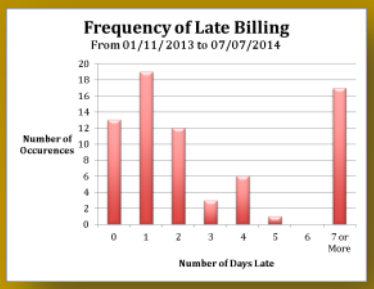
CITY & BOROUGH OF

# SITKA

ALASKA

# GENERAL FUND EFFICIENCY AUDIT & COMPREHENSIVE MANAGEMENT PLAN

ESSENTIAL FUNCTIONS
COST REDUCTION • EFFICIENCY ALTERNATIVES
EXPENDITURE RECOVERY • REVENUE GENERATION



## FINAL REPORT

DECEMBER 2014

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# General Fund Efficiency Study & Comprehensive Management Plan

*Prepared for:*
**City and Borough of Sitka**
100 Lincoln Street
Sitka, Alaska 99835

*Completed by:*
**Municipal Solutions LLC**
Local Government Division

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*David A. Evertsen, Principal*

MUNICIPAL SOLUTIONS ®

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**RE: Efficiency Study Results & Final Report**

Mr. Gorman, Assembly & Staff,

Every Chief Executive and Elected Official faces challenges in making internal changes that lead organizational efficiency and operational effectiveness. One reason is that inefficiencies are often difficult to ascertain. Another reason is that they are even more difficult to implement – particularly in a challenging political environment. As if your responsibilities aren't challenging enough, an even greater burden was placed on you with the downturn of the local and national economy.

Our greatest concern was whether we would find the City & Borough of Sitka in difficult circumstances. While we did not find anything which could immediately impact life or safety, we did find several areas of concern which, if left unaddressed, could become significant issues to quality of life in Sitka. Having reviewed the affairs of the City & Borough of Sitka as comprehensively as time would allow, we congratulate you on the success and efforts of your entire organization. You have a wonderful community.

Because of our perspective and experience in several areas of municipal operations, we intended to provide you, your City Assembly and your staff with two important things: (1) new insight into opportunities for greater efficiency, effectiveness and sustainability, and (2) hope for improved service delivery at a lower burden on taxpayers which improve local quality of life. We hope you are pleased with the results.

The scope of work allowed for a broad review focusing on all divisions and functions within CBS. While many of the findings outlined in this report contain clear cost savings, alternatives also exist which are dependent on a variety of potential circumstances. Many of our recommendations require policy and personnel decisions. Some findings validate the potential for increased efficiency rather than identification of specific financial gains. We will be happy to discuss and assist you with these issues with you moving forward.

Change with enthusiasm can be difficult, but we are confident that you and your staff are capable of managing perpetual change and the changes we recommend. As you know, technological advancements can also cause instability. Technology is not a solve-all, but it can be an effective tool in aiding your staff to be more effective if applied appropriately. We have tried to address this concern as detailed as possible and have provided you with a range of alternatives. We appreciated staff's willingness and trust as we identified areas that needed improvement. We compliment your staff for embracing this study and our efforts on your behalf.

Overall, we believe strongly in the credibility of this report and that our findings and recommendations will help your staff deliver more valuable services to the community.

Thank you for the opportunity to work on such a significant project. I look forward to meeting with you on December 23rd and working with you in the future.

Sincerely,

The Municipal Solutions Team

David Evertsen, Principal

Robert S. Hoffman, Senior Associate
Colin Baenziger, Senior Associate
Dirk Marshall, Senior Associate
Eric Duthie, Senior Associate
Nick Romano, Senior Analyst

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# INTRODUCTION

Local governments, like the state and federal governments, continue to experience demands for services despite constraints. Citizen demands for the expansion of services that already exist and requests for new services place elected officials and administrators in a dilemma. It is important to note that increased citizen use of municipal services correlates strongly with a declining economy. It is therefore incumbent upon municipal officials to prepare for this reality by addressing the efficiency of support functions ensuring citizen services can meet demand.

