



**A Report to the
Austin City Council**

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**Special Request Report on Peer
City Performance Evaluation
Practices for Council Appointees**
August 2015



REPORT SUMMARY

Peer cities typically evaluate each of their appointees on an annual basis, in a confidential setting. Five of the ten reviewed cities use forms to evaluate appointees, and these documents are protected under state statute, with the exception of cities in Texas. Our research indicated that the majority of cities evaluate appointees during an executive session of the full Council, but that alternative formats do exist (such as utilizing Council committees). Evaluation criteria, where used, emphasized communication skills, relationships with Council, and leadership ability. Additionally, appointees were often evaluated against a set of pre-established goals or values. Nine of the ten peer cities reviewed conduct evaluations on an annual basis. Almost all appointees reported discussing compensation (or the opportunity to do so) at the time of the evaluation.

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PROJECT TYPE

This project was conducted as a non-audit project.

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Special Request Report Highlights

Why We Did This Report

This memo responds to a request from Mayor Steve Adler to research industry practices regarding Council appointee performance evaluations. The scope of our work encompassed evaluations of Council appointees in peer cities, excluding appointees to boards and commissions and the Municipal Court.

What We Did

To complete this special request, we:

- identified peer cities based on size, structure, and appointees;
- interviewed appropriate staff in each peer city;
- reviewed performance evaluation criteria as applicable;
- reviewed industry literature related to performance evaluations; and
- reviewed state statutes regarding performance evaluations and confidentiality of personnel records.



SPECIAL REQUEST REPORT ON PEER CITY PERFORMANCE EVALUATION PRACTICES FOR COUNCIL APPOINTEES

BACKGROUND

A performance evaluation is a formal assessment of an individual's work activities. Evaluations are typically based on criteria that are compared against the individual's accomplishments. Council appointees for the City of Austin to this point have usually been evaluated annually during Council executive sessions and no written evaluation forms have been produced.

WHAT WE FOUND

We reviewed 10 peer cities with Council-Manager governments with Council-appointed City Managers and City Auditors (see Appendix A for an overview of the peer cities) and our research indicated:

- **Format of appointee performance evaluations:**
Most cities evaluate appointees during executive sessions of the full Council. Alternative formats include evaluating certain appointees through applicable Council committees and designating specific council members to deliver performance feedback. The only public evaluation we identified is the Las Vegas City Manager evaluation, which is statutorily required to be public.
- **Individuals involved in the appointee performance evaluations:**
Most cities rely on input from the Council and the appointee to evaluate the appointee, and additionally rely on compensation information from the human resources department. Some cities solicit performance input from additional parties who work closely with the appointee. None of the peer cities we contacted reported using a 360 evaluation nor did they have any other mechanism to elicit feedback on Council appointee performance from appointees' subordinates or peers. Based on this and additional research, use of 360 evaluations does not appear to be a prevalent practice in local government.
- **Performance criteria:**
Five of the ten peer cities use evaluation forms as part of the assessment. Although the criteria vary, most emphasize communication skills, relationships with Council, and leadership ability. State statutes protect these records from public requests in all peer cities except those in Texas.
- **Performance evaluation timing:**
Our research indicated nine of the ten peer cities reviewed conduct evaluations on an annual basis.
- **Timing of compensation discussions:**
All cities that conduct annual performance evaluations of appointees also review compensation during the evaluation. Industry literature is split on this issue, with some authors in favor of separating compensation issues from the performance evaluation and other authors advocating for considering compensation at the same time as performance.

SUMMARY

This report presents an overview of peer city¹ practices regarding the performance evaluation of Council appointees. We reviewed six principal aspects of the performance evaluation process, including:

- format,
- individuals involved,
- criteria,
- confidentiality,
- timing, and
- timing of compensation discussions.

Austin's evaluation practices up to this point have been similar to many of its peers, with a few exceptions. For example, conducting annual evaluations of appointees during executive sessions and discussing compensation during the evaluation are common practices. However, while five of the ten surveyed cities use formal evaluation forms with specified criteria and goals, Austin has not used written evaluation materials. While evaluation documents in Texas cities are public record due to State law, these documents may be exempt from public release in other cities.

