This handbook is an advisory guide that provides information for reporting municipal performance measures only. The handbook may not account for particular or local facts or circumstances, and it reflects laws and practices that are subject to change. Accordingly, this guide should not be relied on as a substitute for legal or professional advice, and the user is responsible for how the handbook may be used or applied.

Every year the minister writes to municipalities, informing them of the formal requirements of the program, including a list of performance measures. Municipal performance measures are authorized under the *Municipal Act, 2001*. The minister’s letter to municipalities and the annual list of performance measures is posted on the ministry’s Web site at www.mah.gov.on.ca under the heading, Municipal Performance Measurement Program.
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Part 1 – The Municipal Performance Measurement Program

In 2000, Ontario municipalities began participating in a new program of performance measurement – the first comprehensive program of its kind in North America. Specifically, municipalities are now required to annually provide the Ministry of Municipal Affairs and Housing with performance measurement information, and then report performance results to their taxpayers.

This handbook is meant to provide municipalities with information about the program. Part 1 of the handbook explains the concept of performance measurement and describes the steps municipalities can take to implement the Municipal Performance Measurement Program (MPMP). Part 2 details how municipalities can further develop their own comprehensive performance measurement systems.

I. Introduction to Performance Measurement

During each winter from 1985 to 1993, the former Regional Municipality of Ottawa-Carleton experienced frost penetration that averaged 180 centimetres and handled about 200 frozen water services (frozen water in the pipes, which cuts off the water flow). But in 1993-94, the weather was extremely cold. Frost penetrated to almost 200 centimetres, and the region reported 2,344 frozen services. The water supply to thousands of residents – one of them the prime minister – was disrupted. To thaw the frozen services, the region incurred almost $2.2 million in unanticipated spending and issued 7,000 notices to run water to prevent further damage.

In response, the region developed a performance measurement and monitoring system, which measured the occurrence of frozen services, the occurrence of run-water notices, the cost of thawing frozen services, revenue loss, population affected, etc. This system allowed the region to predict when and where frozen services would occur. This prediction, in turn, allowed the region to give its residents selective warnings to run water. It also enabled the region to prioritize its capital program for replacing water pipes.

The region experienced another severe winter in 1995-96. Thanks largely to its performance measurement system, only 94 frozen services occurred that year, and the region issued just 1,500 notices to run water. The bottom line is that cost was reduced, revenue loss was avoided and service was maintained to residents. Performance measurement and monitoring had done its job.

The goals for local governments, on behalf of taxpayers, should always be to provide the best and safest services at the most efficient cost, with clear accountability. One way to ensure these goals is through the use of performance measurement.
Why is Performance Measurement Important for Municipalities?

Municipal decision-makers want to be efficient and deliver value for local services. Taxpayers need to know how their tax dollars are spent and how their services compare both year-to-year and in relation to others. Governments choose to use performance measurement for four main reasons.

**Figure 1: Benefits of Performance Measurement**

1. **Measurement helps improve performance.**
   Sports teams track scores and important performance statistics to make the changes they need to win. People who own RRSPs follow how their portfolios are performing and adjust their investments to ensure adequate retirement income. Businesses monitor costs, production, customer satisfaction and profit to stay in business, earn reasonable rates of return and report results to their shareholders. It is the same in government. Government programs exist to provide services and improve the quality of life. Performance measurement identifies ways for municipalities to provide high-quality, efficient and effective services.

2. **Performance measurement strengthens accountability.**
   Government today is very complex, so it is important that elected officials and public servants inform taxpayers what the government plans to achieve, what it is actually accomplishing and what public services cost. With this information, taxpayers can make informed decisions about the level of services they desire. This notion of accountability is fundamental to our form of government.

Measuring performance and setting targets effectively establishes an understanding between municipal staff and council, under which all parties develop a clearer understanding of the expected results or standards for each service area. The result is a
shared accountability framework between staff and council, which benefits everyone. It helps focus council’s decision-making and helps municipal staff understand the level and type of service delivery required. For the most part, municipalities already serve their taxpayers well, and that is something the public has a right to know. Performance measurement demonstrates to taxpayers how they are being served and the value they are receiving for their tax dollars.

3. Performance measurement stimulates productivity and creativity.
Performance measures can be used to create new incentives and rewards to stimulate staff creativity and productivity. A growing number of municipalities have pursued this approach, including Ajax, Brampton, Kingston and Owen Sound. In fact, many municipalities have been able to cut costs while maintaining or even improving service because they implemented the creative ideas of staff directly involved in service delivery.

4. Performance measurement improves budget processes.
Performance measures can help municipalities develop budgets that are based on realistic costs and benefits, not just historical patterns. Performance measurement can also improve the monitoring of municipal budgets by measuring whether the budget and expected service levels are being met.

Performance Measurement in Action

Performance measurement is not new. It has been in place for several years in different forms in many jurisdictions around the world. Every country in the Organization for Economic Cooperation and Development (OECD) has a policy at the national level supporting performance measurement. In the United States, the federal government and more than 30 states have legislated performance measurement for their departments and agencies. In Canada, the federal government, eight provinces and two territories have formal systems of performance measurement. Ontario is one of the leaders in this area.

In the municipal sector, there are many examples of commitment to performance measurement. The municipalities of Calgary and Winnipeg in Canada, and Seattle and Sunnyvale in the United States, are well known for having adopted performance measurement systems. Smaller municipalities are also developing or have implemented performance measurement systems, including Maple Ridge in British Columbia, Grande Prairie in Alberta, Walnut Creek in California and Burnsville in Minnesota.

