

**CITY OF SAN LUIS OBISPO**

**ORGANIZATIONAL ASSESSMENT  
FINANCE AND INFORMATION TECHNOLOGY DEPARTMENT**

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**APRIL 2013**



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**I. INTRODUCTION AND BACKGROUND**

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***Background and Scope of the Analysis and Report***

The City of San Luis Obispo (“City”) Finance & Information Technology Department (“F&IT Department”) provides fiscal policy guidance, financial and accounting services, technology services and other support services to City departments. The F&IT Department consists of two divisions: Finance Division and Information Technology Division. The F&IT Department also provides services to the general public, such as budget and financial information and public information through the City’s internet website.

Municipal Resource Group LLC (“MRG”) was retained by the City to conduct an analysis and prepare an Assessment of the organizational structure, staffing levels, skill sets and job assignments in the F&IT Department. While the focus of the Assessment is on the F&IT Department, the City also requested that services of the Human Resources Department be considered, to enhance synergies between the Human Resources Department and F&IT Department. In addition, the City requested consideration of the budget function, which has been assigned to the City Manager’s office on an interim basis.

***Organization of the Report***

This Chapter I provides an overview of the process used to research and understand City requirements for internal services, evaluate the current F&IT Department and Human Resources Department organizational structures, staffing levels, skill sets and job assignments, and offer recommendations to enhance services provided by these departments.

Chapter II describes the current services and organizational structure of the F&IT Department and the Human Resources Department.

Chapter III presents the Assessment report findings and recommendations for the Finance Division of the F&IT Department.

Chapter IV presents the findings and recommendations for the Information Technology Division of the F&IT Department.

Chapter V presents the findings and recommendations for the Human Resources Department.

Chapter VI is a summary.

Appendix A is a list of San Luis Obispo City staff that participated in the interviews and meetings that informed this Assessment.

### ***Assessment Process***

The Assessment process was based on our understanding of the City's goals for this project, as reflected in the contractual scope of work, supplemented by our experience in performing similar assessments for public agencies. The process included the following:

- MRG met with key City management staff to confirm the project objectives and discuss the project tasks, timelines and deliverables.
- Jointly with the City Manager, MRG met with the F&IT Department, Human Resources Department and City budget staff to describe the goals of the project and discuss potential topics that would be addressed in the Assessment.
- Because of the importance of the services that the City organization expects from the F&IT Department and the Human Resources Department, MRG met with key internal customers to develop an understanding of the needs and requirements of City departments. The purpose of this phase was to solicit input on the effectiveness of current accounting, finance and human resources procedures and practices, and to determine the extent to which current practices satisfy City departments' needs. Meetings were conducted with thirteen representatives of the Administration, City Attorney, Police, Fire, Public Works, Utilities, Community Development and Parks & Recreation departments.
- MRG met with nine individual Finance staff members to review job assignments, workloads, resources, productivity, skill sets, reporting relationships and other

factors affecting the F&IT Department's ability to perform expected and required products and services.

- MRG met with the Information Technology Manager individually, and with IT staff collectively to review departmental structure, issues, concerns and insights.
- MRG met with the Human Resources Director individually, and with Human Resources staff collectively to review departmental structure, issues, concerns and insights.
- MRG reviewed pertinent City documents, including the City Financial Plan and Budget, a previous reorganizational proposal, F&IT process survey results, draft Auditor recommendations to management, Information Technology Strategic Plan, Draft Utilities Department Organizational Structure Review Report (BHI Management Consulting), City Finance Manual, City Revenue Management Manual, Draft Human Resources Recruitment Guide, City service level agreements and other City documents.
- MRG met with the Interim F&IT Director and the Finance Operations Manager to seek input and to review the information and input gained from the meetings with City staff.
- MRG met with the City Manager to review the status and high level topics to be addressed in the Assessment.

In total, MRG met with and received valuable input and insights from forty-six City staff. The names of contributing staff members are listed in Appendix A.

MRG was requested to address, and at a minimum, to provide the following:

- Assess the current F&IT organizational structure with a focus on the services the City organization expects the Department to deliver.
- Identify the skills necessary to deliver these services.
- Propose staffing levels necessary to deliver these services.
- Consider potential organizational restructuring, including but not limited to City budget, utility billing, centralized purchasing, centralized contract management, human resources, risk management and other services.

- Consider organizational configurations beyond the F&IT Department, such as an Administrative Services Department.
- Consider reporting relationships, span of control, authority and staffing levels.
- Consider the appropriateness of classifications necessary to ensure succession planning and staff development.
- Specifically address the reporting relationship of the budget function – should it remain in the City Manager’s office as temporarily assigned, or be an F&IT Department function.
- Strengthen the finance, information technology and human resources functions and capabilities.

***Mission Statement, Style and Organizational Values***

The City of San Luis Obispo Mission Statement emphasizes that the San Luis Obispo Style is “*Quality with Vision*”, defined as:

- People Serving People
- Quality in all Endeavors – Pride in Results
- Into the Future with a Design

*City Organizational Values* include:

- Shared Vision, Mission and Goals
- Service
- Leadership and Support
- Communication
- Team Players
- Honesty, Respect and Trust
- Initiative and Accountability
- Innovation and Flexibility
- Employee Development and Recognition
- Stewardship and Ethics

This assessment takes into account and attempts to further facilitate achievement of the City of San Luis Obispo Mission Statement, Style and Organizational Values, Policies, Objectives and Major Goals.

It should be noted that an Assessment of this nature tends to focus on areas of potential improvement and does not identify all of the functions that are working well and need no improvement. Indeed, in the case of the F&IT Department and the Human Resources Department, there are many well-functioning procedures and well-designed customer services and products. However, it is not the purpose of the Assessment to document such successful practices.

This Organizational Assessment Report has been prepared based on the results of the process described above, as well as our experience in managing similar organizations and performing assessments for other jurisdictions.

## II. CURRENT ORGANIZATIONAL STRUCTURE

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### *Existing Organizational Structure*

The Finance & Information Technology Department provides services through the following programs:

*Administration* – plans, organizes, leads and monitors the operations of the Finance and Information Technology Department.

*Accounting* - administers accounting functions including general ledger, accounts payable and payroll; provides financial planning, issues financial reports, ensures compliance with reporting requirements, coordinates the annual financial audit and CAFR and special audits; and provides Citywide support services for mail, purchases of certain supplies, contract execution and insurance requirements. (Note: financial planning, including the two-year financial plan, capital improvement plan and annual budget is temporarily assigned to an ad hoc group reporting to the City Manager's office).

*Revenue Management* - administers utility meter reading systems, customer service and billing services; administers the business license applications and renewals; maintains accounts receivable systems; provides cashiering services; prepares estimates and monitors revenue trends; provides investment, banking and debt service administration.

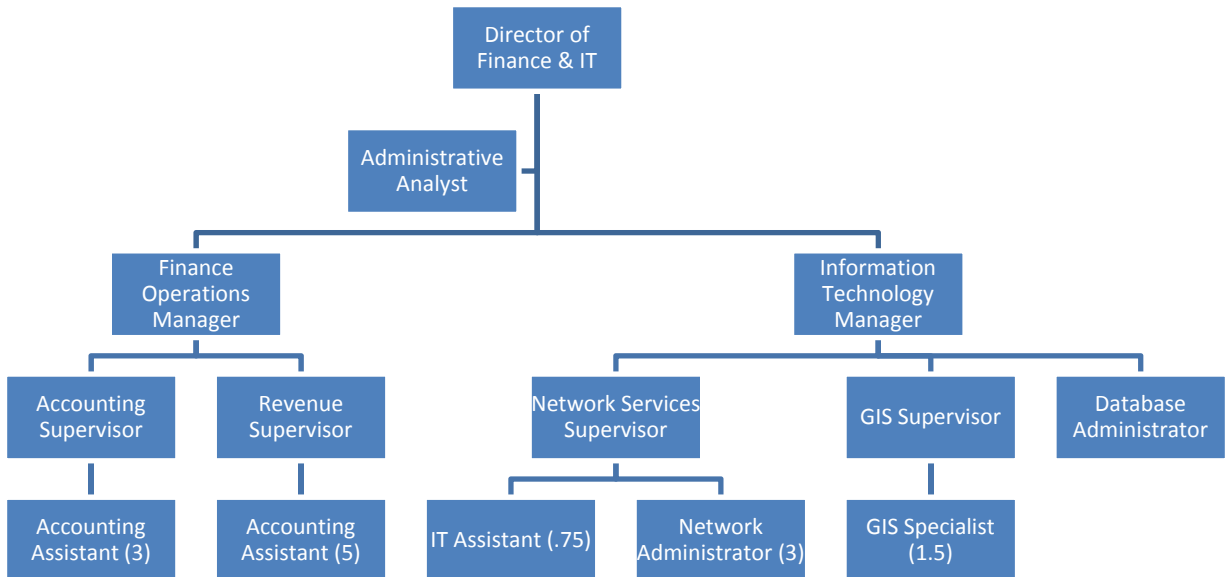
*Support Services Program* – administers and accounts for indirect citywide costs, such as copier maintenance, postage and other services.