Although we reviewed the City charters, codes, and websites of the reviewed peer cities, we noted relatively little documentary evidence of appointee evaluation practices. Consequently, much of our results with regard to peer city practices are based on testimonial evidence provided by appointees, as well as sample evaluation forms forwarded by staff members of the peer cities.

WHAT WE FOUND

1. What is the format of appointee performance evaluations?

Our research indicated a considerable degree of variation in the format of appointee performance evaluations, particularly with regard to appointees other than the City Manager. While most cities conducted their evaluations during executive sessions of the full Council, others made use of committees or designated specific council members to deliver feedback. Additionally, the peer cities varied in the degree to which appointees participate in the evaluation, and the extent to which the evaluations incorporated written materials.

60% of surveyed cities have at least some appointees who discuss their evaluations with the full Council.

**Cities that use full-Council input include: Kansas City (City Manager only), Las Vegas, Mesa, Sacramento, San Antonio (City Manager and City Clerk only), and San Jose.*

¹ Peer cities reviewed include: Dallas, TX, Fort Worth, TX, Kansas City, MO, Las Vegas, NV, Mesa, AZ, Oklahoma City, OK, Sacramento, CA, San Antonio, TX, and San Jose, CA, and Virginia Beach, VA.

Most appointees are evaluated by the full Council

The majority of reviewed peer cities conduct in-person appointee appraisals during an executive session of the full Council, similar to Austin's past practice. These cities include Kansas City (City Manager only), Mesa, Sacramento, San Antonio (City Manager and City Clerk only), and San Jose. Notably, Las Vegas practices an unusual variation of this format. The City Auditor and City Attorney are evaluated during an executive session of the full Council, but the City Manager is evaluated during a public session, as required by Nevada statute.

Some appointees are evaluated by designated council members

Other cities deliver performance feedback through designated council members. Unlike the City Clerk and City Manager, the San Antonio City Auditor is evaluated by the audit committee, which consists of both council members and citizens. The chair of the audit committee reports the results to the full Council, which holds an executive session to complete the evaluation process. In Dallas, the Mayor appoints a lead council member to relay feedback to appointees following a full Council executive discussion about the appointees' performance. Fort Worth has adopted a similar process that is scheduled to begin in 2015.

In Kansas City, council members complete evaluation forms for the City Auditor and City Clerk, and the chair of the Finance, Governance, and Ethics Committee relays feedback through individual meetings with appointees. The City Manager of Kansas City is also evaluated using an evaluation form, but additionally participates in an executive session discussion with the full Council, as mentioned above.

Oklahoma City council members complete evaluation forms for each appointee, and then discuss the performance of the appointees during an executive session without the appointees present. Feedback is communicated via the evaluation forms following that discussion. Finally, in Virginia Beach, appointees have an informal discussion with the Mayor and Vice-Mayor.

2. Who is involved?

In the majority of cities we surveyed, the only individuals who actively participate in the evaluation of appointees are council members and the relevant appointees. Some of these cities reported that the City Clerk or City Attorney attend the evaluation in their capacity to take minutes or provide legal advice.

Two of the cities we researched involved other individuals in the evaluation process for Council appointees. In Mesa, the City Manager is asked to provide input on the other appointees during their evaluation sessions. In San Antonio, the City Manager, the Chief Financial Officer, and the two citizens serving on the audit committee are given the opportunity to provide their assessment of the City Auditor. None of the peer cities we contacted reported using a 360 evaluation (a performance assessment where input from superiors, subordinates, and peers is considered and potentially shared with the evaluated employee) of Council appointees, nor did they have any other mechanism to elicit feedback on Council appointee performance from appointees' subordinates or peers.

We expanded our research beyond the identified peer cities to other entities that might use a 360 evaluation. Through this research we noted one instance of a 360 evaluation process used for Council appointees in the city of San Marcos, TX. We also noted one private company that uses 360 evaluations (Google) to evaluate managers, although it is unclear if this practice is also used to evaluate executive staff (holding the most comparable positions to Council appointees). Another private company (Deloitte) previously used 360 evaluations, but has since moved away from this practice in favor of other evaluation methods.