In Ontario, many municipalities have been using forms of performance measurement for years. For example, the City of Ottawa and the regional municipalities of York, Halton and Peel have active performance measurement programs, as have Toronto, Thunder Bay, Guelph and Burlington. Many other Ontario municipalities use elements of performance measurement by measuring work volume and the cost of maintaining services such as roads, water, sewers and parks. More than 100 municipalities across North America, including Thunder Bay and Calgary, are
participating in a municipal performance measurement program developed by the International City/County Management Association (ICMA). These municipalities share their performance measurement results with each other annually.

Ontario municipalities in rural and northern Ontario are involved in, or are exploring, opportunities for using performance measurement in their operations. Many municipalities include reviews or assessments of their results in their budget planning processes.

Many Ontario municipalities share comparative performance data among themselves on an informal basis. A significant initiative in municipal service benchmarking has been led by a group of chief administrative officers from Ontario’s upper-tier and single-tier municipalities. The Ontario Municipal CAO’s Benchmarking Initiative (OMBI) has been instrumental in developing a new approach to benchmarking municipal performance in service delivery. Municipal associations such as the Ontario Good Roads Association have also been very active in promoting the use of performance measurement as a management tool.

The provincial government has made performance measurement a high priority. Government ministries and agencies are required to develop and report performance measures showing planned and actual results as part of the annual business planning cycle. The provincial government has worked with other parts of the public sector, such as school boards, hospitals and local housing authorities, to implement performance measurement.

II. What is the Municipal Performance Measurement Program (MPMP)?

The Municipal Performance Measurement Program (MPMP) requires Ontario municipalities to measure and report to taxpayers on their service delivery performance. MPMP currently consists of 40 performance measures in ten core municipal service areas. The program involves a dynamic process of defining and refining measures that are relevant to municipalities and the public. The program will benefit from the improvements and refinements that municipalities and others suggest.

MPMP includes both efficiency and effectiveness measures. The services selected for the program meet the following criteria:

- Reflect major expenditure areas for municipalities.
- Reflect areas of provincial-municipal interest.
- Reflect high interest and value to the public.
- Have data that is relatively easy to collect.
- Fall under municipal responsibility.

The charts on pages 8 to 11 summarize the performance measures for each service area, including the broad objective of each measure.
# Program Requirements for Municipalities

The measures in MPMP are indicators of a municipality’s performances in selected core service areas. No single measure can fully represent every activity associated with each of these service areas. Over time, and with feedback from municipalities and others, the province expects to add measures to reflect the full range of activities associated within each of the current set of municipal services. New service areas may also be added.

