should be viewed as a motivation to the individual – recognition for achievements and overall performance and also highlighting important areas for improvements. For non-unionized, management personnel, there typically needs to be some visible consequences to the reviewee for performance or non-performance—such as more professional development opportunities, more opportunities to develop new skills, or greater responsibility with additional compensation. If not, the appraisal becomes a meaningless form-filling exercise, which merely gives the appearance of compliance with the process. (This discussion of performance appraisals should not be taken as a recommendation of "pay-for-performance" in the municipal setting. It is not. Rather, our main interest is in seeing performance appraisals used for developmental purposes.)

Once the basic performance information is captured, it can be used for a broader "Talent Review" process where a whole group (such as a management grade) is evaluated together. In some organizations a forced ranking of management employees is done to categorize individuals into performance groups and to prevent everyone being rated "Exceeds Expectations." Under this system, fixed percentages are allocated to each performance group. As an example, there may only be 20% of a population who are allowed to be classified as "Exceeds Expectations".

One of the advantages of such a Talent Review, whether forced ranking is used or not, is that it can help identify the high potentials and top performers so that they can be thought of as a strategic asset to the organization. Particular attention is typically paid to this group to ensure

that their commitment level stays high, their skills and responsibilities grow, and that they do not leave the organization.

Another important process linked with Talent Reviews is succession planning. There is a risk to many organizations that key individuals leave without a successor having been groomed. While it might be a luxury in a municipal setting to have every management position backfilled, nonetheless having a succession plan protects the organization in the short-term if someone important leaves or is incapacitated suddenly. The need to find someone senior and at short notice can be a challenge and often very expensive. In a business sector succession plan, every key role will have one or two backups that are themselves in other roles that require backups and so on. The plan should never be viewed as an entitlement or guarantee for specific positions.

Finally, performance appraisals for management personnel can and sometimes should result in a decision to terminate for non-performance. While no-one wants to see this eventuality occur, there needs to be a process in place to remove individuals whose performance or behavior are adversely affecting the performance of a department or team.

Municipal Perspective

Mayor Concannon first suggested using performance appraisals for executives in City government, and, upon taking office, Mayor Cohen also indicated his intention to introduce them. For maybe two years, performance appraisals were conducted in some fashion, but there were apparently little or no consequences for supervisors not doing them. In recent years, this practice has effectively ceased in a formal sense. During this past year, there has been some renewed talk about performance appraisal for executive-level employees, although it has not progressed very far to date. As a result, there is no formal performance appraisal process for non union personnel. Performance appraisal for municipal managers is a very informal process now, and the Human Resources Department is only involved where there are serious problem cases requiring disciplinary action, and never when people have done an outstanding job.

Of course, the unions (seven different ones for the City; the Schools are organized separately) play a critical role in determining job definitions and pay rates for Newton's 900 or so unionized municipal employees (FY09 FTEs), not counting the City's 92 management personnel. The unions have historically been totally against the introduction of performance appraisals on the grounds that managers will have favorites that they want to reward or that it could be used for discriminatory purposes. This, of course, greatly inhibits personal accountability for the performance of unionized staff.

There is also no way to address the performance problems of unionized employees except for the most egregious cases that require disciplinary action. Even here, the process can take years with all the various warning steps. There is a six-month probationary period for new hires during which time people who do not measure up can be exited, but once past that point it becomes very difficult to move people out.

While officials in both the Mayor's Office and municipal departments could tell us where there is a likelihood of staff moving up to top management positions, this is qualitatively different from developing a strong culture of talent development. In the absence of such a culture, a city is at risk of key personnel defections. Indeed, workforce demographics suggest a potential "brain

drain" from many employees retiring in the next few years. Some work has been done to establish standard operating procedures in certain departments (police and fire have to do this, by law) which would help alleviate the problem of losing experienced people, but perhaps more creative approaches such as job sharing with retired employees would enable better knowledge management and reduce the risk to the City. This would require some joint brainstorming with City unions where unionized employees are concerned.

Schools Perspective

The Newton Public Schools have a more robust performance appraisal system than the municipal side of Newton. For example, the Superintendent uses a comprehensive evaluation form and conducts an in depth discussion with each of his direct reports. This appears to be an effective process.

Unlike the Municipal side of the house, the Schools have negotiated a performance appraisal process as part of the union contract. It took some five years of negotiations to achieve this, which may be something to be pursued with the City's municipal unions. . The review form that is used as the basis of the performance appraisal is a very well thought through tool with a comprehensive set of competencies at its core.

For the teachers, there is a biennial performance review cycle after they have achieved "Professional Status" similar to a tenured position; all other (non-tenured) teachers receive annual reviews. It takes three complete years for a new teacher to reach Professional Status, and it is generally agreed to be important to determine in that timeframe whether there are any performance issues that would suggest the person should not be awarded the status. The cycle for teachers with Professional Status also has, as part of its design, the idea that years 1 and 3 of a new teacher joining are "growth years" and years 2 and 4 are the evaluative years, confirming Professional Status in the 4th year.

After that point, the Schools "own" the teacher and it becomes difficult to remove a teacher that has achieved Professional Status. It appears that performance reviews after such status is awarded can only be conducted, according to the negotiated contract with the teachers' union, once every two years. We believe this two-year cycle should be re-considered, since performance conversations should take place between managers and direct reports frequently in the spirit of promoting continuous improvement. If the conversations are conducted regularly, then the formal annual process becomes much less onerous. It is thus a false economy to short-change performance discussions. Affecting this process, however, is the degree of overall supervision of teachers that is possible given the current burden on department chairs, the very limited number of curriculum coordinators to work with the teacher population, and the high ratio of teachers to principals. The coordinators and principals should be available to assess how well individual teachers are doing and improve their skills by coaching them. This may be more difficult for principals, since with diminishing administrative support they describe how often they need to get involved in administrative issues that distract them from the supervisory role that they are ideally qualified and positioned to play.