The City and Borough of Sitka operates under a Council-Manager form of government operating as both as a City and as a County. A total annual budget of approximately $25 million provides personnel compensation, contractual services, commodities, capital outlays, and debt service. Due to its unique location (on an island), it operates a range of public services taken for granted in the lower 48 states; CBS must maintain redundancy to assure continuity of operations and continuation of government – in the event of an emergency. The City operates its own Police, Fire, EMS, Sanitary (trash and sewer), Electric Utility *(generation, distribution and transmission)*, Engineering, Public Works, Planning, Information Technology, Harbors/ Marinas, Parks, Recreation, Library, Convention Center and Water Operations. Approximately 155 full-time equivalents are employed by the City.

Specifically, the City wishes to answer one important question:

*What can the City and Borough of Sitka do to operate in the most responsible and cost effective way possible?*

**Purpose of the Study**

Like many municipalities the City and Borough of Sitka wishes to provide superior services to its citizens while maintaining fiscal responsibility. Three keys to achieving both goals are:

1) Closely examining departmental processes
2) Creating new efficiencies wherever practical, and
3) Identifying opportunities to minimize the City's risk exposure

Municipal Solutions was retained to conduct an Organization Efficiency Audit and Management Plan, a study which includes an examination of departmental structure, policies, procedures, and practices in the City and Borough of Sitka, Alaska. Before our arrival, the consultants reviewed more than 1,200 pages of documents including financial statements, department structure & staffing, monthly and annual reports and situational information regarding the Sitka community and working environment. Consultants also conducted a high-level examination of Sitka's infrastructure, policies, practices, and procedures and examined nearly every facet of City / Borough operations.

Specifically, the study's objectives were:

- Explore each department's needs, skills, processes, resources and priorities to determine how refinement or improvement to operation efficiency, expenditures, and revenue generation can be realized during the current and upcoming year.
- Examine each department's functions, evaluating the form and structure of each department to determine whether it is optimal towards fulfilling departmental and city goals, objectives, and priorities; determining also whether the current resources are being used efficiently.
- Determine optimization alternatives to the organizations functions, forms/structure, and resources.
- Determine if, where, and why internal stop-gaps are failing and how they can be remedied.
- Determine and quantify the most effective strategy for each department, to accomplish organizational objectives.
- Determine the most effective means for reducing the cost of operations while improving service delivery and service quality.
- Establish the basis for internal assessments, controls, monitoring, and reporting for perpetual organizational improvement to these ends.
- Provide a high-level report validating greatest-needs and areas of greatest potential. *(Specific emphasis is to be made to address the areas of Personnel, Organizational Structure, Information Technology, and Customer Service.)*

**Methodologies**

The following methodologies are being applied during the course of this analysis:

- Interviews with management and key departmental staff.
- Interviews with key city staff.
- Examination of City policies and procedures.
- Data collection, examination, and analysis.
- Examination of departmental records.
- Review of departmental generated reports.
- Examination of departmental infrastructure.
- Collection and review of best practices from communities throughout the nation.

**The Final Report**

The Final Report is provided at the completion of document review, site visit, field work, benchmarking and incorporation of staff comments and recommendations from the Preliminary Report. This report is provided to City and Borough of Sitka to serve as a roadmap to make clear decisions that affect its ability to deliver efficient services now and into the future.

Originally composed to reflect 'thematic' or 'systemic' observations and findings on a high level, this report has been reformatted and sectioned to reflect a more detailed department by department review. Departments of divisions included in this Final Report are:

- ADMINISTRATION (*ORGANIZATIONAL STRUCTURE & STAFFING)*
- CENTENNIAL HALL *(FINANCING, SERVICE LEVELS & STAFFING)*
- CLERK *(SERVICE LEVELS, STAFFING & PUBLIC RECORDS)*
- FINANCE *(ELECTRICAL BILLING, INVENTORY CONTROL, PURCHASING, TAX ASSESSMENT & COLLECTIONS, UTILITY ACCOUNTS, UTILITY BILLING, UTILITY BILLING – METER WORK ORDERS)*
- GOVERNMENTAL RELATIONS *(INTER-GOVERNMENTAL & INTERDEPARTMENTAL RELATIONS)*
- HUMAN RESOURCES *(HUMAN RESOURCE MANAGEMENT)*
- INFORMATION SYSTEMS *(COMMUNICATION INFRASTUCTURE, FUNCTIONS, STRUCTURE, STAFFING & CUSTOMER SERVICE, MAINTENANCE AND ORGANIZATION, SECURITY, SOFTWARE)*
- LEGAL *(LEGAL & RISK MANAGEMENT)*
- LIBRARY *(STAFFING & SERVICE LEVELS*)
- PLANNING *(STAFFING, PROCESS, POLICIES & PROCEDURE, STRATEGIC PLANNING)*
- PUBLIC SAFETY (EMS, FIRE, POLICE)
- PUBLIC WORKS (BUILDINGS MAINTENANCE, ENGINEERING, FACILITIES, ELECTRIC DEPARTMENT: OPERATIONS *(ENTERPRISE FUND, FACILITIES, FLEET, PARKS & RECREATION, PORTS & HARBORS, SOLID WASTE, STREETS, WATER & WASTEWATER*)

This Assessment and Final Report should give the City and Borough of Sitka the information and roadmap it needs to make clear decisions that affect its ability to deliver more efficient services now and into the future. The Conclusions section of this report will present findings in a more thematic and systemic manner as the groundwork for a Strategic Plan and Management Implementation Strategy.

Field work and data collection began in June, and a site visit was conducted the week of July 7, 2014 and completed the review in November 2014.

# EXECUTIVE SUMMARY

Our team found the Borough and City of Sitka to be a community rich in charm, history, and tradition. The historic downtown area, harbors and world class fishing, unique blend of Russian, Native Alaskan and western culture, world-class tourism and unmatched natural beauty add to the aesthetic value of the City. The City appears to effectively provide an abundance of community activities as well as youth and adult recreational programs.

In our interactions, our team received exceptional cooperation from City staff, elected officials, and the general public. Staff appeared to us to be professional, civil, competent and passionate about public service. The organizational structure appears to be an appropriate size for a full-service municipality, however re-staffing, re-organization and consolidation is recommended and discussed in this report.

## Observations and Best Practices

Consultants have identified that a solid foundation for improvement already exists among all departments. As detailed below, multiple opportunities for improvement exist. Our recommendations will aid in building upon this foundation and assist in the prioritization and implementation of service delivery, and aid in added efficiency, effectiveness and sustainability. While this list is not exhaustive, it is comprehensive in providing significant detail in most departments.

**Administrator, Clerk, Attorney and Finance Director**

- Highly qualified team of professionals using some foundational systems, tools and processes to assure continuity of government.
- Modern techniques and greater attention to detail, enforcement and training will improve effectiveness of internal systems, tools and processes.
- Following the 3-5-7 Rule is recommended, which will allow for improved performances at all levels, reducing the number of direct reports to the CM, as well.
- Make significant adjustments to classified positions and organizational structure across all four teams.

**Centennial Hall**

- City is proceeding with a much-needed facility replacement.
- Centennial Hall should be included in comprehensive Strategic Plan.
- Facility Director should be an integral part of the project team in order to make effective decisions and incorporate Director's institutional knowledge and expertise.

**Clerk/Public Records**

- High priority should be given to a digital imaging process, which will reduce risk and loss, as well as significant storage space savings.
- Update policy for records retention and staff training.
- Review complete City Code and develop a revision roadmap – could be done effectively by a consultant.

**Finance**

**Electrical Billing**

- By establishing a standard initial fee for setting electrical meters (including parts and labor), department will reduce fraud risk, perform with consistency, and facilitate collections in their billing department.

**Purchasing**

- Immediately act to maintain an inventory of supplies and equipment stock that are shared and/or made available to non-municipal parties.

**Tax Assessment & Collections**

- Fill the Strategic Planning Committee. Committed should consider the following: Conduct a Strategic Plan process to guide FY 2016 Budget process, conduct assessment of possible tax structures, and consider revising tax policies.

