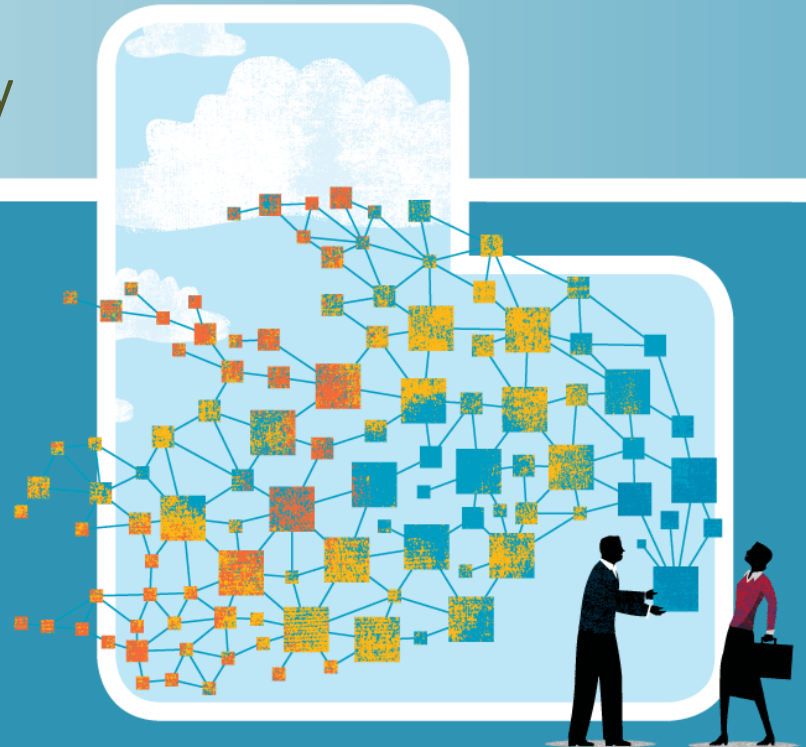


# CITY OF MODESTO

## Organizational Restructuring Study

### Final Report

March 14, 2013



**MOSS-ADAMS** LLP  
Certified Public Accountants | Business Consultants

*Acumen. Agility. Answers.*

# OVERVIEW

- Introduction
- Enterprise Results
- Departmental Results



# Introduction

# STUDY PURPOSE

- To determine opportunities for enhancing organizational and operational economy, efficiency, and effectiveness.
- To examine department and function consolidation, centralization, standardization, automation, integration, and/or reorganization.

# STUDY BACKGROUND

- This study is part of the FY 2012-13 Internal Audit program to improve City business.
- The City has cut budgets and staff over recent years to address financial challenges.
- Opportunities to improve remain to enhance the economy, efficiency, and effectiveness of management and operations in the near- and mid-term.

# STUDY METHODOLOGY

- Interviews – conducted confidential interviews with department directors, division managers, and staff
- Documents – reviewed over 50 relevant documents
- Survey – reviewed results from previous management survey
- Analysis – evaluated organizational efficiency and effectiveness against City commitments and industry best practices
- Deliverables – worked with the executive staff to validate facts and test the practicality of recommendations before submitting the report to the Audit Committee and City Council

# STUDY CONCLUSIONS

- Direct and support service departments were studied from the top down to evaluate structural efficiency and effectiveness.
- Direct service departments can deliver service more efficiently and effectively through recommended structural changes.
- Support service departments are reasonably structured, but tactical improvements can be implemented to address specific issues.



# Enterprise Results



# OVERARCHING THEMES

1. Substantial resource reductions over the past few years, with numerous positions still vacant.
2. Co-locate similar functions for near-term effectiveness and mid-term efficiency improvements.
3. Achieve greater consistency, training, and leverage of administrative and analytical resources.
4. Address span of control (direct reports and/or scope of services) challenges.
5. Strengthen focus and utilization of cross-functional teams to deliver integrated/interrelated services.

# OVERARCHING THEMES

6. Anticipate and prepare for succession through identification and development of multiple candidates.
7. Achieve greater teamwork at the executive level.
8. Enhance outcome focus of performance program.
9. Increase utilization of technology.

# 1. RESOURCE REDUCTIONS

## Finding:

- In response to the financial challenges of the economic downturn of 2008, the City has made substantial resource reductions. The City has over 50 vacant positions identified in its departmental organizational charts. Some departments (e.g., Community & Economic Development) have retained external resources to address workload spikes since 2008.

## Recommendation:

- Wherever possible, departments should leverage external resources to provide flexibility in addressing variable workload demands and minimize increases in fixed costs associated with hiring employees.

## 2. LOCATION OF SIMILAR FUNCTIONS

### Finding:

- Over the past several years, the City has made a number of significant organizational changes. Some changes were caused by resource reductions implemented in response to the economic downturn of 2008, and other changes were made to work around personnel issues. Some aspects of the City are not optimally organized for efficiency and effectiveness.

### Recommendation:

- Implement organization changes recommended in this report to co-locate similar functions to achieve near-term effectiveness enhancements and mid-term efficiency improvements.

# 3. ADMINISTRATIVE/ANALYTICAL SUPPORT

## Finding:

- The City has over 100 administrative and analytical positions throughout the organization, which is considerably higher than comparable municipalities. The personnel in these positions play a vital role in supporting the delivery of City services.
- There are four primary types of positions. They include:
  - Executive Assistant (EA)
  - Administrative Office Assistant (AOA)
  - Analyst
  - Assistant/Coordinator (A/C)

### 3. ADMINISTRATIVE/ANALYTICAL SUPPORT

Department	Executive Asst.	Admin. Office Asst.	Analyst	Assistant/Coord.	Total
CED		15	6	1	22
PRN	1	12	6	1	20
Public Works	2	29	7	4	42
UPP	1	6	3		10
Finance	1	1	14		16
Human Resources		2	1		3
Information Technology	1				1
City Manager's Office	1	1			2
City Attorney's Office		1	1		2
City Clerk's Office		3			3
<b>Total</b>	<b>7</b>	<b>69</b>	<b>37</b>	<b>6</b>	<b>121</b>

# 3. ADMINISTRATIVE/ANALYTICAL SUPPORT

## Recommendations:

- Transfer positions not tied to specific programs, as a result of funding or specialized knowledge requirements, to a centralized Administration pool.
- Maintain initial departmental resource assignments to preserve continuity of service.
- Establish service delivery standards, training programs, and scheduling procedures to support flexible utilization of resources and efficient and effective service delivery.
- Over time, assess opportunities to streamline resources based on departmental needs.

## 4. SPAN OF CONTROL

### Finding:

- In addition to the departmental span of control challenges addressed in this report, the City Manager is spread thin with eight direct reports, plus daily interactions with the Mayor, the other Councilmembers, City Attorney, City Auditor, and the City Clerk, as well as external stakeholders.
- This situation has limited the amount of time the City Manager has to spend on the strategic needs of Modesto.
- The City of Modesto has one Deputy City Manager, and only two departments (i.e., HR and IT) report to the Deputy City Manager.
- The size of the City of Modesto organization warrants one or two Deputy City Managers.



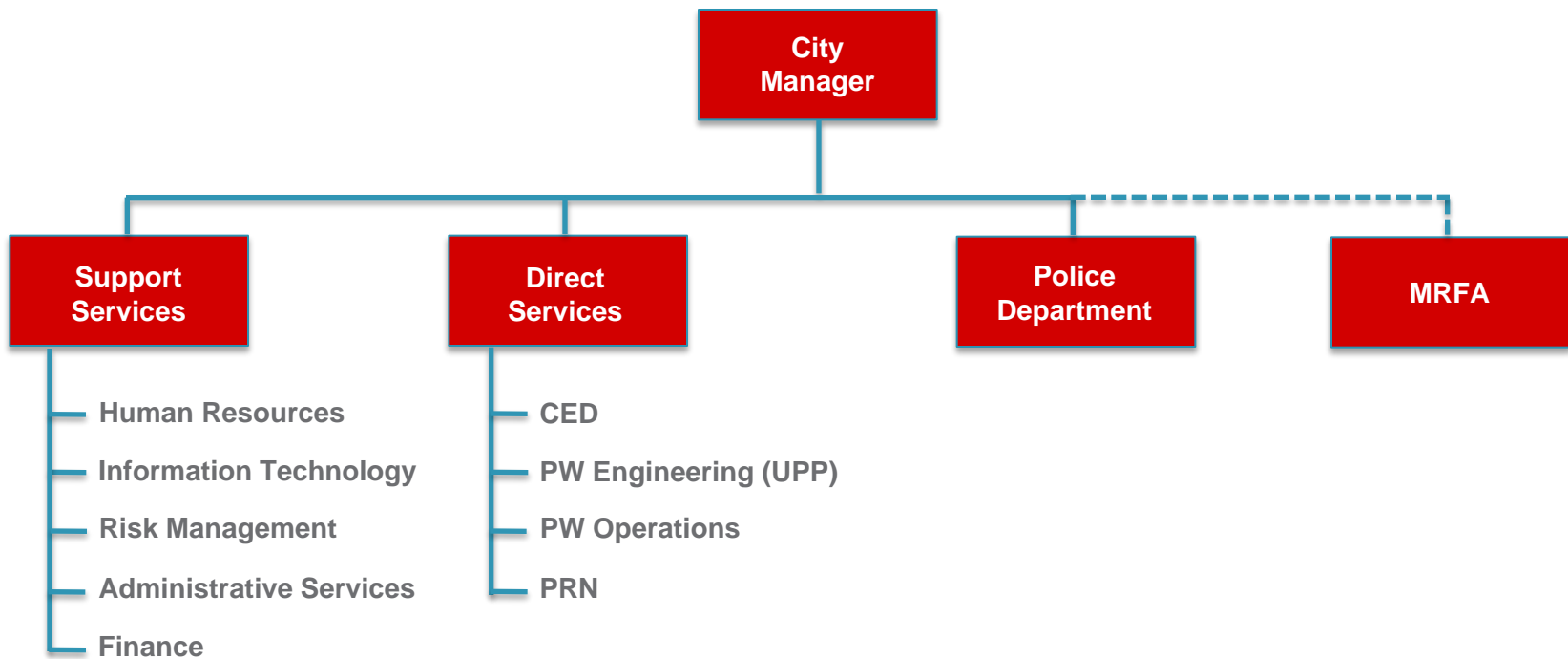
## 4. SPAN OF CONTROL

Recommendation:

