CITY OF SARATOGA

ASSESSMENT OF THE ADMINISTRATIVE SERVICES DEPARTMENT AND FINANCE DIVISION ORGANIZATIONAL STRUCTURE, OPERATIONS AND STAFFING

MUNICIPAL RESOURCE GROUP, LLC
675 HARTZ AVENUE, SUITE 300
DANVILLE, CA 94526
(530) 878-9100

MARCH 2013

CITY OF SARATOGA

ASSESSMENT OF THE ADMINISTRATIVE SERVICES DEPARTMENT AND FINANCE DIVISION ORGANIZATIONAL STRUCTURE, OPERATIONS AND STAFFING

TABLE OF CONTENTS

CITY OF SARATOGA

ASSESSMENT OF THE ADMINISTRATIVE SERVICES DEPARTMENT AND FINANCE

DIVISION ORGANIZATIONAL STRUCTURE, OPERATIONS AND STAFFING

MARCH 2013

I.   INTRODUCTION AND BACKGROUND
_____

Background and Scope of the Analysis and Report

The City of Saratoga ("City") Administrative Services Department provides support services to City departments. The Administrative Services Department ("Department") consists of three divisions: Finance, Information Technology and Human Resources. The Department also provides services to the general public, such as budget and financial information, recruitment and screening of candidates for employment with the City, and public information though 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 existing organizational structure, staffing levels, skill sets and job assignments in the Finance Division of the Administrative Services Department. While the focus of the assessment is on the Finance Division, the Information Technology and Human Resources Divisions have also been considered, as they are integral components of the Department as it is currently organized.

More specifically, the scope of work for this Assessment includes:

- Identification of jurisdictional benchmark cities' organizational structure, staffing levels and resources.
- Evaluation of the Finance Division's capability to deliver financial information and products that meet City requirements and needs.
- Identification of gaps in organizational structure, staffing levels, skill sets and resources required to meet City financial requirements and needs.
- Recommendations for changes in organizational structure, staffing levels, skill sets and resources.

II.   JURISDICTIONAL BENCHMARK SURVEY

_____

The purpose of benchmarking comparable jurisdictions is to provide information on Administrative Service Department and Finance Division budgets, staffing levels and responsibilities, to correlate with Saratoga's financial services, and to inform this Report's analysis.

The City has identified five jurisdictions that are used for comparable labor compensation purposes, including the cities of Campbell, Cupertino, Morgan Hill, Los Gatos and Los Altos. The City indicated that these cities should be surveyed for this benchmark analysis.

A comparison of the statistical data, breadth of City services, and specific services provided by other cities' Administrative Services Departments is a critical preliminary step in the benchmark analysis. These factors have an impact on the Administrative Service Departments, and are typically correlated with the staffing levels and resources required to meet the cities' expectations and demands placed upon the departments. This Chapter also provides a comparison of factors impacting Administrative Service Departments in the benchmark cities, as well as a comparison of budgets and staffing levels in the benchmark cities. Budget and staffing levels identified in this Chapter are based on fiscal year 2012-13 information.

Benchmark Cities' Statistical Data

Table II-1 provides the statistical data for the benchmark cities. This data is important because population, operating budgets, capital budgets and full-time equivalent employees (FTE) tend to be factors related to the need and demand for financial services.

Table II-1: Benchmark Statistical Data

City / Population	Operating Budget (million)	Capital Budget (millions)	Full Time Equivalent Employees
Saratoga 30,363	$ 20.4	$10.9	56.88
Campbell 39,882	$ 46.3	$ 3.2	150.80
Cupertino 59,022	$102.1	$ 5.7	162.75
Morgan Hill 39,127	$ 81.5	$14.4	168.50
Los Gatos 29,854	$ 48.4	$ 6.1	149.29
Los Altos 29,460	$ 38.1	$ 2.0	129.75
Benchmark cities average 39,469	$ 63.3	$ 6.3	152.22

Source: City budgets; California Department of Finance

Generally, the statistical data for the five benchmark cities exceeds the comparable Saratoga data. For example, the five benchmark cities' average population (39,469), operating budgets ($63.3 million) and FTE (152.22) exceed the Saratoga population (30,363), operating budget ($20.4 million) and FTE (56.88). The current fiscal year Saratoga capital budget ($10.9 million) exceeds the average of the benchmark cities ($6.3 million).

