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AGENDA COVER MEMORANDUM

AGENDA DATE: September 15, 2004

PRESENTED TO: Board of County Commissioners

PRESENTED BY: Performance Measures Implementation Team (PMIT),
Karen Gaffney

AGENDA TITLE: IN THE MATTER OF PURCHASING AND IMPLEMENTATION
OF PERFORMANCE MEASURE DATA COLLECTION AND REPORTING
SOFTWARE AND ALLOCATION OF THE COST SOFTWARE TO
DEPARTMENTS.

I. MOTION

Recommend To Board Of County Commissioners The Purchase And Implementation Of Performance Measure Data Collection And Reporting Software And Allocation Of The Cost Of Software And Implementation To Departments Based On A Weighted Average Of Department Budget And Organization Structure As Described In The FY 2004-05 Adopted Budget.

II. ISSUE

Should Lane County move forward to the next steps in implementing Performance Measures as a significant tool to help departments and elected officials review and manage County operations and fiscal resources. The next steps in implementation are:

- ◆ Research Data Collection and Reporting Systems
- ◆ Prepare and distribute a Request for Proposal (RFP) for Performance Measure collection, tracking and reporting systems
- ◆ Purchase and implement software
- ◆ Move County from development to implementation and use of performance measures in management of services, programs and fiscal resources

EXECUTIVE SUMMARY

Performance Measures implementation timeline and progress outlines indicate that departments were to begin collecting, tracking and reporting performance measure data as of July 1, 2004. Departments reported over 700 measures in the FY 2004-05 proposed budget that they intend to track. The Performance Measure Implementation Team (PMIT) has researched various methods of data collection and reporting to enable departments to track performance measure results, use the data on a timely basis and report their progress to department directors, elected officials and citizens. This agenda

cover memo describes PMIT's research, analysis and recommendations regarding the implementation of performance measures and the County's next steps.

PMIT recommends the acquisition, installation and implementation of Performance Measure data collection, tracking and reporting software that will pull data from currently used data systems, minimizing the need for double entry and enabling program and division managers to review data in a timely manner and further to enable elected officials to review outcome results and share that information with citizens, peers and customers. PMIT recommends that the cost of the software, installation and implementation be allocated to departments based on a weighted average of budget and organization structure.

III. DISCUSSION

A. Background

On March 14, 2001, the Board adopted the Lane County Strategic Plan and directed that the Strategic Planning Steering Committee develop an implementation plan and guide the County and County departments through implementation of the Strategic Plan. The Strategic Plan has numerous strategies, which are divided into four categories: Service Improvement, Resource Planning and Allocation, Performance Management and Revenue Development.

A) Service Improvement

- A1 – Evaluate reorganization opportunities
- A2 – Develop more flexible staffing
- A3 – Promote electronic access to public services
- A4 – Promote continuous quality improvement

B) Resource Planning and Allocation

- B1 – Develop plans for the chief resources applied to deliver County services – human resources, information technology, and land and facilities
- B2 – Refine the communications plan
- B3 – Allocate resources strategically

C) Performance Management

- C1 – Refine Countywide goals
- C2 – Refine planning at the department level
- C3 – Strengthen analytical capabilities
- C4 – Remain accountable for strategic plan implementation

D) Revenue Development

- D1 – Develop balanced revenue strategies
- D2 – Identify and recover user fees and charges
- D3 – Pursue entrepreneurial opportunities
- D4 – Pursue intergovernmental revenue and private donations
- D5 – Develop timber revenue strategies

The Strategic Planning Steering Committee reviewed the strategic plan and the priorities established by the Strategic Planning Executive Committee. One of the strategies identified, as a top priority was to strengthen analytical capabilities. The steering committee established three interdepartmental teams that would work on implementation of these strategies. These teams were Financial Analysis, Performance Measures and Process Improvement.

The Performance Measures Implementation Team (PMIT) is a cross departmental team comprised of a representative from the Steering Committee, the Analyst for Strategic Planning and Performance, and staff representatives from Information Systems, Management Services, Public Works, Sheriff's Office and Youth Services departments. The goal for this team is to research, develop and implement performance measure methods, models, tools and processes to be used by departments and elected officials.