4.6 PERSONAL DEVELOPMENT PLANNING

Definition

Many organizations formally create skill development plans and advancement trajectories for people in Individual Development Plans or IDPs. These are formal documents often developed after a mid-year evaluation meeting where there is more time to think about careers and some time remaining in the current year to address issues before the formal year-end appraisal. IDPs are drafted by either the reviewer or reviewee, but are discussed and agreed by both parties. Development goals often require the assistance of a manager in their completion, and the commitment to provide such help can also be included in the IDP process.

Development planning benefits both the individual and the organization. For the individual, development means that he or she is increasing their adaptability and capability and therefore opening up better career prospects within the organization. For the organization, development can act as a retention tool for high potentials or top performers who often view development opportunities as more important than pay raises. Also, the organization will have a broader base of talent from which to staff required positions.

Development activities can take the form of formal training courses or self-study, but often more effectively include specific short-term assignments or projects. Development can also occur through mentoring arrangements with others in the organization or externally. Many "best practices" experts will say that the best form of development is on-the-job development and that formal training, although it has its place, will by its short-term nature not provide the hoped for lasting benefit.

Municipal Perspective

There appears to be no systematic developmental planning in Newton's municipal operations, although managers do have the opportunity of attending conferences and training. This lack of development planning relates, no doubt, to the fact that shrinkage in municipal staffing over the past years has not left as many opportunities for advancement as once existed

We also heard in a number of our interviews that too many City employees have a very narrow perspective on their role, which inhibits career progression and limits the value they bring to the City. This suggests that opportunities may exist for cross-training in different departments that could help existing employees become more valuable to the City, while improving their career prospects and, possibly, their overall job satisfaction levels.

Improving job satisfaction plays an important role in improving productivity and commitment. Both are valuable attributes for any organization. An organization that is motivated and competent can achieve far more with the same or less resources than one that is not. A committed workforce is by definition a low turnover one, and although in tough economic times turnover generally becomes less of an issue, top talent can always be a flight risk. To minimize such occurrences, it would be productive to begin talking with the unions about supporting personal development planning and an organizational development ethos. Indeed, our perspective is that a performance appraisal process that is focused on development might be

viewed positively by the unions. It would be a positive message for their members and would be a move in the right direction of communicating performance and behavior expectations as opposed to mere job duties.

School Perspective

As discussed in the Citizen Advisory Group Report on School Cost Structure, funding for direct teacher professional development opportunities has diminished in recent years, including the opportunity for teachers to attend summer workshops, to create curriculum, to participate in programs like Teachers as Scholars, and to take courses and receive compensation for those costs. For example, in FY03, $577,294 was invested in professional development. This decreased to $182,956 in FY07 and was expected to be $245,300 in FY09.

Nevertheless, the Citizen Advisory Group Benchmarking Report noted that Newton spends 49.5% more on professional development than communities with a similar commitment to education. Thus, while Newton has cut those aspects of professional development that provide growth opportunities for teachers, it continues to invest more heavily than other communities in other areas that the Massachusetts Department of Elementary and Secondary Education also classifies as professional development: instructional supervisors, teachers and other professional staff who spend one-half or more of their time providing teacher training and implementation -- i.e., curriculum coordinators.

In sum, Newton's teachers, while receiving significant support from other Newton Public Schools' staff that focus on curriculum coordination and curriculum development, have less opportunity for the more traditional professional development activities than they have had in the past. Additionally, it is important to note, that many of the instructional supervisors noted above have a far greater number of supervisees than they had in the past. What is clear to the Citizen Advisory Group is that Newton's ability to provide professional development, when compared to previous years, has diminished. We would add that some educational experts consider that the capacity to provide quality professional development is what distinguishes great school systems from good ones. Professional development may very well fall in the category of essential qualities of excellent schools.

4.7 COMPENSATION POLICY AND MANAGEMENT

Definition

No area of management has a greater impact on Newton's Operating Budget than compensation practices (wages, benefits, and incentives), because employee costs account for over 80% of the City's Operating Budget. Compensation management is clearly a vital economic matter for Newton, as it is for every other municipality in Massachusetts.

Similarly, few instruments of management evoke more powerful and complex emotions in an organization's membership than its system of compensation. The sources of these emotions often involve feelings of fairness about how individual contributions are valued and compensated. By definition, a compensation system contains a scheme of pay differentials that attempt to scale the value of individual contributions, typically within the context of a competitive labor market, which forces the organization—and the individual—to answer questions about the value of his or her work. From an employee perspective, compensation is a major preoccupation even though it may not always be the strongest driver of organizational commitment.

In this emotionally and economically charged environment, an explicit compensation philosophy helps manage the expectations of employees and guide organizational leaders in their efforts to design and administer a compensation system. Such a philosophy or system typically addresses three basic elements: composition of pay, level of pay, and the functional form of pay. "Composition" refers to the mix of wages and benefits; "level" refers to size or total value of the of the compensation package and its growth over time; and "functional form" refers to the variability of pay over time or, more specifically, how the realized level of compensation relates to individual or group performance and how that performance is measured.

As in other communities, unions represent the vast majority of municipal and school employees in Newton. This means that in municipal government the composition, level and growth, and functional form of compensation are always negotiated outcomes. But what guidelines or compensation principles should guide these negotiations? This the most fundamental question in compensation management.