Benchmark Cities' Services

Table II-2 provides a summary description of the services provided by the benchmark cities, and how those services differ from those provided by Saratoga. The services provided are important as there tends to be a correlation between the breadth of services and the need for financial, accounting, human resource and information technology services.

Table II-2: Benchmark City Services

City	Police	Fire	Community Development	Public Works	Library	Parks and Recreation	RDA/SA	Utilities	Other
Saratoga	Contract	SCCFD	Yes	Yes	County	Yes	No	No	
Campbell	Yes	SCCFD	Yes	Yes	County	Yes	Yes	No	
Cupertino	Contract	SCCFD	Yes	Yes	County	Yes	Yes	No	Golf
Morgan Hill	Yes	SCCFD	Yes	Yes Sewer	County	Yes	Yes	Wastewater Water	
Los Gatos	Yes	SCCFD	Yes	Yes	Yes	Yes	Yes	No	
Los Altos	Yes	SCCFD	Yes	Yes Sewer	County	Yes	No	No	

Source: City websites

There are differences in the services provided by the five benchmark cities, as compared to Saratoga. For example, while Saratoga and Cupertino contract for Police services, the other cities have their own Police Departments. Morgan Hill provides wastewater and water services (and importantly, utility billing services). Four of the benchmark cities had redevelopment agencies (RDA), and while RDA's have ceased to exist, Successor Agencies (SA) are still wrapping up former RDA activities, which has an impact on financial services and finance staff. Cupertino has a golf enterprise fund, and Los Gatos provides its own library services to the community.

Generally, Saratoga provides the least array of services, and Morgan Hill provides the greatest array of services among the benchmark cities.

Benchmark Cities' Administrative Services Departments

There are differences among cities in the breadth and span of responsibilities assigned to their Administrative Services Departments. Such differences will impact the demands placed upon the Administrative Services Departments, as well as the staff required to deliver services to internal and external customers.

Table II-3 provides a summary of the services provided by the benchmark cities' Administrative Services Departments.

Table II-3: Administrative Service Department Responsibilities

City	Department	Finance Accounting Budget	Utility Billing	RDA/SA	Other Departmental Functions Reporting to Director
Saratoga	Administrative Services	Yes	No	No	Information Technology Human Resources
Campbell	Administrative Services	Yes	No	Yes	Information Technology Risk Management
Cupertino	Administrative Services	Yes	No	Yes	Information Technology Human Resources City Clerk Code Enforcement Emergency Preparedness Neighborhood Watch
Morgan Hill	Administrative Services	Yes	Yes	Yes	Information Technology Human Resources Elections
Los Gatos	Finance and Administrative Services	Yes	No	Yes	None
Los Altos	Finance & Technology	Yes	No	No	Information Technology

Source: City websites

Generally, the breadth of services and span of responsibilities of the Saratoga Administrative Services Department are in the low- to mid-range of the benchmark cities. Los Gatos and Los Altos have the least array of services provided by their Administrative Services Departments. Cupertino and Morgan Hill have the greatest array of services provided by their Administrative Services Departments.

Benchmark Cities Administrative Services Budgets

Budgets managed by an Administrative Services Department are also an indicator of the breadth of services and span of responsibilities assigned to the department.

There are differences among cities in the way in which budgets are presented. For example, the Los Altos budget provides only a total for each division within the "Finance and Technology Department", and the Cupertino budget includes only the accounting and business license functions, and does not include the administrative and management budgets for the department.

Table II-4 provides a summary of the budgets of the benchmark cities' Administrative Services Departments. It includes Information Technology and Human Resource budgets if such responsibilities are assigned to the Administrative Services Department. The Table does not include the budgets for services in benchmark cities that

are not provided by the Saratoga Administrative Services Department, such as City Clerk and Code Enforcement services in Cupertino.

