Reporting Capital Asset by State & Local Governments

A Focus on Performance

Jay Fountain, GASB

The views expressed in this presentation are those of Mr. Fountain. Official positions of the GASB are determined only after extensive due process and deliberation by the GASB.
Governmental Accounting Standards Series

Statement No. 34 of the Governmental Accounting Standards Board

Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments

GASB

GOVERNMENTAL ACCOUNTING STANDARDS BOARD
OF THE FINANCIAL ACCOUNTING FOUNDATION
Session Outline

- GASB Statement 34 Capital Asset Reporting
- Valuing
- Depreciation
- When to Report Capital Assets
- Transition for Infrastructure Assets
- Modified Approach for Infrastructure Assets
- Works of Art and Historical Treasures
Capital Asset Reporting Required

- All capital assets should be reported on the statement of net assets
- Cost of using capital should be reported on the statement of activities
- All capital assets should be reported in business-type activity and fiduciary funds
- Capital assets should not be reported in governmental funds
Why Report Capital Assets

- Capitalization and measurement of the cost of using capital assets helps users:
  - Determine whether current-year revenues covered the cost of current-year services
  - Assess the service efforts and costs of programs
  - Assess the govt’s financial position and condition
  - Determine whether the govt’s financial position improved or deteriorated
  - Assess the service potential of physical resources having useful lives extending beyond the current period
Why is GASB Standard 34 Important to Public Works?

- Revenue for infrastructure asset maintenance continues to have low priority in many public agencies
- Current financial statements do not attempt to account for all infrastructure assets, or their condition
- The new financial statements will highlight the condition of infrastructure assets
Rebuild America Coalition

- 59% of Roads in Poor to Fair Condition
- 31% of Bridges Deficient or Obsolete
- 1/3 of School Buildings Need Repair
- 12% of Dams are High-Hazard due to Deterioration

**THE U.S. INFRASTRUCTURE PRICE TAG**

...it’s not just highways

The nation’s burgeoning infrastructure needs go far beyond fixing our roads and bridges. The following must be invested in order to maintain and improve a variety of public works systems and facilities:

- Roads, Bridges & Highways ....................... $358 billion
- Mass Transit Systems ................................. $72 billion
- Airports ............................................... $33–60 billion
- Schools ............................................... $200 billion
- Drinking Water ....................................... $138 billion
- Wastewater ......................................... $213 billion

**TOTAL** ............... at least $1 trillion

And, this doesn’t include the spiraling costs of maintaining and improving solid waste disposal systems, dams, ports, parks, libraries, courthouses and other public facilities.
Reducing the Gap in Management Philosophy Between Proprietary and Governmental Funds

- Proprietary funds have traditionally accounted for infrastructure assets
- Enterprise funds often have lower deferred maintenance due to dedicated revenue sources
Creating a New Relationship Between Finance Officers and Infrastructure Managers

- Cooperative relationships will be essential

- Infrastructure managers and financial managers must work in a collaborative environment
Statement Will Not

Will not -- For historical cost depreciation
- Specify or dictate capitalization policies
- Establish estimated useful lives for depreciation
- Require use of a specific depreciation method

Will not -- For modified approach
- Specify a condition at which assets must be preserved
Statement of Net Assets
**Statement of Net Assets**

*All assets and liabilities are reported.*

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<tr>
<th>Primary Government</th>
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<th>Business-type Activities</th>
<th>Total</th>
<th>Component Units</th>
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<td>Investments</td>
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<td>Total capital assets</td>
<td>170,022,760</td>
<td>151,388,751</td>
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<td>37,744,786</td>
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<tr>
<td><strong>Total assets</strong></td>
<td>224,454,929</td>
<td>165,392,667</td>
<td>389,847,596</td>
<td>49,603,660</td>
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The difference between assets and liabilities is net assets, and must be reported in three categories.
**Assets:**
- Cash and cash equivalents
- Investments
- Receivable (net)
- Internal Balance
- Inventories
- Capital Assets
  - Land, and Nondepreciable
  - Infrastructure, modified approach
  - Depreciable (net)
  - Total
- Total Assets

**Liabilities**
- Accounts Payable
- Deferred Revenue
- Current portion of noncurrent liabilities
- Noncurrent Liabilities
- Total Liabilities

**Net Assets**
- Invested in capital assets net of related debt
- Restricted for:
  - Capital Projects
  - Debt Service
  - Community Development
  - Other Purposes
- Unrestricted (deficit)
- Total Net Assets