- Develop an organizational strategy structured around two Deputy City Manager positions, one focused on direct services and one focused on support services. Address support services first. Options within the proposed structure include:
  - Finance Department reporting to the City Manager or the Deputy City Manager responsible for Support Services
  - Police Department reporting to the City Manager or the Deputy City Manager responsible for Direct Services
  - MRFA Board meeting participation by the City Manager or one of the Deputy City Managers

# 4. SPAN OF CONTROL

Recommended Structure:



## 5. CROSS-FUNCTIONAL TEAMS

### Finding:

- Like many organizations, the City of Modesto operates in a matrix environment that requires personnel across departments to work together on initiatives and projects. However, there are instances, such as transportation projects, when a lack of optimal collaboration and coordination across departments has impacted efficiency and effectiveness.

### Recommendation:

- Strengthen the City's commitment to utilizing cross-functional teams to deliver projects and services that require resources from multiple departments. Designate discipline leaders to ensure teams are assembled and productive.

## 6. SUCCESSION

### Finding:

- Due to two economic downturns in the past decade, many members of the workforce have postponed retirement plans. As a result, organizations are facing an impending wave of retirements, especially at the leadership level.
- The City of Modesto recently experienced the retirement of its Police and Fire Chiefs. There are other members of the City's leadership team (department director and division manager level) that could retire in the next few years.
- The City does not have a succession plan or human capital plan.

## 6. SUCCESSION

Recommendation:

- Assign the Human Resources Director the responsibility for developing a human capital/succession plan.
- The human capital component should define core competencies for each level of the organization, coaching and mentoring roles and responsibilities, career paths, etc.
- The succession component should provide direction on how to develop identify potential future leaders, develop those leaders, create succession options, and transition leadership.

## 7. TEAMWORK AT EXECUTIVE LEVEL

### Finding:

- For several years, the City of Modesto has experienced lack of cohesiveness among its senior management team (Charter Officers and Department Directors).
- It is common knowledge in all departments to create barriers for efficient and effective operations throughout the City.
- Over the past several months, the City has undertaken activities to address this issue. Examples include self/team assessments, retreats, and team building activities. However, these efforts appear to be having limited impact.

## 7. TEAMWORK AT EXECUTIVE LEVEL

Recommendation:

- Define organizational values and establish associated individual performance expectations.
- Establish Citywide and departmental performance expectations.
- Institute confidential 360-degree employee evaluations for Charter Officers and Department Directors and utilize results to guide personnel decisions.
- Continue to leverage team building opportunities such as community-based activities.
- Consider retaining coaching resources to work with executives on individual and group bases.

## 8. PERFORMANCE OUTCOMES

### Finding:

- The City's current strategic plan covers the period 2010-2013 and covers six strategic commitments. These commitments focus on such as economic environment, education, promotion, safety, sense of community, and service quality.
- Departmental initiatives were defined to accomplish each commitment, and departmental performance measures were established to track progress and provide accountability. Most of the performance measures are output based.
- The City Council received a comprehensive performance update on September 25, 2012.



## 8. PERFORMANCE OUTCOMES

Recommendation:

- When the City develops its next strategic plan, develop not only output measures and targets, but also outcome measures.
- Output measures should quantify the extent to which the City completed its initiatives, and outcome measures should quantify the extent to which the City achieved its strategic commitments (i.e., the impact of its initiatives).
- By placing more emphasis on outcome measures, the City will be able to determine if it is truly moving from its current state to its preferred future state.

## 9. TECHNOLOGY UTILIZATION

### Finding:

- Technology management is in place to guide future changes.
- Recent projects have included significant ERP system replacement.

### Recommendation:

- Establish IT Governance to improve oversight.
- Prioritize projects and investments.
- Pursue technologies that potentially strengthen efficiencies and effectiveness.



# Departmental Results

# OVERVIEW

- Finance
- City Governance
- Human Resources
- Information Technology
- Community & Economic Development
- Public Works
- Utility Planning & Projects
- Utility Billing Division
- Parks, Recreation & Neighborhoods



# Finance

# FINANCE

## FINDING AND RECOMMENDATION – 1

### Finding:

- The City maintains 19 separate petty cash accounts. The City's Accountant states that 19 petty cash accounts exist around the City, adding up to \$19,530 in total. One of these accounts, the SDEA, totals \$15,500. This account in particular is not operating like a petty cash account. While the City has internal control procedures in place surrounding the accounts, some procedures are not very robust. In some cases, multiple drawers exist to support the same accounts (e.g., in the Police Department). For the most part, the accounts appear to be following established internal control policies. Still, the situation is not considered optimal.

# FINANCE

## FINDING AND RECOMMENDATION – 1

### Recommendation:

- Review the controls around petty cash and strengthen as necessary. Petty cash controls are simple in concept, and expected to be in place for all accounts:
  - Reconciled monthly, at a minimum
  - Accounts limited to a low dollar amount
  - One designated custodian per account
  - Logs maintained and signed voucher for each transaction
  - Used for non-standard low-cost transactions
  - Locked drawer, physically secured at all times
  - Periodically reviewed by the Controller, particularly during reimbursement

# FINANCE

## FINDING AND RECOMMENDATION – 1

### Recommendation:

- Because of its size, the SDEA account should be reviewed in particular. Additionally, for organizational reasons, some of the 19 accounts may not be entirely necessary and could be closed, thus reducing some resources currently devoted to the function.



# FINANCE

## FINDING AND RECOMMENDATION – 2

### Finding:

- There is no up-to-date accounting manual supporting the City's financial functions. The lack of a manual undermines both the control atmosphere as well as effectiveness of financial operations. The lack of an accounting manual is considered a significant gap in the City's internal controls environment. Examples of missing documentation include month end and year-end procedures.

# FINANCE

## FINDING AND RECOMMENDATION – 2

### Recommendation:

- Develop an accounting manual during 2013. The accounting manual should include critical policies, processes, and procedures. Additionally, organizational components should be included, including authorities, roles, and responsibilities. The City can procure a template online and hire interns to help tailor. The manual will provide numerous benefits to the City, including providing clear direction to staff via policy, assisting in training, providing compliance benchmarks, and assisting in times of turnover.

# FINANCE

## FINDING AND RECOMMENDATION – 3

### Finding:

- A/P Wire Transfers are currently a manual process. There are approximately one dozen wire transfers processed manually on a monthly basis. Currently, the City does not use the function in Oracle AP to process vendor payments via wire payment. When a vendor requires the payment to be issued via wire, the City manages this process directly through the bank, and then processes a journal entry via Oracle General Ledger and/or Projects to record the accounting transaction.

# FINANCE

## FINDING AND RECOMMENDATION – 3

### Recommendation:

- Study the requirements and process associated with automating funds transfer within Oracle. It is likely that funds transfer can be “turned on” in Oracle without much work or exposure. Accounting and IT should work together to set up such managed accounts. Prior to setting up this process, quick assessment should occur to determine the amount of work involved and the impacts on the City’s banking and cash reconciliation processes. The City’s Controller can lead this effort. Oracle should also confirm the benefits of this effort. Ultimately, it is possible that automating such efforts will have payback and result in more efficiency and freeing up personnel to attend to other matters.

# FINANCE

## FINDING AND RECOMMENDATION – 3

### Recommendation:

- Currently the City has the necessary modules in place to provide the capability of fund capture/receiving payment and fund disbursement/payment. Payment options could include check, EFT, and wire transactions. In order for this to go live, the IT Department would need to work with the Finance Department to setup, configure, and test. This initiative would be based on project priority and resource availability.

# FINANCE

## FINDING AND RECOMMENDATION – 4

### Finding:

- There is a disconnect in recent retitling for the AP and Payroll Leads. The primary AP position was recently upgraded to a “lead” position. Now, the AP Lead position description is comparable to the Payroll Lead, which in the case of the City, is appropriate due to the comparability of job scope responsibilities. There appears to be a slight disparity in pay, which is a recognized issue. A desk review of the position responsibilities and pay differential is in process.