Support by other departments

Very few of the surveyed cities complete the appointee evaluation process without administrative support from other staff or departments. Six of the surveyed cities rely on their human resources departments to compile salary comparison information, whether through formal salary surveys (as in Oklahoma City) or more informal approaches.²

Only one city, San Jose, stated that city staff would likely not be used to gather salary information for appointees as San Jose has not conducted significant salary adjustments for appointees in recent years. However, if a salary survey was required, staff asserted that the Council would likely engage outside assistance in order to avoid the appearance of a conflict of interest between the City Manager and any City staff conducting the salary research.

The Human Resources Department (HRD) in Austin has in the past facilitated the performance evaluation process through scheduling evaluation meetings, compiling salary information, and briefing Council on market data. However, HRD staff have not been present in the room during evaluation discussions. Other forms of administrative support identified include using Council staff to summarize evaluation forms (San Jose) and creating a Performance Office to develop evaluation policies and procedures (Fort Worth).

3. What criteria is used?

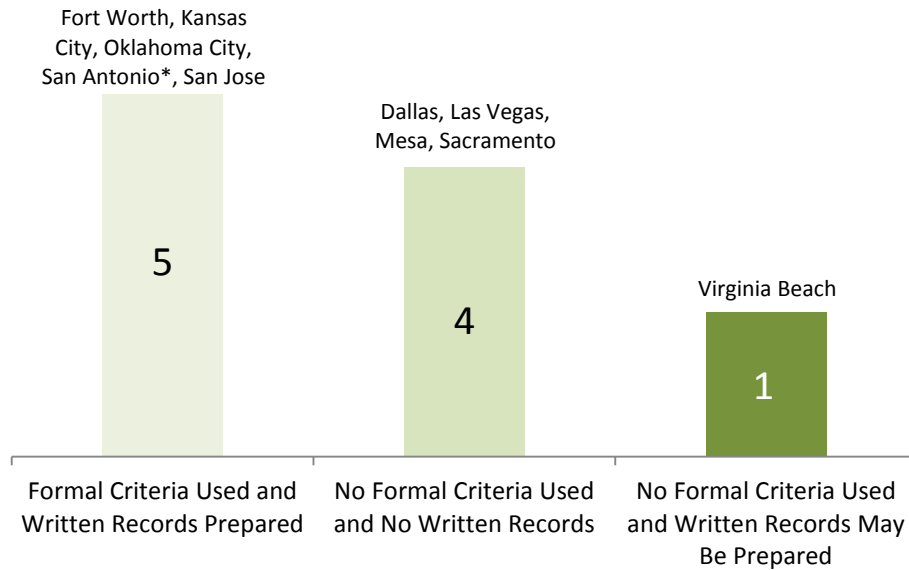
Our research indicated variation in the type of criteria used to assess Council appointees. Five cities have formal criteria to assess appointees³, but methods for documenting this vary (some use self-evaluations forms while others use formal evaluation assessments). Similar to the past practice in Austin, four cities use no formal criteria and do not prepare any written evaluation. Lastly, one city does not have formal criteria to assess appointees, but written evaluations may still be prepared. These results are summarized in Exhibit 1 below.

² Staff in three cities (Dallas, Mesa, and Virginia Beach) did not explicitly note whether or not the human resources department researches salary information for appointees.

³ San Antonio uses a formal evaluation form in the evaluation of the City Auditor and City Clerk, but no such form is used for the City Manager's evaluation.

EXHIBIT 1

Types of Evaluation Materials Used by Peer Cities



*San Antonio uses a formal evaluation form in the evaluation of the City Auditor and City Clerk only.