## Summary of Municipal Performance Measures 2002 Reporting Year

<table>
<thead>
<tr>
<th>Service Area</th>
<th>Objective</th>
<th>Type of Measure</th>
<th>Measure</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Local Government:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Governance and corporate management</td>
<td>Efficient municipal government</td>
<td>Efficiency</td>
<td>Operating costs for governance and corporate management as a percentage of total municipal operating costs.</td>
</tr>
<tr>
<td>Fire:</td>
<td>Fire services</td>
<td>Efficiency</td>
<td>Operating costs for fire services per $1,000 of assessment.</td>
</tr>
<tr>
<td>Police:</td>
<td>Police services</td>
<td>Efficiency</td>
<td>Operating costs for police services per household.</td>
</tr>
<tr>
<td>Violent crime rate</td>
<td>Safe communities</td>
<td>Effectiveness</td>
<td>Violent crime rate per 1,000 persons.</td>
</tr>
<tr>
<td>Property crime rate</td>
<td>Safe communities</td>
<td>Effectiveness</td>
<td>Property crime rate per 1,000 persons.</td>
</tr>
<tr>
<td>Total crime rate</td>
<td>Safe communities</td>
<td>Effectiveness</td>
<td>Total crime rate per 1,000 persons (Criminal Code offences, excluding traffic).</td>
</tr>
<tr>
<td>Youths charged</td>
<td>Safe communities</td>
<td>Effectiveness</td>
<td>Number of youths charged per 1,000 youths.</td>
</tr>
<tr>
<td><strong>Roadways:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Paved roads</td>
<td>Efficient maintenance of paved roads</td>
<td>Efficiency</td>
<td>Operating costs for paved (hard top) roads per lane kilometre.</td>
</tr>
<tr>
<td>Unpaved roads</td>
<td>Efficient maintenance of unpaved roads</td>
<td>Efficiency</td>
<td>Operating costs for unpaved (loose top) roads per lane kilometre.</td>
</tr>
<tr>
<td>Winter maintenance of roadways</td>
<td>Efficient winter maintenance of roadways</td>
<td>Efficiency</td>
<td>Operating costs for winter maintenance of roadways per lane kilometre maintained in winter.</td>
</tr>
<tr>
<td>Pavement condition</td>
<td>Pavement condition meets municipal objectives</td>
<td>Effectiveness</td>
<td>Percentage of paved lane kilometres where the condition is rated as good to very good.</td>
</tr>
<tr>
<td>Service Area</td>
<td>Objective</td>
<td>Type of Measure</td>
<td>Measure</td>
</tr>
<tr>
<td>------------------------------------------</td>
<td>---------------------------------------------------------------------------</td>
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<td>-------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Response to winter storm events</td>
<td>Appropriate response to winter storm events</td>
<td>Effectiveness</td>
<td>Percentage of winter events where the response met or exceeded locally determined road maintenance standards.</td>
</tr>
<tr>
<td><strong>Transit:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Conventional transit</td>
<td>Efficient conventional transit</td>
<td>Efficiency</td>
<td>Operating costs for conventional transit per regular service passenger trip.</td>
</tr>
<tr>
<td>Conventional transit ridership</td>
<td>Maximum utilization of conventional transit services</td>
<td>Effectiveness</td>
<td>Number of conventional transit passenger trips per person in the service area in a year.</td>
</tr>
<tr>
<td><strong>Wastewater (Sanitary and Combined Sewage)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wastewater collection</td>
<td>Efficient municipal wastewater collection services</td>
<td>Efficiency</td>
<td>Operating costs for the collection of wastewater per kilometre of wastewater main.</td>
</tr>
<tr>
<td>Wastewater treatment and disposal</td>
<td>Efficient municipal wastewater treatment and disposal services</td>
<td>Efficiency</td>
<td>Operating costs for the treatment and disposal of wastewater per megalitre.</td>
</tr>
<tr>
<td>Wastewater collection, treatment and disposal (Integrated System)</td>
<td>Efficient municipal wastewater system (Integrated System)</td>
<td>Efficiency</td>
<td>Operating costs for the collection, treatment, and disposal of wastewater per megalitre (Integrated System).</td>
</tr>
<tr>
<td>Wastewater main backups</td>
<td>Municipal sewage management practices prevent environmental and human health hazards</td>
<td>Effectiveness</td>
<td>Number of wastewater main backups per 100 kilometres of wastewater main in a year.</td>
</tr>
<tr>
<td>Wastewater by-passes treatment</td>
<td>Municipal sewage management practices prevent environmental and human health hazards</td>
<td>Effectiveness</td>
<td>Percentage of wastewater estimated to have by-passed treatment.</td>
</tr>
<tr>
<td><strong>Storm Water</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Urban storm water management</td>
<td>Efficient urban storm water management</td>
<td>Efficiency</td>
<td>Operating costs for urban storm water management (collection, treatment, disposal) per kilometre of drainage system.</td>
</tr>
<tr>
<td>Rural storm water management</td>
<td>Efficient rural storm water management</td>
<td>Efficiency</td>
<td>Operating costs for rural storm water management (collection, treatment and disposal) per kilometre of drainage system.</td>
</tr>
<tr>
<td>Service Area</td>
<td>Objective</td>
<td>Type of Measure</td>
<td>Measure</td>
</tr>
<tr>
<td>------------------------------------</td>
<td>------------------------------------------------</td>
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<td>-------------------------------------------------------------------------</td>
</tr>
<tr>
<td><strong>Drinking Water</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water treatment</td>
<td>Efficient municipal water treatment services</td>
<td>Efficiency</td>
<td>Operating costs for the treatment of drinking water per megalitre.</td>
</tr>
<tr>
<td>Water distribution</td>
<td>Efficient municipal water distribution services</td>
<td>Efficiency</td>
<td>Operating costs for the distribution of drinking water per kilometre of water distribution pipe.</td>
</tr>
<tr>
<td>Water treatment and distribution (Integrated System)</td>
<td>Efficient municipal water system (Integrated System)</td>
<td>Efficiency</td>
<td>Operating costs for the treatment and distribution of drinking water per megalitre (Integrated System).</td>
</tr>
<tr>
<td>Boil water advisories</td>
<td>Water is safe and meets local needs</td>
<td>Effectiveness</td>
<td>Weighted number of days when a boil water advisory issued by the Medical Officer of Health, applicable to a municipal water supply, was in effect.</td>
</tr>
<tr>
<td>Water main breaks</td>
<td>Improve system reliability</td>
<td>Effectiveness</td>
<td>Number of water main breaks per 100 kilometres of water distribution pipe in a year.</td>
</tr>
<tr>
<td><strong>Solid Waste Management (Garbage):</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Garbage collection</td>
<td>Efficient municipal garbage collection services</td>
<td>Efficiency</td>
<td>Operating costs for garbage collection per tonne or per household.</td>
</tr>
<tr>
<td>Garbage disposal</td>
<td>Efficient municipal garbage disposal services</td>
<td>Efficiency</td>
<td>Operating costs for garbage disposal per tonne or per household.</td>
</tr>
<tr>
<td>Solid waste diversion (Recycling)</td>
<td>Efficient municipal solid waste diversion services</td>
<td>Efficiency</td>
<td>Operating costs for solid waste diversion (recycling) per tonne or per household.</td>
</tr>
<tr>
<td>Solid waste management (Integrated System)</td>
<td>Efficient solid waste management</td>
<td>Efficiency</td>
<td>Average operating costs for solid waste management (collection, disposal and diversion) per tonne or per household.</td>
</tr>
<tr>
<td>Complaints — collection of garbage and recycled materials</td>
<td>Improved collection of garbage and recycled materials</td>
<td>Effectiveness</td>
<td>Number of complaints received in a year concerning the collection of garbage and recycled materials per 1,000 households.</td>
</tr>
<tr>
<td>Service Area</td>
<td>Objective</td>
<td>Type of Measure</td>
<td>Measure</td>
</tr>
<tr>
<td>--------------------------------------------------</td>
<td>-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>-----------------</td>
<td>------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Total number of solid waste management sites owned by municipality</td>
<td>Context for solid waste management facility compliance measure</td>
<td>Effectiveness</td>
<td>Total number of solid waste management sites owned by the municipality with a Ministry of Environment Certificate of Approval.</td>
</tr>
<tr>
<td>Solid waste management facility compliance</td>
<td>Municipal solid waste facilities do not have an adverse impact on environment</td>
<td>Effectiveness</td>
<td>Number of days per year when a Ministry of Environment compliance order for remediation concerning an air or groundwater standard was in effect for a municipally owned solid waste management facility, by facility.</td>
</tr>
<tr>
<td>Diversion of residential solid waste</td>
<td>Municipal solid waste reduction programs divert waste from landfills and/or incinerators</td>
<td>Effectiveness</td>
<td>Percentage of residential solid waste diverted for recycling.</td>
</tr>
<tr>
<td>Diversion of residential solid waste (based on combined residential and ICI tonnage)</td>
<td>Municipal solid waste reduction programs divert waste from landfills and/or incinerators</td>
<td>Effectiveness</td>
<td>Percentage of residential solid waste diverted for recycling (based on combined residential and ICI tonnage).</td>
</tr>
</tbody>
</table>