# FINANCE

## FINDING AND RECOMMENDATION – 4

### Recommendation:

- Ensure that lead positions are clearly defined, and that compensation is set fairly between comparable job responsibilities. Like other positions, these positions require clear definitions and pay scales. Positions require clarity for both City administrators and staff. Clear positions and compensation are important for:
  - Training
  - Performance review
  - Compensation
  - Career paths

# FINANCE

## FINDING AND RECOMMENDATION – 5

### Finding:

- Some departments process a significant number of travel advances. These advances are appropriate when personnel require advance cash to pay for City business. Travel advances are most often beneficially utilized when large outlays occur, or when large numbers of outlays occur. At other times, travel advances are not the most efficient way to process expense reimbursements. At Modesto, travel advances appear common in locations like the Police Department. Such advances are used for items like conferences, and total \$400-\$500 on average. The demand for such advances consumes significant time in the Accounting Department to process advance paperwork, not to mention in the requesting locations.



# FINANCE

## FINDING AND RECOMMENDATION – 5

### Recommendation:

- Manage the number of travel advances processed. While the City is not currently breaking protocol, there are likely more efficient ways to deal with travel expenses. We recommend either having employees utilize their own personal credit cards, or issuing purchasing cards (P-Cards) when needed. Under any scenario, strict controls should be established to approve, track, and report on travel expenses. Appropriate receipts and detail are needed to properly account for City business. Further study is warranted by the Finance Department to fully determine the most efficient way to process travel expenses (for the stakeholders and all the parties involved).

# FINANCE

## FINDING AND RECOMMENDATION – 6

### Finding:

- iSupplier is not currently being used to its full potential.
- The City's procurement function appears to be in good condition. The majority of the function is automated, taking advantage of the Oracle system that is in place. Due to the controlled pace of business, the current group is keeping up with the workload. The Department has 4 FTEs and 1 temporary staff to support operations.

# FINANCE

## FINDING AND RECOMMENDATION – 6

### Recommendation:

- Study the benefits associated with further implementing “iSupplier,” Oracle’s automated vendor management module.
- The City already licenses the Oracle iProcurement module. This module can further automate processes that are currently manual. The implementation has direct long-term payback implications. The particular functions that will increase efficiency include electronic invoicing and vendor management.
- Long term, automating this process will be more efficient, and likely save significant time conducting procurements.
- “iSupplier” provides an automated mechanism to manage vendor files, sign up vendors, and process invoices.

# FINANCE

## FINDING AND RECOMMENDATION – 7

### Finding:

- The City's Legal Department conducts some of its own procurements.
- During this organizational study, we reviewed some representative contracts from the Legal Department. The Legal Department conducts many of its own procurements, especially for specialized services and for those needed on short notice. The procurements reviewed are for subcontracted legal services, where the City Attorney has periodic need for resources/experts to support the City's legal function. In some situations, the process does not lend itself to standard protocol.

# FINANCE

## FINDING AND RECOMMENDATION – 7

### Recommendation:

- Consider moving parts of the Legal Department’s procurement function to the Procurement Department. Like the City’s Legal Department, the City’s Procurement Function is competent and efficient. The group can manage procurements in an expeditious manner. This recommendation boils down to “highest and best” use of staff. We recommend using the Procurement Department to conduct and manage most of the City’s standard procurements. Legal should continue to manage the City’s legal affairs and counsel, and write contracts. Assuming that the Legal Department has time and needs to procure services, there are likely additional areas where Procurement can help out.



# City Governance

# CITY GOVERNANCE

## FINDING AND RECOMMENDATION – 1

### Finding:

- The City provides select services to other local governments in the region. Providing services from a city government to other governments is an age-old concept.
- To formalize relationships, interlocal agreements are commonplace to promote efficient business via resource sharing, particularly when one organization is well positioned to provide such services while others are in need of the same services.

# CITY GOVERNANCE

## FINDING AND RECOMMENDATION – 1

### Finding:

- Modesto has been providing services to several other local governments for years. Governments served include Stanislaus County, MRFA, and Joint Powers Authority (JPA) entities. The direct benefits to Modesto of providing such services include using excess capacity, strengthening expertise, and optimizing finances. The benefits to other governments include gaining access to needed services and lower costs of resourcing.



# CITY GOVERNANCE

## FINDING AND RECOMMENDATION – 1

### Recommendation:

- Expand the scope of services provided to other governments where excess capacity exists. In the case of multiple governments, this idea is tied to resource alignment through consolidation and centralization. For the City of Modesto, instead of internal departments, the focus could be on different governments that can potentially share the same resources. The more standardized the service, often the stronger the business case is for supporting resource sharing. Common examples of City services that may be shared include: finance, human resources, procurement, technology, and development functions.

# CITY GOVERNANCE

## FINDING AND RECOMMENDATION – 1

### Recommendation:

- While revenue sharing will likely be part of the solution, more important are the concepts of economies of scale and optimal capacity utilization. Of course, between local governments, this has to work for both parties. We believe that Modesto has significantly more room to provide services to other governments, especially smaller ones, as well as special purpose districts. Common challenges of inter-local business are significant and tied to control and politics. With that said, the potential for savings can offer great payback.

# CITY GOVERNANCE

## FINDING AND RECOMMENDATION – 2

### Finding:

- The span of control at the top of the City is not fully aligned. The City Manager manages seven direct reports, including:
  - Deputy City Manager
  - Director of Finance
  - Chief of Police
  - Director of Community & Economic Development
  - Director of Parks, Recreation & Neighborhoods
  - Director of Public Works
  - Director of Utility Planning & Projects

# CITY GOVERNANCE

## FINDING AND RECOMMENDATION – 2

### Finding:

- The City Manager's plate is very full dealing with both the internal and external affairs of the City. Additionally, the City Manager works closely with many other stakeholders, including the City Council, Mayor, City Attorney, City Auditor, and the City Clerk. A complicating factor regarding the City Manager is the span of control for some of the direct reports to the City Manager. Other positions that have a span of control issue include the Deputy City Manager (not broad enough) and the Director of Public Works (too broad).

# CITY GOVERNANCE

## FINDING AND RECOMMENDATION – 2

### Recommendation:

- Consider modifying the span of control for directors and manager to be in the range of five to seven direct reports.
- Given the multiple responsibilities, a normal span of control for executive positions is in the range of five to seven personnel. The lower the number of direct reports, potentially the more effectively a position can operate. An example of a potential game changer is the Deputy City Manager position, which currently oversees two other positions. If the Deputy City Manager took responsibility for more positions, then it would help rebalance management at the top of the City. The same approach can be pursued with the Director of Public Works.

# CITY GOVERNANCE FINDING AND RECOMMENDATION – 3

## Finding:

- Currently, the City is operating 22 separate citizen advisory ports, commissions, and committees. Managing these groups consumes significant time and resources, including staff support. An opportunity may exist to streamline governance of the commissions.

# CITY GOVERNANCE FINDING AND RECOMMENDATION – 3

## Recommendation:

- Committee and task force operation is considered critical to City Governance. With that said, committees must be operated efficiently and effectively over the long term.
- Potentially, consolidation can be used to add organization and structure, and strengthen management over development governance.

# CITY GOVERNANCE

## FINDING AND RECOMMENDATION – 3

Recommendation:

- The potential steps for reviewing structure include:
  - Evaluating group purpose, role, membership, and processes
  - Evaluating similarities and differences, and overlapping charters and duties
  - Developing decision criteria to support restructuring
  - Developing executive recommendations for change based upon expected benefits
  - Discussing benefits at the Council level
  - Deciding on and approving changes
  - Developing a transition plan and assigning responsibilities



# CITY GOVERNANCE

## FINDING AND RECOMMENDATION – 4

### Finding:

- The City provides MRFA three-fourths of its funding.
- The City is one of three partners in MRFA. Other members include Salida Fire Protection District and Stanislaus County Office of Emergency Services. While one of three members, the City is responsible for 75 percent of MRFA's expenses; MRFA's Board makes the decisions about budget and spending, and therefore, can spend the City's resources without full representation. Financial representation for the City is, therefore, currently achieved through the efforts one board member. This means the board can spend the City's money without the City's full input or sign-off.

# CITY GOVERNANCE

## FINDING AND RECOMMENDATION – 4

### Recommendation:

- Increase the level of the City's representation on the MRFA Board. Given the level of support, the City's representation on the MRFA Board should increase. Obtaining one more board seat is warranted if funding levels are to remain at the same level.



# Human Resources

# HUMAN RESOURCES

## FINDING AND RECOMMENDATION – 1

### Finding:

- The level of overtime at Modesto has recently ranged widely by department, and has been significantly over budget in some cases. The causes for overtime are numerous, including understaffing, required service levels, and dealing with unforeseen events. Overtime costs for the City were approximately \$6 million in 2012.
- In 2012, actual overtime exceeded budgeted overtime by \$1.24 million, or 24%. Particular departments exceeding budgeted amounts by 20% or more include: Community and Economic Development, Finance, MRFA, and Parks, Recreation, and Neighborhoods. Departments under budget included IT, Public Works, SDEA, and Utility Planning and Projects.

# HUMAN RESOURCES

## FINDING AND RECOMMENDATION – 1

### Recommendation:

- Review overtime root causes, and reduce costs via strengthened planning, management, and an overall staff alignment. In many cases, overtime is not only warranted, but is also mandatory. The case for the City's safety functions (Police and Fire) is particularly strong. In other cases, work is required and must be attended to (e.g., for initiatives or compliance). In still other cases, overtime is not always required and should not be self-administered. HR policies exist at the City to govern overtime. Such policies are not always adhered to within the departments at Modesto. The long-term impacts of excessive overtime often have a negative impact on organizations. Burnout is common, which affects performance levels and service delivery.

