

PUBLIC SECTOR PERSPECTIVES



**BETTER GOVERNMENT,
MORE LIVEABLE
COMMUNITIES**

**COGNOS PERFORMANCE
PERSPECTIVES SERIES**

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No public servant needs convincing that government is not business.

Its budgets ebb and flow with elections and taxpayer strength. It is exposed to public scrutiny at all times. It is a monopoly provider, insulated from free market forces and lacking profit incentive. Many of its customers cannot pay.

But what government does share with business is the potential to seize the power of its own information for the purposes of compliance and performance improvement.

Many municipalities and federal and state government agencies throughout the world have already greatly improved services and programs by examining current performance and addressing their biggest challenges. Performance management software has helped them do this.

The application of this technology is wide ranging. When governments use performance information to examine problems and successes in such realms as crime, education, social programs, urban planning, traffic management, infrastructure, and client services, better government and more liveable communities result.

In this paper, we offer three perspectives on performance management in the public sector. First, we hear from a government performance management expert about how public information can inform debate, foster communication, and strengthen accountability.

Next, we discover how performance management can help municipalities fight crime, improve services, and make their cities and counties more liveable. Finally, we focus on the critical topic of infrastructure renewal, and how knowing the costs and the potential payoffs of renewal projects can inform the debate on who should fund it.



**“SETTING GOALS
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**“GOVERNMENTS MISS
THE RICH VALUE OF
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MANAGEMENT IF
THEY ARE USING IT
ONLY TO COMPLY.”**

INTERVIEW: FINDING THE POWER IN PERFORMANCE MANAGEMENT

Dr. Shelley Metzenbaum is passionate about performance management in government. To her, using performance goals and measures is not just about good management. It is about making constituents' lives better and making democracy work. In essence, PM lets governments do the right thing.

Metzenbaum is a visiting professor at the University of Maryland's School of Public Policy, where she leads a consortium that brings state agencies together to develop better ways to measure and manage compliance and enforcement programs. In this interview, she shares her passion for performance management with Cognos Senior Writer Kelsey Howarth.

The essence of good government

KH: You state that proper performance management actually strengthens democracy. How so?

SHM: A primary mandate of good government is to encourage debate about priorities. Setting goals begins a conversation with the public. Goals articulate what the priorities are, and measurement indicates how well government is accomplishing them. If citizens and their elected representative disagree with the priorities or are unhappy with progress, they can press for change. This is the essence of the democratic process, a process that thrives on an open dialogue with the public.

Performance management also illuminates: it shares the who, what, and where. It helps monitor conditions, locate problems, and find successful solutions that governments can replicate. Performance management also helps inform choice – electoral and consumer. In addition, performance management strengthens fiscal and ethical accountability, essential to good government. These are all hallmarks of a healthy, vibrant democracy.

Empowering and inspiring

KH: You feel that government agencies “waste a valuable opportunity to use performance management if they simply focus on compliance.” How should they be using performance management?

SHM: Governments miss the rich value of performance management if they are using it only to comply. While compliance is essential, it doesn't have the power to inspire people or tap into their altruistic nature.

As an example, if I want to get people to be safer in their homes I can legislate that they lock their doors. If they comply that's a good thing, but really what I wanted them to do was think about all the ways they can be safer in their homes. I have made them safer, but missed the opportunity to encourage them to think about problems and solutions.



“IF AGENCIES LOOK BEYOND FIRE DRILLS AND ADOPT AN ANALYTIC ATTITUDE, IT ENABLES MORE CREATIVE THINKING ABOUT SOLUTIONS AND CAN ULTIMATELY MINIMIZE UNWANTED INCIDENTS.”

“GOALS AND MEASURES ARE MEANT TO INSPIRE PEOPLE—NOT PUNISH THEM. WE NEED TO FOCUS ON THE SPIRIT OF INQUIRY THAT GOALS AND MEASURES ARE SUPPOSED TO TAP INTO.”

Finding the right attitude

KH: You talk about agencies getting out of crisis response and developing an “analytic attitude.” What do you mean by this?

SHM: Governments today from the top down operate in response mode. Agency officials are so busy responding to the fire drill of the day, for data, for explanations. These drills are normal requests from elected officials, the media, others, but they can consume huge amounts of agency time. Agencies take on a crisis management mode, rather than taking the time to look for the causes of the fire drills and whether anything can be done to reduce them.