**Land-Use Planning**

| Location of new development                    | New lot creation is occurring in settlement areas                                                                                           | Effectiveness   | Percentage of new lots, blocks and/or units with final approval which are located within settlement areas.                                                                                                                                                           |
| Preservation of agricultural land during 2002   | Preservation of agricultural land                                                                                                            | Effectiveness   | Percentage of land designated for agricultural purposes which was not re-designated for other uses during 2002.                                                                                                                                                   |
| Preservation of agricultural land relative to 2000 | Preservation of agricultural land                                                                                                          | Effectiveness   | Percentage of land designated for agricultural purposes which was not re-designated for other uses relative to the base year of 2000.                                                                                                                              |
| Change in number of agricultural hectares during 2002 | Preservation of agricultural land                                                                                                           | Effectiveness   | Number of hectares of land originally designated for agricultural purposes which was re-designated for other uses during 2002.                                                                                                                              |
| Change in number of agricultural hectares since 2000 | Preservation of agricultural land                                                                                                           | Effectiveness   | Number of hectares of land originally designated for agricultural purposes which was re-designated for other uses since January 1, 2000.                                                                 |
Measuring Operating Costs

Operating costs are used as the numerator for all efficiency measures in the Municipal Performance Measurement Program. The denominator consists of total units, such as households, tonnes or kilometres. The resulting efficiency measure represents unit cost.

MPMP defines operating costs as selected categories of operating costs less revenue received from other municipalities. Subtracting revenue received from other municipalities isolates expenditures pertaining to the reporting municipality. The operating cost categories used are: salaries, wages and employee benefits, materials, contracted services, rents and financial expenses, interfunctional adjustments and the allocation of general government – program support. Long term debt charges and transfers to reserves and reserve funds are not included in the numerator so that the way a municipality finances its capital projects does not affect performance measurement results.

Note that user fees, provincial grants and other forms of revenue are not netted from operating costs since the MPMP efficiency measures are broad brush measures based on gross operating costs. Efficiency measures based on net operating costs would be less comparable since local governments differ on user fee policies, and provincial grants include unconditional grants which are used at the discretion of the municipality.

For more information about operating costs please see the instructions to Schedule 91, Performance Measures: Efficiency, posted in PDF format at: http://oraweb.mah.gov.on.ca/fir/Welcome.htm.

Implementing the Program

Performance measurement data is collected through the annual Financial Information Return (FIR). The FIR includes MPMP schedules for efficiency (Schedule 91) and effectiveness (Schedule 92). A schedule for notes (Schedule 93) allows municipalities to qualify their information and explain local conditions that may have influenced efficiency and effectiveness results. The FIR web site also contains detailed instructions for completing MPMP Schedules in PDF format. Please see http://oraweb.mah.gov.on.ca/fir/Welcome.htm.

Municipalities currently input cost and statistical data into the FIR schedules which are designed as Excel worksheets. Where the service area measured for MPMP purposes is defined in the same way as the FIR schedule for operating costs (Schedule 40), operating costs are automatically carried forward to the efficiency measure schedule (Schedule 91). Where the MPMP service area is more narrowly defined,
INDIRECT COSTS

When MPMP was designed, the ministry recognized that the issue of indirect costs would need to be addressed to enable true comparisons between municipalities and to facilitate year-over-year comparisons within a municipality. For the first year of the program, Ontario municipalities were instructed to allocate operating costs for general government to other functions using their choice of allocation method. At the request of municipalities, the ministry continued to examine the definitions of the general government categories used in the Financial Information Return and consider methods for standardizing the allocation of operating costs for general government.

To address the issue of indirect costs, the ministry looked at work being done by the Ontario Municipal CAO’s Benchmarking Initiative (OMBI). OMBI proposed new categories for general government and a model for allocating the program support area of general government to other functions.

The OMBI model was accepted by the province, and starting in the 2002 reporting year, all municipalities with populations over 100,000 are expected to use their best efforts to apply the OMBI allocation method. Under the OMBI method, the amount allocated to each function is based on the amount of program support services consumed.

Municipalities with populations under 100,000 will allocate general government program support based on costs for a service area as a percentage of total municipal operating costs.

For more information, please see “Allocation of General Government” in the Introduction to the FIR instructions. The instructions are posted at http://oraweb.mah.gov.on.ca/fir/Welcome.htm.

municipalities enter operating costs directly into open cells in the efficiency measure schedule. Municipalities also enter data that is not collected elsewhere in the FIR directly into the efficiency and effectiveness schedules.

Different levels of local government have different responsibilities for local services. The level of government that delivers the service is responsible for reporting the performance measurement data in the FIR and reporting to taxpayers. For example, upper-tier governments will report performance data as they relate to their roads, whereas lower-tier municipalities will report only on local roads for which they are responsible.