# HUMAN RESOURCES

## FINDING AND RECOMMENDATION – 1

### Recommendation:

- We also believe that overtime is a Citywide issue to be managed. The City Manager, Finance Director, and HR Director all have a role in managing this resource, the labor resource, in conjunction with the departments themselves. At Modesto, overtime increases costs, and it is a contributing factors to low morale.
- While the City will not be able to reduce overtime completely, hours can be better managed. We believe that Modesto can realistically lower rates by 5% to 20% in many cases.

# HUMAN RESOURCES

## FINDING AND RECOMMENDATION – 1

### Recommendation:

- Overtime management techniques that can be better utilized include:
  - Following policy
  - Placing a moratorium on overtime when extra hours are unnecessary
  - Using overflow rosters for third parties
  - Requiring managers to preapprove overtime
  - Sharing capacity among existing business units
- Above all, overtime management should be planned, continuous, and monitored.

# HUMAN RESOURCES

## FINDING AND RECOMMENDATION – 2

### Finding:

- The City’s compensation structure is stated to be “below market.” Per the City’s HR Director, the employee compensation philosophy is openly structured to pay employees below market wages. The City’s stated approach is to pay 15% below other local governments. Because of the challenges related to maintaining its workforce and skills, the City is planning to conduct a new compensation study in 2013. The last compensation study was conducted in 2009.



# HUMAN RESOURCES

## FINDING AND RECOMMENDATION – 2

### Recommendation:

- Consider updating the compensation philosophy to be closer to market wages. The City's philosophy positions the City in an uncompetitive posture, and over the long term, this will contribute to higher turnover rates and recruiting challenges. The City requires a motivated and competent workforce to deliver on its responsibilities. To deliver on obligations and best serve the public, we recommend that employee compensation be competitive with the market. We believe 15% below market is too low to meet City goals. If compensation is to remain lower than market standards, a 5% delta is closer to the mark.

# HUMAN RESOURCES

## FINDING AND RECOMMENDATION – 3

### Finding:

- Job descriptions are a little general, not always fully tailored to specific positions. During the organization study, we reviewed job descriptions in administrative departments. We found these descriptions to lack some fundamental information normally expected in such descriptions. When descriptions lack detail, they are not as valuable as they could be for training, performance evaluation, and other management purposes. During the same review, we found some descriptions to be out of date.

### Recommendation:

- Update job descriptions where relevant to include more detail.

# HUMAN RESOURCES

## FINDING AND RECOMMENDATION – 4

### Finding:

- The City is operating a successful intern program. The purpose of this program is to deal with temporary resource staffing needs in conjunction with providing skills training. The program serves both the City and the interns. Multiple benefits result to the City including sourcing temporary help, dealing with overflow, possibly finding sources of permanent help, and improving community wellbeing. The interns benefit through skills training, networking, and potential avenues to finding employment at a competitive wage. The departments using the program include Finance/Procurement, City Manager, and Human Resources. Interns work 35 hours per week.

# HUMAN RESOURCES

## FINDING AND RECOMMENDATION – 4

Recommendation:

- Continue to use, and possibly expand, the use of this temporary program in entry-level positions. This program should be optimized for a win-win. There are potential opportunities for this program to be rolled out to multiple other departments. The program may also be useful if the city migrates to a shared services format.



# Information Technology

# INFORMATION TECHNOLOGY FINDING AND RECOMMENDATION – 1

## Finding:

- IT Governance is lacking. IT Governance includes policy, strategy and planning, approvals and decision-making, fiscal control, and risk management, among other components. Modesto IT functions are generally well managed at the Director and the Manager levels, including procurement, development, operations, implementation, service delivery, and maintenance.

# INFORMATION TECHNOLOGY FINDING AND RECOMMENDATION – 1

## Finding:

- With that said, there are many missing components of IT Governance at the City of Modesto, including:
  - Investment review and approval
  - Detailed long-range IT planning
  - Cost/benefit analysis
  - Well-defined project charters
  - Make or buy decision making
  - Board-level oversight
  - Risk assessment

# INFORMATION TECHNOLOGY FINDING AND RECOMMENDATION – 1

## Finding:

- The lack of governance has impacted the City in numerous ways. Some systems have been procured that have questionable value, and may have otherwise not been procured. Such procurements have significant cost impact. Additionally, some implementations have not gone as smoothly as they should have. The City's executive and administrative ranks are not currently fully engaged in IT Governance.



# INFORMATION TECHNOLOGY FINDING AND RECOMMENDATION – 1

## Recommendation:

- Establish stronger IT governance.
- The City is gearing up its significant next wave of IT investments. To ensure value optimization, it is recommended that Modest establish formal IT governance processes immediately. There is virtually no downside to strengthening IT Governance. We recommend that an IT Governance framework be established to address issues including the IT spend rate, payback, project management, and initiative success.

# INFORMATION TECHNOLOGY FINDING AND RECOMMENDATION – 1

## Recommendation:

- Many components would immediately help the City make better IT decisions and ultimately improve performance. Useful Governance components include basic tools and processes:
  - A total cost of ownership (TCO) model for major investments
  - Comprehensive IT policy and long-range plans
  - IT Investment Board to review, approve, and prioritize major investments
  - Project charters to define proper roles and responsibilities
  - Project management framework with defined processes, controls, and resourcing
  - IT oversight via ongoing risk assessment

# INFORMATION TECHNOLOGY FINDING AND RECOMMENDATION – 2

## Finding:

- While much of the City's timekeeping is automated, manual timekeeping continues in a significant portion of the City. Timekeeping is a core daily function at the City, required for payroll and project tracking purposes. Most department employees enter time directly into the Oracle system, including Finance and Parks, Recreation, and Neighborhoods. Some departments do not enter time directly into the system in an automated format, including Police and select groups within Public Works, Community Development, and Parks, Recreation, and Neighborhoods. A selective group of employees within those departments fills out a paper timesheet. Once signed by the employee, a timekeeper then keys the data into Oracle.

# INFORMATION TECHNOLOGY FINDING AND RECOMMENDATION – 2

## Finding:

- Beyond Police, the bulk of manual timekeeping occurs in Public Works. Additionally, part time employees who work in the field enter time on paper time sheets. Redundant timekeeping is inefficient as it requires entering the same data more than once, i.e., first on paper and then again into the computer system.

# INFORMATION TECHNOLOGY FINDING AND RECOMMENDATION – 2

## Recommendation:

- Continue to push for direct time entry in those departments where time is handled redundantly. Time can be captured automatically in most circumstances. The key is to capture time in a digital format, whether entered into hand-held devices and later uploaded, transferred into spreadsheets, or directly (into laptops or iPads) for wireless integration into a virtual application.

# INFORMATION TECHNOLOGY FINDING AND RECOMMENDATION – 2

## Recommendation:

- With a system as powerful as Oracle, there is little reason to handle time manually. The Oracle Time and Labor module is functional to allow all employees to enter their time. The benefits of direct time entry tie to handling data once, and therefore is more efficient and costs less money to handle. Other supporting reasons include increasing accuracy, less paper storage/filing, and improved reporting.

# INFORMATION TECHNOLOGY FINDING AND RECOMMENDATION – 3

## Finding:

- The Oracle system provides a powerful computing platform. As of yet, it is not fully optimized. The City has spent the last 24 months implementing Oracle. So far, the City has implemented general ledger, accounts payable, purchasing, fixed assets, inventory (central stores), projects, cash management, and HR/payroll functionality. Modules remaining to be implemented include budgeting, projects, and grants. Such applications are underautomated or not used at all. Reporting functions could also be improved.

# INFORMATION TECHNOLOGY FINDING AND RECOMMENDATION – 3

## Finding :

- Recently, the City has been losing some momentum in its quest to push for full value. The City is utilizing the system daily, but has lost momentum in the implementation. To date, there is no project plan being followed, and the City is already contemplating add-ons, such as a budgeting package, prior to finishing the current rollout.



# INFORMATION TECHNOLOGY FINDING AND RECOMMENDATION – 3

## Recommendation:

- Develop an updated implementation plan to optimize use of existing Oracle functionality. To obtain optimum payback from the Oracle system, the City will need to operate the platform for many years. Full payback assumes that existing functionality is operational and heavily utilized. To obtain full payback for the investment, the City can refocus its efforts to utilize more functions and processes.

# INFORMATION TECHNOLOGY FINDING AND RECOMMENDATION – 3

## Recommendation:

- Oracle implementations usually consume 18-36 months before being fully deployed. Keys to future optimization include:
  - Implementing projects and grants functionality
  - Fully developing reports
  - Integrating with other best-of-breed applications

# INFORMATION TECHNOLOGY FINDING AND RECOMMENDATION – 3

## Recommendation:

- Department heads, process owners, and lead end users throughout the City must assist in this process. The updated implementation plan should be crafted for 12-18 months' time, and should include further training. We recommend the City hold off from purchasing expensive new options until the system is better utilized; the point being to fully implement and utilize the system that is currently in place today before moving on to other significant projects.