**Government Relations**

- Well connected, continued to maintain relationships for funding of projects on the core of the City's needs as well as the periphery.
- All Department Heads appear highly connected with 'one call' relationships which results in direct access to many of the directors of the State of Alaska's agencies.
- Immediately move position under Finance/Administrative Services Director. And conduct job survey and job description review of the City Attorney and Administrative Assistant.
- Determine if consolidation of functions/dissolving position is warranted.

**Human Resources**

- Director is web savvy and uses the internet to compensate for the lack of resources in the development of HR systems, tools and processes.

- Continue to develop effective disciplinary policies and processes for CBS staff and members of the Collective Bargaining Units.

**Information Services**

- Attempting to provide a broad range of technical services to all departments and community.
- Improvements are recommended in communication infrastructure, staffing and customer service, Maintenance and organization, security, and software. Plan implementations will result in reduced service expenses, avoidance of catastrophic failure, significant savings, and overall improvement of services.

**Legal**

- Legal and risk management should begin developing a city-wide succession plan.
- Expand organizational structure to accommodate a part-time Paralegal.
- Digitally manage files and documentation.

**Library**

- Services significantly exceed standard quality expectations, and could be reduced to create more efficiency.
- Consider the preferences, lifestyle and needs of the community to reduce the number of hours of operation to the public.
- Improve wireless network tracking and review possible revenue models to monetize service to residence and tourists

**Planning**

- Perform staffing skills analysis and review department functions. Outcome. Consideration should be given to hiring a Planner II for long-range and inter-departmental planning.
- Review fees in comparison to other similar agencies, which could result in increased revenue.
- Implement electronic methods for record storage and planning application process.
- Strategic plan should be created and implemented.

**EMS**

- Staffed chiefly by volunteers and appears to be effective. Volunteer staffing speaks well of the administrative support provided by the community.
- Receives medical direction from a local physician with whom EMS staff can interact directly rather than only remotely from outside Sitka (i.e. Juneau, Anchorage or Seattle).

**Fire Department**

- High focus on community interests and relief.
- Effectively operated with 90% volunteers – both efficient and impressive.
- Excellent relationships maintained with internal & external emergency service agencies.

**Police**

- Focused on community relief and has the community's interests as a primary focus.
- Desires to make multiple daily visitations possible = which is a significant staffing, security and operations workflow efficiency challenge.
- Effectively manages logistics prisoner transfers and incarcerations despite the challenges of being remote and isolated.

**Electric**

- Effective in an anticipating future organizational needs, in succession planning of staff, and in anticipating future capacity needs of the community.

**Public Works**

- Manages an extremely wide variety of functions and manages them well. Director functions more like an Assistant City Manager than a department director
- Proactive. Excellent organizational anticipation of future infrastructure needs and proper efforts to plan for it *(i.e.: rock quarry, harbors, airport, etc.)*. However a lack of resources, DPW has a firm handle on what needs to be done and when.

## Observations of potential Challenges & Opportunities

**Physical Infrastructure**

- Aging physical infrastructure, timing and cost of replacement is the most significant concern to consultants.

**Financial and Service-Level Sustainability**

- Funding resources are becoming less reliable, dynamic and rapidly changing which requires immediate attention. Beyond FY 2015, it cannot be expected that the State and Federal Government will provide the municipality with funding at levels of previous years and it is anticipated that the City / Borough might actually receive less financial support than previous years. New regulations, rules and requirements will also place an even greater burden of responsibility on Sitka. In FY 2015 water quality monitoring requirements will come into effect given a water population exceeding 10,000 persons an estimated cost of $6,000 to $10,000 to comply with the new requirements. Additionally, the Alaska Department of Environmental Conservation (ADEC) continues to add new water quality requirements, rules and conditions which, when imposed upon Sitka, will increase costs per resident even more. With a myriad of potential problems seen and unseen, Sitka needs to develop a sense of urgency.