In implementing MPMP requirements, municipalities should take the following steps:
- Consult instructions and schedules to the FIR (Schedules 12, 40, 42) and MPMP.
- Determine what information already exists and what information needs to be collected.
- Assemble data. (FIR data is not audited. The data for performance measures should be relatively easy to collect by staff within municipal departments.)
• Complete and submit FIR and MPMP schedules to the province in the second quarter following the end of the reporting year.
• Report performance measurement results to taxpayers by September 30 following the end of the reporting year.

It is important that municipalities record how data was collected and the source. Keeping records helps municipalities avoid inconsistent and incompatible procedures from year to year and ensures greater data integrity.

Reporting to Taxpayers

Information to Report
Municipalities report to the public all efficiency and effectiveness measures completed in the MPMP schedules of the Financial Information Return. Municipalities report a measure when their level of government is responsible for a service. For a list of performance measures, please see the summary of measures on pages 8 to 11.

Reporting Methods
Municipalities may choose how they report performance measurement results to taxpayers. Below are examples of common methods:

• By direct mail to all taxpayers or households.
• Through the property tax bill.
• In local newspapers.
• On the municipality’s web site.

Municipalities may use more than one of these reporting methods or a method of their own choosing. Reports should be concise and written in plain language.

The City of Brampton makes good use of visuals in its MPMP communications.
Principles of Good Reporting

When reporting performance measurement information to taxpayers, municipalities should keep the following points in mind:

- Reports should focus on results, highlighting the value of the service.
- Information should be meaningful, clear and understandable.
- Numbers alone may be misleading, therefore, it is often good to include comments explaining the numbers.
- Keep comments simple. Operational detail may obscure the real story and cloud municipal transparency.

Reporting Templates

The Ministry of Municipal Affairs and Housing has provided a reporting template that municipalities may use which meets the above principles. The template is posted on the ministry web site: www.mah.gov.on.ca. From the list of Resources for Municipalities, click on the link to Municipal Performance Measurement Program.

Municipalities may augment the information they are required to report or add the results to other municipal publications such as annual reports. Municipalities may also choose to use their own template if this better suits their needs.
Comparisons make it possible to discover which municipalities have practices that may be emulated. Raw numbers that only address last year’s performance may mean very little unless they are compared with other numbers. For example, actual performance for a year can be compared with the performance a municipality had planned to achieve. This is the most common type of comparison used by municipalities which have performance measurement programs.

Performance can also be compared over several years to determine trends. Municipalities that have had performance measurement systems in place for several years usually do this. The Municipal Performance Measurement Program also gives municipalities the opportunity to make comparisons among themselves using a set of common performance measurement data. Thus, to find opportunities for improvement, municipalities are encouraged to share and compare their performance results with those they consider similar to themselves.

Sharing results allows municipalities to discuss service levels and how other municipalities deliver services. The notion of discovering best practices has special significance in this program. Comparisons may show that some municipalities apparently have lower unit costs or better effectiveness results. Certain differences may be attributed to factors beyond anyone’s control, such as location, topography, climate and economic conditions. However, some municipalities will achieve better results for efficiency or effectiveness measures because of the management strategies and methods of service delivery used. Other municipalities could benefit from those strategies to achieve better performance measurement results.
Ontario Centre for Municipal Best Practices

The Ontario Centre for Municipal Best Practices (OCMBP) has been established to seek out best practices in municipal service delivery using MPMP data as a starting point. The centre also uses other data sources, such as the Ontario Municipal CAO’s Benchmarking Initiative (OMBI), and sends detailed surveys to municipalities with better than average efficiency and effectiveness results. The centre actively showcases and promotes best practices. In its first year of operation, OCMBP has identified best practices for winter roads maintenance and municipal recycling. As a virtual centre, the Centre for Municipal Best Practices uses its website to share information on municipal best practices. Please see http://municipalbestpractices.ca/home.asp.

The Ministry of Municipal Affairs and Housing has actively supported the establishment of the centre and in March 2002 provided the Association of Municipalities of Ontario with $100,000 in start-up funding for the project. A further commitment to provide ongoing funds was made in the June 2002 provincial budget.
III. Making Sense of Performance Measurement Information

The Municipal Performance Measurement Program addresses both the efficiency and effectiveness of municipal service delivery. Municipalities should concentrate on both aspects because there is often a trade-off between the two. For instance, a municipality might be able to reduce its unit costs to the lowest level in the province—but only by providing a quality of service that taxpayers find unacceptably low. Similarly, a municipality could provide the highest quality service in the province—but only by means of tax rates or user fees that make the municipality uncompetitive in the long term. Thus, efficiency and effectiveness measures are needed to ensure a balanced approach to service delivery.

There are several ways to improve overall performance by making trade-offs between efficiency and effectiveness:

- Increasing effectiveness by increasing unit cost.
- Increasing effectiveness while holding unit cost constant or reducing unit cost.
- Keeping effectiveness constant while reducing unit cost.
- Reducing unit cost by reducing effectiveness standards.

Most municipalities would likely view the second method as the most preferable and the last method the least preferable, but all methods represent opportunities for improving overall performance.

Performance measurement encourages municipalities and taxpayers to ask why actual performance differs from planned performance. Consider the scenario in Figure 2 and ask yourself, “Is performance good in measure A and poor in B?”