*Information Technology Network Services* - responsible for developing and maintaining long-range plans, policies and standards for acquiring and maintaining IT and telecommunication resources; provides support, maintenance and training to City departments.



*Information Technology Geographic Information Services* – operates and maintains the City’s geographic information system.

The current F&IT organizational chart is presented below.



The Principal Administrative Analyst and Executive Assistant positions in the City Manager’s office that are currently developing the Financial Plan and Budget are not included in the F&IT organizational chart.

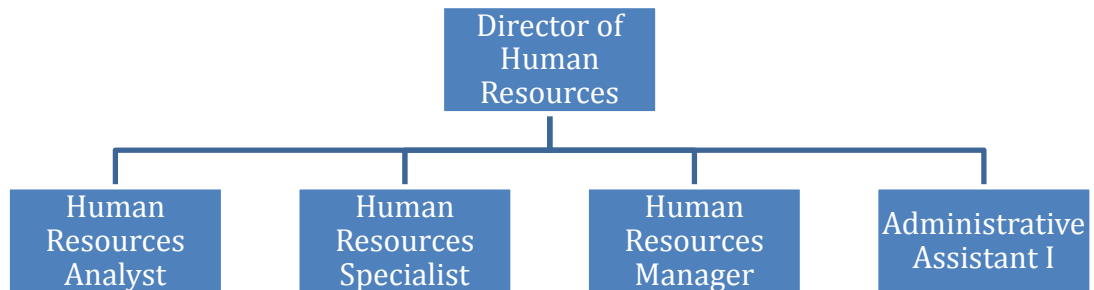
The Human Resources Department currently provides services through the following programs:

*Administration* – provides support to all City departments in all aspects of attracting and retaining qualified employees, including recruitment, selection, classification, compensation, performance management, training and development; labor relations; statutory and regulatory compliance.

*Risk and Benefits Management* – provides risk management, workers compensation and liability administration; administers health and safety programs; oversees employee benefit and wellness programs.

*Human Relations* – provides staff support to the Human Relations Commission, an advisory body to Council, on issues related to human and social services.

The current Human Resources Department organizational chart, staffing level and reporting relationship is presented below.



### **III. FINANCE AND INFORMATION TECHNOLOGY DEPARTMENT REVIEW - FINANCE DIVISION ASSESSMENT AND RECOMMENDATIONS**

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In conducting this Assessment, MRG met with representatives of City departments. The purpose of the meetings was to gain insights from “internal users” as to which F&IT Department processes and services work well, and what can be done to enhance processes and services.

MRG also met with F&IT Department staff individually and in group meetings. The purpose of the meetings with F&IT Department staff was similar to the meetings with City departments, but it was also to gain an understanding of how the F&IT Department operations are structured and how services are provided by departmental staff.

The internal customer and F&IT Department staff observations and input regarding the Finance Division are discussed in this Chapter, as well as MRG input based on our experience with similar agencies. Recommendations are provided to address organizational and service issues that have been raised.

It is important to note that interviews and meetings with City staff generated both facts and perceptions. While some perceptions may not be grounded solely in fact, they are nonetheless important to address in the Assessment and by the F&IT Department and the City.

It may be appropriate and necessary for the City to consider phasing the implementation of these recommendations, as time permits and as funding is available.

This Chapter addresses financial and accounting services provided by the F&IT Department. Subsequent chapters address Information Technology Division and Human Resources Department services.

#### **ASSESSMENT AND RECOMMENDATIONS**

##### ***1. Leadership, Management and Supervision***

City staff acknowledged that the turnover in the F&IT Department Director position has caused a leadership void. Absent consistent leadership, there has been a decline in

communication, morale, disciplined work product and quality of services to internal customers. The loss of the long-tenured Finance Manager compounded this problem, particularly in diminished accounting experience and knowledge. Moreover, the Supervisors positions are currently filled on an interim basis pending the outcome of this study, causing further uncertainty and lack of consistent day-to-day guidance of staff.

The key to success in implementing the recommendations in this Assessment, and in enhancing the services of the Finance Division is to stabilize the F&IT Department with competent, experienced, permanent management staff.

#### *Administrative Services Department*

One of the questions posed as part of this Assessment is whether an Administrative Services Department should be created, merging the Human Resources Department with Finance & Information Technology Department (as well as other potential functions). One factor driving this question was whether an Administrative Services Department would attract qualified Director candidates. As a result of this Assessment, and the necessity for the next F&IT Director to be highly competent in financial matters, as well as additional reasons described in Chapter V of this Assessment regarding confidentiality of Human Resources information, MRG does not recommend the creation of an Administrative Services Department. Recruiting for an Administrative Services Department Director may attract candidates that are less focused on the important finance matters that must be addressed.

#### ***Recommended Action:***

- 1.1. Appoint a permanent Finance and Information Department Director and other permanent professional, management and supervisory positions as recommended in this Assessment.

## ***2. Finance Division Mission and Role in the City Organization***

The F&IT Department is a key support department for City services. The organizational structure, operations and services must be consistent with and support the City's Mission, Organizational Values, Policies and Objectives as described in Chapter I. Overall, sustainable fiscal health is a major policy goal for the F&IT Department.

### *Expand Financial Services*

City staff suggested that the Finance Division should develop skill sets and expertise to provide financial support in other areas, such as assisting in analyzing and supporting the negotiation of financial terms of Development Agreements, economic development strategies, grant applications, and infrastructure financing strategies. This Assessment will address these additional finance roles in the proposed organizational structure.

### *Regulatory Role*

There is a perception that Finance staff view the Division's role as regulatory. City staff commented that Finance staff occasionally communicate what City departments cannot do, rather than to help find mutually acceptable ways to accomplish a goal.

#### ***Recommended Actions:***

- 2.1. Recommit to the City's Organizational Values as a pathway to success.
- 2.2. Conduct outreach sessions with City departments to determine specific services that the F&IT Department can provide and/or enhance to fulfill the City's Mission, Organizational Values, Policies and Objectives.
- 2.3. Define F&IT Department's role and mission and develop a F&IT Department Strategic Action Plan to implement the results of the outreach to City departments.

### ***3. Finance and Accounting Procedures***

#### *Finance and Revenue Manuals*

The Finance Division has prepared a comprehensive City Finance Manual and City Revenue Management Manual, which is a commendable practice. Finance staff often refers City departments to these documents when questions arise. City staff commented that the documents do not always answer their questions.

For some topics, the City Finance Manual is a policy document as opposed to a procedures document. For example, payroll and accounts payable procedures are described as "future areas to be included" in the manual. To be most useful, these procedures should be drafted and implemented. It was also suggested that the manuals have links to other City forms and documents.

### *Finance and Accounting Procedural Changes*

City staff noted that certain Finance procedures and processes impact other departments' workloads, and they would like to have the opportunity to discuss methods by which both the Finance Division and other departments' workloads can be reduced. Examples given include hard copy capital project payment requests and allocating personnel costs by journal entry.

City staff noted that there have been instances in which the Finance Division has made changes to processes that impact the workload of other departments without first consulting the other departments. The transfer of inputting vendor accounts payable batches and recent changes in credit card procedures were given as examples.

### *Timely Processing*

City staff noted that there are occasions upon which budget amendments, accounts payable checks or requests for information are not processed in a timely manner. This can be addressed by establishing performance standards as part of an F&IT Department Strategic Action Plan.

### *Identification of Contact Persons*

In years past, City departments knew which staff members in the Finance Division to contact for questions and answers. Staff turnover in the past few years has led to less certainty on whom to contact. As the Finance Division staffing stabilizes, this will become more clear, but measures should be taken to specifically identify contact persons for key finance and accounting matters.

