



**NAPA COUNTY GRAND JURY
2015-2016**

May 24, 2016

FINAL REPORT

**NAPA COUNTY PERFORMANCE
MEASUREMENTS**

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SUMMARY

While investigating the county's finances, the Grand Jury became aware of the county's Performance Measurement Reports (PMRs). These annual reports include division by division trends of key activities performed by the county government. They also include measures of productivity and service levels within every division. The jury recognizes the importance of monitoring these factors in all well run organizations, so it initiated an investigation into their use in the county. Through numerous interviews, the Jury found that the county management team thoroughly understands the value of tracking activity, productivity, and service levels; and each manager regularly reviews those factors with his or her direct reports. However, these measurements were developed by county managers for their own use and have nothing to do with the measurements published in the PMR.

Because the PMR's, which were intended to help managers establish meaningful productivity and service level goals, are not used by those managers for that purpose, the jury questioned the value of producing the PMRs. Although the key activities reported for each division are of interest for historical trends, they are too out of date by the time the PMR's are published to be of practical use in budgeting or allocating resources. The performance and service level measurements included in the PMR are only a handful of those actually used to run the divisions and are not particularly representative of the work done by those divisions. In addition, some of the productivity and service level measurements don't really measure productivity or service. The managers interviewed by the jury said that they submit the PMR because they are required, not because the report is of any use to them, other than giving an overview of division functions. It is clear to the Jury that producing the PMR has become a rote exercise, with few changes from year to year, except for a few sentences in an otherwise "boiler plate" narrative and inclusion of the most recent, already out-of-date, performance figures.

The cost to produce the 300 page report is estimated to be about \$60,000 per year, or about \$420,000 over the seven editions since it first appeared for Fiscal Year 2008-2009. Because of its significant cost and its questionable value, the jury recommends that the PMR be discontinued in its current form, with the Fiscal Year 2014-2015 edition, published in January 2016 being the last published. The jury also recommends that the reporting of key activity trends by division, the so called "Community Indicators," be switched to the county website, were they can more easily be distributed and kept current.

BACKGROUND

When the Grand Jury began its investigation into Napa County's finances, it examined the budget information in the county's Budget Performance Measurement Reports (BPMR's), starting with fiscal year 2008-2009. While the jury's primary reason for reviewing these reports was to obtain financial information, jury members found that these reports also included performance measurements for each division. These measurements included activity levels, productivity measurements, and service level measurements. Knowing the importance of monitoring these

factors for any well run organization, the jury elected to investigate how the county uses them. The jury immediately questioned the value of this reporting when the activity figures appeared to be too delayed (July 1, 2014 to June 30, 2015 reported in January of 2016) to be of any use other than establishing historical trends. They were far too out of date to be of any use in budgeting or managing divisions on a day-to-day basis, one of the original goals of the BPMR's. Similarly, the jury questioned the productivity and service level measures, many of which did not appear to actually measure either productivity or levels of service. As a result, the jury initiated an investigation to assess the value of the annual Performance Measurement Report to the county and whether or not that value justifies the cost of producing it.

METHODOLOGY

The Grand Jury began its investigation by examining the performance measurements included in the Performance Measurement Report (PMR) (Budget Performance Report before FY 2012) from FY 2008/2009 through FY 2014/2015. No report was published for FY 2013-2014 because performance measurements were under review and because staff time was limited due to recovery efforts following the August 2014 earthquake. The jury also reviewed the Performance Measurement Training Manual to determine if divisions established performance measurements that were consistent with the directions they had been given for doing so. See the Appendix for a list of documents reviewed.

When it became clear to the jury that the value of the PMR was in doubt, because of delayed reporting of activity volumes and questionable productivity and service level measurements, the jury included questions about the PMR in several interviews with county managers. The purpose of these questions was to assess their use of activity tracking and productivity/service levels in general, and how they use the PMR, if at all, in that effort.

DISCUSSION

During the budget hearings in June 2007, the Board of Supervisors asked that staff hold a workshop with the Board to look at ways to improve performance measurement efforts. In response to that request, on September, 25, 2007 an all-day workshop was held with Board members, department heads, and key fiscal staff. The result was the production of a "Budget Performance Measurement Report," which first appeared in Fiscal Year 2008/2009.

After reviewing these initial performance measurements, it appeared to the jury that the county was well intentioned and off to a good start. Divisions were directed to establish a small number of measurements, two or three, emphasizing quality over quantity. They were to identify factors that were "valid, timely, and focused on controllable facets of performance."

Unfortunately, the annual Performance Measurement Report, in its current form, does not appear to adhere to those standards.