**Activities**
- Improvements/Additions capitalized (depreciation and modified approach)
- Capitalized infrastructure assets net of depreciation (if depreciation approach) or at original cost (if modified approach)
- Preservation capitalized (if depreciation approach)
- Total capital assets net of depreciation less debt issued for acquisition of capital assets.
- Affected by depreciation expense (depreciation approach) or Preservation expense (if modified approach)
### Statement of Net Assets

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<th>Assets:</th>
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- Improvements/Additions capitalized (depreciation and modified approach)
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### Depreciation and preservation on the Financial Statements

#### Statement of Net Assets

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- Affected by depreciation expense (depreciation approach) or Preservation expense (if modified approach)
Statement of Activities
### Indirect Expenses Functions/Programs Expenses Allocation

**Primary government:**
- **Governmental activities:**
  - General government: $9,571,410, ($5,580,878)
  - Public safety: 34,844,749, 4,059,873
  - Public works: 10,128,538, 3,264,380
  - Engineering services: 1,299,645, 111,618
  - Health and sanitation: 6,738,672, 558,088
  - Cemetery: 735,866, 55,809
  - Culture and recreation: 11,532,350, 1,858,966
  - Community development: 2,994,389, 1,740,265
  - Education (payment to school dist): 21,893,273

- **Interest on long-term debt:** 6,068,121, ($6,068,121)

**Total governmental activities:** $105,807,013, $0

**Business-type activities:**
- Water: 3,595,733
- Sewer: 4,912,853
- Parking facilities: 2,796,283

**Total business-type activities:** $11,304,869

**Total primary government:** $117,111,882

**Component units:**
- Landfill: $3,382,157
- Public school system: 31,186,498

**Total component units:** $34,568,655

---

**Assess the full cost of government services**

Reporting focuses on programs and functions.
### Assess the *full cost* of government services

**Indirect Expense Allocation is Optional**

**Expenses are reported on the accrual basis and include charges for using capital assets.**

<table>
<thead>
<tr>
<th>Functions/Programs</th>
<th>Expenses</th>
<th>Indirect Expenses Allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Primary government:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Governmental activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>General government</td>
<td>$ 9,571,410</td>
<td>$(5,580,878)</td>
</tr>
<tr>
<td>Public safety</td>
<td>34,844,749</td>
<td>4,059,873</td>
</tr>
<tr>
<td>Public works</td>
<td>10,128,538</td>
<td>3,264,380</td>
</tr>
<tr>
<td>Engineering services</td>
<td>1,299,645</td>
<td>111,618</td>
</tr>
<tr>
<td>Health and sanitation</td>
<td>6,738,672</td>
<td>558,088</td>
</tr>
<tr>
<td>Cemetery</td>
<td>735,866</td>
<td>55,809</td>
</tr>
<tr>
<td>Culture and recreation</td>
<td>11,532,350</td>
<td>1,858,966</td>
</tr>
<tr>
<td>Community development</td>
<td>2,994,389</td>
<td>1,740,265</td>
</tr>
<tr>
<td>Education (payment to school dis)</td>
<td>21,893,273</td>
<td>—</td>
</tr>
<tr>
<td>Interest on long-term debt</td>
<td>6,068,121</td>
<td>(6,068,121)</td>
</tr>
<tr>
<td><strong>Total governmental activities</strong></td>
<td>105,807,013</td>
<td>$</td>
</tr>
<tr>
<td><strong>Business-type activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water</td>
<td>3,595,733</td>
<td></td>
</tr>
<tr>
<td>Sewer</td>
<td>4,912,853</td>
<td></td>
</tr>
<tr>
<td>Parking facilities</td>
<td>2,796,283</td>
<td></td>
</tr>
<tr>
<td><strong>Total business-type activities</strong></td>
<td>11,304,869</td>
<td></td>
</tr>
<tr>
<td><strong>Total primary government</strong></td>
<td><strong>$117,111,882</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Component units:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Landfill</td>
<td>$ 3,382,157</td>
<td></td>
</tr>
<tr>
<td>Public school system</td>
<td>31,186,498</td>
<td></td>
</tr>
<tr>
<td><strong>Total component units</strong></td>
<td><strong>$ 34,568,655</strong></td>
<td></td>
</tr>
</tbody>
</table>
Statement of Activities