### *Expenditure Authorizations*

It was noted that while recently revised, the \$7,500 departmental approval level may be low, as may be the City Manager's approval level of \$25,000, and that these levels of expenditure authority can cause delays in purchases and contracts.

### ***Recommended Actions:***

- 3.1. As a follow up to development of a F&IT Department Strategic Action Plan (Recommendation 2.3), check back frequently with internal customers to

determine how the F&IT services can be continuously improved, and make course corrections as necessary.

- 3.2. Discuss planned changes in procedures and processes with City departments before implementing such changes, and take into account the feedback from City departments prior to implementing new procedures or processes.
- 3.3. Convene a Citywide task force to review the existing City Finance Manual, and select sections of the Revenue Manual. Implement agreed-upon changes and add any required additional topics to the existing manuals.
- 3.4. Develop performance standards for timely processing of financial tasks, and measure progress toward meeting the performance standards.
- 3.5. Designate contact persons for key finance and accounting matters and distribute this information to City departments.
- 3.6. Periodically survey other cities' expenditure authorities and modify the \$7,500/\$25,000 expenditure authority when appropriate.

#### **4. Finance Division Operations**

##### *Citywide Services*

The Finance Department administers certain citywide services. One such service is that Finance staff currently processes contracts for signatures, obtains insurance certificates and bonding certificates and checks insurance certificates for compliance with contractual requirements. The assignment of these responsibilities to an Accounting Assistant is neither a typical finance nor accounting function, nor within an Accounting Assistant's area of expertise. A more common procedure is for the initiating City department to secure required signatures and for a risk manager to check insurance and bonding certificates for contractual compliance. Once all signatures are secured and other contractual requirements are met, executed versions are distributed by the initiating City department to the Finance Division, and to the City Clerk to maintain the official contract file.

A second citywide service provided by Finance staff is posting mail. The mail machine has functionality for City departments to log in. Use of an Accounting Assistant to post all City mail takes away from time that could otherwise be dedicated to accounting and financial functions.

The City currently has decentralized purchasing, except for copy machine maintenance and supplies. The current system appears to work satisfactorily, and we found no reason to centralize purchasing functions.

#### *Distribution of Accounting Assistants' Workloads*

Finance staff indicates that the workloads placed on different desks are not balanced, and that the Finance Division should review workload assignments among Accounting Assistants to fairly allocate assignments.

The issuance of business license renewals at fiscal year-end coincides with the highest level of utility account changes due to college students' rental changes, as well as the typical budget and year-end accounting activities.

Desk manuals exist for some functions but are not complete for all functions and processes. While cross-training assists in being able to cover absences, desk manuals are essential for smooth transitions in assignments.

#### *Administrative Support*

The F&IT Department does not have administrative staff. City staff commented that this requires the accounting staff, supervisors, manager and the Director to spend time doing administrative work instead of performing professional-level accounting and financial work. An Administrative Assistant is proposed to be added to the organization. This position would be shared by the Information Technology Division, to relieve IT staff from administrative tasks as well.

#### *Internal Communications*

Finance staff point out that in the past, they were kept informed of citywide issues through regular departmental meetings. Departmental goals and operations were discussed at the meetings. In recent years, meetings and communication have declined, and the staff feels less aware of important citywide matters.

#### *Interns*

The Finance Division has not taken advantage of interns from local colleges. Interns can be beneficial in relieving seasonal increases in workload, as well as to assist in ongoing



tasks. In addition, internship programs can lead to future job candidates who have had City finance or accounting exposure and experience.

***Recommended Actions:***

- 4.1. Discuss with City departments and consider implementing procedures for City departments that initiate contracts to circulate those contracts for signature, for risk management to check insurance and bonding requirements, and for the City Clerk to maintain an original contract file.
- 4.2. Discuss with City departments and consider implementing procedures for City departments to process their own department's outgoing mail.
- 4.3. Following implementation of other recommendations in this Assessment, review the assignments to Accounting Assistants, and redistribute assignments as appropriate to balance workload.
- 4.4. Consider changing the business license renewal date to a date other than fiscal year end, and perhaps to quarterly renewals, with one-fourth of the renewals due each quarter.
- 4.5. Complete desk manuals covering all Accounting Assistant desks, and as appropriate, for Accountant tasks.
- 4.6. Add an Administrative Assistant position to the F&IT Department, with .5 FTE assigned to the Finance Division.
- 4.7. Re-establish regular F&IT staff meetings to convey citywide information and to facilitate discussion regarding F&IT Department matters. Consider inviting representatives from other City Departments on a rotating basis to share activities and events occurring in their departments.
- 4.8. Initiate an intern program in the Finance Division.

***5. Accounting Assistants Rotation***

The Finance Division has used a rotation system among the 'desks', wherein the Accounting Assistants have rotated at six month intervals, which has recently been changed to less frequent intervals. The purpose of the rotation system has been to cross-train, to provide variety among job assignments and to offer an opportunity to Accounting Assistants to learn all of the front line departmental operations. Staff commented that the

rotation system has some negative results, including lack of time to train replacements, lack of ownership over the responsibilities of a desk, lack of time in the position to implement long-term improvements to processes, potential for transfer and perpetuation of incorrect information, and lack of 'fit' for some individuals with the requirements of some desks (for example, some individuals are better suited to customer contact, while others are better suited to data). Rotation can prevent staff from becoming experts on desks, and there is less incentive to improve processes if it is only a temporary assignment.

***Recommended Actions:***

- 5.1. Eliminate the formal rotation system for Accounting Assistants.
- 5.2. Determine the most qualified person for each desk and assign Accounting Assistants to desks based on the best fit for the position.
- 5.3. Continue to cross-train Accounting Assistants for temporary assignments to other desks.
- 5.4. As a component of eliminating the formal rotation system, review the Accounting Assistants' job description and revise as necessary.

**6. *Work Schedules***

The F&IT Department staff work on a 9/80 schedule, with one work day off every two weeks. The consequence of this schedule is that there are only four days each week that all staff members are present (assuming no absences for vacation, sick leave or other leave). Accounting Assistants and/or Supervisors must cover the desks of employees on the alternate days off. It does not appear that the 9/80 schedule enhances the operation or effectiveness of the Department.

***Recommended Action:***

- 6.1. Eliminate the 9/80 work schedule.

**7. *Financial Systems and Applications***

*Pentamation System*

The Information Technology Strategic Plan provides an evaluation and recommendations for enhancing the City's existing applications and a roadmap to improve

the effectiveness of IT services. A noteworthy comment in the Information Technology Strategic Plan describes the Pentamation system as “approaching end of life, as the current vender (Sungard) no longer actively markets this version” and “(I)t is anticipated that in the next three to five years, the City may be forced to consider procuring a new solution that would provide long term support and bring best practices in terms of finance, payroll and human resources.”

Staff is working on an upgrade to Pentamation that is scheduled for May 2013. Once that is completed, staff will begin making fundamental changes to the software that will allow for better reporting, a simplified budget updating process and the creation of the annual financial statements directly from the software. These changes, coupled with comprehensive training for users inside and outside the Finance & IT Department, will provide the City with the opportunity to continue using the system to greater advantage and have greater functionality for a much lower cost, compared to replacing the system. System replacement costs not only include the cost of the hardware and software but also include the cost of additional staff time for those positions which require a temporary replacement so that daily functions are not left untended for the period of time that the existing staff is working on the software conversion. A further benefit is that the City has an opportunity to reconfigure its business processes using the existing software and can then transition the revised practices to a new software environment.

#### *Multiple Disconnected Financial Applications*

The City has multiple software applications that process and record financial information. The Pentamation system provides basic general ledger accounting functions. Business licenses are issued and receipts are recorded using an HdL application; asset management uses a Hansen application; timekeeping is provided by IntelliTime; recreation receipts are recorded in RecWare; utility billings are processed through a Springbrook application; utility work orders are processed using a Cityworks application. Journal entries for cash receipts that are initially recorded in other systems are manually recorded in the Pentamation general ledger. These diverse applications require more training, more keystrokes and more maintenance, and generate more opportunities for errors than a fully integrated enterprise resource system.

### *Human Resources Information System*

It is noted that the City does not fully utilize the existing Pentamation Human Resources Information System (HRIS). An HRIS system enhances financial procedures by integrating compensation and benefit data from a Human Resources Department with a Finance Department payroll function. While the Finance Division uses the existing Pentamation HRIS module for payroll purposes, the HRIS system is not utilized by the Human Resources Department. Use of the HRIS system by Human Resources Department can better integrate salary and benefit information with payroll functions. There are also many databases that can be maintained in an HRIS system that enhance the efficiency of a Human Resources Department, as discussed later in this Assessment.