Table II-4: Administrative Service Department Budgets

City	Finance Department Budget		IT Department Budget		HR Department Budget	
Saratoga	Personnel	$688,530	Personnel	$209,740	Personnel	$244,579
	Contract services	$ 84,575	Contract services	$145.533	Contract services	$ 40,100
	Supplies	$ 25,870	Supplies	$ 34,090	Supplies	$ 26,660
	Cost allocation/ISF	$116,006	Cost allocation/ISF	$ 33,395	Cost allocation/ISF	$ 29,583
	Total	$914,981	Total	$422,758	Total	$340,922
Campbell	Personnel	$1,020,722	N/A		Personnel	$ 547,457
	Contract services	$ 44,550			Contract services	
	Supplies	$ 154,250			Supplies	$ 440,912
	Cost allocation/ISF	$ 50,589			Cost allocation/ISF	$ 24,900
	Total	$ 1,270,111			Total	$1,013,279
Cupertino	Personnel	$591,028	Personnel	$ 564,874	N/A	
	Contract services	$132,000	Contract services	$ 473,000		
	Supplies	$ 11,950	Supplies	$ 57,100		
	Cost allocation/ISF	$ 47,100	Cost allocation/ISF	$ 467,000		
	Total	$782,078	Total	$1,561,974		
Morgan Hill	Personnel	$ 886,152	Personnel	$398,792	Personnel	$315,083
	Contract services	$ 45,999	Contract services	$ 87,300	Contract services	$ 22,500
	Supplies	$ 75,959	Supplies	$ 98,840	Supplies	$ 30,090
	Cost allocation/ISF	$ 48,722	Cost allocation/ISF	$ 12,827	Cost allocation/ISF	$ 10,955
	Total	$1,056,832	Total	$593,759	Total	$378,628
Los Gatos	Personnel	$873,285	N/A		N/A	
	Contract services					
	Supplies	$ 162,700				
	Cost allocation/ISF	$ 63,070				
	Total	$1,099,055				
Los Altos	Total	$1,024385	Total	$447,275	N/A	

Source: City budgets

Generally, the Saratoga Finance, Information Technology and Human Resource division budgets are below the benchmark cities.

Benchmark Cities Staffing Levels

Table II-5 provides the Finance staff FTE, and the Information Technology staff FTE and Human Resource staff FTE for those cities in which these functions report to an Administrative Services Department Director.

Some cities allocate percentages of a position among several divisions or departments, for example, by allocating 10% of a Director's time and cost to a separate division to reflect time spent working for that division. In an effort to provide the most relevant comparison, this analysis has attempted to identify the full time equivalent of each

position employed by the Administrative Services Department, regardless of the allocation of time and cost among divisions or other departments. In addition, the benchmark survey does not include positions in departments other than the Administrative Services Department, which may perform similar work for the City, such as departmental fiscal officers or Office Assistants that may collect fees or perform time-keeping, payroll or other similar functions.

Table II-5: FTE Staff

City	Finance Staff	Information Technology Staff Human Resource Staff
Saratoga	1.0 Finance & Administrative Services Director .9 Accountant 3.0 Accounting Technician .6 Senior Accountant (1,200 hours) 5.5 FTE	1.0 Information Technology Administrator 1.0 IT Specialist (2,000 hours) 1.0 Human Resources Manager .78 HR Specialist (1,568 hours)
Campbell	1.0 Finance Director 1.3 Finance Manager 2.0 Accountant 3.0 Accounting Technician/Clerk 1.0 Office Assistant .3 Clerk 8.6 FTE	1.0 IT Administrator 1.0 IT Manager 1.8 IT Technician .45 IT Intern
Cupertino	4.53 Staff (Budget does not identify classifications; accounting and business license staff only)	4.0 IT Staff 4.0 HR Staff
Morgan Hill	1.0 Finance and Administrative Services Director 1.0 Assistant Finance Director 1.0 Budget Manager 2.0 Accountant 5.0 Accounting Technician/Clerk .5 Office Assistant 10.5 FTE	1.0 OT Manager 2.0 IT Technician 1.0 Human Resource Director 1.0 Human Resource coordinator .25 HR Clerk
Los Gatos	1.0 Finance and Administrative Services Director 1.0 Assistant Budget/Finance Director 1.0 Accountant/Financial Analyst 1.0 Payroll Specialist 2.0 Accounting Technician .5 Budget Analyst 6.5 FTE	None
Los Altos	1.0 Finance Director 1.0 Finance Manager 3.0 Accounting Technician/Clerk 1.0 Office Assistant 6.0 FTE	1.0 IT Manager 1.0 IT Technician

Source: City budgets

Saratoga Finance staff FTE is the lowest of the benchmark cities, as is its Information Technology and Human Resource staff FTE. Cupertino staffing information does not provide relevant information.