**Figure 2: Performance Scenario**

<table>
<thead>
<tr>
<th>Measure</th>
<th>Planned Performance</th>
<th>Actual Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>100</td>
<td>125</td>
</tr>
<tr>
<td>B</td>
<td>100</td>
<td>75</td>
</tr>
</tbody>
</table>

The answer is that we do not know without further investigation. Most people recognize that financial data alone do not tell the whole story. It is important to understand the forces that underlie financial statistics before forming judgments and deciding how to improve financial results. Performance measurement works exactly the same way. Differences between actual and planned performance, trends over time, and differences among municipalities must be investigated to determine what, if anything, can or ought to be done to change performance. Performance measures help identify areas that need attention.
In the scenario illustrated in Figure 2, the target in Measure A may have been underestimated, or the municipality may have experienced unexpectedly favourable conditions. On the other hand, the municipality may really have done a good job. Maybe it employed new methods or concentrated on a specific segment of the population, and that brought about better than expected performance.

In Measure B the target may have been overestimated, or conditions beyond the control of the municipality may have prevented it from reaching its target. Alternatively, the municipality could have made errors (e.g., used inaccurate data) which led to suboptimal results.

Snap judgments suggesting that results are simply good or poor are not appropriate in performance measurement. A municipality needs to determine why performance exceeded expectation in one case and why it was below target in another. It is also important to understand that both situations depicted in this scenario are worthy of investigation. Certainly a municipality would be interested in performance that was below expectation because it would want to discover ways to improve results. But it ought to be equally interested when performance exceeds expectation because it would want to repeat good performance and identify practices that it could copy elsewhere in its operations. Municipalities need to determine why their performance exceeds or falls below expectations.

Analyzing Results

In the early stages of this program, municipalities may be limited in terms of the complexity of analysis they can apply to performance data. That limitation may be due to a lack of past data for purposes of internal comparison or a lack of experience in inter-municipal comparisons. There are, however, straightforward analytical techniques that can be very useful in identifying areas where performance can be improved.

Comparing Performance
Sharing performance data is very useful. It is reasonable to ask why some municipalities are able to achieve apparently better efficiency or effectiveness results and determine whether they use management or service delivery methods that could be copied. Even if differences are due to factors beyond a municipality's control, sharing the data is useful for both taxpayers and municipal officials to understand local performance in light of local circumstances.

Planned Versus Actual
This method, depicted in Figure 2, is a simple but useful method of analyzing results. To use this method, municipalities must set performance targets. Performance targets can be estimated by referring to the following sources:

- Past performance – even if performance has not been historically measured, data from which past performance can be reconstructed is often available.
Comparisons to other similar organizations or municipalities.
Performance standards established through detailed technical studies.
Private and public sector association data that might give averages or comparative information.
Research into client needs in the form of surveys, consultative panels, focus groups, etc.

Setting performance targets does not mean that a standard will always be met. Performance targets and standards have to be realistically set. When setting targets for the next fiscal year, municipalities have to consider their long-term or strategic plans, how much money is available, council’s policy priorities, service demand and environmental variables.

**Trend Over Time**
This is another valuable analytical technique. Municipal performance normally does not change radically from year to year. Instead, it tends to change gradually, either positively or negatively. If a small change is persistent over time, however, it can become significant. Consider the scenario depicted in Figure 3. A service that spends within its budget typically attracts little detailed scrutiny. When increased spending is proposed, people pay more attention. But what if the results achieved have been declining over time while costs have remained constant? The results are just as important as the cost of providing a service, but an important trend could be missed if department results were not reported over time.

Measures chosen for the Municipal Performance Measurement Program were selected, in part, because data already exists in most municipalities. That means, for some measures, municipalities can reconstruct past performance and determine trends. Generally, a measure will have to be included in the MPMP schedules for two or more years before year-to-year comparisons can be made.
Summary

Think back to the case of Ottawa-Carleton described at the beginning of this handbook. The performance measurement and planning system the region established for water service maintenance in winter was very helpful in improving operational performance. It also provided guidance for the region’s capital replacement program.

The Municipal Performance Measurement Program provides municipalities with a common set of performance measures for some key municipal services. The measures will evolve over time, and new services will be added to the program. Since the year 2000, Ontario municipalities have been able to start measuring their performance and develop a common base of data. The measures assist municipalities in identifying potential areas for improvement and best practices to emulate.

This program also strengthens local government accountability to taxpayers. MPMP results allow taxpayers to see how their municipalities are performing and enable municipalities to set targets for continual improvement.

The goal of local government, on behalf of taxpayers, should be to find an optimal balance between efficiency and effectiveness in the delivery of local services. Performance measurement is far more than the annual reporting of past data. It has many uses and can contribute directly to improving the quality of life in Ontario municipalities through improved service delivery.

In its commitment to assist municipalities, the Ontario government has developed support materials such as this handbook, and through its MPMP Advisory Committee will continue to respond to feedback and advice on how to refine the MPMP measures and the program.

Brantford Expositor (editorial):

“There are always risks in reducing a complex operation of the size of a municipal government to a short list of numbers. That said, however, there’s a lot to be learned by doing comparisons, whether it’s within one municipality from year-to-year, or between municipalities in the same year.”
Part 2 – Developing Customized Performance Measures

To complement MPMP measures, municipalities may wish to develop performance measures to address unique local situations or measure services in more detail.

This section describes a generic method for developing performance measures beyond those included in the ministry’s Municipal Performance Measurement Program. The method can be applied to any type of service delivered by any level of local government. The method consists of a three-step process for examining a service (or program):

1. Defining the service mission.
2. Stating the key results the service is trying to accomplish.
3. Selecting performance measures for the desired results.

This is the most commonly used method for developing performance measures in government today. It can generate many different kinds of performance information to support a variety of municipal decision-making processes, including strategic planning, operational planning, budgeting, and service or performance evaluations.