Functions/Programs

Primary Government
Governmental Activities
General Government
Public Safety
Public Works
Health and Sanitation
Culture and Recreation
Community Development
General Depreciation
Interest on Long-Term Debt

Total Governmental Activities
Business-type Activities
Water
Sewer
Airport
Parking Facilities

Total Business-Type Activities

Total Primary Government

Component Units
Landfill
Public School System

Total Component Units

General Revenues:
Taxes (by Type)
Investment Earnings
Miscellaneous
Special Items
Transfers
Changes in net assets

Net Assets--Beginning
Net asset--Ending

Net Revenues

Expenses
Program Revenues
Primary Government
Component Units

Maintenance and depreciation expenses are reported by function if identifiable, if not reported in general government or general depreciation (if depreciation approach)
or
Maintenance and preservation/renewal expenses are reported by function (if modified approach)
Primary Government
  Governmental Activities
    General Government
    Public Safety
    Public Works
    Health and Sanitation
    Culture and Recreation
    Community Development
    General Depreciation
    Interest on Long-Term Debt
  Total Governmental Activities
  Business-type Activities
    Water
    Sewer
    Airport
    Parking Facilities
  Total Business-Type Activities
  Total Primary Government

Component Units
  Landfill
  Public School System
  Total Component Units
  Total

Maintenance and depreciation expenses are reported by function if identifiable, if not reported in general government or general depreciation (if depreciation approach) or
Maintenance and preservation/renewal expenses are reported by function (if modified approach)
Prepared by U.S. Dept. of Transportation, Office of Asset Management

Available free at: (202) 366-1130
Asset Management Primer

- Prepared by U.S. Dept. of Transportation, Office of Asset Management
- Available free at: (202) 366-1130
A GENERIC ASSET MANAGEMENT FRAMEWORK

SYSTEM COMPONENTS

1. Goals and Policies (Reflects Customer Input)
2. Asset Inventory
3. Condition Assessment and Performance Modeling
4. Alternatives Evaluation and Program Optimization
5. Budget Allocations
6. Short- and Long-Range Plans (Project Selection)
7. Program Implementation
8. Performance Monitoring (Feedback)

OVERVIEW

First, performance expectations, consistent with goals, available budgets, and organization policies, are established and used to guide the analytical processes, as well as the decision-making framework. Second, inventory and performance information are collected and analyzed. This information provides input on future system requirements (also called “needs”). Third, the use of analytical tools and reproducible methods produces viable cost-effective strategies for allocating budgets to satisfy agency needs and user requirements, using performance expectations as critical inputs. Alternative choices are then evaluated, consistent with long-range plans, policies, and goals. Fourth, projects are selected and programs are implemented. The entire process is periodically evaluated through performance monitoring and systematic processes.

Source: Adapted from Asset Management Primer, Federal Highway Administration, 1999

FIGURE 2. Generic Asset Management System Components and Overview
American Bar Association
Model Procurement Code

- Modified to recognize additional methods of contracting for infrastructure
  - Design and construction
  - Design, construction, and maintenance
  - Design, construction, maintenance, preservation, and operation
Transition for Infrastructure Reporting
Transition Accommodations

- Staggered transition dates for old infrastructure
- Limited time look-back period
- Look-back limited to major assets
- Reporting nonmajor assets not required
- Historical cost may be estimated
If determining historical cost is not practical because of inadequate records, estimated historical cost may be used

Acceptable estimating methods

- Review of engineering and bond documents
- Expenditures reported in capital project funds or capital outlays in governmental funds
- Estimated replacement cost, deflated
- Any approach that complies with the intent of Statement 34
Modified Approach for Infrastructure Reporting
Modified Approach--Definition

- Asset management system and maintains assets at or above a level set by the entity
  - Not required to depreciate infrastructure
  - Costs that extend the life of infrastructure (preservation costs) are immediately expensed rather than capitalized and depreciated
Asset Management Links Performance with Financial Accountability

Asset Management Definition:

A holistic and systematic approach to asset development and preservation that promotes maximum service performance at minimum life-cycle costs
Modified Approach for Infrastructure Reporting

• Acceptable asset management system will:
  • present an up-to-date inventory
  • perform condition assessments of the assets and summarize the results using a measurement scale
  • estimate each year the annual amount to maintain and preserve the assets at the condition level established and disclosed by the government
Modified Approach for Infrastructure Reporting