Benchmark Cities Summary

The benchmark data provides certain insights that informs this analysis and provides information and comparisons for the City of Saratoga in its review of the Administrative Services Department resources in general, and staffing in the Finance Division. Summarizing, the following is noted:

1. The Saratoga FTE and operating budget are significantly below the averages in the benchmark cities, although the current year Saratoga capital budget is above the average of the benchmark cities.

2. As Saratoga has utilized contractual services, and special districts provide utility services, its overall array and complexity of services is more limited than the benchmark cities.

3. The breadth of services and span of responsibilities assigned to the Saratoga Administrative Services Department is in the low- to mid-range of the benchmark cities. As well, the Saratoga Administrative Services Department budget is below most of the benchmark cities.

4. Saratoga FTE assigned to the Administrative Services Department are below the benchmark cities. Based on the comparaison of operating budgets, FTE, City services and Administrative Services Department responsibilities, the lower Saratoga FTE is not unexpected. It is noted that all of the benchmark cities have mid-level supervisory personnel in their Finance Divisions, with the exception of Saratoga.

III.   ADMINISTRATIVE SERVICES DEPARTMENT REVIEW

_____

In conducting this Assessment, MRG met with the City Manager to confirm the project objectives and discuss the project tasks and deliverables. MRG reviewed existing job descriptions and other personnel, budget and administrative documents to develop a clear understanding of the existing staff levels and qualifications. MRG also met with individual Administrative Services Department staff members to review job assignments, workload, resources, productivity, skill sets, supervision and other factors affecting the Department's ability to perform the City's required and expected products and services.

This Chapter identifies the information gained during this phase of the Assessment.

Existing Organizational Structure

The Administrative Services Department currently includes three Divisions:

Finance Division – administers accounting functions including general ledger, accounts payable, accounts receivable, payroll and business license; prepares operating and capital budgets; ensures compliance with reporting requirements; coordinates the annual financial audit and CAFR; oversees the purchasing function.

Information Technology Division – responsible for maintenance and support of information systems, streaming video, internet, landline and wireless communication systems, voicemail and email systems; supports upgrading of information technology.

Human Resources Division -- responsible for recruitment and selection of City employees; employee and labor relations; classification and compensation; benefit administration; performance review system; training; employment and labor law compliance; special projects.

The Administrative Services Department is also responsible for Office Support Services. No personnel are assigned to this function

Staffing levels in the Administrative Services Department include:

1.0 FTE	Finance and Administrative Services Director
.9 FTE	Accountant
3.0 FTE	Accounting Technician
1.0 FTE	Information Technology Administrator
1.0 FTE	Human Resources Manager

In addition, funding is provided for temporary staff positions as follows:

.6 FTE	Senior Accountant (1,200 hours/year)
1.0 FTE	Information Technology Specialist (2,000 hours/year)
.78 FTE	Human Resource Specialist (1,568 hours/year)

All positions except the part-time Information Technology Specialist and the Human Resource Specialist report to the Finance and Administrative Services Director.

Job descriptions for all of the permanent positions were provided to and reviewed by MRG. Generally, incumbents reported that they are working within the current job description essential duties, and have the requisite knowledge, skills, abilities, education, training and experience for the positions held.

Issues and Observations

The following issues and observations are provided, based on the interviews and research conducted by MRG, which also form the basis for the recommendations in this Assessment.

An Assessment of this nature tends to focus on the 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 this 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 Chapter provides some observations on organizational practices that may be improved.