# INFORMATION TECHNOLOGY FINDING AND RECOMMENDATION – 4

## Finding:

- The City has a brief charter covering the Gov Now initiative. The City Gov Now charter includes several basic components, such as: project justification, project risks, project objectives, functionality, constraints, and priority. This charter is very brief and addresses some important project issues, but is missing some others, including: purpose, roles and responsibilities, oversight measures, KPIs, structure and organization (including reporting relationships), project management, and milestones/events.

# INFORMATION TECHNOLOGY FINDING AND RECOMMENDATION – 4

## Recommendation:

- Expand the Gov Now charter to include key governance components. The charter should be updated immediately to include other governance fundamentals. Additional components should include those noted above as being missing. Some consideration should be given to standardizing requirements of all IT charters. Major projects should not proceed without this guidance.

# INFORMATION TECHNOLOGY FINDING AND RECOMMENDATION – 5

## Finding:

- The City's databases are used tactically on an everyday basis to get the business done, but are largely underutilized for strategic financial purposes. Modesto's data resides in many systems, including Oracle and SunGard-HTE, among others. The City's data is an underutilized asset with regard to revenue generation and expense reduction. Years of revenue and expense data sit mostly idle. These data stores can possibly be utilized to increase revenue collection and/or result in actions to strengthen operational efficiencies. The City is aware of some of these (e.g., in Utility Billing and Finance Departments), and is working to optimize the City's financial position.

# INFORMATION TECHNOLOGY FINDING AND RECOMMENDATION – 5

## Recommendation:

- Study whether the City's databases can be further mined for information to increase revenues and lower costs. Through data mining and analytics, the City has the potential for better utilization of its existing data assets. The city's databases are underutilized, with hidden lessons and untapped resources. Tapping such resources requires an analytical approach, time, and expertise. This approach also requires a commitment to conducting business differently. The City's top analysts would need to be involved.

# INFORMATION TECHNOLOGY FINDING AND RECOMMENDATION – 5

## Recommendation:

- The first step to improved data utilization is to study the data architecture, and confirm the feasibility, benefits, and payoff of data analytics. Many local governments are beginning to tap databases for long-term strategic benefits with striking payoffs. We recommend that Modesto explore the benefits of doing so.



# INFORMATION TECHNOLOGY FINDING AND RECOMMENDATION – 6

## Finding:

- Technology procurement lacks robust scrutiny over large-scale investments. In most cases, Department Directors and Managers initiate ideas to advance the technology architecture. The most significant are discussed by top managers and eventually budgeted when approved. Over the past couple of years, the IT Department has been increasingly involved in planning and budgeting future IT investments. Additional structure has been added to the process through the efforts of the recently hired IT Director.

# INFORMATION TECHNOLOGY FINDING AND RECOMMENDATION – 6

## Finding:

- In some past situations, the IT procurement process lacked rigor, and currently, there is a lack of robust cost/benefit analysis being conducted, even over significant investments. Additionally, when such decisions are vetted at the top of the organization, the level of know-how available to scrutinize investments is limited. The end result of the lack of formal, robust scrutiny is that the City is making less-than-optimal investments, and is not setting the City up to fully protect its interests and conduct strong vendor management.

# INFORMATION TECHNOLOGY FINDING AND RECOMMENDATION – 6

## Recommendation:

- Establish an IT Investment Board to oversee major IT investments. The purpose of an IT Investment Board is to review and approve significant IT projects and associated budgets and plans. Essentially, the Board would review capital requests against plans, budgets, cost/benefit, risks, and alternative investment opportunities. Ideally, the reviews would be supported through a formal approval process and pre-established guidelines. The Board would have authorities defined in a formal charter. Membership could be comprised of three-to-five policy-level personnel. Ultimately, the overarching benefit would include more cost-effective spending and corresponding system optimization.



# Community & Economic Development

# COMMUNITY & ECONOMIC DEVELOPMENT FINDING AND RECOMMENDATION – 1

## Finding:

- The Administrative Division utilizes a pooled resources strategy to support the administrative needs of the Community & Economic Development (CED) Department. Benefits of this strategy include increased flexibility in resource utilization, cross-training and staff exposure to a variety of activities, and efficient and effective service delivery.

## Recommendation:

- Expand this “best practice” by applying it on a City-wide basis through a centralized Administrative Department.

# COMMUNITY & ECONOMIC DEVELOPMENT FINDING AND RECOMMENDATION – 2

## Finding:

- The Administrative Division utilizes three Alliance interns and one AARP worker to support general administrative needs and outreach to existing businesses.

## Recommendation:

- Seek opportunities to expand this resourcing strategy more broadly throughout the City, since this approach provides the dual benefit of providing economical resources and supporting community-based programs.

# COMMUNITY & ECONOMIC DEVELOPMENT FINDING AND RECOMMENDATION – 3

## Finding:

- Some of the resources that CED acquired from other City departments to establish development centers do not perform “core” CED activities. In order to streamline the development process, City resources were organized into four development centers, which include land development, transportation, buildings, and infrastructure financing. As is sometimes the case with organizational shifts, some “non-core” resources came with the “core” resources required to establish a one-stop shop experience. Additionally, in some cases, similar resources exist within multiple acquired groups.

# COMMUNITY & ECONOMIC DEVELOPMENT FINDING AND RECOMMENDATION – 3

## Recommendation:

- Combine transportation engineering resources residing within CED, and streamline as appropriate, to create an integrated Transportation Engineering group, which will improve service delivery efficiency and effectiveness, reinforce a transportation development focus, and strengthen already successful grant pursuit activities. These resources include:
  - Traffic Engineering and Operations – engineering (2) and planning (1) resources (option: planner to Planning Division)
  - Land Development Engineering – City Engineer (1) and Special Projects group (3)
  - Street Engineering – entire group (5)



# COMMUNITY & ECONOMIC DEVELOPMENT FINDING AND RECOMMENDATION – 3

## Recommendation:

- Deliver Land Development center services through the Plan Check, Encroachment/Permits, and Current Facilities Planning groups.
- Move Traffic Operations to Public Works to be located with other transportation operations activities. Traffic Operations includes:
  - Traffic Electrical – traffic signal and street light maintenance
  - Traffic Operations – traffic signs and pavement markings (striping) installation and maintenance

# COMMUNITY & ECONOMIC DEVELOPMENT FINDING AND RECOMMENDATION – 4

## Finding:

- There is no dedicated, senior-level economic development resource, and current economic development activities are focused on existing businesses.

## Recommendation:

- Create a dedicated Deputy Director or Manager-level position to focus on new and existing business outreach and drive efforts to proactively and strategically attract, retain, and expand business activity in Modesto. The individual in this position will need to be able work effectively with Council members and business owners/executives, as well as collaborate and coordinate with CDBG, NSP, and Home personnel.

# COMMUNITY & ECONOMIC DEVELOPMENT FINDING AND RECOMMENDATION – 5

## Finding:

- CED utilizes outsourced resources through four contracts to support building plan checks/permits (e.g., structural review) and building inspections during workload spikes, as well as job sharing resources with Oakdale to support planning activities.

## Recommendation:

- Continue to leverage external resources to optimize CED staffing levels. This approach will enable CED to access expertise when needed and avoid staffing up and down with varying permitting and inspection workloads.

# COMMUNITY & ECONOMIC DEVELOPMENT FINDING AND RECOMMENDATION – 6

## Finding:

- In some instances, transportation projects span multiple facets of the City (CED, Utility Planning and Projects, and Public Works) and experience inefficient handoffs, which can negatively impact project costs, schedules, and quality.

## Recommendation:

- Lead efforts to expand use of multi-disciplined project teams during the planning phase to strengthen coordination of project planning, design, development, and construction management to achieve optimal facility design, performance, and ongoing maintenance. (See related recommendations for Public Works and UPP.)

# COMMUNITY & ECONOMIC DEVELOPMENT FINDING AND RECOMMENDATION – 7

## Finding:

- Approximately 70% of permits are handled over-the-counter, which increases staff requirements. CED is working with IT to pursue online permitting through a phased approach to 1) incorporate a module with the current system and 2) purchase a new system within 3 to 5 years.

## Recommendation:

- Continue to pursue solutions to facilitate online permitting. Investigate use of a “technology fee,” which is typically 1-3% of total permit cost, to fund a new permitting system. Online permitting will enable CED to reduce the time required to process permits by freeing up staff to dedicate more time to permit review.