Municipal Perspective

It is not entirely clear to this Committee what principle or principles have guided the compensation of Newton's municipal employees over the past decades. Certainly, labor negotiations have been carefully planned and bargained. Some have gone smoothly over the years, while others have been quite contentious. But, if we were to ask what principle or principles have been used to organize thinking about employee compensation in the past, the answer would most probably reference both current market conditions and the City's ability to pay. The question, of course, is whether or not these two criteria are sufficient to guide wage determination and the compensation of municipal employees in the future. This Committee thinks a more robust and transparent compensation policy is needed, because the relationship between the average, long-run growth rate of employee compensation and the average, long-run growth rate of City revenues is so critical to Newton's economic viability.

As relevant background for this recommendation, we will describe the current compensation structure for both municipal and school employees.

Today, the composition of pay for Newton's union and non-union employees consists of current wages and health benefits, plus future post-retirement pension and health benefits.

The level of total compensation is tightly tied to "market prices," and compensation adjustments are made based on either cost of living percentage increases or "Step" increases based on seniority or a combination of both. The City has periodically studied salary comparables union by union as necessary during negotiations, but as a general matter, once a wage pattern has been established by one union settling, comparables tend to lose their meaning. For management employees compensation levels have been benchmarked in the past, the latest being 2005 (by Rutherford Associates). Previously, a similar survey was conducted in 1995 (by Hay Associates). These studies have been used to justify pay increases.

As far as the functional form of compensation is concerned, there is no merit-based adjustment, and there is no bonus plan or merit increases for either union or non-union employees. Similarly, there is no relationship between either achievement of goals (or assessment of in-job performance) and the awarding of Step increases. Because there has been no common framework for performance evaluation or goal setting, there is no systematic way of awarding pay increases to superior performers. (For this reason, along with the absence of any clear precedents in similarly unionized communities, we are not suggesting linking financial rewards to superior performance for Newton's unionized employees at the present time.)

For employees in departments other than the Police and Fire Departments (which have a slightly different scheme), promotion opportunities are also considered to be an important element of compensation systems. The promotion process for Newton's union workers is based on seniority and length of service. The promotion steps mandate specific percentage increases in compensation. Steps are automatic annual increments, and because there are only eight steps on the municipal side, there are many people who have already achieved the maximum and will only qualify for cost-of-living increases from that point on. (The cost-of-living increases are somewhat of a misnomer; they are not necessarily tied to inflation rates but rather reflect a negotiated salary increase, which might reflect competitive market dynamics.)

For non-union management level employees (in the so-called Hay group or "H Grade"), pay increases mirror that of the unionized workforce to ensure that they, too, obtain a pay raise. There is no other parallel process that would ensure that they get increases. There is, however, some internal dissatisfaction about pegging increases in the compensation of non-union management employees to those compensation increases negotiated with the unions. In addition, job descriptions for non-union executive positions (approximately 92 out of nearly 4,000 employees) have not been updated since 1987. This may reflect a fear that doing so would inevitably create calls for management compensation to be increased. The lack of action on job descriptions may also be contributing to the current lack of clarity and focus on goals and priorities.

School Perspective

As on the municipal side of the house, all compensation adjustments for school personnel other than principals and senior administrative officers are subject to collective bargaining with the approximately ten unions involved. There are many important questions of compensation philosophy that can influence the course of these negotiations. For example, should Newton pay teachers a premium over the average market price in comparable communities in order to attract and retain top performers? Do we need to do so? Or can we count on other motivators for a committed teacher population beyond the size of the paycheck and benefits? Finally, is there another, more precise compensation logic or principle that could help define the City's long-term compensation strategy and guide the City in its triennial bargaining with the unions and on-going conversations about pay with management level employees?

Such a principle might take the form of pegging employee compensation (wages and benefit) to the composition, level, and functional form of employee compensation negotiated in comparable communities. Alternatively, such a principle may be to offer a package of wages and benefits that puts Newton employees in a top percentile of all communities within the State. Finally, Newton might consider a compensation principle (for municipal employees as well as teachers) that pegs the rate of increase in total employee costs to the long-run rate of growth in City revenues. In recent years, the rate of growth in employee compensation is exceeding the revenue growth rate. If employee costs continue to increase a rate that substantially exceeds the current and predicted growth in City revenues—80% of which come from capped property taxes—then the City's economic model will no longer be sustainable.

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In light of the current economic environment and enormous financial demands being put on the Operating Budget—stemming from the backlog of long-deferred capital investments and the size of Newton's underfunded post-retirement health and pension benefits—the Committee believes that the second and third principles merit collective study and vetting by school and municipal employees, their union representatives, and the executive and legislative branches of City government. Indeed, a key element of our recommendations with respect to employee compensation is that the average, long-run rate of salary and benefit increases be limited to the average, long-run growth rate of City revenues, while at the same time ensuring that the level of pay is sufficient to continue recruiting and retaining excellent personnel.

With respect to the level of total compensation, this Committee recommends that elected officials set an explicit goal expressed in terms of paying City and School employees so that they fall, for example, into the top quartile or top third of total compensation paid to employees in cities of comparable size, in the case of the municipal employees, and cities with a similar commitment to education, in the case of school employees.

With respect to the average, long-run growth rate of total compensation for City employees, we recommend that this rate should be limited to the historic long-run growth rate of City revenues. There are many details involved in calculating the average growth rates (such as base years in the time series data, end years, nominal versus real dollar increases, and the role, if any, of revenue and inflation forecasts in computing average, long-run growth rates when union contracts come up for renegotiation). These critical details need to be worked out in consultation with unions representing Newton's employees. But the principle of relating the rate of growth in total compensation to the rate of growth in City revenues is an essential one.