SOURCE: OCA Interviews with City Auditors of Peer Cities, July 2015

Summary of criteria forms used by peer cities

Our research indicated that self-evaluations primarily consisted of having the appointees summarize their accomplishments within the past 12 months and their goals for the upcoming year. Formal evaluation forms obtained commonly evaluated appointees on achievement of previously established goals tailored to the appointee's role. Additionally, a heavy emphasis is placed on communication skills, including relationships with the Council, and general leadership ability. Other performance evaluation criteria on these forms include: ability to achieve goals, support for city-wide goals and values, problem-solving skills, and professionalism.

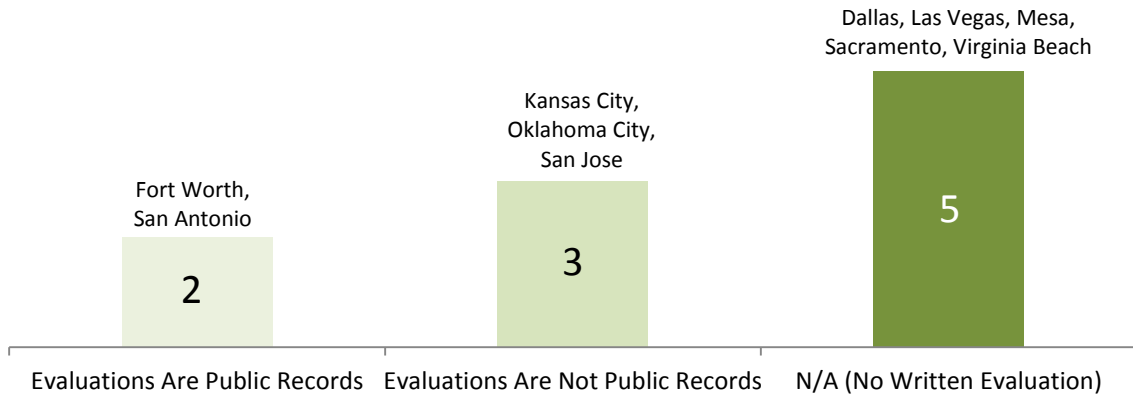
4. Are the evaluations confidential?

Like Austin's past practice, all of the reviewed cities conducted their evaluation discussions in a confidential setting, with the exception of the City Manager's evaluation in Las Vegas. As mentioned earlier, Nevada statute requires city managers to be evaluated in a public meeting.

The majority of the cities held their evaluations in executive sessions of either the Council or the appropriate Council committee. Cities that rely on one or two council members to convey feedback, as in Virginia Beach or Kansas City, deliver such feedback in private meetings. We reviewed the state statutes regarding public records for each of our peer cities, and summarized our findings in Exhibit 2 below.

EXHIBIT 2

Confidentiality of Evaluation Records



SOURCE: OCA Interviews with City Auditors of Peer Cities, July 2015

5. When do evaluations occur?

Our research indicated nine of the ten peer cities reviewed conduct evaluations on an annual basis. Virginia Beach is the one exception as evaluations there typically occur less than once per year. Some cities target evaluations for the end of the fiscal year, while other cities time their evaluations so that any changes go into effect at the beginning of the new calendar year. Other drivers of evaluation cycles include Council need, appointee contracts, and appointee requests.

6. Is compensation discussed during the evaluation?

Our research indicated that in the reviewed cities, almost all of the appointees reported discussing compensation issues during the annual evaluation process. The one exception is Virginia Beach, which as noted above does not evaluate all of its appointees each year. In Austin, compensation increases are issued in public through Council ordinance or resolution.

A brief review of human resources literature⁴ indicates that industry experts are divided as to whether compensation should be discussed at the time of the performance evaluation. Some assert that discussions concerning compensation during evaluations distract the evaluated employee from the discussion relating to employee development. Specifically, the employee may resist criticism because he or she may perceive that accepting it would endanger a compensation increase. Proponents of pay-for-performance⁵ systems assert the opposite, stating that compensation is a powerful motivator and should be linked as closely as possible to any performance feedback.

⁴ Auditors researched guidance from: Governing Magazine, Harvard Business Review, the International City Manager's Association, and the "Why Everyone Hates Performance Management" chapter of *Work Rules! Insights from Inside Google That Will Transform How You Live and Lead*.