If agencies adopt an analytic attitude and look closely both at the social problems and their time-consuming fire drills—if they count and characterize the problems—it encourages the search for the causes. It enables more creative thinking about solutions and, even more important, can ultimately reduce the number and seriousness of these unwanted incidents.

Performance management and the analytic attitude that stems from setting and using outcome-focused goals and measurement is one of government’s top tools. It enables people to focus on issues, decide how much time and resources to dedicate to each, authorize appropriate action, and constantly encourage the search for new insights to lessen problems and improve conditions.

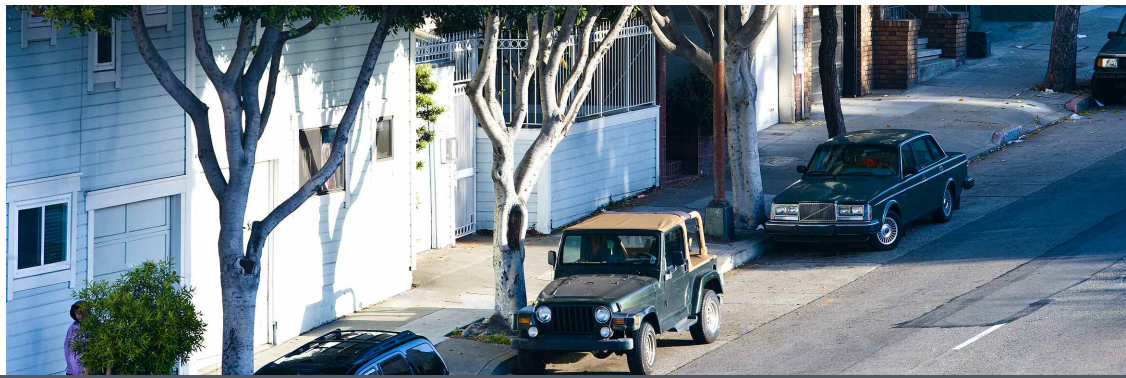
Inspiring your people

KH: You strongly caution organizations to view metrics as an opportunity rather than punishment. Is this a common perception/fear when these initiatives are introduced?

SHM: It can be, and this is one of the strongest messages I try to impart. Goals and measures are meant to inspire people—not punish them. There is an instinct to use them to hold people accountable. No one ever says what accountability means, but it implies you will be punished if you miss a target. We need to focus on the spirit of inquiry that goals and measures are supposed to tap into.

If we ask people to try to achieve great things, then missed goals are to be expected. If we focus on punishment, we ensure that the bar will be set so low to guarantee success and whatever you are trying to achieve will always fall short of what could have been accomplished. For example, if I set a goal to reduce water pollution by 50 percent and you only reduce it by 25 percent, you have actually accomplished something wondrous for the planet, but have failed to meet your target.

Performance management, in its best sense, helps us find a path forward. It is for this reason that I cannot urge strongly enough that these measures are used to foster communication, motivation, feedback, learning, enlistment, alignment, and coordination. These are the actions that keep government in touch with the people.



**THE UNITED NATIONS
PREDICTS THAT BY
2030, TWO-THIRDS OF
THE WORLD'S
POPULATION WILL BE
URBAN.**

**“TO BE
CONTINUOUSLY
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PERHAPS SEVERAL
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—THE ECONOMIST

WHAT DO CITIZENS WANT?

PERFORMANCE MANAGEMENT AND LIVEABLE CITIES

What makes a city liveable? More parks and green space? Access to services and good schools? A booming economy?

Quality of life issues are in the eye of the beholder, says BusinessWeek. And yet “in this age of global economic integration,” people do place factors “such as schooling, quality housing, health care, recreational amenities, and environment at the top of their list.”¹

Each year, for example, the Economist Intelligence Unit’s Livability Ranking assesses living conditions in more than 125 cities worldwide. Among its 40 indicators are stability, healthcare, culture and environment, education, and infrastructure.

The top five cities on the list for 2006? Vancouver, Melbourne, Vienna, Geneva, and Perth.

The new urban century

The move toward urbanization is unprecedented: The United Nations predicts that by 2030, two-thirds of the world’s population will be urban.

As people move to cities in greater numbers, quality of life and sustainability gain more influence.

This is not simply in terms of meeting the growing demand for land use, water, sanitation, and other services. It’s also important to address issues like affordable housing, support for the arts, public transit, good jobs, and community development.

Modern societies, critical mass

Critical mass may be a determining factor here, too: How much human influx can infrastructures and services accommodate in their current form?

In this case, new approaches and planning may be in order.