- The Department relies upon temporary, seasoned Senior Accountants to perform functions that are mission-critical to the City, and are required to be performed regularly, monthly or yearly. These include assistance in budget preparation, audit

management, preparation of the CAFR, preparation and/or review of journal entries and budget adjustments, preparation of State reports, preparation of grant reimbursement requests, and review of payroll and accounts payable batches.

▪ The Director provides oversight of the Departmental functions, communication with City departments, management, City Council and public, and works on major projects such as policy development and annual budgets. The Director also performs detailed day to day activities, including preparation and/or review of journal entries and budget adjustments, review of payroll and accounts payable data and general ledger analysis.

▪ The Finance Division does not have supervisory personnel, other than the Director. The existing Accountant, Accounting Technicians and part-time Senior Accountants all report to the Director, as do the Human Resources Manager and the Information Technology Administrator. This supervisory span of control over line staff diverts the Director's time from other management-level projects and responsibilities.

▪ The Director reports that the requirements of the position do not permit her adequate time for uninterrupted time off, such as for vacations and sick leave.

▪ It does not appear that the Department has addressed vertical position training or succession planning, as witnessed by the Director's perception that her extended absences from the office cannot be covered by other staff.

▪ The Director acknowledges that there are management-level projects and practices that, time permitting, could receive more of her attention, such as communication with and support to the City Council/Finance Committee, staff training, financial analysis, quarterly report analysis, labor cost analysis, disaster-recovery procedures and other special projects.

▪ The Department does not have a formal internal customer feedback process, nor a strategic plan to address internal customer service requirements.

- The Department has made an effort to cross-train the functions performed by the three Accounting Technicians, but has not completed this goal.

- There is a perception among some employees that the workload is not evenly distributed among positions and that some positions are underutilized. While the scope of this Assessment did not include a review of desk assignments, the perception is sufficient to note, and this matter should be addressed.

- The Department does not have any clerical staff.

- The Human Resource and Information Technology functions operate without significant oversight by the Department Director.

- The Human Resources Division and Information Technology Division have retained the services of temporary staff over a relatively long period of time. The services of these temporary staff have become integral to the operation of the Department.

- The Community Development Department budgets for an 800 hour/year Office Specialist whose duties include the administration of the deposits collected from permit applicants, and charges to those deposits for work performed by City staff and contractors. While this deposit program is now limited to arborist and geotechnical work, there are many remaining deposits under a prior deposit program for other City services.

IV.   ASSESSMENT REPORT RECOMMENDATIONS

_____

This Chapter provides recommendations based on the benchmark survey, the interviews and research performed by MRG, and our experience in managing and assessing other similar organizations. It may be appropriate for the City of Saratoga to consider phasing the implementation of these recommendations, as time permits and as funding is available.

1. The use of temporary Finance personnel for key, ongoing critical functions should be replaced by a second permanent accountant position. This position should be classified as a Supervising Accountant, responsible for accounting functions as well as supervision of the Accounting Technicians and the Accountant. This recommendation is made based on the benchmark survey and our assessment of the Department's responsibilities, both of which indicate the need for permanent, additional accounting capacity and additional supervisory assistance. The Supervising Accountant would reduce the number of employees reporting to the Director, enabling more management time and opportunity for the Director, Funding for the permanent accountant position may be offset by the elimination of the budget for 1,200 hours of part-time Senior Accountant work, and as discussed below, by redirecting some or all of the savings by eliminating the Community Development Department Office Assistant position.

2. The Community Development Department deposit program should be eliminated; replace the deposit/hourly charge for arborist services with a fixed fee for service, and replace the deposit for geotechnical services with a fixed fee for services, based on not-to-exceed project budgets from geotechnical firms (plus a percentage for City review and administration of geotech reports). Further, any remaining existing deposits should be "trued-up", with balances collected from, or excess amounts remitted to applicants. The savings should be redirected to support the second accountant position.

3. Once the Supervising Accountant position is approved, the Department should carefully analyze the allocation of responsibilities between the two accountant positions. Areas of responsibility may be divided by funds, as well as specific tasks such as revenue and expenditure account analysis, general ledger management, operating budget preparation, budget management (including budget amendments, budget-to-actual analysis, quarterly reports, etc.), CIP budget and planning, audit and CAFR preparation, grants management, landscape and lighting district accounting, and supervision.