⁵ "Pay-for-performance" refers to a system that primarily motivates employee performance through financial rewards.

APPENDIX A - PEER CITY OVERVIEW

Peer City	Size of Council, Including Mayor	City Population (2013 Census Estimate)	General Fund Budget FY2015	Council Appointed City Manager?	Council Appointed City Auditor?	Council Appointed City Clerk?	Council Appointed Municipal Judge?	Other Council Appointees
Austin, TX	11	885,400	\$850,600,000	Y	Y	Y	Y	N/A
Dallas, TX	15	1,257,676	\$1,166,685,000	Y	Y	Y	Y	City Attorney
Fort Worth, TX	9	792,727	\$589,800,000	Y	Y	Y	Y	City Attorney
Kansas City, MO	13	467,007	\$437,687,751	Y	Y	Y	Y	N/A
Las Vegas, NV	7	603,488	\$498,800,000	Y	Y	N	N	City Attorney
Mesa, AZ	7	457,587	\$335,674,257	Y	Y	Y	Y	City Attorney
Oklahoma City, OK	9	610,613	\$415,000,000	Y	Y	Reports to Council and Manager	Y	City Attorney
Sacramento, CA	9	479,686	\$382,846,000	Y	Y	Y	N	City Treasurer, City Attorney
San Antonio, TX	11	1,409,019	\$1,000,000,000	Y	Y	Y	Y	N/A
San Jose, CA	11	998,537	\$1,132,680,837	Y	Y	Y	N	City Attorney, Public Information Officer, Independent Police Auditor
Virginia Beach, VA	11	448,479	\$1,012,458,390	Y	Y	Y	N	City Assessor, City Attorney

APPENDIX B - SUMMARY OF PEER CITY EVALUATION PRACTICES

Peer City	Format	Individuals Involved	Criteria Used	Timing of Evaluation	Compensation Discussed?
Austin, TX	<ul style="list-style-type: none"> Historically, the Council has held a closed session discussion with the appointee Council has then taken public action related to pay/benefits In 2013, the Council created evaluation forms that were intended to be completed and submitted to the human resources (HR) director for compilation, but these forms have not been used in the evaluation process to date This process has been in place for over 20 years 	<ul style="list-style-type: none"> City Council and the appointee Historically HR has scheduled evaluations, conducted salary and benefit surveys, and briefed council on market data 	Formal criteria developed for each appointee but has not been utilized for evaluations	Annually	Yes
Dallas, TX	<ul style="list-style-type: none"> Mayor appoints a lead council member to solicit feedback on appointee Council convenes an executive session to discuss the appointee's performance Designated council member relays feedback to the appointee This process has been in place for 4 years 	City Council and the appointee	None specified	Annually (appointees generally request the evaluation)	Yes
Fort Worth, TX	<ul style="list-style-type: none"> Appointee submits three copies of a self-evaluation to the Mayor Pro Tem Two council members discuss performance evaluation with appointee Full Council then discusses appointee's performance in executive session (sans appointee) Process began for non-appointees in 2014 and planned for appointees in 2015 	<ul style="list-style-type: none"> City Council and the appointee Performance Office develops the self-evaluation questions and evaluation process HR conducts salary survey 	<ul style="list-style-type: none"> Formal criteria used Appointees complete a self-evaluation 	Annually - Target completion date is November (fiscal year ends September 30th)	Yes
Kansas City, MO	<ul style="list-style-type: none"> City Auditor and Clerk evaluated via forms completed by council members then receive feedback via meetings with applicable committee City Manager is evaluated via forms, but also participates in a closed session discussion with the full Council This process has been in place for over 2 years 	<ul style="list-style-type: none"> City Council and the appointee HR compiles salary information 	<ul style="list-style-type: none"> Formal criteria used Different evaluation forms used for each appointee Each form includes a work plan or set of outcome measures, followed by specific evaluation criteria 	Varies although evaluations are generally annual	Yes