“Rapidly changing modern societies are creating a need for strategic development that offers constant innovation and a renewal of processes and peoples’ attitudes,” says PriceWaterhouse Coopers in a study on future cities.²

As The Economist sees it: “To be continuously successful, a city has to be able to reinvent itself, perhaps several times.”³

Boston, for example, evolved from a maritime trading empire to factory town in the 19th century to a center of the information economy today.

¹ Brian Bremner, *The World’s Most Livable Cities*, BusinessWeek, April 6, 2007.

² *Cities of the Future – Global Competition*, Local Leadership, PriceWaterhouse Coopers, 2005.

³ *The reinvention test*, The Economist, May 3, 2007.



BY SEEING TRENDS AND PATTERNS, LOCAL GOVERNMENTS CAN MORE READILY SET PRIORITIES AND TAILOR INTERVENTIONS, AND PUT RESOURCES IN THE RIGHT PLACE. THE FINDINGS IN TURN GUIDE FUTURE DECISIONS ABOUT GROWTH AND DEVELOPMENT.

City-level inventiveness: Brookings Institute

Bruce Katz of the Brookings Institute in Washington argues that there is more inventiveness going on at the municipal level.

Denver, for example, is using its power to tax to introduce a light-rail system. And cities such as Chicago are now seen as central to environmental improvements.

In essence, public policy is becoming more city-centered.⁴

Government as business

Meanwhile, New York City mayor Mike Bloomberg takes a business view of city management: where citizens are customers, city workers and commissioners are talent, and he is chief executive.

Marketing and data analysis go hand in hand with this new model for public service.

A key driver, for example, is to protect the city “brand.” That is, low crime rates, good public transportation, and clean streets are indispensable to selling New York as a place to live, work, and visit.

A 24-hour customer-service line also allows people to call in with complaints or concerns. It not only connects locals to government; it provides Bloomberg with “unprecedented access” to what is on constituents’ minds—so the city can improve services.

The result? Among other things, emergency calls are down and city processes such as permits and inspections are faster.

Since 2003, over 150,000 new private sector jobs have been added, fueling construction and the economy. And the mayor currently has a 70 percent approval rating.⁵

Information guides decisions

Mayor Bloomberg may be on the right track when he applies business practices to city management.

The private sector has always had a strong focus on performance improvement. Momentum is building to apply similar approaches in the public sector.

How does performance management help? Reporting and analysis allow city staff to better understand what citizens want, what works, and what doesn’t.

Beyond constituent input, information such as transportation data, crime statistics, and demographics add critical dimensional detail.

⁴ *Et in suburbia ego?* The Economist, May 3, 2007.

⁵ Tom Lowry, *Bloomberg: The CEO Mayor*, BusinessWeek, June 14, 2007.



**A WELL-DESIGNED
SCORECARD OFFERS
A MEANS TO
COMMUNICATE
STRATEGY AND
MEASURE OUTCOMES—
BOTH NEAR AND
LONG-TERM.**

By seeing trends and patterns, local governments can more readily set priorities and tailor interventions, and put resources in the right place. The findings guide future decisions about growth and development.

Analytics, too, provide a consistent means to assess the relative merit of alternative services or projects. Is road expansion a viable option in terms of community impact? Or do people need transportation alternatives? Will a conference center or public park better serve the public?

Communicating strategy and outcomes

The public at large and stakeholders such as regulators and the business community also want to know what the city has done and is doing to move ahead.

Roads are an example. Legislators mandate safety requirements; drivers want shorter commutes and less congestion; concerned citizens want limits placed on road expansion; taxpayers want low maintenance costs; and businesses want to bring goods to their door.

A well-designed scorecard offers a means to communicate strategy and measure outcomes – both near and long-term.

So stakeholders are informed of all aspects of the organization's plans and activities. As priorities change, the scorecard reflects those changes and their impacts.

Modeling the future

Finally, with driver-based planning, cities can move beyond budgets – to develop integrated plans and forecasts that take into account overall strategy.