### *Other Pentamation Modules and Applications*

The City does not make full use of other existing Pentamation modules. For example, the City budget is not prepared using the budget module. A budget module enables a City to build the preliminary budget in the Pentamation finance and accounting system, revise the preliminary budget to reflect the adopted budget, and upload the budget into the general ledger. Currently, the budget is built in Excel and manually reentered into the Pentamation system when adopted. The City also does not use an integrated utility billing module or business license module, which allow general ledger information to be directly imported from integrated modules. Instead, manual journal entries are used to transfer revenue information from the utility billing and business license applications into the Pentamation general ledger. Fixed assets are also not maintained in the Pentamation system. When the Pentamation system is upgraded, consideration should be given to using as many of the existing integrated modules that are practical and that serve the City's purposes, such as those described above.

City staff commented that they would like to have more training on the Pentamation system to be able to fully utilize the data and capabilities that the current system offers.

Much data analysis occurs as a result of downloading from Pentamation to spreadsheets, or by creating new spreadsheets, instead of using the system's report writing function (Cognos). Finance staff and City departments' staff indicated an interest in more training on the report-writing and data analysis function.

***Recommended Actions:***

- 7.1. Prior to implementing any new applications that collect and process financial information, the City should evaluate the option of an enterprise resource system that integrates as many applications and modules as possible. When the Pentamation system is upgraded, consideration should be given to using as many of the existing integrated modules that are practical and that serve the City's purposes. If the City determines that a replacement for the Pentamation system is appropriate, consider systems that have applications and modules that include all existing standalone systems (such as business licensing, utility billing, cash receipts, fixed assets, etc.).
- 7.2. Implement greater use of the existing Pentamation HRIS application, with assurances that it integrates with the financial system.
- 7.3. Provide additional training sessions on accessing information from the Pentamation system, and for the report writing function.

***8. Utility Billing***

*Responsibility for Utility Billing and Meter Reading*

The utility billing function is performed by F&IT Department staff who coordinate with Utility Department Water Customer Service Technicians regarding service orders and meter readings. The division of customer services between the two departments can lead to disconnects in communication, potentially affecting customer service.

While the F&IT Department and Utility Department have regularly scheduled quarterly meetings, they are occasionally cancelled, which leaves a void in communication. Finance staff indicates a feeling of lack of representation by Finance management at these meetings.

The Utility Department contracted for a Utility Department Organizational Structure Review, (BHI Management Consulting) which, among other topics, considered whether the utility billing function should be managed by the Utility Department or the F&IT Department. The Review recommended that the utility billing function remain in the F&IT Department, but that a "strong inter-departmental service credit agreement" be adopted by the departments, that outlines specific service expectations of both departments. Utility Department staff supports this recommendation.

Cities often combine meter reading and utility billing under one department. The existing disconnects between the Utility Department and F&IT Department demonstrate why these two functions are often under single supervision. However, in San Luis Obispo, the Water Customer Service Technicians, who read meters, also perform other duties within the water distribution system operations. As well, Water Distribution Operators are cross-trained to cover for Water Customer Service Technicians.

If the City used meter readers for meter reading only, this Assessment would recommend consideration of combining the services in the F&IT Department. However, these cross-trained duties argue against transferring meter reading to the F&IT Department.

The BHI Report also considered contracting out the meter reader function. If the City does consider contracting out meter reading, or separating the meter reading duties from other Water Customer Service Technician responsibilities, the City should consider consolidating the meter reading and utility billing under the F&IT Department.

Another option considered by the BHI Report was to move utility billing to the Utility Department. The Report raised the questions as to whether the Utility Department has the administrative and physical capacity to assume this responsibility. If this approach is considered, attention would need to be given to implementing an effective program of internal controls. While there are other City services that collect funds in locations other than the F&IT Department, the amounts collected for utility services are significantly more than other City revenues.

At this point in time, it seems logical to pursue the inter-departmental service credit agreement. If the departments are not satisfied with the results after a period of time working under an inter-departmental service credit agreement, first consideration should be given to contracting out the meter reading function and combining it with utility billing in the F&IT Department.

City staff suggested moving responsibility of downloading meter reads to Utilicoders to Utility Department Water Customer Service. This concept was not discussed with the Utility department and if considered, should be discussed with that department.

### *Outsourcing Utility Bill Printing*

The F&IT Department physically prints utility billing invoices and then a staff member drives them to a commercial printer who completes the process of stuffing envelopes, posting and mailing invoices. Some cities have outsourced the physical utility billing process entirely. Electronic files can be sent weekly to vendors who will print, stuff, post and mail the utility bills. Consideration should be given to this option.

### *Use of a Lockbox for Utility Payments*

The City has several methods of receiving payments for utility bills, including by mail, in person or on-line. Mailed checks are processed by City staff, who then deposit the checks into the City's bank account. The City does not use a bank lockbox service (also known as a remittance service), in which checks are sent to a post office box, collected and processed by the bank and deposited into the City's account. The City should explore use of this type of service.

#### ***Recommended Actions:***

- 8.1. Commit to regular Utility Department/F&IT Department meetings with senior management and line staff to discuss and resolve potential conflicts.
- 8.2. Adopt a Utility Department/F&IT Department service credit agreement that outlines specific service expectations.
- 8.3. If the service credit agreement proves ineffective, consider contracting out meeting reading under the management of the F&IT Department.
- 8.4. Explore contracting with a mailhouse for printing of utility bills.
- 8.5. Explore outsourcing utility billing to a private vendor, allowing electronic transfer of billing files and remote invoice and mailing services.
- 8.6. Explore use of a bank lockbox service to receive and process checks paid on utility bills.

#### ***9. Contracting for Services:***

In addition to the recommendations for contracting for some of the utility billing processes, there are other opportunities to contract for certain services. For example, the annual Streets and Roads Report and the State Controller's Report are both currently

prepared in-house and are required to be submitted during the same time frame as when the audit is being prepared, The City should consider contracting with the California State Controller's Office for preparation of the Streets and Roads Report, and with the City's auditor for the preparation of the State Controller's Report. Doing so would free approximately sixty hours of staff time during a high demand period, to focus on implementing other financial services referenced in this Assessment.

The city should evaluate the cost effectiveness of contracting for these services; many cities have found contracting for these services to be beneficial.

***Recommended Actions:***

- 9.1. Evaluate contracting for preparation of the Streets and Roads Report and the State Controller's Report.

***10. Budget Preparation and Financial Management***

***Responsibility for Budget Preparation***

In past years, the two-year Financial Plan and Budget was prepared by F&IT staff. Because of transitions in the F&IT Department, preparation of the document was transferred on an interim basis to the City Manager's office, administered by an ad hoc staff group with financial experience, guided by senior City staff and management. While there is adequate communication with and cooperation from Finance staff in the current arrangement, there is less direct access to important historical revenue and expenditure data and trends, fund balance and working capital information, encumbrances and capital project funding status. Staff who work directly on a day-to-day basis in a Finance Department have more frequent exposure to revenue and expense information and trends, as well as audit, working capital and fund balance information. They are better able to integrate accounting and budget information than staff that operates on a daily basis away from the F&IT Department.

This Assessment recommends that the budget function be reassigned to the F&IT Department following adoption of the next two-year budget, which will provide sufficient time for the F&IT Department to reestablish skill sets required to prepare the budget. The preparation of the budget would be coordinated by the F&IT Department; the City's existing collaborative process using "all-hands" in the F&IT Department, including the Accounting



Assistants and the proposed Accountants, and fiscal staff in all City departments should be continued.

#### *Budget and Financial Analyses*

This Assessment proposes that the budget function be assigned to a Budget and Financial Analysis Unit within the F&IT Department. This Unit would meet and fulfill the City's need for more financial analysis, and would be guided by a Budget and Financial Analysis Manager. The existing Administrative Analyst position has not been fully utilized for financial analysis, and it is proposed that this position report to the Budget and Financial Analysis Manager. The Unit, along with other pertinent F&IT staff, and under the general direction of the Director, would be responsible for all of the non-accounting functions in the Finance Division, including communication with City departments' Fiscal Officers, monthly and mid-year budget reports, second year budgets, AB 1600 reports, cost allocation studies, review of City Manager and City Council Reports, analyzing and negotiating financial terms of Development Agreements, economic development strategies, grant applications, infrastructure financing strategies, debt financing and financial analysis of Citywide projects and initiatives.