PMIT began its work by reviewing the Strategic Plan for direct calls for performance measures. There are at least four strategies identifying or indicating the need for performance measures:

- All departments are required to establish and maintain quantitative, meaningful, and useful performance measures linked to county goals and strategies -- Section C (2.b)
- Departments will identify key intermediate outcomes that contribute toward achievement of county end outcomes -- Section C (2.b)
- Departments will report performance for each selected measure at least annually and apply results in formulating plans and budgets -- Section C (2.c)
- There are three kinds of analysis to be done: Performance – effectiveness, efficiencies, industry comparison, best practices, cost per unit, etc ... -- Section C (3.a)

In addition, section B3 of the Strategic Plan provides the road map for the strategic allocation of resources and indicates a need to determine effective services from those that are less effective.

The county's highest funding priority will be those services that are effective in addressing the immediate and critical life and health safety needs of our citizens.

To provide departments and elected officials the ability to determine which programs and services are effective and those that are not, the following objectives were established for the performance measures implementation team:

- ♦ Develop Performance Measure methods, models and processes.
 - Develop common standards for performance analysis to ensure consistency between centralized and decentralized outputs and comparison with other organizations (benchmarks).
 - Performance analysis includes effectiveness, efficiencies, comparisons with industry standards, best practices, cost per unit of work, etc. and Accomplishment toward reaching County goals, Department goals, and Benchmarks
 - Determine which analysis work is centralized and which is decentralized. Identify Department staff that will do analysis. They should have mettle and be encouraged to challenge past practices based on analysis.

- Identify kinds of training needed and minimum training standards.
- Financial Reporting – Departments will prepare progress reports at least twice a year for review by the Leadership Team. Reports will be made concurrently in all departments, tied to the fiscal and calendar year, and utilized in preparation of the budget. The progress reports will be consolidated and evaluated by the Board of County Commissioners.
- ♦ Implement Performance Measure methods, models and processes.

PMIT spent several months researching performance measures and best practices. A presentation to the Lane County Management team in August 2002 included methodology, tools and processes; implementation plan and schedule; organizational training levels, schedule and milestones. Implementation included extensive training for three levels of performance measure developers and champions. Departments were given opportunities to establish three levels of technical ability within their organization.

Departments began developing performance measures in October 2002 with the goal of completing by December 2003. In January 2004, the Proposed Budget document was restructured and performance measures were included in department sections of the budget. The following chart provides data on the number of programs that have established performance measures and the number of performance measures included in the Proposed Budget Document.

Performance Measures Progress Report

Department	Program Performance Measure Tables	Measures in FY 04-05 Budget Doc
Assessment & Taxation	20	42
Children & Families	3	12
County Administration & BCC	7	27
County Counsel	2	12
District Attorney	3	16
Fair Board	0	16
Health & Human Services	27	184
Information Systems	4	12
Lane Justice Courts	1	28
Management Services	8	134
Public Works	31	113
RIS	0	0
Sheriff's Office	27	119
Workforce Partnership	1	21
Youth Services	21	60
Total 155		796

Now that departments have developed performance measures, they need the ability to analyze and use the information to make decisions. In order to provide departments

with these tools PMIT has researched Data Collection and Reporting Systems that will provide managers and elected officials with the tools necessary to move the County from development to implementation and use of Performance Measures.

B. Analysis

1. Why Performance Measures?

In recent years, citizens and other stakeholders in government services have rallied around the cause of “accountability.” Simply put, they want to see proof that their tax dollars and user fees are being used efficiently to provide high quality services they care about at a reasonable cost. How, though, could we begin to demonstrate the success of all the services provided by an organization the size of Lane County?

The answer, of course, is one service at a time. The mechanism is called “performance measurement,” and it’s being used by a growing number of counties, municipalities, social service agencies and other organizations to evaluate the programs and services they provide. Among these many organizations you may now count Lane County. As an extension of our strategic planning initiative, performance measurement is one aspect of the County’s commitment to process improvement and greater accountability in local government. Aside from the program management benefits mentioned above, performance measurement will help our managers, directors and elected officials understand our programs and operations more thoroughly -- and communicate our successes more effectively to the public we serve.

What Will Performance Measures Do?

Program managers across private and public sectors are being asked to describe and evaluate their programs in new ways. People want managers to present a logical argument for how and why the program is addressing a specific customer need, and how measurement and evaluation will assist and improve program effectiveness. Managers do not typically have clear and consistent methods to help them with this task. The family of measures (performance indicators) is tools to develop and tell the *performance story* for a program.

