



**A Report to the
Austin City Council**

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Special Request Report on Program and Department Budget Review Processes

August 2015



REPORT SUMMARY

Peer cities utilize a variety of methods both inside and outside of the city management structure to provide fiscal analysis, departmental reviews, program reviews, and performance improvement services. We identified seven cities using various methods to perform reviews and implement recommended changes resulting from these reviews. Some cities focus heavily on fiscal issues while others aim to act more as business process consultants available to departments interested in performance improvement.

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PROJECT TYPE

This project was conducted as a non-audit project.

TEAM

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The Office of the City Auditor revised the budget information in Appendix A on page 6 of this report on September 2, 2015.

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Special Request Report Highlights

Why We Did This Report

This memo responds to a request from Mayor Adler's Office to determine if other cities have an office or program to conduct department-wide or program reviews and how those reviews are performed.

What We Did

To complete this special request, we:

- identified cities based on size, government structure, and budget process;
- researched the budget and department review processes in peer cities;
- interviewed peer city staff in each city with knowledge of the process; and
- evaluated, analyzed, and summarized peer city information.



For more information on this or any of our reports, email oca_auditor@austintexas.gov

SPECIAL REQUEST REPORT ON PROGRAM AND DEPARTMENT BUDGET REVIEW PROCESSES

BACKGROUND

The City of Austin budget is developed yearly by the Budget Office under the direction of the City Manager. While current and historical data on department funding and performance is often discussed during the yearly budget development, Austin does not have a formal, comprehensive departmental review process to evaluate the fiscal and operational effectiveness of programs.

Many entities have processes to ascertain the fiscal and operational effectiveness of programs. The City of Dallas is demonstrative of both approaches; it recently began a city program that is modeled on the Texas Sunset Advisory Commission process. Dallas also formed a performance improvement group that will assist departments with implementing the recommendations resulting from these reviews.

OBJECTIVE

We selected and contacted peer cities to gather information regarding:

1. which cities have a program and/or department budget review process and the primary purpose of those reviews;
2. how and when these reviews are conducted, who does the reviews, how programs are selected for review, and what resources are dedicated to these reviews; and
3. results of these reviews (if any) and how review results are used by decision makers.

WHAT WE FOUND

Among Austin's peer cities that have a budget or departmental review function, we noted differences amongst these programs.

- Some cities focus heavily on fiscal issues while others aim to act more as business process consultants available to departments interested in performance improvement.
- Cities with fiscal or budgetary review processes more often produce public reports and present their conclusions to Council.
- Some of these offices are independent of city management and some are within the budget office (which report to the City Manager in the cities we reviewed).
- While most peer cities employ highly-trained staff specifically for the purpose of conducting these department reviews, Dallas uses existing employees already working within City departments to conduct these reviews on a part-time basis for eight weeks each year.
- The size of the office dedicated to this work varied from three full-time employees to sixteen.

BACKGROUND

The City of Austin budget is developed yearly by the Budget Office under the direction of the City Manager. Citizens, City Council, Boards and Commissions, and City Departments provide input before Council approves the final budget. The Budget Office presents current and historical data on department funding and performance but a formal, comprehensive departmental review process does not occur as a part of the budget cycle.

City of Austin departments, such as the Austin Water Utility and Austin Resource Recovery, also use a variety of process improvement principles, which may include six sigma principles, as part of department-level planning. Additionally, some City employees are lean six sigma certified and may be applying those principles independent of a formal process. The City has an Innovation group as well, though they focus mainly on service improvements through technology.

In addition to developing annual budgets, some cities conduct an independent budget review through an office dedicated specifically to that function. Offices such as these are generally responsible for researching and reviewing substantial programs and activities in a more systematic and detailed way than the typical budget preparation process allows. This can lead to improved service delivery and budget savings. The State of Texas has a similar function in the Sunset Advisory Review Commission, however that commission is comprised of State legislators.¹

METHODOLOGY

To complete this special request, we:

- selected relevant peer cities² ;
- researched and collected peer city information related to size, government structure, and budget process;
- researched the budget and department review processes in peer cities, including the budget, staff, and reporting structure of the offices responsible for conducting comprehensive department reviews;
- interviewed peer city staff to clarify and verify information gathered; and
- evaluated, analyzed, and summarized peer city information.

¹ The State of Texas sunset process aims to identify and eliminate waste, duplication, and inefficiency in Texas state agencies. The Sunset Advisory Commission also considers new and innovative changes to improve each agency's operations and activities.

² Peer cities reviewed include: Dallas, TX, Denver, CO, Fort Worth, TX, Portland, OR, Sacramento, CA, San Antonio, TX, and San Diego, CA.