#### ***Recommended Actions:***

- 10.1. Reassign the budget function to the F&IT Department following adoption of the next two-year Financial Plan and Budget.
- 10.2. Create a Budget and Financial Analysis Unit in the F&IT Department, responsible for all non-accounting functions in the Department.
- 10.3. Train staff to use the Pentamation budget module and use this module to prepare the next City budget.

### ***11. Accounting Skills and Positions***

#### *Accounting Level Analyses*

City staff reported that some departments are keeping track of their own financial records, in essence carrying a 'second set of books'. Concerns were raised about the quality and accuracy of Pentamation general ledger records, particularly with regard to accuracy of

recording grant reimbursements and the timeliness of recording expenditures, encumbrances and budget amendments.

City staff commented that the Finance Division does not always perform analysis of accounts to assure that they are accurate, and attribute this to the lack of experienced accountants in the F&IT Department.

City staff reported a general need for more fund analysis and information, and referred specifically to the need for more analysis of the current and long term availability of special revenue funds, grants, impact fees, gas tax and project-level capital improvement funding.

There is an absence of accounting-level staff normally found in cities with the complexity of San Luis Obispo. There is no "Accountant" classification, although there is an Accounting Supervisor position that supervises several Accounting Assistants.

Accountants would provide expertise in general ledger management, account analysis, fund financial condition analysis, balance sheet account analysis, grants accounting, audit, reports, account maintenance and budget support (such as working capital analysis, encumbrance status, funds available for CIP, etc.). Some of these skill sets and functions are not evident in the F&IT Department now. For example, the draft audit management letter noted that the fixed asset schedule had not been reconciled with the general ledger, a pre-audit process that would normally be performed by an experienced accountant. It also noted that audit adjustments were posted to financial statements at the government-wide level, and year-end closing entries had been posted at the fund level or were recorded incorrectly. The need for experienced accountants is evidenced by these findings.

This Assessment recommends that an Accountant classification series be adopted. Two accounting positions are proposed to replace two Accounting Assistant positions.

The Accountant series would form the core of an Accounting Unit in the Finance Division, which would also include all of the Accounting Assistants.

There is a perception that too much information and knowledge has been vested in a few higher level Finance positions, and that this knowledge has not been transferred adequately to other Finance staff. As these positions have been vacated, a knowledge gap has occurred. Establishing an Accountant series would spread the knowledge base, and it can contribute to succession planning.

***Recommended Action:***

- 11.1. Establish an Accountant series classification, and retain experienced accountants in accordance with the organization proposal in this Assessment.

***12. City Departments' Staff Training***

City staff indicated several areas of training that would be desirable:

- Pentamation system – what is available and how is it accessed?
- Pentamation report-writing function (Cognos).
- Periodic training on general Finance and accounting topics.
- City Finance Manual and City Revenue Management Manual.
- New timecard system and payroll procedures, tailored to specific employees (i.e. Public Safety, general employees, etc.).
- Job-specific training for newly appointed supervisors.

***Recommended Action:***

- 12.1. Survey City staff to determine training priorities and develop a regular program to train City staff on finance and accounting procedures

***13. Knowledge Transfer and Succession Planning***

It has been noted that too much knowledge was vested in too few positions in the Finance Division. The Director, Finance Manager and Accounting Supervisor positions have historically managed the accounting, financial and budget functions. Training subordinates to assume the responsibilities of their supervisors on a short term basis, or permanently, has not been implemented.

Managers and supervisors tend to take on the responsibilities of subordinates during absences. Succession training helps when someone is absent; instead of a manager taking on subordinate responsibilities, staff is trained to move upward to take on the next level of responsibility. Succession training should include supervisory and management skills, as well as technical skills.

Overall, mentoring and in-house succession has not been successfully implemented in the F&IT Department.

***Recommended Actions:***

- 13.1. Develop a concerted program to train all levels of staff to assume an “acting” position for the next level in the organization, and develop a formal succession planning effort in the Finance Division.
- 13.2. Train staff for career advancement.

***14. Internal Departmental Training***

Finance staff indicated an interest in learning more of the ‘why’ processes and procedures and accounting tasks are performed, and how they fit into the ‘bigger picture’.

Finance staff indicated a need for more training by supervisors when assigned to a new desk.

Finance staff also indicated an interest in additional training on Pentamation report-writing, to take advantage of the full capacity of the application to utilize data.

***Recommended Actions:***

- 14.1. Survey Finance Division staff to determine the most desirable training and implement a regular training program.
- 14.2. Train new supervisors on supervisory skills and expectations.

***15. Human Resource/Finance Division Coordination***

City staff noted that there is not always clarity on topics that are within the Human Resources Department’s area of responsibility and those that are within the Finance Division’s area of responsibility.

F&IT staff and Human Resources Department staff also expressed interest in more coordination of effort in labor negotiations salary and benefit costing and personnel budget estimates. In many cities, the Human Resources Department prepares these estimates, but a prudent practice is to have a separate Finance Department review and confirmation of personnel cost estimates for labor negotiation and budget purposes.

Staff also expressed interest in more coordinated effort on benefit administration, payroll, and implementation of State and Federal regulations. Generally, Human Resources Department responsibilities should include policy, program, compensation and benefit

administration, while payroll and payment of payroll-related withholding and benefits should be a Finance Division responsibility.

***Recommended Actions:***

- 15.1. Clarify, and then prepare and distribute a written description of matters that are the responsibility of the Human Resources Department and the F&IT Department, with named individuals to contact with questions.
- 15.2. Develop regularly scheduled, agendaed meetings, attended by management and line staff, to address coordination of Human Resources Department and F&IT Department services.

***16. Proposed Organizational Structure***

This section proposes an organizational structure that facilitates the implementation of the previous recommendations in the Assessment. It assumes that the recommendations to modify workloads are implemented, such as processing of City contracts, outgoing mail processing and utility billing processing.

The proposed organizational structure includes two 'units' in the Finance Division, as discussed in this Assessment.

***Accounting Unit***

The Accounting Unit would include a Finance Operations Manager, two Accountants, and six Accounting Assistants. This Unit would be responsible for all revenue, accounting and audit functions.

***Budget and Financial Analysis Unit***

The Budget and Financial Analysis Unit would include a Budget and Financial Analysis Manager, an Administrative Analyst and a Budget Analyst. This Unit would be responsible for more than just the budget process. Beyond the annual budget coordination and preparation, and under the guidance of the Director, this Unit would coordinate with City departments on grant applications, assist in analyzing and supporting negotiations of financial terms of Development Agreements, develop economic development strategies, analyze infrastructure financing strategies, provide ongoing budgetary analyses for City

departments and provide Citywide support on financial matters. It would provide staff support for all but the accounting functions in the Finance Division. As is currently the case, all Finance Division staff would continue to support the budget process as well.

*Administrative Assistance*

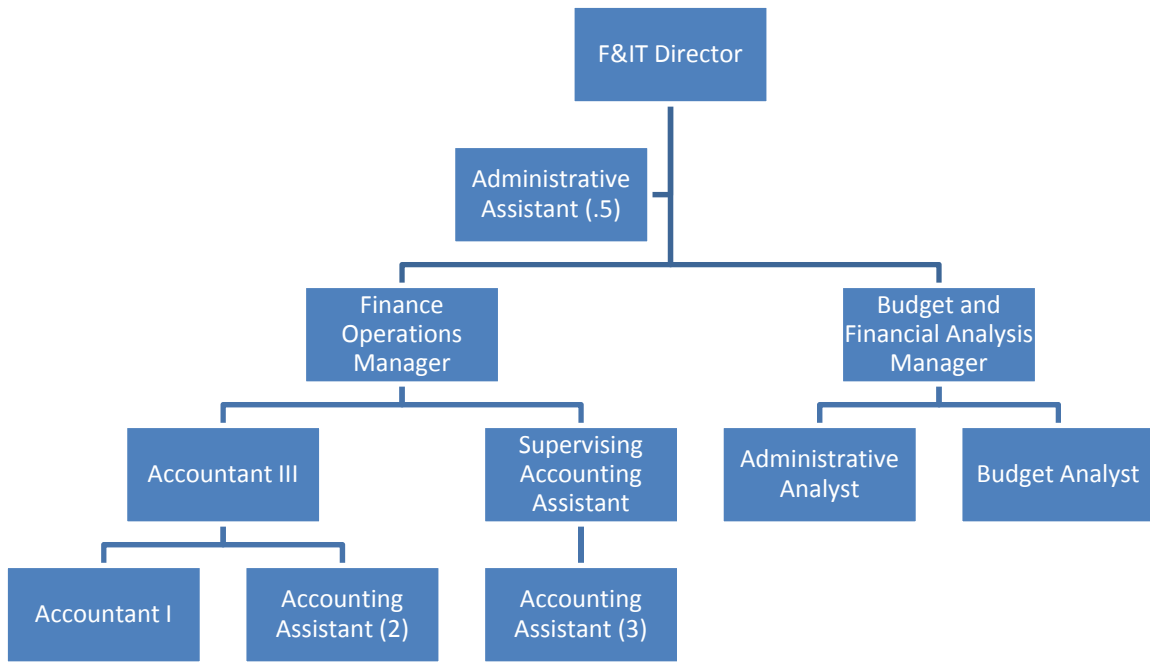
A .5 FTE Administrative Assistant is proposed, to allow managers and professional staff to focus on accounting and financial management matters. This position would handle all clerical and administrative support work for the Finance Division, prepare routine departmental correspondence, draft routine staff reports, monitor employee evaluation deadlines, process human resources personnel action forms and other documents, schedule meetings and handle the Division’s administrative and clerical functions. The position would be shared with the Information Technology Division.