Focusing compensation policy on the growth rate of total employee costs for the City is critical because a failure to match this growth rate with that of overall City revenues means that, to balance the Operating Budget, Newton will either have to pursue successive property tax overrides, reduce the absolute level of individual employee pay, decrease the scope or quality of service levels to reduce manpower requirements, achieve consistent productivity increases through new ways of organizing work and delivering services, or some combination of the above.

4.8 CITIZEN PARTICIPATION IN PERFORMANCE MANAGEMENT

Many reformers of all political stripes have argued that the key to sustaining American democracy is to give citizens meaningful control over decisions that affect their lives.[23] This argument has recently been supported by no less a main stream municipal organization than the Government Finance Officers Association (GFOA) in their recent statement on the matter of citizen participation: "Good public participation practices can help governments be more accountable and responsive, and can also improve the public's perception of government performance and the value the public receives from local government." [24]

Citizen participation requires that political officials not only open up meaningful channels of participation, but also practice a high level of transparency in executive and political decision-making so that citizens remain aware of the priorities and decision criteria that are being used in both raising and spending financial resources.

Newton's three most important governance structures—the Mayor's Office, the Board of Aldermen, and the School Committee—use a variety of forums to gather feedback on proposals or budgets and to inform the public on municipal and school affairs. It is the view of this Committee that such forums need to be continually supported and enriched, and that their reach needs to be widened to capture greater level of citizen participation than our experience has been to date. The GFAO suggests a variety of ways of doing this, which have been incorporated into our summary recommendations. But the major point to made in this more general discussion is that we strongly believe that whatever tools are used to increase citizen participation, the critical precondition for robust citizen participation is "substance"—that is, only well-researched and artfully presented substantive presentations will consistently bring citizens out of their homes and into hearings and committee meetings to discuss community choices, priorities, and performance. In the absence of such artful and accessible substance, citizen participation will inevitably fade away.

Under the best of conditions, face-to-face democracy and community participation in performance management activities can be intimidating for both municipal officials and citizens. Important ideas are usually difficult to elaborate with precision; complex data are difficult to present with clarity; different parties in a room inevitably have different levels of understanding of, and experience with, the topics under discussion; and socioeconomic, residential, and other differences (and biases) always complicate and intensify citizen participation and conflict. Even where participants may know each other, the give-and-take of small group politics can be a stressful way for neighbors to spend an evening. Still, the goal of citizen participation in transparent discussions pertaining to community choices and performance strikes us as a *sine qua non* of sustained excellence in city government—especially where governance processes can bring politically energetic and informed citizens together in communal and cooperative activities (rather than in isolating activities).

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[23] Berry, Portney, and Thompson, p. 97.

[24] Government Finance Officers Association, "Recommended Practice: Public Participation in Planning, Budgeting, and Performance Management," 2009.

5. ORGANIZATIONAL ISSUES

In addition to our observations on management process and systems, the Performance Management Committee has also developed some views about the decision-making structure of City government and the challenges it faces.

Newton's Current Executive Management Structure

As part of Newton's Charter, the City of Newton has: (1) a Collector-Treasurer who is appointed by the Mayor (and confirmed by the Board of Aldermen) and is in charge of the treasury and collections and disbursements. The Collector-Treasurer also pays salaries; (2) a Comptroller of Accounts who is responsible for the financial supervision and oversight of the City and its retirement system, including managing the accounting department and keeping a complete set of books and accounts. The Comptroller is elected by the Board of Aldermen for a term of two years. In addition, the Mayor (not as part of Newton's charter but rather as a management prerogative) has as part of his staff (3) a Chief Administrative Officer (CAO) who directly supervises Department Heads and works with the Board of Aldermen, the School Committee and School Department, and Committees, Commissions and Boards. In addition, the Chief Administrative Officer helps with recruiting and professional development and takes a lead role in collective bargaining. The CAO is also deeply involved in the budget decisions and budget policy; and (4) a Chief Budget Officer who develops the long range municipal fiscal policy which involves forecasting, operations budgeting, capital budgeting, free cash management and debt management. The Chief Budget Officer interacts regularly with the Assessor, the Comptroller, the Treasurer, other department heads, and such entities as the MWRA and the MBTA. The Chief Budget Officer is responsible for developing the Five Year Forecast, the Annual Operating Budget, the Supplemental Capital Budget, the Capital Improvement Program, and the Annual Legislative Package.

Recommendations from Previously Issued Citizen Advisory Group Reports

Three Citizen Advisory Group committee reports point to significant shortcomings in Newton's financial analysis and planning capabilities and make recommendations for additional personnel.

In the *Municipal Cost Structure Report*, we remarked on an administrative staff that is significantly burdened with handling the day-to-day tasks and little remaining time to devote to innovative, forward planning and financial analysis. Newton's staff does not, for example, regularly analyze capital investments on a life-cycle cost basis (although there are some recent good examples of life-cycle costing on the Newton North High School project) or aggressively pursue outsourcing opportunities. We recommended hiring a budget analyst in the Mayor's Office to facilitate continuous search for operational efficiencies and efficiency planning, to conduct full-cost and life-cycle cost analyses of proposed capital investments, to vet outsourcing opportunities, to provide oversight of budget appropriations, and to engage in long-term budget planning. The Budget Analyst would also assist the Chief Financial Officer in the creation of the regularly recurring reports (e.g., the Five Year Forecast, the Annual Operating Budget, the Supplemental Capital Budget, the Capital Improvement Program, and the Annual Legislative

Package), and regular performance monitoring activities. Finally, the Budget Analysts would also assist the PerformanceStat Officer in the preparation of timely (bi-weekly) budget performance reports.

Currently, attention can only be given to a handful of the most promising ideas for operational improvements, but the process of digging deeper into city operations and finding improvement opportunities must be a continuous one that requires the attention of full-time professional staff. Our anecdotal information about communities that have added a Budget Analyst position suggests it will more than pay for itself in relentlessly identifying and acting upon cost-saving opportunities from a data-based foundation.