The family of measures is multifaceted so that they provide a balanced picture of performance instead of focusing it narrowly on a single aspect such as quantity produced (output) or cost (efficiency). Narrowly focused measurements provide limited information about performance that can lead to erroneous interpretations about the program’s worth. The Family of Measures provides a more comprehensive description of performance.

This description gives managers and policy makers the information they need to assess program efficacy and focus on continuous improvement.

Successful performance measures:

- Show a direct link to the program purpose
- Utilize relevant few measures that people care about
- Are feasible to collect and report

- Serve as a management tool to aid continuous improvement
- Inform budget decision
- Communicate the value of the program to the public

How Will This Be Accomplished?

The gateway that moves organizations *from* collecting performance measure *to* using them for data-driven decision making is technology. Performance measures are only as good as the technology that allows for easy input, long-term storage, sophisticated analyses, and thorough reporting capabilities. It serves as the vehicle that takes very detailed information on programs and provides:

- What is working
- Areas for improvement
- Missing information
- Detailed information for managers
- Formative information for budget review
- Educational information for the general public

Why This, Why Now?

County Administrator, Bill Van Vactor answered this question best in his memorandum to Lane County Employees. It is stated in the Lane County Performance Measures Manual of December, 2002 and reads:

As we begin the process of measuring performance and managing for results, I know many of you may be wondering "why now?" The process does require a great deal of thought and effort in the initial stages of establishing measurement parameters, and program staff need to devote time and energy to collecting and interpreting data over time in order to maintain effective performance measurement programs. With many County programs already working under the pressures of decreasing resources and increasing demand for services, it may be tempting at times to consider this additional time and energy misspent.

However, it is precisely under these conditions that performance measurement is most important. First, thoughtfully structured performance measurement systems help managers and supervisors to fine-tune their programs for maximum results. Also, as we struggle with difficult budget decisions, it is imperative that we be able to allocate our resources in the areas where they will have the greatest effect. Even with accurate performance measurement information, it is a complex and sometimes agonizing task to make these difficult decisions with confidence. Simply put, those programs with reliable performance data will be best prepared to compete for our limited resources in the future.

2. Technology

The Software Research Process

In July of 2003, the Performance Measures Implementation team began the process for researching performance measures reporting software.

The team studied options for reporting software through review of performance measures literature, vendor demonstrations, Internet searches, and consultation with peer organizations including the City of Bellevue, City of Eugene, Fairfax County, Prince William County, and the State of Texas.

Define Requirements

Specific requirements for the software were defined and documented. The most important requirements are for adequate management reporting and ease of use. The software must provide the functionality necessary for line management to effectively use their performance measures; and, the software must be easy to use so that line managers will find it inviting to use.

Search for Vendors

Software vendors were located through peer organizations and Internet searches.

Request for Information

A formal Request For Information (RFI) was developed and distributed to 9 likely software vendors.

Responses

Six responses to the RFI were received. These responses were reviewed by the PMIT and the three most likely vendors were selected based on the defined requirements.

Software Evaluation

The three selected vendors were invited to demonstrate their products to Lane County. Two vendors accepted the invitation and their products were reviewed by PMIT. In addition, Lane County Information Services developed a proposal for in-house development of the required software.

- **QPR Scorecard from Visum Solutions** -When compared to its competitor, this product is less sophisticated and harder to use for defining and tracking performance measures. This products reporting tools are inadequate and third-party reporting tools are required at extra expense.
- **PB Views from Panorama Business Views** - This product is sophisticated and simple to use. It meets all of the County's requirements including a) management reporting and b) ease of use.
- **In-house solution developed by Lane County** -Lane County Information Services (LCIS) is unable to develop an equivalent performance measures reporting product at a competitive price. LCIS does offer the option of a lesser system at a lesser price.

3. Financing Options

The purchase of software must be more than a decision to spend money on a performance measure tracking software package. If the County's highest priority is truly those services that are effective in addressing the needs of our citizens, then the County must have a method of determining which services are effective. Lane County must establish a supportive and stable environment to effectively transition to performance

management. Performance Measures and analysis of outcome results will only happen if departments have the ability to collect and report data in an open, easy and user-friendly manner. Department directors and elected official need the information readily available in order to use the data for decision-making.