• Governments should document that:
  • Complete condition assessments are performed in a consistent manner at least every 3 years
  • The results of the 3 most recent complete condition assessments indicate that asset is being maintained/preserved approximately at or above the established condition level
Documentation the network is being preserved at a certain condition level

Will require professional judgment because of variations among governments in their infrastructure assets, asset management systems, established condition levels, and condition assessment methods. These factors may also vary within a government’s different networks.
## Modified Approach--Definition

<table>
<thead>
<tr>
<th>Expense</th>
<th>Modified Approach</th>
<th>Traditional Depreciation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maintenance and Preservation costs</td>
<td>Maintenance</td>
<td>Preservation costs, additions, and improvements</td>
</tr>
<tr>
<td>Capitalize</td>
<td>Additions and improvements</td>
<td></td>
</tr>
</tbody>
</table>
Establishing Condition Levels

- Statement 34 does NOT establish a minimum condition level
- The government should establish the target condition level in a formal, documented manner through:
  - Appropriate administrative or executive policy
  - Legislative action
Failure to meet requirements

Failure determined network-by-network or subsystem-by-subsystem

Depreciation begins in year subsequent to the year requirements are not met

Change is accounted for prospectively as a change in accounting estimate
Modified Approach - Reporting

Statement of Net Assets
- Additions and improvements to infrastructure assets are capitalized
- No accumulated depreciation

Statement of Activities
- Expenditures made to preserve the life of infrastructure assets are expensed
- No depreciation expense reported

Fund Financial Statements
**Modified Approach for Infrastructure Reporting**

Required Supplementary Information for Modified Approach

- Infrastructure assets reported according to the modified approach should disclose:
  - The assessed condition for at least the 3 most recent complete condition assessments, indicating the dates of the assessments
  - The estimated annual amount to maintain and preserve at the established condition level compared to the amounts actually expensed for the current and past 4 reporting periods
Infrastructure assets reported according to the modified approach should disclose:

1. The assessed condition – performed at least every 3 years – for at least the 3 most recent complete condition assessments – indicating the dates of the assessments.

### Condition Rating of the City's Street System

#### Percentage of Lane-Miles in Good or Better Condition

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Main arterial</td>
<td>93.2%</td>
<td>91.5%</td>
<td>92.0%</td>
</tr>
<tr>
<td>Arterial</td>
<td>85.2%</td>
<td>81.6%</td>
<td>84.3%</td>
</tr>
<tr>
<td>Secondary</td>
<td>87.2%</td>
<td>84.5%</td>
<td>86.8%</td>
</tr>
<tr>
<td>Overall system</td>
<td>87.0%</td>
<td>85.5%</td>
<td>87.3%</td>
</tr>
</tbody>
</table>

#### Percentage of Lane-Miles in Substandard Condition

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Main arterial</td>
<td>1.7%</td>
<td>2.6%</td>
<td>3.1%</td>
</tr>
<tr>
<td>Arterial</td>
<td>3.5%</td>
<td>6.4%</td>
<td>5.9%</td>
</tr>
<tr>
<td>Secondary</td>
<td>2.1%</td>
<td>3.4%</td>
<td>3.8%</td>
</tr>
<tr>
<td>Overall system</td>
<td>2.2%</td>
<td>3.6%</td>
<td>3.9%</td>
</tr>
</tbody>
</table>
### RSI for Modified Approach

**Comparison of Needed-to-Actual Maintenance/Preservation (in Thousands)**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Main arterial:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Needed</td>
<td>$2,476</td>
<td>$2,342</td>
<td>$2,558</td>
<td>$2,401</td>
<td>$2,145</td>
</tr>
<tr>
<td>Actual</td>
<td>2,601</td>
<td>2,552</td>
<td>2,432</td>
<td>2,279</td>
<td>2,271</td>
</tr>
<tr>
<td><strong>Arterial:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Needed</td>
<td>1,485</td>
<td>1,405</td>
<td>1,535</td>
<td>1,441</td>
<td>1,287</td>
</tr>
<tr>
<td>Actual</td>
<td>1,560</td>
<td>1,531</td>
<td>1,459</td>
<td>1,367</td>
<td>1,362</td>
</tr>
<tr>
<td><strong>Secondary:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Needed</td>
<td>990</td>
<td>937</td>
<td>1,023</td>
<td>960</td>
<td>858</td>
</tr>
<tr>
<td>Actual</td>
<td>1,040</td>
<td>1,021</td>
<td>972</td>
<td>911</td>
<td>908</td>
</tr>
<tr>
<td><strong>Overall system:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Needed</td>
<td>4,951</td>
<td>4,684</td>
<td>5,116</td>
<td>4,802</td>
<td>4,290</td>
</tr>
<tr>
<td>Actual</td>
<td>5,201</td>
<td>5,104</td>
<td>4,863</td>
<td>4,557</td>
<td>4,541</td>
</tr>
<tr>
<td>Difference</td>
<td>250</td>
<td>420</td>
<td>(253)</td>
<td>(245)</td>
<td>251</td>
</tr>
</tbody>
</table>
Modified Approach for Infrastructure Reporting