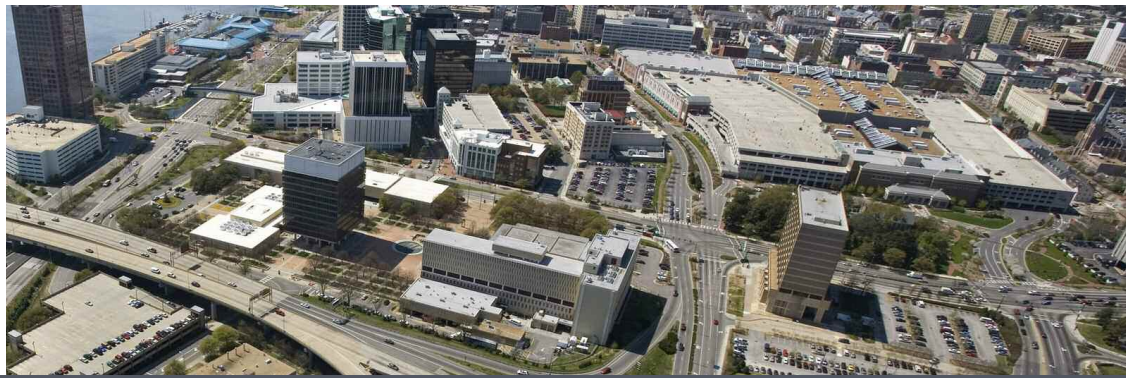
And what-if analysis allows administrators to model a range of possible scenarios and create rolling forecasts to show the effects of changes to infrastructure plans or alternative mandates.

Summary

Municipal governments are on the front lines when it comes to making cities liveable and sustainable, especially in light of worldwide urbanization trends.

City policy-makers will need new approaches, strategies, and planning models – not just to meet the growing demand for public services, but to find ways to create urban spaces where people will want to visit, work, and live.

Performance management is a strategic approach that can help support the process, allowing cities to leverage their data to achieve better social outcomes and improve returns on public investment.



“FROM TOKYO TO TORONTO, PRIVATE SECTOR FINANCING, DESIGN, CONSTRUCTION AND OPERATION OF INFRASTRUCTURE HAS EMERGED AS ONE OF THE MOST IMPORTANT MODELS MANY GOVERNMENTS USE TO CLOSE THE INFRASTRUCTURE GAP.”

—DELOITTE STUDY

PUBLIC ROADS, PRIVATE INVESTMENT, PERFORMANCE MANAGEMENT

A six-lane freeway bridge collapses into the Mississippi River during the evening rush hour, killing 13.

An 80-year-old steam pipe explodes under the streets of Manhattan, leaving a 35-foot crater.

Deteriorating water systems in the U.S. require an investment of nearly \$500 billion by 2019, according to the Environmental Protection Agency.

And day after day, traffic congestion wastes millions of gallons of fuel and countless hours of productivity.

High-profile disasters, along with growing annoyance over long commutes and decaying roads, have focused public attention on the seriously worn-out condition of much of North America’s—and the world’s—infrastructure.

The scale of the problem is massive. And so is the projected cost of repairing or replacing the transportation and utility networks that form the foundation of modern industrial society.

As politicians and public agencies grapple with the tax and borrowing implications of multi-billion-dollar construction programs, a possible answer to this monumental problem is coming from an unexpected place—the private sector investment community.

From Tokyo to Toronto

Historically, most private investment in public infrastructure took the form of bonds purchased from states or municipalities. Now, however, the private players are taking a more direct interest.

“In little more than a decade,” says a study by Deloitte, “a paradigm shift has occurred in how governments provide infrastructure.

“From Tokyo to Toronto, private sector financing, design, construction and operation of infrastructure has emerged as one of the most important models many governments use to close the infrastructure gap.”¹

Moreover, says Deloitte, this “revolution” in public infrastructure is “global, accelerating, and encompass[es] a broad range of infrastructure sectors.”

Water flow, traffic flow, cash flow

Why would public infrastructure, with its huge capital costs and long-term commitments, be so attractive to investors? The answer is cash flow.

With a captive audience of customers, the bridges, toll roads, water systems, and other components of public infrastructure provide a steady stream of revenue that investors find irresistible.

In the words of a Business Week cover story, “banks and private investment firms have fallen in love with public infrastructure.

¹ William D. Eggers, Tom Startup, “Closing the Infrastructure Gap: The Role of Public-Private Partnerships,” Deloitte Development LLC, 2006



“BANKS AND PRIVATE INVESTMENT FIRMS ARE SMITTEN BY THE RICH AND STEADY CASH FLOWS THAT ROADS, BRIDGES, AIRPORTS, PARKING GARAGES, AND THE SHIPPING PORTS GENERATE.”

—BUSINESS WEEK

“GOVERNMENTS CAN USE PUBLIC-PRIVATE PARTNERSHIP TRANSACTIONS TO UNLOCK THE VALUE FROM UNDERVALUED AND UNDERUTILIZED ASSETS, SUCH AS LAND AND BUILDINGS, AND USE THOSE FUNDS TO HELP PAY FOR NEW INFRASTRUCTURE.”