*Recommendations and Triggers*

The following chart summarizes the key proposed functional changes in the Finance Division that have staffing implications, the “triggers” or recommendations that should be implemented to facilitate the changes, and the proposed staffing.

<b>Function</b>	<b>Recommendations and Triggers</b>	<b>Staff Proposed</b>
Confirm Finance Division mission and services	<ul style="list-style-type: none"> <li>• Reassume responsibility for budget management and preparation</li> <li>• Enhance citywide financial analyses and services</li> <li>• Relieve management of administrative tasks</li> </ul>	<ul style="list-style-type: none"> <li>• Authorize .5 FTE Administrative Assistant</li> </ul>
Improve accounting skills and procedures in the Finance Division	<ul style="list-style-type: none"> <li>• Trained Accountants should assume accounting responsibilities from Accounting Assistants</li> <li>• Accountants will enhance audit preparation and reporting capabilities</li> <li>• Accountants will provide enhanced analysis services to City departments</li> </ul>	<ul style="list-style-type: none"> <li>• Create Accountant classification series</li> <li>• Authorize two Accountant positions</li> </ul>
Revise and reassign Accounting Assistants responsibilities	<ul style="list-style-type: none"> <li>• Issue quarterly business license renewals</li> <li>• Departments post outgoing mail</li> <li>• Transfer contract/insurance administration to risk management</li> <li>• Outsource printing of utility bills payments</li> <li>• Implement lockbox system for utility payments</li> <li>• Contract for Streets and Roads Report</li> <li>• Contract for State Controller’s Report</li> <li>• Assign accounting functions to Accountants</li> </ul>	<ul style="list-style-type: none"> <li>• Eliminate one Accounting Supervisor position</li> <li>• Eliminate three Accounting Assistant positions</li> </ul>
Establish a Budget and Financial Analysis Unit	<ul style="list-style-type: none"> <li>• Responsible for coordinating Finance Division support and citywide development of budget.</li> <li>• Enhance financial analysis services to City departments.</li> <li>• Administer all non-accounting functions in Finance Division.</li> </ul>	<ul style="list-style-type: none"> <li>• Create and authorize Budget and Financial Analysis Manager position</li> <li>• Create and authorize Budget Analyst position</li> <li>• Assign Administrative Analyst to this Unit</li> </ul>

The proposed Finance Division organizational structure, staffing levels and reporting relationships are indicated below:



The net addition to the Finance Division would be one-half position, the .5 FTE Administrative Assistant. Two Accountants, one Budget and Financial Analyst Manager and one Budget Analyst would replace three Accounting Assistant positions and one Accounting Supervisor position.

**Recommended Action:**

16.1. Seek approval and implement the organizational structure as proposed in this Assessment.

#### **IV. FINANCE AND INFORMATION TECHNOLOGY DEPARTMENT REVIEW - INFORMATION TECHNOLOGY DIVISION ASSESSMENT AND RECOMMENDATIONS**

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As discussed in Chapter III, MRG met with representatives of City departments to gain insights from “internal users” as to which F&IT Department processes and services work well, and what can be done to enhance processes and services. MRG also met with the Information Technology Department staff in a group meeting, to gain an understanding of how the IT operations are structured and how services are provided by departmental staff.

The internal customer and IT staff observations and input are discussed in this Chapter, as well as MRG input based on our experience with similar agencies. Recommendations are provided to address organizational and service issues that have been raised.

As also discussed in the previous Chapter, it is important to note that interviews and meetings with City staff generated both facts and perceptions. While some perceptions may not be grounded solely in fact, they are nonetheless important to address in the Assessment and by the F&IT Department and the City.

The F&IT Department recently completed an Information Technology Strategic Plan (“ITSP”), which is a comprehensive analysis of the current City technology environment and a roadmap to ensure that technology effectively supports the City’s current and future needs. The City also has an Information Technology Steering Committee comprised of representatives of City departments. This Assessment is intended to supplement, and not supplant, the Information Technology Strategic Plan and the work of the Steering Committee. Similarly, with few exceptions, the ITSP recommendations are not repeated in this Assessment.

It may be appropriate and necessary for the City to consider phasing the implementation of these recommendations, as time permits and as funding is available.

This Chapter addresses information technology services provided by the F&IT Department.



## **ASSESSMENT AND RECOMMENDATIONS**

### ***1. Leadership, Management and Supervision***

The Information Technology Division is part of the existing F&IT Department. While there has been transition in the Director level of the F&IT Department, the management and supervision of the Information Technology has been stable.

Information Technology staff indicated a strong preference to remain part of the F&IT Department. City departments did not express any reason or purpose in separating the IT Division from the F&IT Department. This Assessment found no reason to separate the Information Technology Division from the F&IT Department.

### ***2. Information Technology Role and Staffing***

Interviews with City staff and IT staff revealed that the City has made an aggressive effort to implement new applications and systems and replace older applications. Recent projects include implementation of the new time card system, efforts to implement an Energov permitting system, implementation of a new utility billing system and other applications, while maintaining the existing GIS and networks. City departments described the City as in technology “fatigue” and “overload”.

City staff observed that IT staff is responsive and customer service oriented. There is a high service level expectation. However, the high demand for network services, help desk assistance, and implementing and maintaining applications has caused the IT staff to feel reactive, not proactive. There is a strong impression that more time should be spent on security, implementing best practices, updating GIS mapping and other forward-looking activities.

City staff indicated that the IT Division’s role and mission needs to be clearly defined, projects need to be prioritized, and resources (staff and contracts) need to be funded to meet City expectations.

In the past, City departments have selected and/or implemented applications, sometimes without IT staff input or guidance, yet IT staff necessarily becomes involved in maintaining the applications. This raises the question as to the IT Division’s role in advising and working with City departments in selecting and implementing applications. It is one of the reasons that the ITSP recommends an Applications Support Unit. The IT Division is in

the process of updating the City's application inventory, in order to have a complete record of applications.

City staff also identified the need for 'business process' skills and services from the IT Division, to help in matching or amending existing processes with those that are embedded in off-the-shelf software applications, and vice versa.

### *Staffing Levels*

Current IT staffing includes 9.25 FTE positions: an IT Manager, two Supervisors, one Database Administrator, a .75 FTE IT Assistant, three Network Administrators and 1.5FTE GIS specialists. Interns are also occasionally used by the IT Division.

As discussed above, there is a need to match resources with expectations. The ITSP proposes a full-time help desk representative and reorganization of the IT Division to include a Customer Service Unit and an Applications Support Unit. As budget allows, the ITSP recommends additional staff resources for applications support and project management, as well as evaluating additional staff to implement and maintain additional systems and applications. An additional full-time help desk technician is the IT Division's highest priority.

### *Review Funding Sources*

The IT Division will be reviewing current budgeted appropriations that are normally used for citywide equipment purchases on a pay-as-you-go basis, and as an alternative, use lease purchases in order to stretch the dollars and provide for a means of freeing up the dollars to support the proposed staff positions.