Activity Tracking Not Timely

The first category of performance measures, “What/How Much We Do,” consists of output or workload measures, designed to give the Board and the public a sense of whether a division’s or program’s workload is increasing or decreasing, and whether or not appropriate resources have been allocated to it. These figures provide a comprehensive picture of various services and programs and how that activity has trended over the past several years. Examples include the number of aircraft operations at the county airport, the number of miles in the county maintained road system, and the number of eligible voters in the county. However, according to the managers interviewed by the jury, these data are reported far too late to be of any real use other than establishing long term trends. They are of no use in budgeting or running the divisions on a day-to-day basis. For instance, activities from July 1, 2014 to June 30, 2015 were not reported until January 2016, too out-of-date to be useful in allocating resources or in preparation for the FY 2017 budget. The timeliness of earlier reports was even worse. The Budget Performance Measurement Report for Fiscal Year 2011-2012 reflected actual activity only through June 30, 2011, a year and a half before the report was published.

Some Productivity Measures Don’t Measure Productivity

The second category of performance measures, “How Well We Do It,” are efficiency or effectiveness measures, designed to give the Board and the public a sense of the cost effectiveness of the divisions and programs. However, many of these productivity measures do not meet the county’s standard to be “focused on controllable facets of performance.” Many are instead focused on factors that are controlled by outside factors that have nothing to do with the divisions’ performance. For instance, the Roads Division in Public Works includes a measurement on the cost per square foot of paving material, a figure determined more by the market for petroleum byproducts than the efficiency of the division or its crews. The Elections Division includes a measurement on the percentage of eligible citizens registered to vote, an interesting statistic, but a measure more of voter interest than division productivity. The airport includes as one of its productivity measures the percentage change in aircraft operations count, a pure activity factor which has nothing to do with efficiency.

Some Service Level Measures Don’t Measure Service

The third category of performance measures, “Is Anyone Better Off,” are effectiveness or outcome measures, designed to give the Board and the public a sense of what impact the division or program has had on the community or the county organization. Once again, many of these measures do not appear to be valid measures of service. For instance, the Assessor’s office includes the percentage of taxes collected going to county, schools, cities/towns, and special districts, which seems to be more a matter of revenue allocation than level of service. The Elections Division includes the number of registered voters who voted in the last election, seemingly more a matter of voter interest than service provided by the division.

County Managers Don't Use the Performance Measurement Report

All of the managers interviewed by the Grand Jury said that they closely monitor activity levels within their departments and divisions. They also said that productivity measures make up an important part of their management processes. Many said that they monitor activity on a daily or weekly basis and allocate resources accordingly. Each manager to whom the jury spoke had a set of performance or service level measurements for each of his or her subordinates, and reviewed those measures at least quarterly. However, these managers said that the performance measures they report in the Performance Measurement Report are of no use to them and are not indicative of their division's actual performance.

The Performance Measurement Report Has Become a Rote Exercise

Many of the managers whom the jury interviewed indicated that the PMR is just something they have to do every year. They said it is not useful to them and they are not sure if it is useful to anyone else. In most cases, nothing changes in these reports from year to year, except for a sentence or two in the narrative and updating the figures to include the most recent, belated data. A review of all the PMRs indicates that the measurements have not changed significantly over the years and certainly have not become more meaningful. In addition, the jury could find no evidence that there has been a cost-benefit analysis of the PMR. It appears that it is being produced every year without regard to its value or cost.

The Cost of the PMR is Substantial, Its Value is Questionable

The PMR averages a little over 300 pages in length, and the county currently prints 45 copies. The County Executive Office estimates that the cost to prepare and publish the PMR is conservatively \$60,000 per year. Therefore, the seven editions of the PMR have cost county taxpayers approximately \$420,000. The departments and divisions all find it to be of little or no value. The activity trends are too out-of-date to be of practical use, and many of the productivity measures do not appear to be meaningful. Therefore, the jury did not find justification for that level of expenditure.

Conclusion

Monitoring activity trends, productivity, and service levels is an important part of managing any well run organization, and the interviews conducted by the Grand Jury indicate that the county management team universally employs those tools in its management practices. However, those measurements were developed by county managers for their own use and have nothing to do with the PMR. It is clear to the Grand Jury that the Performance Measurement Reports which are intended to help county managers develop and employ performance metrics and inform the Board of Supervisors and the public about the activities of the county government aren't living up to expectations. Activity levels reported in the PMR are too delayed to be of any use other than establishing long term trends. Many of the productivity and service level measurements do not measure either productivity or service. Preparation of the PMR has come to be a rote task for divisions and departments, completed because it is a required task, not because it is of any

use to them, other than providing the Board of Supervisors some summary level information about their operations. Given an annual cost to produce the report of about \$60,000, the jury questions the justification for continuing the report in its current form.