4. Procedures should be established to reduce the detailed work that is performed by the Director. These procedures should include, for example, defining the types and levels of journal entries that can be approved by the accountants. Additionally, the Director should implement practices whereby the accountants prepare documents, such as grant reimbursement requests, payroll reports, accounts payable reports, cash requirements and other similar tasks, and the Director functions in a review capacity.

5. The City should transition and reposition the role of the Director to oversight, management, training, internal controls, cash management and treasury, special projects, internal and external customer relations, City Council/Finance Committee communication and other leadership functions.   The Director and Supervising Accountant should be able to establish departmental priorities, manage, mentor and train employees, and monitor progress toward attaining departmental goals.

6. To support the Director in this transition, consider retaining coaching services of a qualified Finance expert or management professional to assist the Director in enhancing her management capabilities and maximizing her leadership potential.

7. The Director and the Supervising Accountant should carefully analyze the allocation of work assigned to the three Accounting Technicians and Accountant, and make adjustments to balance workload. Internal controls should also be considered as criteria for allocation of assignments and workload.

8. The Department has initiated a program to document desk processes and procedures. The City should encourage and support the completion of this program.

9. The Department has initiated a program to cross-train the three Accounting Technicians. The City should encourage and support the completion of this program.

10. There are certain functions that may benefit from automation. For example, PG&E can provide a data file, rather than paper invoices, to eliminate manual distribution of utility bills. The City should explore this and other time-saving techniques to reduce staff workloads.

11. The benchmark survey identified several variations of services provided by Administrative Service Departments. For example, some Administrative Services Departments include Human Resources services, and others do not. This Assessment did not find a compelling reason to change the existing reporting relationship for Human Resources services. At the present time, the City should continue to provide Human Resources services through the Administrative Services Department, as long as there is also a direct line of communication between the Human Resources Manager and the City Manager on labor relations and personnel matters.

12. A second option is for the Human Resource Manager to report directly to the City Manager's Office, although it may be prudent to consider this option if the Assistant City Manager position is ever restored, and the Human Resources Manager should then report to the Assistant City Manager.

13. The Human Resources Division's resources and staffing appear aligned with City service expectations. However, the tasks performed and services provided by the long-term temporary Human Resources Specialist have become integral to the Department's Human Resources services, and the City should consider making this position permanent.

14. The benchmark survey also identified several variations of reporting arrangements for Information Technology services, although the predominant method is for this function to be performed within Administrative Services Departments. This Assessment did not find a compelling reason to change the existing reporting relationship for Information Technology services.

15. The Information Technology office space configuration is cramped. The City should consider reconfiguring the office to assure maximum operational efficiency. It is noted that this recommendation has been recently implemented.

16. The Information Technology Division's resources and staffing appear aligned with City service expectations. However, the tasks performed and services provided by the long-term temporary Information Technology Specialist have become integral to the Department's Information Technology services, and the City should consider making this position permanent.

17. The Department does not currently have clerical support. While the Assessment did not directly analyze the quantity of hours of clerical support that the Department may require, it is unlikely that full-time support is needed, and the benchmark survey did not indicate that most other cities utilize full-time clerical support in Administrative Services Departments. The City should consider a clerical sharing arrangement with other City departments.

18. A program to build the strengths of Departmental staff should be implemented. For example, the Department should establish incentives for career advancement. Mentoring, succession planning, training and financial support and incentives are techniques to build the strengths of staff.

19. To assure that the needs and expectations of line staff, City management and other departments are met, the Director should consider a "360" evaluation process,

which would identify performance goals that meet the needs of the entire organization.

20. The Department should survey City departments to determine their interest and need for training, and institute a training program on the use of the financial system, report-writing function, personnel module, budget module and other topics identified by City departments as necessary and desirable.

21. The Department should prepare a written a survey form for internal user departments, and follow up with personal interviews to determine how well the current practices, procedures, processes and products meet their needs. Based on the feedback from internal users, the Department should prepare an internal customers strategic plan with actions and implementation dates to enhance service delivery.

V.   ASSESSMENT SUMMARY

_____

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

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