### *Staffing Priorities*

The City budget process allows departments to propose new positions, and the process evaluates the priority of all departmental proposals. The F&IT Department has submitted proposals for additional IT staff. These were submitted for the next 2-year funding cycle but not funded with the exception of increasing the 75% help desk technician to full-time.

As discussed and recommended in Chapter III, an F&IT Department Administrative Assistant would provide .5 FTE IT Division support that would allow IT staff to focus on maintenance of systems and implementation of the ITSP. The functions that would be taken

over by the Administrative Assistant include the preparation of numerous Request for Proposal documents, assisting in evaluation of bids, drafting routine staff reports, monitoring employee evaluation deadlines, routine processing of personal action forms and other human resources documents, processing vendor payment requests, bid openings, preparation of semi-annual budget documents including goal status updates and other administrative tasks. This would help to relieve some of the administrative workload now performed by Network Administrators.

The following chart summarizes the key proposed functional changes in the IT Division that have staffing implications, the “triggers” or recommendations that should be implemented to facilitate the changes, and the proposed staffing.

Function	Recommendations and Triggers	Staff Proposed
Customer Service and Applications Support	<ul style="list-style-type: none"> <li>• Implement ITSP recommendation to establish a Customer Service Unit and Applications Support Unit</li> <li>• Evaluate cost savings from leasing rather than purchasing equipment</li> <li>• As funding is identified and available</li> </ul>	<ul style="list-style-type: none"> <li>• Authorize ITSP and IT Division staffing recommendations</li> </ul>
Administrative support	<ul style="list-style-type: none"> <li>• Evaluate cost savings from leasing rather than purchasing equipment</li> <li>• As funding is identified and available</li> </ul>	<ul style="list-style-type: none"> <li>• Authorize a .5 FTE Administrative Assistant</li> </ul>

***Recommended Actions:***

- 2.1. Evaluate potential cost savings to be achieved from leasing rather than purchasing equipment, to be able to provide funds to support proposed staffing levels.
- 2.2. Implement the ITSP recommendation to establish an Applications Support Unit, with additional business processes skills and services. The Database Administrator will soon be assuming the application support role.
- 2.3. Implement the ITSP recommendation to fund the Tier I and Tier II help desk system and the full time help desk representative.
- 2.4. Implement this Assessment’s recommendation to create a .5 FTE F&IT Administrative Assistant position, to be shared by the IT Division and the Finance Division.
- 2.5. Empower and involve the IT staff in early and continuous discussions and consideration of new applications. This can be accomplished through the IT Steering Committee.

- 2.6. Continue to use the IT Steering Committee to prioritize IT projects, and to recommend staffing levels required to implement IT objectives and to maintain existing systems.
- 2.7. The IT Department should continue to utilize adjusted shifts as workload conditions permit, to take advantage of off-peak time for maintenance of systems.

### ***3. Establish and Enforce Standards and Policies***

There are a number of factors that drive the demand for IT Division services. City department staff have used thumb drives to import documents, opened potentially infected email attachments, installed “rogue” applications, made changes to GIS data bases and other actions that may impact the need for IT services. Data storage has become an increasing problem because unnecessary documents continue to be retained on Citywide shared drives.

Many policies already exist, but need to be updated and reviewed by the IT Steering Committee. Overall, there is a need to establish, and more importantly, enforce policies governing computer and applications use.

Security and data storage are the IT Division’s two highest priorities.

System security is a critical component of the IT responsibilities. The IT Division needs to have sufficient resources to ensure security, and must make system security a high priority.

#### ***Recommended Actions:***

- 3.1. Establish clear policies and standards for computer and network use, and actively enforce such policies.
- 3.2. Establish a data and document retention policy, and initiate a program to eliminate unnecessary data and documents from Citywide shared drives.
- 3.3. Provide resources to ensure system security and make system security a high priority.

### ***4. IT Hardware and Applications Inventory and Replacement Funding***

It was noted during the Assessment that the IT Division does not have a complete inventory of all installed applications. An inventory of hardware and software applications

is important, to be able to identify replacement cycles and funding sources. The City has recently implemented an internal service Technology Replacement Fund, but has not yet established a policy for use of the accumulated funds for future equipment replacement.

***Recommended Actions:***

- 4.1. Develop a complete inventory of all hardware and applications.
- 4.2. Implement policy governing use of internal service Technology Replacement Funds for the replacement of hardware and applications.

***5. Training***

Training City staff is a long-term investment that can reduce help desk calls and can positively affect demands for IT services. Orientation and training for new employees is particularly important.

As one employee described, “we need to take the time to teach people to fish.” City staff expressed interest and support in additional training. The City has a well-regarded outside consultant who provides training to City staff.

In addition, “training the trainer” builds in-house capacity, particularly for new applications that come on line.

Among City staff, there are many experienced “power-users” who can also be drafted to provide training, supplementing IT staff and consultant training resources. IT staff is aware of the “power users” in the organization and has planned a series of lunch and learn sessions to help bring those identified users up to speed.

***Recommended Actions:***

- 5.1. Survey city departments for training needs, and develop a prioritized training program.
- 5.2. Seek out City department power-users and engage them as trainers.
- 5.3. Continue to use outside consulting services to supplement IT staff in-house training.
- 5.4. Provide sufficient resources to train IT staff on new applications that may be brought online.

## **V. HUMAN RESOURCES DEPARTMENT**

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As discussed in Chapter III, MRG met with representatives of City departments to gain insights from “internal users” as to which Human Resources Department processes and services work well, and what can be done to enhance processes and services. MRG also met with the Human Resources Department staff in a group meeting, to gain an understanding of how the Human Resources operations are structured and how services are provided by departmental staff.

The internal customer and Human Resources staff observations and input are discussed in this Chapter, as well as MRG input based on our experience with similar agencies. Recommendations are provided to address organizational and service issues that have been raised.

As also discussed in the previous Chapter, it is important to note that interviews and meetings with City staff generated both facts and perceptions. While some perceptions may not be grounded solely in fact, they are nonetheless important to address in the Assessment and by the Human Resources Department and the City.

It may be appropriate and necessary for the City to consider phasing the implementation of these recommendations, as time permits and as funding is available.

This Chapter addresses services provided by the Human Resources Department.

### **ASSESSMENT AND RECOMMENDATIONS**

#### ***1. Leadership, Management and Supervision***

The Human Resources Department consists of one Director and four staff members. All positions report to the Director. Departmental functions are clearly assigned among the staff. There has been consistency and stability in the leadership and management of the Department. No recommendations regarding leadership and management of the Department are offered by this Assessment.

## **2. *Organizational Reporting Options***

The Human Resources Department currently reports directly to the City Manager. As discussed in Chapter III, one of the key questions posed as part of this Assessment is whether the Human Resources Department should remain as a single department, or be merged with Finance & Information Technology Department (as well as other potential functions) into an Administrative Services Department. One factor driving this question was whether an Administrative Services Department would attract qualified Director candidates. As a result of this Assessment, MRG recommends that the City recruit for F&IT Director candidates with strong finance experience. Based on these factors alone, MRG does not recommend the creation of an Administrative Services Department, because it may attract candidates who are less focused on the important finance matters that must be addressed.

Moreover, the Human Resources Department administers a wide variety of programs, some of which are highly confidential, including labor relations, personnel records, disciplinary matters and other personnel matters. For these areas of responsibility, it is important for the Human Resources Department to report directly to the City Manager. Based on these factors, as well as the factors discussed in Chapter III, this Assessment recommends that the Human Resources Department remain as a department reporting to the City Manager.

### ***Recommended Action:***

- 2.1. Retain a separate Human Resources Department.

## **3. *Human Resources Department/Finance Division Coordination***

Chapter III addressed the “touch points” between the Human Resources Department and the Finance Division. For ease of review, they are repeated here.

City staff noted that there is not always clarity on topics that are within the Human Resources Department’s area of responsibility and those that are within the Finance Division’s area of responsibility.

F&IT staff and Human Resources Department staff also expressed interest in more coordination of effort, including salary and benefit costing, budget preparation, benefit administration, payroll coordination and implementation of State and Federal regulations.

***Recommended Actions:***

- 3.1. Prepare and distribute a written description of matters that are the responsibility of the Human Resources Department and the F&IT Department, with named individuals to contact with questions.. As discussed previously in this Assessment, compensation and benefit administration should be Human Resources functions while payroll and payment of payroll-related withholding and benefits should be Finance Division responsibilities.
- 3.2. Develop regularly scheduled, agendaed meetings, attended by management and line staff, to address coordination of Human Resources Department and F&IT Department services.