APPENDIX B - SUMMARY OF PEER CITY EVALUATION PRACTICES

Peer City	Format	Individuals Involved	Criteria Used	Timing of Evaluation	Compensation Discussed?
Las Vegas, NV	<ul style="list-style-type: none"> Appointees are verbally evaluated by the full Council City Auditor and City Attorney evaluated in executive sessions City Manager evaluated in public meeting This process has been in place for over 15 years 	<ul style="list-style-type: none"> City Council and the appointee City Attorney and City Clerk representatives attend the executive session to provide legal advice, but no input HR compiles salary surveys 	<ul style="list-style-type: none"> None specified Appointees may present overview of their accomplishments 	Annually - Start of new fiscal year (July)	Yes
Mesa , AZ	<ul style="list-style-type: none"> Verbal evaluation in executive session This process has been in place for over 6 years 	<ul style="list-style-type: none"> City Council and the appointee and the City Manager also provides input City Clerk attends evaluations but only to keep record 	<ul style="list-style-type: none"> None specified Appointees have option to send written documentation of their accomplishments to the Council prior to the evaluation 	<ul style="list-style-type: none"> Annually, around the end of the fiscal year (June 30th) Appointees request to have an evaluation and must go through the City Manager to schedule an evaluation with the Council 	Yes
Oklahoma City, OK	<ul style="list-style-type: none"> Appointees compile a packet for each council member consisting of: a blank evaluation form, a cover letter detailing appointee’s accomplishments, salary survey information provided by human resources, and other relevant materials Appointee receives completed evaluation forms and summarizes feedback for Council. Council meets (sans appointee) in executive session to evaluate appointees This process has been in place for over 10 years 	<ul style="list-style-type: none"> City Council and the appointee HR compiles salary information 	<ul style="list-style-type: none"> Formal criteria used Evaluation forms may be used by council members Four performance criteria on City Auditor evaluation form are: the audit plan, communication effectiveness, department administration, and professional conduct 	Annually - Early October, with the goal of completing the evaluation by November (fiscal year ends June 30th)	Yes

APPENDIX B - SUMMARY OF PEER CITY EVALUATION PRACTICES

Peer City	Format	Individuals Involved	Criteria Used	Timing of Evaluation	Compensation Discussed?
San Antonio, TX	<ul style="list-style-type: none"> For the City Manager, the full Council may provide input on appointee performance to the Mayor and the Mayor conducts the evaluation For the City Clerk, the full Council may provide performance feedback using an evaluation form City Auditor is primarily evaluated at the Audit Committee level using an evaluation form This process has been in place for about one year 	<ul style="list-style-type: none"> City Council and the appointee City Manager, the Chief Financial Officer, and two citizens provide input regarding the City Auditor HR provides a salary survey 	<ul style="list-style-type: none"> Formal criteria used for City Auditor and City Clerk Verbal evaluations are conducted for the City Manager 	<ul style="list-style-type: none"> Annually - September/October (fiscal year ends September 30th) for the City Auditor City Clerk is sometimes evaluated less than annually City Manager is generally evaluated annually, per contract 	Yes
San Jose, CA	<ul style="list-style-type: none"> Appointees send Council a document detailing their accomplishments Appointees evaluated in closed session (appointee present) Each council member completes rating form, then they are summarized and shared with the appointee This process has been in place for over 7 years 	<ul style="list-style-type: none"> City Council and the appointee City Council staff summarize the rating reports 	<ul style="list-style-type: none"> Formal criteria used Appointees evaluated on: leadership ability, planning skills, problem-solving ability, communication skills, and management technique 	Annually - January (Mayor triggers the evaluation cycle and fiscal year ends June 30th)	Yes
Virginia Beach, VA	<ul style="list-style-type: none"> Appointees evaluated via informal conversation with Mayor and Vice-Mayor City Manager is evaluated via a closed session with the City Council This process has been in place for over 7 years 	City Council and the appointee	<ul style="list-style-type: none"> No formal criteria City auditor opts to prepare written self-evaluation 	At the Council's discretion and usually less frequently than once a year	No