In the *Capital Infrastructure Report*, we noted a series of problems in the capital planning and budgeting process that detract substantially from its effectiveness as a resource allocation tool. To address some of these issues, we recommended creating and fully supporting a new Capital Asset Analyst position in the Mayor's office, reporting to the Chief Administrative Officer or, possibly, a new Chief Financial Officer. This person would:

(1) Inventory and evaluate the condition of the City's existing capital infrastructure,

(2) Confirm this Committee's assessment of the current maintenance backlog for municipal buildings and infrastructure and putting the maintenance and replacement of municipal facilities back on an economic basis,

(3) Develop a system to quantify the cost of delaying maintenance,

(4) Monitor the progress and costs of systematic capital asset renewal,

(5) Validate or reject the accuracy of the data submitted by department heads and citizens groups in support of new or contested capital projects,

(6) Conduct cost-benefit analyses of alternative or competing capital investment projects,

(7) Assist the chief budgeting officer in regularly comparing the fully loaded costs (including overhead, worker's compensation, pension, benefits, etc.) of internally provided services with the costs of outsourcing these same services to external suppliers, and

(8) Assist the Mayor in capital investment planning.

In the *School Cost Structure Report*, we recommended creating a Chief Financial Officer (CFO) position within the School Department and implementing a long-term scenario planning and budgeting process. While the school administration does an excellent job of accounting, control, and forecasting, the Citizen Advisory Group believes that creating an *additional,* departmental Chief Financial Officer position would enable the school system to focus more attention on analysis and in developing and implementing a long-term financial strategy. As the ninth largest school system in Massachusetts and with responsibility for managing a $160 million enterprise, comprising 56% of Newton's total expenditures, this looks like a very good investment. The School Department (like most city departments) appears locked into a short-term budgeting process that inhibits its ability to make long-term decisions on funding critical priorities. The

current strategic planning process is essential to creating a long-term vision for the school system, but without integrating this plan into a long-term financial framework, the Newton Public Schools will remain mired in short-term priorities.

In this report, we also recommend hiring an experienced PerformanceStat executive—or its equivalent—to lead Newton in the initial developmental phase and the subsequent implementation and management phases of a disciplined monitoring and control function. We recommend that this executive should have direct, daily access to the Mayor.

Synthesis of Recommendations

If the incoming Mayor decides to augment the City's current financial capabilities and management processes, as we have recommended, then we suggest adding manpower to further develop the City's financial strategy and take the monitoring and reporting of Newton's municipal operations to the next level of proficiency. Specifically, we suggest that the current Chief Budget Officer position be redefined as a Chief Financial Officer with two new positions reporting to this person: a Budget Analyst (described above) and a Capital Asset Analyst (also described above).[25] The Chief Financial Officer would:

- Oversee the City's financial management and reporting
- Lead integrated strategic and financial planning
- Frame, cost, and analyze resource allocation decisions,
- Supervise the work of the proposed Budget Analyst and Capital Asset Analyst,
- Integrate Newton's Operating and Capital Budgets,
- Establish standards and metrics for performance management purposes,
- Improve the nature and quality of information flowing among City managers so that those with management responsibilities can be more effectively held accountable for the stewardship, monitoring, and control of City resources, and
- Prepare annual reports to residents on the financial condition of the City.

The new Chief Financial Officer would serve side-by-side with the existing Chief Administrative Officer and a new PerformanceStat Officer, as recommended above. In this structure, the new Chief Financial Officer and PerformanceStat Officer would initially share the new Budget Analyst. This new structure would involve a net increase of two senior executives and one more junior employee.

To clarify the respective roles of the Chief Administrative Officer and the new PerformanceStat Officer, the primary responsibility of the former would be overseeing and supporting departmental operations on a day-to-day basis. The focus of the latter would be the active analysis of department operations and monitoring of commitments made and plans vetted through the PerformanceStat process. In short, the role of the former would be executive management; the role of the latter would be intensively analytical.

A revised top management structure might look like that depicted in Figure 4 below.

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[25] Note: There is no mention of a Chief Financial Officer in the current charter.

Figure 4

Initial Sketch of New Top Management Structure
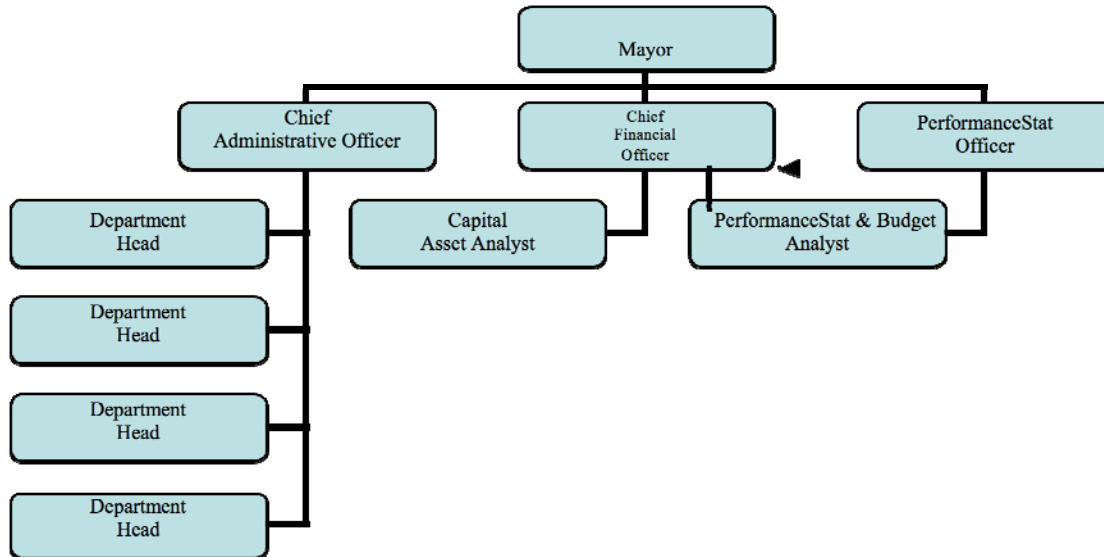
Conclusion