I. How to Develop Customized Performance Measures

Defining the Service Mission

Before measuring performance, municipalities must be clear about the purpose or mission of a particular service because performance measurement must contribute to achieving that end. Sometimes a mission is referred to as a goal, a vision or an outcome. No matter what term is used, a mission should be a succinct statement understandable to someone not familiar with the service. (See examples in Figure 5). A mission is not normally time constrained or quantified, nor does it address how service is delivered. Rather, it states what the service is trying to achieve over the long term and should respond to three questions.

WHAT is the product or service provided?
WHO is the intended client, customer or target group?
WHY is the service needed?

The questions what, who and why are answered below for three sample service areas.

Landfill Operations
WHAT and WHO To receive and manage solid waste from residents and industrial, commercial and institutional users in the municipality.
WHY To ensure a safe environment and protect public health.
Recreation Services
WHAT and WHO To provide aquatic and fitness opportunities for enjoyment, and skills development for all residents.
WHY To contribute to a healthy community.

Information Services – Helpline
WHAT and WHO To provide cost-effective centralized municipal information and problem-solving services to the public and other users.
WHY To improve access to municipal services.

Stating the Key Results the Service is Trying to Accomplish

Municipal services are complex. We could develop an endless number of performance measures, but doing so would create more information than could possibly be absorbed. The point is to identify the outcomes that need to be measured. It is essential to realize that any government service produces many different kinds of results. The results can be grouped into three categories: service outputs, client benefits/impacts and strategic outcomes. The three categories of results relate directly to a service area’s mission as shown in the following chart.

<table>
<thead>
<tr>
<th>Defining the Service Mission</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>What is the service?</td>
<td>Service outputs (efficiency)</td>
</tr>
<tr>
<td>Who is the client?</td>
<td>Client benefits/impacts (effectiveness)</td>
</tr>
<tr>
<td>Why is the service needed?</td>
<td>Strategic outcomes (effectiveness)</td>
</tr>
</tbody>
</table>

All three categories of results are important because together they encompass the concepts of efficiency and effectiveness. Service outputs can be evaluated by efficiency measures that are often expressed as unit costs. Client benefits address effectiveness in terms of quality or benefits from the client or taxpayer’s point of view. Strategic outcomes address effectiveness in terms of the benefits of the program or service over the long term for the entire municipality. Client benefits and strategic outcomes can be evaluated by effectiveness measures that are often expressed as percentages or ratios.

See Figure 4 for an overview of performance measurement results. Figure 5 illustrates the link between defining the mission and results in three different service areas: landfill operations, recreation services and information services – helpline. In Figure 6, performance measures have been developed for each desired result.
### Figure 4: Overview of Performance Measurement Results

<table>
<thead>
<tr>
<th>Description</th>
<th>Service Outputs (Efficiency)</th>
<th>Client Benefits/Impacts (Effectiveness)</th>
<th>Strategic Outcomes (Effectiveness)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Direct outputs or work processes.</td>
<td>Results from client’s point of view.</td>
<td>Results from community’s point of view.</td>
</tr>
<tr>
<td>Main Users</td>
<td>Municipal staff and management.</td>
<td>Municipal staff and management, senior management, councilors, public.</td>
<td>Senior management, councilors, public.</td>
</tr>
<tr>
<td>Degree of Control</td>
<td>Relatively direct control.</td>
<td>Less control, but can still be strongly influenced.</td>
<td>Indirect, outside influences are strong.</td>
</tr>
<tr>
<td>Measurement</td>
<td>Measurement is relatively straightforward.</td>
<td>Measures must be defined carefully.</td>
<td>More difficult to measure.</td>
</tr>
<tr>
<td></td>
<td>Efficiency measures expressed as ratio of inputs to outputs.</td>
<td>Effectiveness measures compare results to goal.</td>
<td>Effectiveness measures compare results achieved to goal.</td>
</tr>
<tr>
<td></td>
<td>Measures often expressed as unit cost.</td>
<td>Measures expressed as percentages, ratios, counts.</td>
<td>Measures expressed as percentages, ratios, counts.</td>
</tr>
</tbody>
</table>

### Figure 5: Steps 1 and 2 – Defining the Service Mission and Key Results

<table>
<thead>
<tr>
<th>Service Outputs (Efficiency)</th>
<th>Client Benefits/Impacts (Effectiveness)</th>
<th>Strategic Outcomes (Effectiveness)</th>
</tr>
</thead>
<tbody>
<tr>
<td>LANDFILL OPERATIONS</td>
<td>Processing solid waste</td>
<td>Service time minimized</td>
</tr>
<tr>
<td>Mission: To receive and manage solid waste from residents and industrial, commercial and institutional users in the municipality to ensure a safe environment and protect public health.</td>
<td></td>
<td>Landfill capacity maximized</td>
</tr>
<tr>
<td>RECREATION SERVICES</td>
<td>Providing instruction for fitness and swimming programs</td>
<td>Services meet demand</td>
</tr>
<tr>
<td>Mission: To provide aquatic and fitness opportunities for enjoyment, and skills development for all residents to contribute to a healthy community.</td>
<td>Improved levels of fitness</td>
<td></td>
</tr>
<tr>
<td>Providing recreational swimming</td>
<td>Public satisfaction</td>
<td></td>
</tr>
<tr>
<td>INFORMATION SERVICES – HELPLINE</td>
<td>Providing help-line services</td>
<td>Services meet demand</td>
</tr>
<tr>
<td>Mission: To provide cost-effective centralized municipal information and problem-solving services to the public and other users to improve access to municipal services.</td>
<td>Response time improved</td>
<td></td>
</tr>
</tbody>
</table>
Selecting Performance Measures for the Desired Results

Having first defined the mission and then identified the desired results, it is now necessary to develop performance measures. After completing the first two steps, many performance measures will become obvious. It may be difficult to measure a result directly, but possible to measure it indirectly. One example of an indirect measure is assessing the effectiveness of a fire prevention program through the change in the number of fire incidents.