—DELOITTE STUDY

“They’re smitten by the rich cash flows that roads, bridges, airports, parking garages, and the shipping ports generate—and the monopolistic advantages that keep those cash flows as steady as a beating heart.”²

So private investors all over the world are now buying, or leasing long term, virtually any component of public infrastructure that can provide a steady source of income.

Private firms such as Aqua America and United Water supply the water needs of millions of residents in dozens of states.³

In the United Kingdom, which pioneered the privatization trend in Europe, 10 to 13 percent of all investment in public infrastructure now comes from Private Finance Initiative (PFI) projects.³

Toll roads in Virginia, Illinois, and Indiana have been sold or leased to investors.

Even sewage treatment plants in the Netherlands are being run by private interests. And the list goes on.

Unlocking value in the public sector

But what’s in it for the units of government that sell or lease these assets? The answer, of course, is money. Governments need the income, and public assets represent enormous value.

The Deloitte study says that “governments can use PPP (public-private partnership) transactions to unlock the value from undervalued and underutilized assets, such as land and buildings, and use those funds to help pay for new infrastructure.”¹

For example, the Chicago Skyway, one of that city’s busiest toll roads, has been leased to investors for 99 years for a price of \$1.8 billion.

The money has been used to retire debt and fund social programs, while interest on the remaining funds has produced income equal to that previously earned from running the Skyway.

Lofty price tags

San Francisco’s famed Golden Gate Bridge could be worth \$3.4 billion, based on a rate of 40 times toll revenues. A \$500 million sale is pending for a 10-mile stretch of toll road north of Denver, Colorado. Other discrete units of infrastructure carry similarly lofty price tags.

But will private entities care for the public infrastructure as well as public agencies?

In some cases, better.

Care of the Chicago Skyway has improved since it went private, thanks in part to an agreement that spells out maintenance expectations in “mind-numbing detail.”

With less bureaucracy, repairs are often handled in hours, instead of days. Convenience has also improved, thanks to electronic tolling, which wasn’t available before.

¹ William D. Eggers, Tom Startup, “Closing the Infrastructure Gap: The Role of Public-Private Partnerships,” Deloitte Development LLC, 2006

² Emily Thornton, “Roads to Riches,” Business Week, May 7, 2007

³ Alix Stuart, “Water for Profit,” CFO, February 2007



**PERFORMANCE
MANAGEMENT CAN
HELP PUBLIC
MANAGERS MAKE A
CASE FOR
CONTROLLING
CONTROL OF PUBLIC
INFRASTRUCTURE, OR
PROVIDE THE DATA
NEEDED TO
ESTABLISH A
REALISTIC, FAIR
PRICE SHOULD THE
UNIT OF
GOVERNMENT DECIDE
TO SELL OR LEASE
THE ASSET.**

Economics vs. philosophy

In spite of many positive results, however, there are differences of opinion both economic and philosophical as to whether governments should make a business of selling or leasing public infrastructure.

Even Car and Driver magazine has weighed in on the topic, calling the Chicago Skyway lease a “scheme to turn asphalt into pocket money for the politicians.”⁴

Citizens and government leaders will have to resolve the philosophical differences for themselves. But performance management solutions can help make the economic choices clearer.

Software tools to see down the road

Performance management software can help managers—public or private—run infrastructure more efficiently.

It can provide more visibility into the drivers of costs and revenues, and enable governments to understand and predict the true long-term prospects of the infrastructure they are entrusted to maintain.

At Denver Water, for example, Cognos analysis allows the water utility to perform trend analysis based on a decade’s worth of historical information, and accurately forecast costs and revenues over extended time periods.

Planning, budgeting and forecasting tools can help planners model schemes such as “congestion pricing” for vehicles entering central cities during peak traffic hours.

Capabilities like these can help public managers make a case for maintaining control of public infrastructure, or provide the data needed to establish a realistic, fair price should the unit of government decide to sell or lease the asset.

Conclusion

Is it wise to sell a public utility to a private entity? No doubt, there are some cases where it makes sense, and others where it doesn’t.

Whether you’re for or against privatization philosophically, a performance management solution can help make the discussion more honest.

For more perspectives on public sector, business intelligence, and performance management, subscribe to the Cognos Performance Perspectives newsletter. Visit us at: www.cognos.com/newsletter

⁴ Patrick Bedard, “Turning Asphalt into Gold,” Car and Driver, November 2007