Our overall assessment of Newton's current top management structure and systems is that the Mayor lacks necessary support in directing and overseeing City affairs in an increasingly demanding economic and operating environment. This "management gap" prevents strategic goals being rigorously developed and then effectively employed to inform the budgeting process and support operational planning and performance management. This shortcoming results in a "short-termism" that hides major problems in capital funding and resource prioritization. In addition, without meaningful strategic goals being set and performance measured against these goals, there is no effective basis for holding managers accountable for their work.

Given this situation, we believe that the installation of a new performance management process and an expanded constellation of top management talent is required to begin addressing Newton's current management gap. We therefore place the highest priority on the implementation of these two fundamental recommendations.

6. APPENDIX A: LIST OF INTERVIEWEES

1. Susan Burstein, Chief Budget Officer

2. Tom Daley, Commissioner of Public Works

3. Dan Funk, City Solicitor

4. Sandy Guryan, Director of Finance for the School Department

5. Dolores Hamilton, Director of Human resources

6. Mike Kruse, Director of Planning and Development

7. Sandy Pooler, Chief Administrative Officer

8. Paul Stein, Assistant Superintendent of Schools for Human Resources

9. Jeff Young, Superintendent of Schools

10. Other municipal and school employees interviewed in the course of preparing predecessor reports

7. APPENDIX B: THE PRECEIVED QUALITY OF PUBLIC SERVICES IN NEWTON

It is very difficult to draw definite conclusions from available data about the perceived quality of Newton's public services. Still, one of the recurring themes the Citizen Advisory Group has heard is the idea that Newton is experiencing real declines in the quality of services. Some attribute this to deterioration in the city's operating budget. Others ask whether the City's management system may also be a cause.

Whatever the mix of causes, the concern is that Newton residents have experienced and perhaps will continue to experience incremental reductions in services. We have also heard another side – the view that there have been little or no major reductions in services, and there is plenty of revenue to fund all of the services Newton residents expect and desire. For many, the problem is more one of a loss of confidence in the city's leadership than actual reductions in services.

The City conducts an annual survey, sent to all households, asking residents to assess the quality of municipal services.[26] The CAG has analyzed the resulting information and started to build a picture of these public assessments. What is not debatable is that public perceptions of city services have declined almost across the board over the last five years. Those who express deep concern with the quality of the services provided by the City have good reason to be concerned. The 5 year trend paints a picture where:

- Residents' evaluations show a decline in the perceived quality of many city services, including education and the schools. Other notable declines have occurred in evaluations of public grounds maintenance, sidewalk maintenance, public facilities maintenance, energy conservation, pedestrian facilities, neighborhood improvement programs, public parking facilities, street sweeping, street maintenance, and many other areas.
- Evaluations show improvements in very few services, and in those service areas where improvements are discernable, the trend is not consistently upward. Building code enforcement and zoning showed slight improvements, as did snow and ice removal.
- Assessments of most services have remained about the same, including many services whose evaluations are consistently very high, such as law enforcement, ambulance services, and library facilities, as well as some services whose evaluations are consistently quite low, such as bicycling facilities, and pedestrian facilities.
- Comparisons with other cities, including Needham, Lincoln, Somerville, and Lowell suggest that other cities have not experienced similar declines. Assessments in Lincoln and Somerville have improved, and in Needham and Lowell have remained fairly constant.
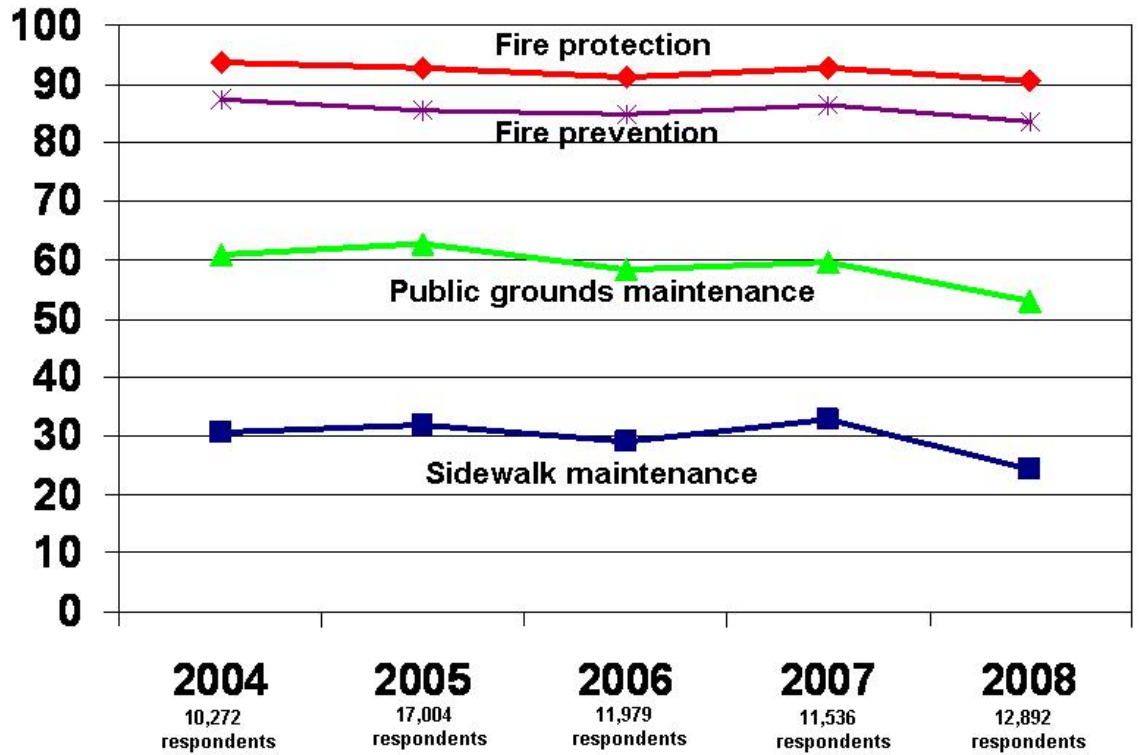
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[26] The City has used the same service assessment questionnaire for many years, even though it is sometimes difficult to interpret exactly what specific municipal service residents are being asked to evaluate. The CAG did not conduct these surveys, and did not decide which questions would be asked or how these questions would be worded. No municipal office has conducted analysis of how the resulting assessments have changed over time.