WHAT WE FOUND

CITIES

We identified seven peer cities that have a formal department review process similar to the sunset process used by the State of Texas. Two of the cities, San Diego and Denver³, are Mayor-Council in governance, distinguishing their structure from that of Austin. Portland has a commission system of governance. The other four cities are Council-Manager, like Austin. Denver, Portland, Sacramento, and San Diego have a review function that is independent of the City Manager.

Three of the seven peer cities (Portland, Sacramento, and San Diego) focus on the fiscal impact of various departments, issues, and programs. Dallas performs an in-depth review of departments seeking to identify inefficiencies and duplication of services in anticipation of the budgeting process. The other three cities (Denver, Fort Worth, and San Antonio) have offices that function as performance improvement consultants who enter departments to work with management to improve processes and create efficiencies.

	OPERATIONAL FOCUS	FISCAL FOCUS
INDEPENDENT OF CITY MANAGER	Denver	Portland Sacramento San Diego
WITHIN THE BUDGET OFFICE (Reports to City Manager)	Dallas Fort Worth San Antonio	<i>None identified</i>

METHODS

Each city utilizes a different approach to reviewing programs and departments. While most peer cities employ staff specifically for the purpose of conducting these department reviews, Dallas uses existing employees already working within City departments to conduct these reviews on a part-time basis for eight weeks each year. This approach is most similar to the State of Texas Sunset Advisory Commission. Dallas also has a Center for Performance Excellence, which assists departments in making the improvements recommended in the sunset review process.

The other cities' offices operate year round although their functions shift throughout the budget process. For example, San Antonio's Office of Innovation provides support for the budget process during budget season and pursues process improvement initiatives during the remainder of the year. The size of the offices dedicated to this work varied from three fulltime employees to sixteen.

RESULTS

Representatives we spoke with from peer cities stressed the importance of having a good relationship with department management, whether their office was internal to city management or independent. Cities with performance improvement groups stated they aim to make the review process collaborative and empower department employees to seek improvements in efficiency. Cities with fiscal or budgetary review processes more often produce public reports and present their conclusions to Council. Some cities also stated these reviews may be enhanced by focusing on smaller, achievable improvements, and by educating as many employees as possible on performance improvement strategies.

³ Denver has a consolidated city-county government.

A summary of each cities' department review office, budget, staff, and reporting structure is included in Appendix A. A detailed description of each peer cities' comprehensive department review processes based on interviews with staff is presented below.

Dallas

Dallas has a sunset review process modeled on the State of Texas sunset review process. The purpose is to review departments for possible inefficiencies or duplication of services. During the review process three teams consisting of seven employees from various city departments review relevant documentation provided by the reviewed department. Each team is led by a manager from the Financial Services Department. Dallas is scheduled to review all departments every five years. Departments are grouped together for review based on related responsibilities. For example, the most recent sunset review included seven departments, among them the police department, the code compliance department, and the judiciary.

Historically, Dallas has required the reviewed departments to submit documentation to the sunset review team. However, in the future, the sunset review team will administer a questionnaire for each reviewed department to gather relevant information needed to conduct the sunset review. The team performs these reviews in eight weeks. No member of the team analyzes their own department. Going forward, Dallas hopes to include in each sunset review team a member of the human resources department as well as the information technology department to lend expertise to the review team.

The results were presented this year in a presentation to Council. Initially, departments were going to be responsible for implementing recommendations. However, because of the many recommendations resulting from this first review process, the city utilizes the Center for Performance Excellence, an office within the City Manager's office, to assist departments with implementing process improvements to address the recommendations. Recommendations included ensuring administrative tasks were not being duplicated, reviewing regulations to ensure they were all relevant, and collaborating with other city departments to improve the efficiency of operations.

Denver

Denver has a group called Peak Academy within the Mayor's office. The purpose of Peak Academy is to train Denver city employees in process improvement and provide resources for departments who want to improve performance. Peak Academy also provides some business process consulting work to departments.

The training function of Peak Academy asks employees who are trained in performance improvement to submit process improvement plans to Peak Academy, which tracks their outcome and provides resources. The consulting function of Peak Academy sends employees trained in lean six sigma principles into departments for long durations to uncover inefficiencies and enact process improvements. Consultants work within departments when invited, but the Mayor may recommend that certain departments be reviewed.

Trainees of the academy, as well as the fulltime consultants, use methods derived from the six sigma process to determine the current level of service in a program and ascertain ways to improve performance. Peak Academy validates the results of the performance improvement process by following up with the department regarding savings. The consultants working within departments create reports for department directors, but the reports are not shared with the Mayor or Council.