Performance measurements can be expressed as raw numbers. For example, efficiency measures are usually expressed as unit costs. Percentages and ratios are often used to express effectiveness results. As noted earlier, performance data is most meaningful when comparisons can be made. Such comparisons include planned-to-actual, trend over time and comparisons among municipalities.

Performance can be measured using a variety of methods:

- Satisfaction or opinion surveys.
- Inspection reports.
- Observer ratings.
- Demand statistics (e.g., waiting lists).
- Utilization statistics.
- Time-recording devices and systems.
- Test scores.
- Progress reports.
- Participant evaluations.
- Demographic, social, economic and cultural data from Statistics Canada and other organizations (e.g., Ontario Good Roads Association, Canadian Urban Transit Association).
- Occurrence reports (e.g., crime occurrence rates).
- Self-reported data that may be required from clients.
- Readouts from measuring and monitoring machines.

It is important to measure quality as well as unit cost. Results should be seen in terms of how much is achieved and how well. Quality has different connotations in different programs but it boils down to this — meeting client or taxpayer expectations. The approach to performance measurement described here explicitly addresses client benefits or impacts. Typical examples of quality measures include error rate, complaints or compliments, frequency of service and waiting time.
### Figure 6: Step 3 – Selecting Performance Measures for Desired Results

<table>
<thead>
<tr>
<th>Service Outputs (Efficiency)</th>
<th>Client Benefits/Impacts (Effectiveness)</th>
<th>Strategic Outcomes (Effectiveness)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>LANDFILL OPERATIONS</strong></td>
<td>Processing solid waste</td>
<td>Service time minimized</td>
</tr>
</tbody>
</table>
| **Mission:** To receive and manage solid waste from residents and industrial, commercial and institutional users in the municipality to ensure a safe environment and protect public health. | • Cost per tonne processed.  
• Equipment hours per tonne. | • Average waiting time to enter scales.  
• Average cycle time once scales have been entered. | • Percentage of off-site monitoring tests that meet environmental standards. |
| **RECREATION SERVICES**    | Providing instruction for fitness and swimming programs | Services meet demand               | Healthy life-styles encouraged |
| **Mission:** To provide aquatic and fitness opportunities for enjoyment, and skills development for all residents to contribute to a healthy community. | • Cost of instruction per swimming class.  
• Cost of instruction per fitness class.  
• Cost of recreational swimming per hour. | • Number of swimming classes per household.  
• Number of fitness classes per household.  
• Number of hours of recreational swimming per household. | • Number of recreational participants per 100 persons in municipality.  
• Number of participants in fitness and swimming instructional programs per 100 persons in municipality. |
| **INFORMATION SERVICES – HELpline** | Providing help-line services | Services meet demand               | Improved public access to municipal services |
| **Mission:** To provide cost-effective centralized municipal information and problem-solving services to the public and other users to improve access to municipal services. | • Cost per hour of service.  
• Average number of minutes per request. | • Number of requests for assistance per year, by service. | • For municipal services accessed by phone, number and percentage of clients surveyed who say they were directed to service by helpline. |
|                           |                                         | **Response time improved**         |                                     |
|                           |                                         | • Average elapsed time from initial request to problem resolution. |                                     |
|                           |                                         | **Public satisfaction**            |                                     |
|                           |                                         | • Percentage of clients surveyed who report information need was met or problem was satisfactorily resolved. |                                     |
II. Benefits of Performance Measurement for Municipalities

Developing, implementing and using performance measures requires a commitment on the part of elected municipal officials and municipal staff. Once this commitment is made, the benefits of performance measurement can be realized.

First, performance measurement can help a municipality set effective priorities. Activities can be prioritized and resources allocated (including the time and attention of managers) according to the contributions they make toward meeting client needs and expectations.

Second, performance measurement changes a municipality’s whole outlook. Results become the focus, rather than the activities conducted in the past. Service delivery can be regularly altered or tuned to respond to current resident needs. A focus on client needs causes organizations to rely more on co-operation and partnership.

Third, performance measurement encourages innovation. The primary focus for managers is not on how the job is done but rather on what is achieved. This frees managers to truly manage and motivates employees to develop or try new ideas that will achieve the stated objectives.

Fourth, accountability to council, senior management and taxpayers is improved because these stakeholders can be told about a service area’s achievements succinctly. Municipal officials, therefore, have an enhanced ability to make more informed decisions. By the same token, performance measurement allows managers to delegate authority with greater confidence, because their expectations are clearly set and they have a method for reviewing actual performance. Moreover, the public better understands how its tax dollars are being spent.

Performance measurement helps to improve municipal performance in local service delivery. It helps to set targets and allows those targets to be monitored effectively. Managers can be alerted to situations that should be improved or that might be copied by other parts of the municipality. Improvements in performance often occur simply by setting clear, measurable performance targets.
Contacts

For more information about the Municipal Performance Measurement Program, please contact the nearest Municipal Services Office or the ministry’s Municipal Performance and Accountability Branch at (416) 585-6022. Information about the program is available on the ministry’s web site at www.mah.gov.on.ca under the heading, Municipal Performance Measurement Program.

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