A brief overview of the trends demonstrates the magnitude of the problem. Below we present graphs showing five-year trends of groupings of services.

- The first graph shows that the public thinks the quality of fire prevention and fire protection services has declined slightly. It also shows that the public thinks that public grounds and sidewalk maintenance have declined significantly.
- The second graph shows that public perceptions of street sweeping, neighborhood improvement programs, and housing rehabilitation programs are steep declines, and perceptions of public parking facilities have also declined
- Graph 3 shows that the public thinks the quality of recycling, health code enforcement, public facilities maintenance, and energy conservation have all declined significantly.
- The fourth graph shows that public perceptions of public transit, pedestrian facilities, and street maintenance have declined markedly. Perceptions of bicycling facilities have declined less steeply because they started out at such a low level to being with.
- Perhaps most concerning for a city that prides itself on the quality of the schools, the trends show that the public sees substantial declines in the schools at all levels.
- Finally, the graphs show that some services—sidewalk maintenance, bicycling facilities, and public parking facilities—are ranked as quite poor.
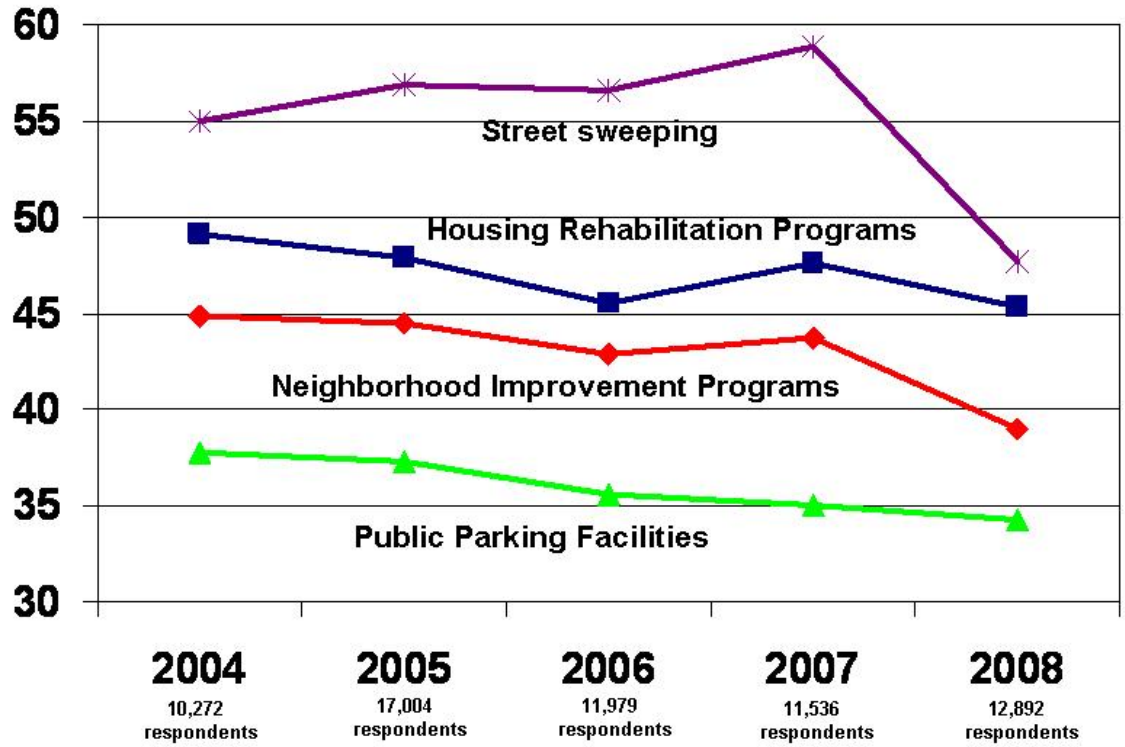
Graph 1:

Newton Resident Evaluations of Services, 2004-2008
(Percent saying service is "Good")