FINDINGS

- F1:** “The Community Indicators” or activity trend section of the Performance Measurement Reports is too outdated to be of any use to department and division managers, but may be of interest to residents and elected officials. The Grand Jury recognizes the value of this information, but questions its distribution as part of the PMR. The Napa County Website seems to be a better tool for distributing important up-to-date activity levels.
- F2:** The Grand Jury finds that the standards for establishing performance measurements that were found in the August 15, 2013 Budget Performance Measures Training manual to be a valuable resource. Unfortunately, the current version of the PMR does not adhere to the best practices outlined in that manual, particularly in identifying measures that are timely and focused on controllable factors.
- F3:** The Grand Jury found that the process to produce and publish the PMR is expensive and largely futile. The over 300 pages of material contains mostly rote information that changes little from year to year other than entering the most current year’s figures. Narratives seldom change significantly.
- F4:** The timing and frequency of the PMR build in delays that make it of no practical use other than providing long term activity trends. The report is of no use to budget analysts, who must have more current data for forecasting and budgeting, or to line managers who must have current data to allocate resources.
- F5:** Given the significant time and effort required to produce the PMR, and its limited usefulness, the Grand Jury finds that the cost of this report far exceeds its value and therefore concludes that there is no fiscally sound reason to continue producing the report in its current form.

RECOMMENDATIONS

- R1:** Discontinue publication of the Performance Measurement Report in its current form. If the Board of Supervisors finds the activity tracking and/or division overviews useful, produce them in a more condensed and efficient way. Use the website to do so whenever possible.
- R2:** Post key activity levels (“Community Indicators”) on the county website annually, or more frequently if data are available, and no later than 60 days following the end of the period being reported.

REQUEST FOR RESPONSES

Pursuant to Penal Code section 933.05, the grand jury requests responses as follows:

From the following governing bodies:

Napa County Board of Supervisors: **F1, F2, F3, F4, F5, R1, R2**

DISCLAIMER

Reports issued by the Grand Jury do not identify individuals interviewed. Penal Code section 929 requires that reports of the Grand Jury not contain the name of any person or facts leading to the identity of any person who provides information to the Grand Jury.

APPENDIX

DOCUMENTS REVIEWED

2016 Performance Measurement Guidelines

6 things you should know about Napa County's budget and finances

<http://www.countyofnapa.org/WorkArea/linkit.aspx?LinkIdentifier=id&ItemID=4294976067>

County of Napa, Performance Measurement Report, January 2013

<http://www.countyofnapa.org/WorkArea/DownloadAsset.aspx?id=4294979564>

County of Napa, Performance Measurement Report, January 2014

<http://www.countyofnapa.org/WorkArea/DownloadAsset.aspx?id=4294981033>

County of Napa, Performance Measurement Report, January 2016

http://www.countyofnapa.org/uploadedFiles/Departments/County_Executive_Office/Documents/2016PerformanceMeasurementReportFINAL.pdf

County of Napa, State of California, Budget Performance Measurement Report, Fiscal Year 2008/2009

http://www.countyofnapa.org/uploadedFiles/Departments/County_Executive_Office/Documents/0809PerfMeasureBook.pdf

County of Napa, State of California, Budget Performance Measurement Report, Fiscal Year 2009/2010

<http://www.countyofnapa.org/WorkArea/linkit.aspx?LinkIdentifier=id&ItemID=4294970795>

County of Napa, State of California, Budget Performance Measurement Report, Fiscal Year 2010/2011

<http://www.countyofnapa.org/WorkArea/DownloadAsset.aspx?id=4294972455>

County of Napa, State of California, Budget Performance Measurement Report, Fiscal Year 2011/2012

<http://www.countyofnapa.org/WorkArea/linkit.aspx?LinkIdentifier=id&ItemID=4294974523>

County of Napa, State of California, Recommended Budget, Fiscal Year 2015/2016.

<http://countyofnapa.org/workarea/downloadasset.aspx?id=4294984031>

Napa County 2020 Strategic Financial Plan, January 5, 2016

<http://services.countyofnapa.org/AgendaNet/DownloadDocument.aspx?type=BOS&doctype=ATTACHMENT&id=37110>

Napa County Budget Policies, Fiscal Year 2016-2017

<http://services.countyofnapa.org/AgendaNet/DownloadDocument.aspx?type=BOS&doctype=ATTACHMENT&id=37111>

Performance Measurement Training Manual, August 15, 2013