# COMMUNITY & ECONOMIC DEVELOPMENT FINDING AND RECOMMENDATION – 8

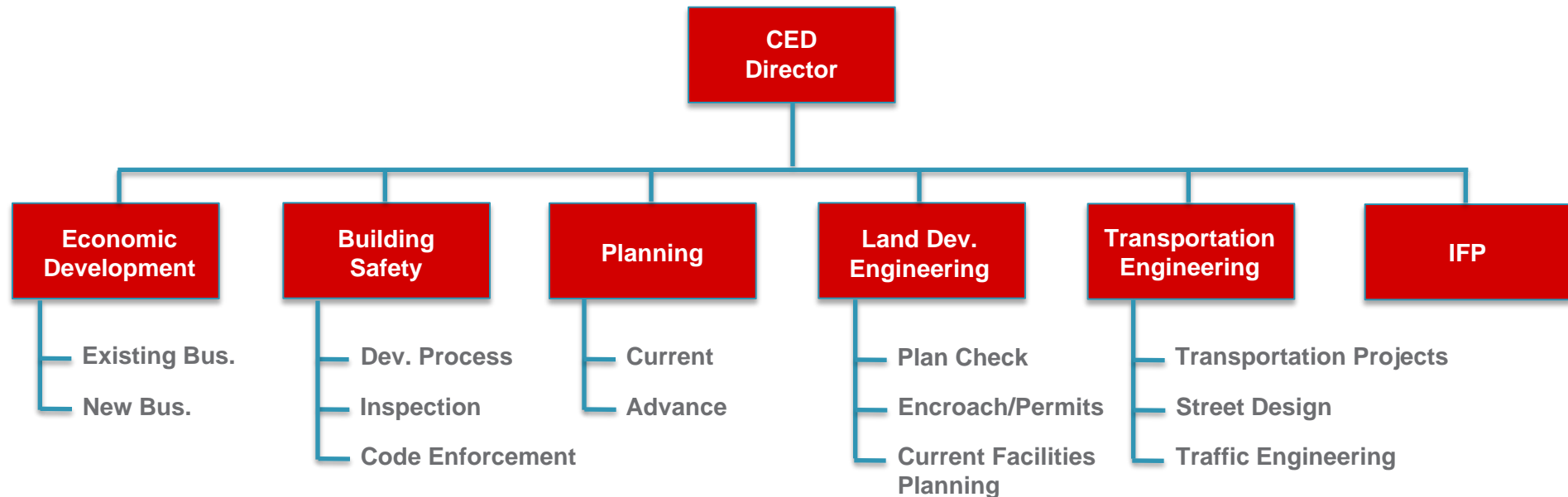
## Finding:

- CED has 22 administrative/analytical support positions. Positions include 6 Administrative Analysts, 15 Administrative Office Assistants, and 1 Assistants/Coordinator.

## Recommendation:

- Transfer positions not tied to specific programs (as a result of funding or specialized knowledge requirements) to a centralized Administrative Department with initial departmental resource assignments that preserve continuity of service.

# COMMUNITY & ECONOMIC DEVELOPMENT RECOMMENDED STRUCTURE





# Public Works



# PUBLIC WORKS

## FINDING AND RECOMMENDATION – 1

### Finding:

- The composition of the Public Works Department has changed multiple times over the past several years, with the current organization reflecting a functional focus, whereby Public Works takes care of the M&O activities for most City assets. Assets that are not maintained and/or operated by Public Works include traffic operations by CED and buildings and grounds by Parks, Recreation & Neighborhoods (PRN).
- Public Works departments can be structured as either functionally-based (e.g., design/engineering and operations) or asset-based (e.g., water/wastewater, building/grounds, and transportation) organizations.

# PUBLIC WORKS

## FINDING AND RECOMMENDATION – 1

### Finding:

- Asset design and engineering is distributed across Utility Planning and Projects (UPP) for water and wastewater, CED for transportation, and PRN for buildings and grounds.
- Public Works and UPP work collaboratively and meet regularly to address water/wastewater needs.
- In some instances, transportation projects span multiple facets of the City (CED, UPP, and Public Works) and experience inefficient handoffs, which can negatively impact project costs, schedules, and quality.
- The Public Works Department is preparing to undertake a Water/Wastewater Efficiency Study.

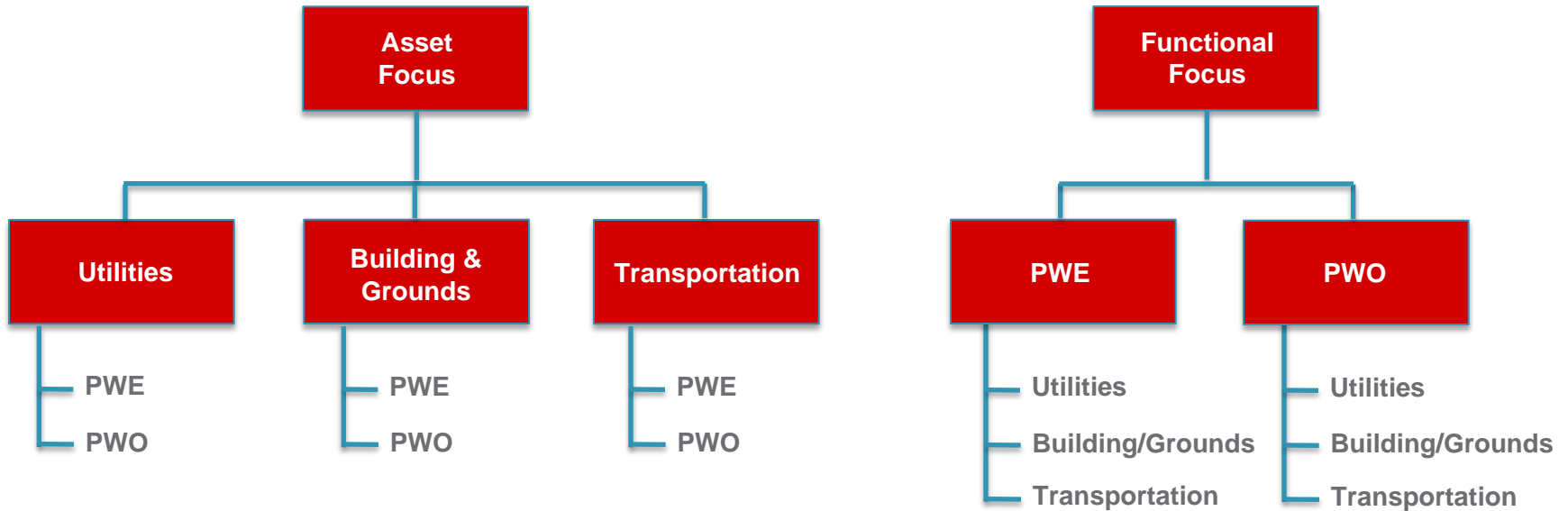
# PUBLIC WORKS FINDING AND RECOMMENDATION – 1

## Recommendation:

- After completing the Water/Wastewater Efficiency Study, which should provide insights into the most efficient and effective model to meet the City's water and wastewater needs, decide whether to utilize a public works strategy that is characterized by either a functional- or asset-based organizational focus.
- The recommendations contained in this report reflect continuation of a functional focus, organized around Public Works Engineering (PWE) and Public Works Operations (PWO). Functional- and asset-based models are depicted below.

# PUBLIC WORKS FINDING AND RECOMMENDATION – 1

Optional Structures:



# PUBLIC WORKS FINDING AND RECOMMENDATION – 2

## Finding:

- Transportation operations (with Airport, Fleet, Street, and Transit Services in Public Works and Traffic Operations in CED) and transportation engineering (with multiple groups within CED and construction management in UPP) do not operate at optimal efficiency and effectiveness due to being organized in a fragmented manner.

## Recommendation:

- Create an integrated transportation operations division within PWO consisting of Airport, Fleet, Streets, Traffic Operations, and Transit Sections.

# PUBLIC WORKS

## FINDING AND RECOMMENDATION – 2

### Recommendation:

- Refer to CED findings and recommendations for how to organize transportation engineering.
- Participate in expanded use of multi-disciplined project teams during the planning phase to strengthen coordination of project planning, design, development, and construction management to achieve optimal facility design, performance, and ongoing maintenance. (See similar/related recommendations for CED and UPP.)

# PUBLIC WORKS

## FINDING AND RECOMMENDATION – 3

### Finding:

- The Public Works Director is spread thin, since this position not only oversees the Water and Wastewater Divisions, but also directly manages the Fleet, Airport, Transit, and Street Service Sections.

### Recommendation:

- Create a Deputy Director position, reporting to the PWO Director, to manage the Transportation Division, which should consist of Airport, Fleet, Streets, Traffic Operations, and Transit Sections.

# PUBLIC WORKS

## FINDING AND RECOMMENDATION – 4

### Finding:

- Fleet Services purchases, maintains, and repairs most, but not all, City vehicles and equipment at two facilities (one at the Police Station and one at the Corporate Yard). Fleet Services does not maintain equipment and vehicles utilized by compost operations or MRFA. Fleet Services consists of Vehicle & Equipment Maintenance, Bus Maintenance, and Parking Services.
- The City recently opened a new transit maintenance facility at the Corporate Yard. In 2013, the City will begin design of Phase II of this facility to support non-transit fleet services. Design is expected to take approximately 12 months, and construction is anticipated to take approximately 18 months.



# PUBLIC WORKS

## FINDING AND RECOMMENDATION – 4

### Finding:

- The Phase II facility will enable the City to consolidate fleet operations, achieve enhanced efficiencies, and increase capacity through additional shifts.

### Recommendation:

- Explore opportunities to leverage the Phase II maintenance facility when it is completed to increase City vehicle maintenance activities. Examples include maintenance of City of Modesto equipment and fleet not currently maintained by Fleet Services, as well as equipment and fleet from other municipalities, MRFA, and Stanislaus County.

# PUBLIC WORKS

## FINDING AND RECOMMENDATION – 5

### Finding:

- Public Works has 42 administrative/analytical support positions. Positions include 2 Executive Assistants, 7 Administrative Analysts, 29 Administrative Office Assistants, and 4 Assistants/Coordinators.