RSI for Modified Approach

- Infrastructure assets reported according to the modified approach should disclose (con’t):
  - Basis for the condition measurement and the measurement scale
  - The condition level at which the government intends to preserve its infrastructure assets
  - Factors that significantly affect trends in the information reported
Example Disclosure:

The condition of road pavement is measured using the XYZ pavement management system, which is based on a weighted average of six distress factors found in pavement surfaces. The XYZ pavement management system uses a measurement scale that is based on a condition index ranging from zero for a failed pavement to 100 for a pavement in perfect condition. The condition index is used to classify roads in good or better condition (70–100), fair condition (50–69), and substandard condition (less than 50). It is the City's policy to maintain at least 85 percent of its street system at a good or better condition level. No more than 10 percent should be in a substandard condition. Condition assessments are determined every year.
As discussed earlier,
- Inquiries as to preparation methods
- Compare information with audited financial statements
- Consider appropriate management representations
- Consider other procedures based on type of information
Performance Reporting for Capital Assets

- GASB’s SEA Project
  - Research Reports & Concepts Statement on SEA
  - Focus on Managing for Results
  - PMG Web Site
  - Managing for Results
  - Focus on Citizen and Elected Official Needs
  - Suggested Criteria for Reporting Performance Information
  - What We Have Seen So Far
- Examples of performance reporting
RESEARCH REPORT

Service Efforts and Accomplishments Reporting: Its Time Has Come

An Overview

Editors
Harry P. Hatry
James R. Fountain, Jr.

Jonathan M. Sullivan
Lorraine Kremer

Contributors
Marie Alexander
Joan A. Allen
Marquette Brennan
Richard E. Brown
Priscilla A. Burnaby
Vivian L. Carpenter
Don Chamberlain
Allan Dechant
Mark Fall
James R. Fountain, Jr.
Harry P. Hatry
Susan H. Hohnstad

GASB
GOVERNMENTAL ACCOUNTING STANDARDS BOARD
OF THE FINANCIAL ACCOUNTING FOUNDATION
Concepts Statement No. 2 of the Governmental Accounting Standards Board

on concepts related to

Service Efforts and Accomplishments Reporting
Performance Measurement for government

What's Happening
Citizen's Guide
Performance Measures
Results Management
GASB Project
Discussions

PMG News

NEW—“State Posts New Nursing Home Report Cards Online”
12/13/01, from the Newark Jersey Star Ledger. View Inspection Reports

NEW—“Grade Reports on View Online. Parents can see Kids’ Work” 12/20/01, from The Atlanta Journal-Constitution

PMG Focus

The PricewaterhouseCoopers Endowment for “The Business of Government” is in its fourth year of grant support to individuals in academic and nonprofit communities. The Endowment is interested in how organizations align their processes, which includes budgeting, business processes and strategic goals. Additionally, the Endowment is interested in how organizations use performance and results information to make policy and resource decisions. Learn more about specific grants awarded at our Other Initiatives page.

Case Studies of State and Local Government Performance Measurement

Performance Measurement Survey: The results of the GASB’s second survey of the use and reporting of performance measures by state and local governments.

Report on the Citizen Discussion Groups on Performance Reporting

What you can find at this site

Discussion Forums
Join one of the PMG website’s three discussion groups and learn more about performance measurement.