Costs

PMIT has received initial estimates for performance measure data collection and - reporting software ranging from \$40,000 to \$150,000. This range is a preliminary range from three vendors, two outside and Lane County IS. There will be ongoing costs of software upgrades with each.

Estimate of Cost Range:

	Low	High
Software	\$40,000	\$120,000
Training	15,000	0 included
County Implementation	8,000	8,000
Internet Publishing	<u>10,000</u>	<u>10,000</u>
Estimate	\$73,000	\$138,000

Financing

In the past, Lane County has financed technology and software upgrades in several different manners. The financial system upgrade was financed through financial assessments to departments over several years. Occasionally emerging technology has been paid for by one department and then cost shared with others that want to use it. Recently, software maintenance was paid with a loan from the PC Replacement Fund. Options that could be used are:

- Financial Assessment based on department budgets (Opt A)
- Financial Assessment based on size of department organization (Opt B)
- Combination of budget and organization with 50% of Option A and 50% of Option B added together in Option C
- Volunteer Participation from departments
- A loan from the PC replacement fund, with financial assessment over 1 to 3 years.

To analyze the options PMIT looked at how departments were organized, the number of performance measures departments have developed and department budgets. The team felt strongly that departments should not be rewarded for not developing performance measures and therefore is not recommending the use of performance measure quantity as a factor for financing. Analysis centered around the size of the organization and the amount of the budget.

The size of the organization is significant because it relates to the number of users of the data collection and reporting system. Performance Measures at Lane County have been developed and implemented to this point as a management tool. The use of the number of divisions per department relates to the number of users. Each division manager should be tracking and using performance measures for decisions. The amount of the budget is another method of capturing the size and complexity of a department and the

services it provides. The combination of both division and budget via a weighted average with 50% weight for each factor brings together the structure of the department and the amount of resources that are managed by the department. This mix smoothes some of the extremes while recognizing the number of people that will need access to the software.

PMIT is recommending using the combination of budget and organization structure (Option C) as the methodology for allocating the cost of the Performance Measures Data Collection and Reporting System. The chart below shows each of the three options by department.

Performance Measures Data Collection & Reporting System

Financing Options

Department	# Div	Adopted Budget	Weighted Avg	Opt A % Div	Opt B % Bdgt	Opt C W Avg
Assessment & Taxation	4	5,116,929	4.45%	8,889	1,795	5,342
Children & Families	3	3,732,788	3.32%	6,667	1,310	3,988
County Administration & BCC	2	2,370,143	2.20%	4,444	832	2,638
County Counsel	2	1,219,231	2.03%	4,444	428	2,436
District Attorney	5	7,081,769	5.66%	11,111	2,485	6,798
Fair Board	4	5,508,331	4.51%	8,889	1,933	5,411
Health & Human Services	8	76,370,614	18.57%	17,778	26,794	22,286
Information Systems	5	8,672,167	5.90%	11,111	3,043	7,077
Justice Courts	1	3,044,530	1.37%	2,222	1,068	1,645
Management Services	6	15,634,250	7.84%	13,333	5,485	9,409
Public Works	5	139,500,479	25.02%	11,111	48,942	30,027
RIS	2	10,944,716	3.45%	4,444	3,840	4,142
Sheriff's Office	3	46,628,291	9.59%	6,667	16,359	11,513
Workforce Partnership	1	6,959,502	1.94%	2,222	2,442	2,332
Youth Services	3	9,251,998	4.13%	6,667	3,246	4,956
Total	54	342,035,738		120,000	120,000	120,000

General Expense

79,879,686

Consolidated Total

421,915,424

This proposal was presented in draft form to the Lane County Management Team on Monday July 12, 2004. The email below was sent to Lane County Department Directors utilizing the email distribution list “*LC Department Directors” on July 13, 2004. One department replied indicating a need for a loan to pay for share of the cost. Any department considering a loan will separately request one through the Board of Commissioners agenda process.

The Performance Measure Implementation Team (PMIT) has recommended to the Strategic Planning Steering Committee that Performance Measure tracking and reporting software be purchased and implemented to assist departments in tracking and using PM information on an on-going basis. This is the issue that was discussed at the Management Team meeting on July 12th. Bill VanVactor sent a copy of the Draft agenda memo to the Management Team last week.