### Recommendation:

- Transfer positions not tied to specific programs, as a result of funding or specialized knowledge requirements, to a centralized Administrative Department with initial departmental resource assignments that preserve continuity of service.
- The City will need to track enterprise funding and the associated administrative/analytical services that are delivered through these funds.



# Utility Planning & Projects

# UTILITY PLANNING & PROJECTS

## FINDING AND RECOMMENDATION – 1

### Finding:

- Utility Planning and Projects (UPP) serves as the capital planning, design/engineering, and construction administration counterpart to the Public Works Department. UPP used to be part of the Public Works Department, and it was split out to provide focus on long-term infrastructure planning, regionalization, and associated major capital projects design and management.
- UPP consists of four primary groups, including water design/engineering, wastewater design/engineering, construction administration, and capital planning, although the departmental organizational chart does not utilize terminology that distinguishes the water and wastewater groups.

# UTILITY PLANNING & PROJECTS

## FINDING AND RECOMMENDATION – 1

### Finding:

- The Construction Administration group provides bid and construction administration services support for water, wastewater, transportation, parks, and building projects.

# UTILITY PLANNING & PROJECTS

## FINDING AND RECOMMENDATION – 1

### Recommendation:

- Institute the following organizational naming changes to more effectively convey the roles and responsibilities of the groups within this department.
  - Rename UPP as Public Works Engineering (PWE).
  - Rename the CIP/Eng. Design Group that focuses on the water system as Water Design/Engineering.
  - Rename the CIP/Eng. Design Group that focuses on the wastewater system as Wastewater Design/Engineering.

# UTILITY PLANNING & PROJECTS

## FINDING AND RECOMMENDATION – 2

### Finding:

- UPP has five vacant technical positions, including three engineering positions within the CIP/Eng. Design (Water) group and one engineering and one inspection position within the Construction Administration group.

### Recommendation:

- Explore opportunities to utilize external resources instead of filling vacant positions to address increases in workload. Seek opportunities to leverage external resource arrangements being pursued or already secured by CED.

# UTILITY PLANNING & PROJECTS

## FINDING AND RECOMMENDATION – 3

### Finding:

- In some instances, transportation projects span multiple facets of the City (CED, UPP, and Public Works) and experience inefficient handoffs at the pre-construction phase, which can negatively impact project costs, schedules, and quality.

### Recommendation:

- Participate in expanded use of multi-disciplined project teams during the planning phase to strengthen coordination of project planning, design, development, and construction management to achieve optimal facility design, performance, and ongoing maintenance. (See similar/related recommendations for CED and Public Works.)



# UTILITY PLANNING & PROJECTS

## FINDING AND RECOMMENDATION – 4

### Finding:

- There is no clear position responsible for managing the CIP for the airport, City buildings, and transit.

### Recommendation:

- Given its transportation engineering responsibilities, designate CED to lead management of the CIP for the airport, City buildings, and transit and facilitate CED, PWO, and PWE working together to ensure all infrastructure are comprehensively covered in the City's asset management plan and capital improvement program.

# UTILITY PLANNING & PROJECTS

## FINDING AND RECOMMENDATION – 5

### Finding:

- UPP has 10 filled and 2 vacant administrative/analytical support positions. Filled positions include 1 Executive Assistant, 3 Administrative Analysts, and 6 Administrative Office Assistants.

### Recommendation:

- Transfer positions not tied to specific programs, as a result of funding or specialized knowledge requirements, to a centralized Administrative Department with initial departmental resource assignments that preserve continuity of service.
- The City will need to track enterprise funding and the associated administrative/analytical services that are delivered through these funds.



# Utility Billing Division

# UTILITY BILLING DIVISION FINDING AND RECOMMENDATION – 1

## Finding:

- The Customer Service Division is making continuous progress in improving process efficiency.
- The Customer Service Division handles a high volume of traffic and is working to strengthen its ability to operate efficiently. The CSRs appear to be performing well, and operate as a team under good management. Particularly noteworthy is the level of cross training and job and task sharing. Improvements are continuing, including efforts to implement a sixth window to handle walk-in traffic, and advancing technology through web-based improvements to automated systems.

# UTILITY BILLING DIVISION FINDING AND RECOMMENDATION – 1

## Finding :

- A representative example of advances includes the phone pay capability. The new phone system has advanced efficiency significantly by reducing the wait time for customers in the queue. The Utility Billing Department is also advancing web-based systems. The next round of implementation is due to be completed in April 2013.

# UTILITY BILLING DIVISION

## FINDING AND RECOMMENDATION – 1

### Recommendation:

- Continue to push forward with advances in managing the CSR queue, including more advances in automation.
- The City is handling the flow of walk-in business in a conventional manner. The more walk-in traffic, the more CSRs are put on the front lines to address citizen business. There are other alternatives that may be implemented in concert with, or in lieu of, additional staffing. Technology is considered to be one of the best ways to defray long-term costs. The use of payment kiosks, advanced web billing, card-based payments, and cash intake machines may all be part of the solution.

# UTILITY BILLING DIVISION FINDING AND RECOMMENDATION – 1

## Recommendation:

- A successful transition will need to include education, training, and simple workflow. Long term, we believe that using simple technology solutions will outweigh the cost of adding a significant number of FTEs to the business model.

# UTILITY BILLING DIVISION

## FINDING AND RECOMMENDATION – 2

### Finding:

- The Customer Service Division shares a Code Enforcement Officer with Parks, Recreation, and Neighborhoods to enforce compliance with all existing city ordinances.
- The Code Enforcement Officer has been in place part time since 2008. The position has recovered significant annual revenues that would otherwise have been lost. These revenues far exceed the cost of the position. The Code Enforcement Officer is supported by grant funding that expired in February 2013. Customer Services Finance utilized this individual to enforce business licensing and reporting compliance. The Department is extending use of this resource until June 30, 2013; utilizing 75% of the time, with PRN utilizing the other 25%.



# UTILITY BILLING DIVISION FINDING AND RECOMMENDATION – 2

## Finding:

- The revenue recovery for fiscal year 2011-2012 resulting from this position totaled \$130,000. Fiscal year 2012-2013 is on track to produce a comparable amount. A full time officer could potentially produce \$220,000. When the cost of the position is accounted for, the efforts may yield net amounts of approximately \$140,000. This levels the playing field for those businesses who are already complying by paying licenses and fees. There is no logical reason for the City to forgo these revenues. Based upon current law, the City has an obligation to pursue recovery.

# UTILITY BILLING DIVISION

## FINDING AND RECOMMENDATION – 2

### Recommendation:

- Make the current Business License Code Enforcement position permanent, and consider hiring another position to support code enforcement if the position can cover costs. The City does not have many obvious opportunities to increase revenues with relative ease. We recommend hiring this position full-time as long as the City can achieve direct payback. This position is important as it brings compliance to unlicensed businesses while leveling the playing field for businesses that comply, and are licensed and paying the appropriate fees.

# UTILITY BILLING DIVISION

## FINDING AND RECOMMENDATION – 3

### Finding:

- Utility Billing charges a flat fee (\$4.35) for late customer payments. This charge has not been increased since 2006. This fee does not currently cover administrative costs for handling late payments. Many peers around the region charge substantially more for late fees.

# UTILITY BILLING DIVISION

## FINDING AND RECOMMENDATION – 3

### Recommendation:

- Increase the charge for late bill payments. We recommend the City cover reasonable costs associated with processing late fee transactions. Direct costs associated with processing late fees include the Utility personnel time spent tracking charges and handling the paperwork associated with printing invoices, mailing statements, and tracking payments. The costs are arguably in the range of \$25 and up, when all time is accounted for. This cost is in addition to costs associated with finance charges and the burden placed on other client accounts to cover the cost of doing business with late-paying customers.

# UTILITY BILLING DIVISION

## FINDING AND RECOMMENDATION – 3

### Recommendation:

- The City is long overdue in charging higher fees to cover its costs. At a minimum, we recommend a \$10 charge to be set in 2013. Higher charges can justifiably be set for more delinquent payments. Such charges can include simple interest at 1.5% per month. More research studying peers is warranted, and action could be taken in the first half of 2013 to strengthen the Utility Billing function.

# UTILITY BILLING DIVISION FINDING AND RECOMMENDATION – 4

## Finding:

- The Finance Department recently reclassified and combined positions into a new category called “Financial Analyst.” This work was conducted as part of a Citywide study. The new position combined the skills of both the Business and Budget Analysts. The supporting reasoning behind the combination was that many positions were already operating as a combination, and were “out of class” in terms of positions on the books.

# UTILITY BILLING DIVISION FINDING AND RECOMMENDATION – 4

## Finding:

- Currently, there are 14 Financial Analysts employed, some located in the Utility Department. As of this date, analysts appear to be operating as they did in the past, with the new position underoptimized. The original intent of such positions therefore has not been fully realized. Given the number of these positions, we believe that excess capacity exists. This is especially true outside of Utility Billing, but this issue is also relevant to Utility to some extent.

# UTILITY BILLING DIVISION

## FINDING AND RECOMMENDATION – 4

### Recommendation:

- Study whether the Financial Analyst positions at the City should be rescoped, and possibly consolidate the number of such positions over the long term. Many personnel in the City are still operating as either a Budget Analyst or Business Analyst. The impact of this situation includes inaccurate classification, excess capacity, and steering talent away from where it is needed most. This issue is important to address, as it impacts where people are spending their time and expertise, how people are being managed, and most importantly, how the City's business is completed.