Fire protection

Fire prevention

Public grounds maintenance

Sidewalk maintenance

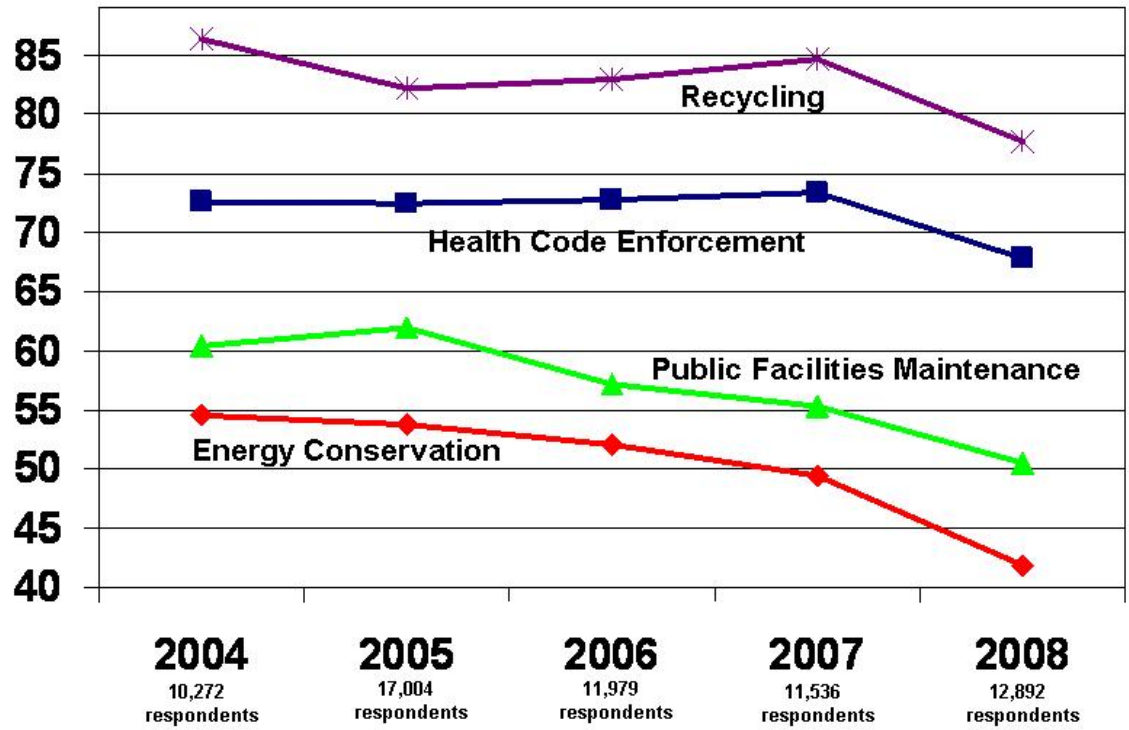| 2004	2005	2006	2007	2008
10,272 respondents	17,004 respondents	11,979 respondents	11,536 respondents	12,892 respondents

Graph 2:

Newton Resident Evaluations of Services, 2004-2008
(Percent saying service is "Good")

Graph 3:

Newton Resident Evaluations of Services, 2004-2008
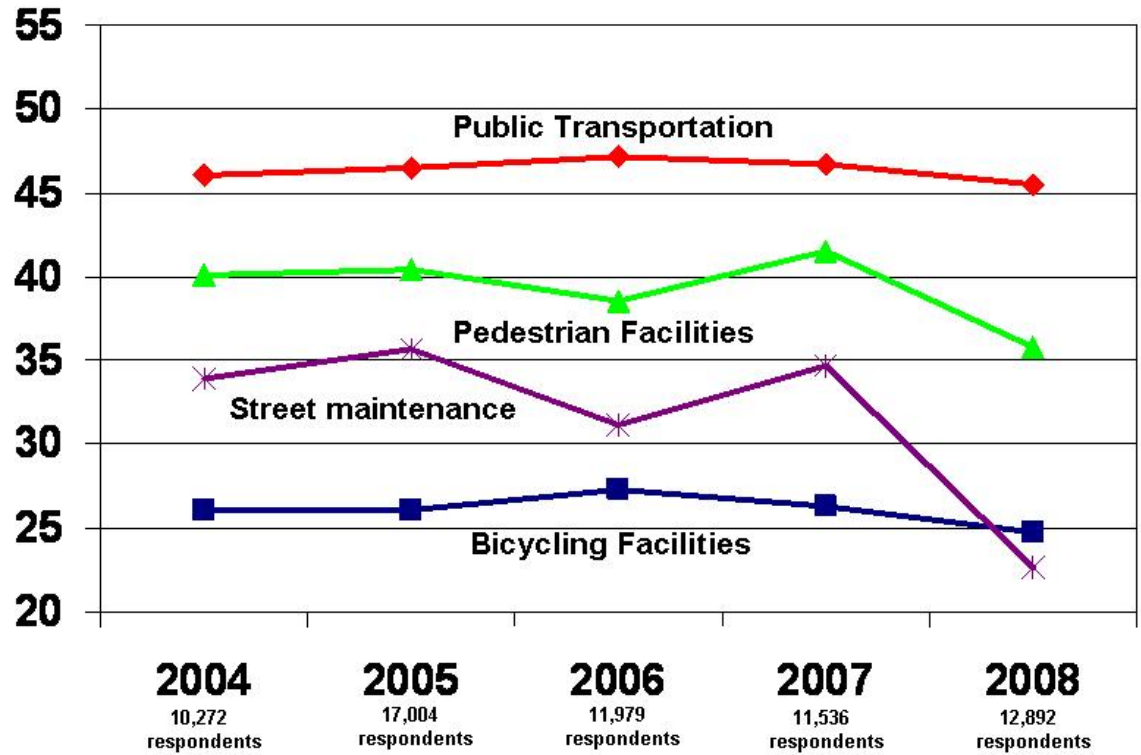### (Percent saying service is "Good")

Graph 4:

Newton Resident Evaluations of Services, 2004-2008
(Percent saying service is "Good")

Graph 5:

Newton Resident Evaluations of Services, 2004-2008
(Percent saying service is "Good")