The Strategic Planning Steering Committee is recommending that the software be purchased and that departments are given an opportunity to pay for their portion over three years if they request. I am currently working on the Board memo and need to know which departments want the option of up to three years to pay. At this time the proposal is scheduled to go to F&A on July 27th. Please let me know if you want to use a loan to pay for your department's share of the cost.

Also keep in mind, that July 16th is the last day for Journal Entries for FY 03-04. If you have the money in FY 03-04 you may want to consider transferring your portion of the cost to the PC replacement fund for your department.

*Please let me know by **Friday, July 16th** if you want to use a loan to pay for your department's share. Those who do not indicate a desire for a loan will be presented as making full payment in FY 04-05.*

C. Alternatives/Options

1. Acquire, install and implement Performance Measure data collection, tracking and reporting software and allocate cost to departments using a weighted average of department budget and organization structure.
2. Support and recommend moving forward with performance measure implementation without purchase of data collection, tracking and reporting Software. This would leave departments to develop their own systems and most probably would hinder reporting ability.
3. Put a hold on the performance measures project.

4. Develop other suggestions and alternatives.

D. Recommendation

PMIT recommends Option 1 using option C for financing of the purchase:
Support and recommend moving forward with performance measure implementation, purchase of Data Collection and Reporting Software using financing option C, weighted average of budget and organizational structure and allowing departments to arrange a loan if they need to.

IV. IMPLEMENTATION/FOLLOW-UP

- ◆ Prepare and distribute a Request for Proposal (RFP) for Performance Measure collection, tracking and reporting systems
- ◆ Purchase and implement software
- ◆ Move County from development to implementation and use of performance measures in management of services, programs and fiscal resources

V. ATTACHMENT

- A. Board Order with attachment

IN THE BOARD OF COUNTY COMMISSIONERS OF LANE COUNTY, OREGON

**RESOLUTION AND
ORDER**

) IN THE MATTER OF PURCHASING AND IMPLEMENTATION
) OF PERFORMANCE MEASURE DATA COLLECTION AND
) REPORTING SOFTWARE AND ALLOCATION OF THE COST
) SOFTWARE TO DEPARTMENTS.

WHEREAS, on March 14, 2001, the Board of Commissioners adopted a strategic plan, and

WHEREAS, the Board of Commissioners order that the Strategic Planning Steering Committee develop and implementation plan and guide the County and County departments through the implementation of the Strategic Plan, and

WHEREAS, performance measures are identified in several strategies within the Strategic Plan; and

WHEREAS, the Strategic Planning Steering Committee established a cross departmental Performance Measure Implementation Team (PMIT) comprised of a representative from the Steering Committee, the Analyst for Strategic Planning and Performance, staff representatives from Information Systems, Management Services, Public Works, Sheriff's Office and Youth Services departments to research and develop performance measure methods, models and processes, and

WHEREAS, PMIT has completed the tasks of research best practices, develop method for Lane County, develop implementation plan and training, train and assist departments in development of performance measures and integrate performance measures into budget process, PMIT is now focusing on the next steps of identifying a data collection and reporting system and guiding the county from development to implementation and use of performance measures in management decisions; and

WHEREAS, PMIT prepared and presented a Performance Measure Report and analysis of next steps to present recommendations for Data Collection and Reporting Systems to both the Strategic Planning Steering Committee and the Finance and Audit Committee, it is hereby

ORDERED that Lane County acquire, install, and implement a Performance Measure data collection, tracking and reporting software, and further

ORDERED, that the cost of the Performance Measure data collection, tracking and reporting software and implementation be allocated to departments based on a weighted average of total department budget and organization structure using the number of divisions within the department as represented in the FY 04-05 Adopted Budget and described in Attachment A.

Signed this ____ day of _____, 2004

Chair, Lane County Board of Commissioners

APPROVED AS TO FORM

Date 9/7/04 lane county
J. Laidlaw
OFFICE OF LEGAL COUNSEL

In the matter of purchasing and implementation of performance measure data collection and reporting software and allocation of the cost software to departments.

PMIT is recommending using the combination of budget and organization structure (Option C) as the methodology for allocating the cost of the Performance Measures Data Collection and Reporting System. The chart below shows each of the three options by department.

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