How you can help the GASB study performance measurement
Growing Interest in MFR

For more information, see the GASB web site at:

www.gasb.org
www.seagov.org
Why report non-financial performance information?
- What are essential aspects of performance for governmental entities?
- How do you measure this information?
Managing for Results

- Strategic Planning
- Measure for Results
- Budget for Results
- Program/Activity Planning
- Evaluate Results
- Report Results
- Manage Work Processes
- Accountability
  Cultural and Structural Changes
Citizen Discussion Groups
Some Selected Comments

- Citizens are very knowledgeable about performance measures.
- Citizens believe performance measures should be reported.
- They want communication to be at several levels with an overview that is brief and very easy to understand, then more detail provided for those who want more information.
- Citizen surveys are an important, but not complete, measure of performance.
- Web based information is important.
- Explanatory information should be available.
- Citizens want to be involved in selecting performance measures to be reported.
- Explanation of why performance is at level reported and anything that is being done to improve.
Suggested Criteria for Reporting Performance Measures

Preliminary Draft

Criterion: A rule, or test by which something can be judged, a measure of value.

Performance measures should be management’s representations of performance. They should include data that are essential to provide a basis for understanding the accomplishment of goals and objectives of the entity that have potentially significant decision-making or accountability implications.
The Report of Performance Information

Objective: The report on performance should provide a basis for understanding the accomplishment of goals and objectives of the entity that have potentially significant decision-making or accountability implications.

1. The scope of the report should be clearly stated. The statement of scope should include what portion of the entity is being reported on, and any programs or services excluded with the reason for their exclusion.
2. The goals and objectives of the organization(s) being reported on should be clearly stated. It should also be clearly if goals and objectives are not available.
3. The extent of verification and who performed the verification should be clearly indicated in the report. If any reliability issues are identified with the information being reported they should be reported.
4. A management or executive summary should be included in the report highlighting the major results for the reporting period, the challenges facing the organization.
5. Key measures of performance should be included in the report for major and critical programs and services being reported. The report should be comprehensive yet concise in its coverage of results.
6. The performance report discuss the external and internal factors that have an effect on results to provide a context for understanding performance.
Performance Information to Report

Objective: Reported performance information should assist in communicating the degree to which programs, services, and strategies have contributed to achievement of stated goals and objectives.

7. The performance information reported (especially output and outcomes indicators) should be relevant in that they should be related to the goals and objectives of the organization reported. Reported information that does not relate to goals and objectives should be identified.
8. How and to what extent citizens, elected officials, and other users are involved in establishing goals and objectives used to determine the measures of performance should be reported.
9. Reported performance information should be linked to resources provided and costs (for example, as that information is presented in the budget document or the annual financial report). The report should, to the extent possible, relate cost to outputs and outcomes (efficiency measures).
10. Reported performance information should provide a basis for comparisons to several possible sources such as other periods, established targets, and other internal and external sources to enable various types of comparisons.
11. Reported performance measures should be consistent from period to period so that users can increase their understanding of the measures and have a basis for comparing performance over time. However, performance measures also need to be reviewed regularly and modified or replaced as needed to reflect changing circumstances. The reasons for changes in performance measures should be stated.
12. Citizen and customer perceptions of the quality and results of services should be reported. If not available, the reason should be stated.
13. Performance information should be reported at the appropriate level of aggregation and disaggregation (for example, by geographic and or neighborhood) for the level of detail and the needs for the intended users.
Communication of Performance Measures

Objective: A reasonably informed interested citizen or other user should be likely to learn about the availability of reports on performance and should be able to easily access and understand and use reported performance information.

14. Reported performance should be layered (for example, a brief two page overview, an executive summary, and then a more detailed report by major program) to provide information about results at different levels of detail. At each layer it should be clearly communicated how the user can find other levels of detail.
15. Reported performance information should be widely communicated in several ways appropriate to the entity involved and the intended users. Performance information in that report should be communicated using a variety of mediums and methods, such as through the media, at public meetings, by e-mail, and in published reports.
Suggested Criteria for Reporting Performance Measures

Preliminary Draft

16. Performance information should be reported on a regular basis at least annually. The reported information should be made available as soon after the end of the reporting period as possible.
Managing for Results
Using Performance Measures for Decision Making

- What Have We Seen
  - Performance measures are not an end in and of themselves
  - An increasing number of uses of performance measures are associated with decision making
  - There is a dearth of reliable cost information about programs
  - Most performance measures are not linked to resources being appropriated and used
Managing for Results
Using Performance Measures for Decision Making

- **What Have We Seen (continued)**
  - It is difficult to link resources directly to outcomes—at least now
  - Even when performance measures are linked from appropriation to output to outcome, there is often little or no understanding of whether the amount being appropriated is reasonable for providing the number of units of service of the quality proposed
Managing for Results
Using Performance Measures for Decision Making