**4. *Safety Programs***

City staff noted that additional administration and coordination of safety programs would be desirable. It is recommended that the Human Resources Department take responsibility for centralizing safety administration, training offerings, requirements, records and certifications. Currently, each department determines training requirements and priorities, and tracks training and certifications.

***Recommended Action:***

- 4.1. Convene a citywide discussion on options to centralize safety administration and training functions, record keeping and certifications.

**5. *Training***

City staff noted an interest in additional training, including first-time supervisor training, writing performance reviews, succession planning and organizational development.

***Recommended Action:***

- 5.1. Survey City departments to determine desirable training topics; prioritize and provide training on highest priority topics.



## **6. Recruitment Process**

City staff commented that the current recruitment process does not permit City department Directors or their representatives to screen resumes and applications. At present, resumes and applications are screened by the Human Resources Department and a representative from another department, and an oral board panel ranks the top candidates, who are then referred to the department for interviews and selection.

The Human Resources Department has prepared a Draft Recruitment Guide that outlines the existing process. Human Resources staff plan to work with internal departments to gather proposed modifications to the recruitment process that should address City staff suggestions and maintain a highly defensible and legally compliant process.

### ***Recommended Actions:***

- 6.1. Review with City departments the Draft Recruitment Guide that includes the opportunity for a separate departmental representative to screen resumes and applications, and for an in-house representative to participate as a member of the oral board panel.
- 6.2. Implement agreed upon procedural changes in recruitment processes.

## **7. Risk Management**

The Human Resources Department is currently responsible for risk management, which includes administration of the City's liability and worker's compensation programs. While MRG did not conduct a comprehensive assessment of these functions for San Luis Obispo, we did recently prepare a benchmark survey on legal services for another client, a component of which was the assignment of risk management functions in the benchmark cities. The data indicated that in cities with in-house City Attorney offices, risk management is often assigned to the City Attorney's office. In contract City Attorney arrangements, risk management was typically assigned to the Human Resources Department or the City Manager's office. Assigning the liability portion of risk management to the City Attorney's office has the advantage of closely connecting claims administration with legal staff. In addition, and as recommended in this Assessment, review of insurance and performance bond certificates and indemnification requirements is best administered by a risk

management function that is closely connected with legal counsel, and by staff who are trained to understand insurance and indemnification objectives and the adequacy of insurance certifications that are submitted to the City.

Administration of workers compensation programs in our benchmark survey was almost universally performed by Human Resources Department.

***Recommended Action:***

- 7.1. Consider transferring risk management functions to the City Attorney's office, including review and approval of insurance requirements in contracts, while retaining worker's compensation program responsibilities in the Human Resources Department.

***8. Human Relations Commission Staffing:***

During the course of the Assessment, it was noted that the Human Resources Department staffs the City Human Relation's Commission. The Human Relations Committee advises the City Council on matters concerning social problems affecting the residents of the City, assists in tenant/landlord problems, and reviews and recommends grants-in-aid to assist groups that provide human services programs.

It is not immediately clear that Human Resources Department staff is necessarily the best trained or the most qualified in the subject matter under the purview of this Commission.

The Assessment did not identify the historical reason for assigning the staffing of this Commission to the Human Resources Department. In other cities, staffing similar commissions is often based on the types of human relations issues that are intended to be addressed. For example, if law enforcement issues are among a commission's purview, Police and City Attorney offices may support a commission. Alternatively, if homeless and transitional housing matters are a commission's focus, a Housing Authority or a Community Development Department may support a commission.

**Recommended Action:**

- 8.1. Review the appropriateness of assigning Human Resources Department to staff the Human Relations Commission. Consider transferring this function to the Community Development Department.

**9. Human Resources Department Staff Levels**

As presented above, the Human Resources Department staff consists of one Director and four staff members. City staff did comment that the Human Resources Department accomplishes many tasks with limited staff.

If the risk management and Human Relations Commission staffing responsibilities are transferred from the Human Resources Department, the workload would be more in line with the existing staffing. However, if additional safety and training tasks are added, as recommended by this Assessment, there would be added workload. On balance, this Assessment recommends an incremental addition to the Human Resources Department staff. As an initial step, a part-time training and safety coordinator position is recommended, responsible for the centralizing safety and training offerings, training and safety requirements, records and certifications.

The following chart summarizes the key proposed functional changes in the Human Resources Department that have staffing implications, the “triggers” or recommendations that should be implemented to facilitate the changes, and the proposed staffing.

Function	Recommendations and Triggers	Staff Proposed
Assume responsibility for safety training offerings, training and safety requirements, records and certifications	<ul style="list-style-type: none"> <li>• Transfer risk management responsibilities to the City Attorney’s office</li> <li>• Transfer Human Relations Commission support to Community Development Department</li> <li>• Assume responsibility for centralized safety administration and training functions</li> </ul>	<ul style="list-style-type: none"> <li>• Authorize .5 FTE Safety Coordinator</li> </ul>

**Recommended Action:**

- 9.1. Consider adding one part-time safety and training coordinator staff position to the Human Resources Department, responsible for the centralizing safety training offerings, training and safety requirements, records and certifications.

### ***10. Human Resources Information System (HRIS)***

While the Finance Division uses the existing Pentamation HRIS module for payroll purposes, the HRIS system is not currently utilized by the Human Resources Department. There are many databases that can be maintained in an HRIS system that enhance the efficiency of a Human Resources Department, including employee census information for workers compensation and insurance reporting, data for State and Federal reporting purposes, training and safety certification records, performance evaluation tracking, benefit enrollments, compensation history, leave usage data, job applicant tracking and other data and reporting functions. HRIS systems allow individual employees to access and revise their personal records for such purposes as address changes, instead of Human Resources Department staff implementing non-confidential information.

The Assessment did not evaluate the available functions offered by the current Pentamation system. Similarly, the Assessment did not specifically evaluate the City's HRIS functional and database priorities. The Human Resources Department should identify its HRIS priorities and implement the Pentamation HRIS system.

#### ***Recommended Action:***

- 10.1. Identify the City's HRIS priorities and implement a fully functioning HRIS system.

## **VI. ASSESSMENT SUMMARY**

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Municipal Resource Group LLC has performed this Assessment based on the scope of work defined by the City. The recommendations are based on the interviews with City staff and our review of City documents, combined with our experience in managing City Finance and Information Technology Departments and Human Resources Departments, as well as working with other public agency clients in similar assessments.

We would like to thank the City of San Luis Obispo for the opportunity to prepare this Assessment. Our appreciation is extended to City staff for their cooperation and insights in support of this project.

## Appendix A

Municipal Resource Group LLC would like to thank the members of the San Luis Obispo City staff who provided valuable input and insights for this Assessment. The following individuals participated in this Assessment.

### Department Heads

Katie Lichtig, City Manager  
Michael Codron, Assistant City Manager  
Wayne Padilla, Interim Finance Director  
Monica Irons, Human Resources Director  
Carrie Mattingly, Utilities Director  
Daryl Grigsby, Public Works Director  
Charlie Hines, Fire Chief  
Derek Johnson, Community Development Director  
Shelly Stanwyck, Parks and Recreation Director  
Christine Dietrick, City Attorney

### Internal Customers

Barbara Lynch, Public Works Deputy Director  
Melissa Mudgett, Public Works Administrative Analyst  
Julie Cox, Administrative Analyst, Fire  
Melissa Ellsworth, Administrative Analyst, Police  
Debbie Malicoat, Utilities Operations Manager  
Keith Storton, Captain, Police  
Andrea Visveshwara, Assistant City Attorney

### Information Technology Staff

Steve Schmidt  
Lynn Wilwand  
Miguel Guardado  
Eric Geddes  
Jason Takagi  
Jason Dornish  
Tim Cool  
David Yun  
Dawn Hutchinson  
Mary Andrews  
Derek Crawford

### Human Resources Staff

Monica Irons  
Greg Zocher  
Kathy Hamilton  
Nickole Sutter  
Kate Auslen

### Finance Staff

Mette Richardson  
Marjorie Hernandez  
Linda McDonald  
Jennifer Thompson  
Lorraine Colleran  
Kim Youngblood  
Ameron Judge  
Barbara Hage  
Traci Kawaguchi  
Janice Harris

### Budget Team

April Richardson  
Brigitte Elke  
Rachel McClure