# UTILITY BILLING DIVISION

## FINDING AND RECOMMENDATION – 4

### Recommendation:

- In the end, it may be that the City requires all three classifications, including: Budget Analyst, Financial Analyst, and Business Analyst. The Business Analyst is the broadest of the three classifications. It may come down to redeveloping clear position descriptions tied to a specific number of positions needed in specific departments, and/or centralizing positions elsewhere to service the entire City from a shared resource pool.

# UTILITY BILLING DIVISION

## FINDING AND RECOMMENDATION – 5

### Finding:

- During a November 2012 review of internal controls surrounding the Utility Billing group's cash handling practices, numerous gaps were identified and discussed with the Department managers.
- Gaps included:
  - Cash handling and counting occurs in too open of an environment.
  - Cash counting is conducted by one person, instead of multiple individuals.
  - Cashiers control their own drawers (which is conventional), but such drawers are not always reconciled timely.

# UTILITY BILLING DIVISION

## FINDING AND RECOMMENDATION – 5

### Finding:

- Additional gaps included:
  - Customer access is a concern; this is significant if the drawers are left unattended.
  - Cash drawers are counted on the next business day, following the previous day's transactions, raising a question of timeliness.
  - Cash drawers are kept overnight in a locked environment outside the vault.
  - There is a segregation of duties issue when the same person who processes transactions also reconciles the same work and makes the bank deposit.

# UTILITY BILLING DIVISION

## FINDING AND RECOMMENDATION – 5

### Recommendation:

- Immediately strengthen cash handling controls. The above control gaps were discussed with Utility Billing Division management, who recognized some procedures as being deficient. Most of the above gaps can be easily remedied. Others will require more work. The physical security upgrade in the next couple of months will additionally shore up controls. Installing security glass, cameras, and security apparatus should be part of the layout. Basically, cash handling should be conducted as in a banking environment, or at least as in a comparable retail setting. The managers appear to be moving ahead to strengthen controls. Once in place, such controls should be again reviewed and tested for effectiveness.

# UTILITY BILLING DIVISION FINDING AND RECOMMENDATION – 6

## Finding:

- The parking adjudication function resides in the Utility Billing Division, while the parking enforcement officers work in the Police Department. In many cases, the two groups are, de facto, operating as a combined function. Much of the day-to-day contact and management for the enforcement group comes from the Utility Parking Adjudication Manager. Presently, the parking enforcement officers report to a sergeant in the Police Department. While adequate, the working relationship between the two business units is not 100% aligned.

# UTILITY BILLING DIVISION FINDING AND RECOMMENDATION – 6

## Recommendation:

- During the pending 2013 parking study, consider the option of consolidating the groups together. The purpose of consolidation will be to increase management over daily parking enforcement and adjudication. There is little reason to keep these functions separate. Whether the location is in the Police Department or in the Utility Billing Division, the consolidated group will increase communications and control. If the consolidated function is in the Police Department, internal controls will need to be reviewed.



# Parks, Recreation & Neighborhoods

# PARKS, RECREATION & NEIGHBORHOODS FINDING AND RECOMMENDATION – 1

## Finding:

- The HUD Division Manager position is vacant, and the Recreation Program Manager is serving as the Interim HUD Division Manager. The HUD Division encompasses three units, which include CDBG Unit, Rehab/Home Program, and NSP Unit, with a total FY12-13 budget of over \$2.6 million.
- The City has faced challenges with its NSP program. NSP2 is a \$25 million program, which should be closed out in March 2013. NSP3 is a \$4.6 million program, which should extend to February 2014. There could be future programs, and there will be revenue to the City from the sale of houses built through these programs.



# PARKS, RECREATION & NEIGHBORHOODS FINDING AND RECOMMENDATION – 1

## Recommendation:

- Hire a HUD Division Manager with experience managing CDBG, NSP, and Home programs. Due to the complexity, size, and specialized nature of these programs, they should be overseen by a manager with solid experience managing these programs.
- There are multiple options for the location of this division. They include the current location within PRN, as well as CED, reporting to a Deputy City Manager, and as part of the County.

# PARKS, RECREATION & NEIGHBORHOODS FINDING AND RECOMMENDATION – 2

## Finding:

- PRN recently completed an internal assessment of the Modesto Center Plaza (MCP) Operations and intends to hire a General Manager with a marketing and planning focus.
- Business generated for MCP by the DoubleTree Hotel is reported to be down.

## Recommendation:

- Revisit the MCMA proposal prepared for the MCP managed competition, as well as the prior analysis of MCP, and develop a plan for increasing sales and marketing activities, which are critical to the future success of MCP.

# PARKS, RECREATION & NEIGHBORHOODS FINDING AND RECOMMENDATION – 3

## Finding:

- PRN faces a significant succession issue as a result of the anticipated near-term retirement of the Parks, Forestry, and Building Operations Manager, which is one of the most challenging roles in the City due to the tree program.

## Recommendation:

- PRN needs to immediately begin a mentor/shadow program to begin transferring the knowledge of the Operations Manager to other members of the team.

# PARKS, RECREATION & NEIGHBORHOODS FINDING AND RECOMMENDATION – 4

## Finding:

- Over 50% of the Parks, Forestry, and Building Operations Manager's time is spent on Community Forestry due to the challenges of the tree program.
- The Operations Supervisor is responsible for overseeing 18 personnel.

## Recommendation:

- Add a Community Forestry Supervisor. This will help create a more manageable span of control and enable the Operations Manager to spend more time on training a successor and overseeing other areas of responsibility.

# PARKS, RECREATION & NEIGHBORHOODS FINDING AND RECOMMENDATION – 5

## Finding:

- There are two building groups within PRN that do not provide operational support for each other. Building Services reports to the Parks, Forestry, and Building Operations Manager and JPA Building Engineering reports to the PRN Director. Building Services provides maintenance for City buildings in parks, the Community Center, museum, municipal golf course, wastewater, and corporate yard. JPA Building Engineering provides maintenance for 10<sup>th</sup> Street under a JPA with the County.
- Oversight of JPA Building Engineering diverts the focus of the PRN Director from core parks and recreation programming.

# PARKS, RECREATION & NEIGHBORHOODS FINDING AND RECOMMENDATION – 5

## Recommendation:

- Combine these two groups by having the JPA Building Engineering report to the Operations Supervisor of Building Services, while preserving the resource and service commitment required by the JPA. By integrating these groups, the City will increase resource scheduling flexibility, cross-training opportunities, and overall service effectiveness.

# PARKS, RECREATION & NEIGHBORHOODS FINDING AND RECOMMENDATION – 6

## Finding:

- Three related operational activities (Community Forestry, Pruned Refuse, and Solid Waste Management) reside within PRN and take some focus away from core parks and recreation programming. These operational activities may benefit from co-location with other operational components of the City, where the sole focus is maintenance and operations.

# PARKS, RECREATION & NEIGHBORHOODS FINDING AND RECOMMENDATION – 6

## Recommendation:

- Assuming Public Works remains in a PWO and PWE structure after completing its upcoming Water/Wastewater Efficiency Study, consider moving these functions to PWO to form a Buildings and Grounds Division after other PWO recommendations have been addressed.



# PARKS, RECREATION & NEIGHBORHOODS FINDING AND RECOMMENDATION – 7

## Finding:

- The City spends over \$2 million per year on caring for trees throughout the City. Modesto has a long and rich tree heritage dating back to the 1870s. However, the City receives ongoing public criticism for not dedicating more effort to tree care (e.g., mistletoe problem), and assumes liability risks for damage caused by trees (e.g., falling limbs and roots) by maintaining ownership of trees and tree care.
- In 1999, the City Commission a benefit-cost analysis of its urban forest, which concluded the City realizes a \$1.89 benefit for every \$1 of expenditure.

# PARKS, RECREATION & NEIGHBORHOODS FINDING AND RECOMMENDATION – 7

## Recommendation:

- Perform a cost-benefit analysis update that includes an evaluation of options for phasing out tree ownership and care over a multi-year period. Ensure the analysis thoroughly addresses the costs and risks of both retaining ownership and phasing out ownership.

# PARKS, RECREATION & NEIGHBORHOODS FINDING AND RECOMMENDATION – 8

## Finding:

- PRN has 20 filled and 1.5 vacant administrative/analytical support positions. Filled positions include 1 EA, 5.8 Admin. Analysts, 12.25 Administrative Office Assistants (5 utilized in a pooled approach), and 1 Asst./Coordinator. Some of these positions are split between programs (e.g., CDBG or NSP and recreation programs) and one is a Fund Development position.

## Recommendation:

- Transfer positions not tied to specific programs, as a result of funding or specialized knowledge requirements, to a centralized Administrative Department with initial departmental resource assignments that preserve continuity of service.

---

The material appearing in this presentation is for informational purposes only and is not legal or accounting advice. Communication of this information is not intended to create, and receipt does not constitute, a legal relationship, including, but not limited to, an accountant-client relationship. Although these materials may have been prepared by professionals, they should not be used as a substitute for professional services. If legal, accounting, or other professional advice is required, the services of a professional should be sought.