- What Have We Seen (continued)
  - Those expected to use the performance measures usually are not provided with a proper foundation for understanding them or what they might mean regarding the decisions users must make
  - We need to better understand condition we are trying achieve
Managing for Results
Using Performance Measures for Decision Making

- **What Have We Seen (continued)**
  - There is a need for baseline data on the services we want to measure so that realistic objectives can be established.
  - We are just beginning to grasp the degree of complexity associated with trying to achieve results from government programs.
  - Explanatory information that will help users understand the factors that influence program results frequently are not included or even referred to.
What Have We Seen (continued)

- Diagnostic measures are only infrequently being developed and used
- As our level of knowledge about the programs and services we are providing increases, so does our knowledge of all that we do not know (and may never know) about them
- The use of evaluations to help understand results and how to improve it are beginning to be used
Managing for Results
Using Performance Measures for Decision Making

What Have We Seen (continued)

- Some outcomes may not be readily measurable, and outcomes may be (at least) initial, intermediate or long-term
- A primary result of using performance measures is that they help generate more and hopefully better questions
- Citizens know a lot more about performance measurement than we thought
- Citizens want to be involved
  - Selecting measures of importance to them
  - Saying what is reported and how
  - Evaluating how government is performing
Comptroller’s 2000 Report on the Financial Condition of New York State
How Smooth Are New York City’s Streets?

Results of a Study Conducted by the Fund for the City of New York Center on Municipal Government Performance

Significant Jolts Encountered per Mile

- Fewer than 5 (3 Community Districts)
- 5 - 9 (34 Community Districts)
- 10 - 14 (17 Community Districts)
- 15 or more (8 Community Districts)

Smoothness Score
(Percent of Blocks Rated “Acceptable” in Each District)

- 90% or more (2 Community Districts)
- 80% - 89% (4 Community Districts)
- 70% - 79% (2 Community Districts)
- 60% - 69% (2 Community Districts)
- 50% - 59% (4 Community Districts)
- Fewer than 50% (9 Community Districts)

Note: Parks, airports, cemeteries and other large areas not measured

“Acceptable” blocks have a City-Boughness Index (CBI) of 2.1 or less. A pavement with a CBI of 2.1 or less is not expected to require immediate repair. Results based on a random sample of city block faces in each community district. The City’s standard is a CBI of 2.8 or less. Therefore, a CBI of 2.1 or less is considered a “smooth” pavement.

Citywide and Borough Findings

<table>
<thead>
<tr>
<th>Smoothness Score (Percent of Blocks Rated “Acceptable”)</th>
<th>Significant Jolts Encountered per Mile</th>
</tr>
</thead>
<tbody>
<tr>
<td>New York City</td>
<td>60%</td>
</tr>
<tr>
<td>The Bronx</td>
<td>30%</td>
</tr>
<tr>
<td>Brooklyn</td>
<td>63%</td>
</tr>
<tr>
<td>Manhattan</td>
<td>45%</td>
</tr>
<tr>
<td>Queens</td>
<td>64%</td>
</tr>
<tr>
<td>Staten Island</td>
<td>56%</td>
</tr>
</tbody>
</table>

This study was made possible by a grant from the Andrew W. Mellon Foundation.

Design: Michael Marks Associates, NY
ICMA
Performance Measures
ICMA Comparative Performance Measures
Expenditures Per Capita—Maintenance, Sweeping, Ice & Snow Removal

Lubbock, TX $15
Redmond, WA 28
Phoenix, AZ 28
Bellevue, WA 29
Riverside, CA 30
Minneapolis, MN 31
Austin, TX 32
Grand Prairie, TX 47
Worcester, MA 49
Cincinnati, OH 54
ICMA Comparative Performance Measures

Paved Lane Miles Assessed in Satisfactory or Better Condition as Percent of Total

<table>
<thead>
<tr>
<th>City</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lubbock, TX</td>
<td>100.0 %</td>
</tr>
<tr>
<td>Phoenix, AZ</td>
<td>98.6 %</td>
</tr>
<tr>
<td>Bellevue, WA</td>
<td>91.1 %</td>
</tr>
<tr>
<td>Redmond, WA</td>
<td>85.0 %</td>
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<tr>
<td>Minneapolis, MN</td>
<td>80.5 %</td>
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<tr>
<td>Riverside, CA</td>
<td>75.0 %</td>
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<tr>
<td>Austin, TX</td>
<td>72.2 %</td>
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<tr>
<td>Worcester, MA</td>
<td>42.5 %</td>
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<tr>
<td>San Francisco, CA</td>
<td>39.6 %</td>
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<tr>
<td>Coral Springs, FL</td>
<td>34.2 %</td>
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</table>
ICMA Comparative Performance Measures
Citizen Rating Road Condition as Good or Mostly Good