Fort Worth

Fort Worth has a Performance Office led by the Chief Performance Officer. The purpose of the office is to improve both operational and employee performance in Fort Worth. The Performance Office creates a strategic priorities plan each year to guide the budget process, performs operational reviews to improve departmental performance, and oversees employee training and evaluation.

Departments invite the Performance Office to conduct these reviews, although an assistant city manager may also recommend the Performance Office perform a review of a department. The process for the typical operational review varies based on the department's needs, but Performance Office staff typically work with department staff to develop recommendations for improvement collaboratively. Brief updates are given to Council twice yearly regarding the operational reviews. Additionally, departmental employees who have been trained in performance improvements give presentations quarterly to any City employees wishing to attend.

Portland

Portland reviews City departments through the City Budget Office. The City Budget Office reviews processes and programs within each department yearly. These reviews have two components: performance-centered analysis and budget-focused analysis. All departments are reviewed yearly within the budget analysis process, and certain programs and departments are selected for more detailed and thorough review based on Mayor and Council interest. Requests for Budget Office performance analysis may come from Council as well as management staff.

Recently the City Budget Office began preparing whitepapers, or brief reports, to share information on their review efforts with Council and these reports are shared online with the public. The whitepapers are focused on the budgetary impacts of programs.

Sacramento

Sacramento has an Office of the Independent Budget Analyst created by city ordinance. The office was just recently funded so it has yet to become fully operational. The Independent Budget Analyst is appointed by Council. The position is independent of other city departments and reports to the Mayor and Council. The proposed work plan is contingent on the yearly budget cycle. Substantial research, or "deep dive" reviews into departments and programs, will be conducted in the fall. The results and recommendations will be presented to the Budget and Audit Committee of Council. In the spring, the office will transition to budget work. Specifically, they will perform research and provide recommendations to Council to support the work of the Budget, Policy, and Strategic Planning Division as well as the City Manager. The office plans to select departments or programs for review by collaborating with the City Manager, Mayor, and finance department. The outcome of these efforts will likely be shared in publically-available reports.

San Antonio

San Antonio has an office within their management and budget group called the Office of Innovation. They act as business consultants for San Antonio municipal departments. They have three roles: budget review, special projects, and process improvement initiatives. The office applies lean six sigma and project management principles to process improvement. Special projects and

process improvement initiatives are targeted based on department need and sometimes come from audit findings.

The outcomes of special projects and performance improvement initiatives, as well as measures to track performance improvement, are written in reports and presented to the City Manager. Sometimes the reports are also presented to Council if relevant to Council interests.

San Diego

San Diego has an Office of the Independent Budget Analyst that reports to Council. The purpose of the Independent Budget Analyst is to provide clear, objective, unbiased advice and analysis on the financial and policy impact of government operation. They have several roles related to budgeting and governance in San Diego, including fiscal analysis of matters pending before Council. One of their roles is to do proactive reporting on operations. Those reports detail information on regulatory and fiscal impact of operations, and may also contain options for Council to consider when making budget decisions. They choose programs to review based on available skill sets within the office as well as interest from the Mayor and Council. The Independent Budget Analyst produces reports that sometimes contain suggestions for improvements, but these reports are focused mostly on policy and fiscal impacts. They usually do not present reports to Council, but reports are posted to the Independent Budget Analyst's webpage.

APPENDIX A

PEER CITY ANALYSIS

CITIES	2015 GENERAL FUND BUDGET	GOVERNANCE STRUCTURE	NAME OF OFFICE	YEAR ESTABLISHED	BUDGET*	EMPLOYEES***	REPORTING STRUCTURE
Dallas	\$1.2B	Council - Manager	Sunset review process (led by Financial Services Department)	2014	**	**	Reports to City Manager
Denver	\$1.2B	Mayor-Council	Peak Academy	2011	\$750,000	10	Reports to Mayor
Fort Worth	\$590M	Council - Manager	Performance Office	2013	\$803,000	6	Reports to City Manager
Portland	\$515M	Commission	City Budget Office	2012	\$2,328,000	16	Reports to Mayor
Sacramento	\$383M	Council - Manager	Independent Budget Analyst	2015	\$446,000	3	Reports to Council
San Antonio	\$1.1B	Council - Manager	Office of Innovation	2007	\$795,000	8	Reports to City Manager
San Diego	\$1.2B	Mayor-Council	Independent Budget Analyst	2008	\$1,734,000	10	Reports to Council

SOURCE: OCA summary of Peer Cities with Program and/or Department Budget Review Processes, August 2015

* Approximate budgets are for fiscal year 2015, except Denver (which lists the fiscal year 2014 budget) and San Antonio (which lists the fiscal year 2013 budget)

** Dallas uses existing staff to perform their budget review

*** Includes administrative staff