<table>
<thead>
<tr>
<th>City</th>
<th>Rating</th>
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<tbody>
<tr>
<td>Bellevue, WA</td>
<td>92.0 %</td>
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<tr>
<td>Riverside, CA</td>
<td>80.5 %</td>
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<tr>
<td>Phoenix, AZ</td>
<td>79.0 %</td>
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<tr>
<td>Dayton, OH</td>
<td>70.5 %</td>
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<tr>
<td>Austin, TX</td>
<td>48.0 %</td>
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</tbody>
</table>
ICMA Performance Measurement Program - Road Maintenance

- Number of lane miles of roads maintained
- Total maintenance costs expended
- Cost per capita
- Percent of lane miles in satisfactory condition
- Number of days each year with freezing or snow conditions
Florida DOT

Florida Department of Transportation

State owns 12,000 of the 114,500 centerline miles of public roads (which carry 2/3 of traffic)
State maintains 6,200 of 11,000 bridges in state
Provide funding/technical support to 14 seaports, 22 commercial airports, 3,000 miles of rail, 18 transit systems
Florida DOT

1. Pavement Management System

- Annual Condition Survey
  - a) Ride quality
  - b) Crack severity
  - c) Average wheel-path ruts

- Rating of <6 out of 10 in any area = Deficient

- Objective = 80% of system is not deficient

- Current Status = 78% meet standard
2. Bridge Management System

- Inspections conducted every 2 years
  - a) Preventive maintenance
  - b) Minor or major repair work
  - c) Replacement

- If structure deterioration, limited by weight restrictions and needs preventative maintenance = Deficient

- Objective = 90% of bridges not deficient

- Current Status = 93% meet standards
3. Maintenance Rating Program

- Sampling Program – 3 times per year
  - a) Roadway
  - b) Roadside
  - c) Vegetation and aesthetics
  - d) Traffic Services
  - e) Drainage

- Each category and a total rating given
  - Rating of <80 = Deficient
  - Objective = 100% of roads > 80
  - Current Status = 100% met
Florida DOT
Capacity Program
FIHS
1) $3,750 mile component
2) serves regional commerce, high speed, long distance travel
3) 31% of centerline miles of State Highway System but carries 50% of state traffic and 70% of truck traffic

Decision Support System
1) Pavement condition
2) Congestion
3) Safety
4) Intermodal connection
5) Economic development
Florida DOT
Capacity Program
Mobility Performance Measures

1) Quality of Service – Average Speed, Reliability
2) Quantity of Use – Vehicle Miles traveled, LOS
3) Accessibility – Connectivity
4) Utilization - % system heavily congested
<table>
<thead>
<tr>
<th>State</th>
<th>Leaning to Depreciation</th>
<th>Leaning to Modified</th>
<th>Leaning to Both</th>
<th>Undecided</th>
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GASB 34 Compliance by States

States that lean toward or have decided for the depreciation approach that plan to migrate to modified option? (Other)

Arkansas
New Hampshire
Pennsylvania
Virginia
Fig. 3: Pavement condition index (PCI) ranges may be customized and used for reporting analysis results.
Condition analysis

The Condition Analysis feature allows users to view the condition of the entire pavement network or any specified subset of the network. This feature reports past conditions based on prior interpolated values between previous inspections. It reports projected conditions based on prediction models. In Version 5.0 condition can be viewed on GIS maps in addition to tables and graphs, figure 5.
Prediction modeling

The Prediction Modeling function in Micro PAVER helps identify and group pavements of similar construction that are subjected to similar traffic, weather, and other factors affecting pavement performance. The historical data on pavement condition can be used to build a model that can accurately predict the future performance of a group of pavements with similar attributes, figure 4.
Version 5.0 provides the ability to determine budget consequence and budget requirements using an iterative process. This feature enables managers to develop a variety of funding scenarios to support their decisions, figure 6.

Fig. 6: “Iterative” work planning enables users to determine how much funding is required over a given number of years to:

- Eliminate the work backlog
- Sustain the current average PCI
- Attain and sustain an average PCI