- Historically, employees have been effective assuring long-term use of the existing physical facilities. However, the City's fixed assets are rapidly approaching or already beyond their lifespan and replacement can no longer be deferred. $42.6 million in deferred maintenance costs for street improvement (roads, curbs, gutters and sidewalks) needs immediate attention. Although the FY 2015 budget includes $1.3 million in street improvements, there will be a tremendous shortfall with the shrinking State funding and without a dedicated road replacement funding source.

- Current revenues will not be enough to address current and pending needs. Without additional State and Federal funds, the City / Borough will need increase revenues and reserves, not simply cut expenditures.

**Strategic Planning**

- Strategic Planning process is incomplete. Although CBS has conducted visioning sessions in 2010 through 2013, a comprehensive Strategic Planning process is critically necessary to discuss community priorities, service levels, and City / Borough services in their entirety. If done effectively, it will be possible to reach a consensus on the community's priorities and articulate the direction administration should take in the provision of municipal services.

## CONSULTANT TEAM

**David A. Evertsen, Principal & Project Manager**

Principal consultant to hundreds of municipalities, school districts and state agencies throughout the United States, Mr. Evertsen has over 18 years experience in the public and private sector in: *Organizational Analysis, Personnel Compensation Studies, Negotiations and Arbitration. Mr. Evertsen has Master's Degrees in Public Administration (MPA) and Urban Planning (MUP) and is a three-time former City Manager.*

Municipal Solutions has completed several similar projects which include:

- Organizational Assessments & Management Strategic Plans for United States communities for Dartmouth, MA; Clearfield, UT; Fort Mojave Indian Tribe Police Department; Arkansas City, KS; Delray Beach, FL; Daytona Beach, FL; Harrisville, UT; Pleasant Grove, UT; Parkland, FL; Tequesta, FL; Jupiter Island, FL; La Habra Heights, CA.
- Personnel Compensation, Classification and Restructure for Parkland, FL; Guadalupe, AZ; Shawnee, OK;
- Organizational Assessments of international government agencies including the Government of Libya, European Commission; Government of Afghanistan, Government of Iraq, Kabul Municipality, Afghanistan, and 35 local governments in Bangladesh.

Mr. Evertsen has been recognized nationwide for his ability to "make significant contributions while facing difficult constraints," and has repeatedly positioned agencies and staff to handle tremendous and possible unanticipated change, due in part to knowing "how to get the job done, through analysis, vision, and successful collaboration of skilled resources." He is an accomplished public speaker in local, national and international settings.

Mr. Evertsen has worked with:

- Congressional staff: Senator Baucus (MT), Senator McCain (AZ), Senator Burns (MT) & Senator Kyl (AZ); Congressman Rehberg (MT), Congressman Grijalva (AZ) & Congressman Trent Franks (AZ); Governors Janet Napolitano (AZ) and Judy Martz (MT), and State Legislators in AZ, CO, MT and UT.
- National League of Cities and International City / County Management Association

Mr. Evertsen's degrees include: Master of Public Administration - University of Kansas; Master of Urban & Regional Planning - University of Kansas; Bachelor of Political Science - Weber State University; and Associates Degree (Business) – BYU Idaho.

**Colin Baenziger**, Senior Associate

Mr. Baenziger is a student of and an expert in local government. Over the years, he has worked with a number of cities on recruitments and on management, operational and organizational issues. As a former manager and as someone who actively consults with governments, he understands what it takes to operate a government effectively. He is a Senior Associate with Municipal Solutions and is responsible for the overall operations of Colin Baenziger & Associates.

With his expertise in municipal government, Mr. Baenziger has been called upon to speak at conferences for the Florida League of Cities, the Florida City / County Managers' Association and the Florida Public Personnel Association. He has a Master's Degree with Distinction in Public Administration from Cornell University and a Bachelor of Arts degree from Carleton College.

He has completed several significant executive search efforts for more than 50 Florida local governments. Other significant assignments include:

- Development Fiscal Impact Study on the City of Palm Beach Gardens for 7,100 acres resulting in a realistic assessment of "pay for itself" development scenarios on City services.
- Organizational Review of the government of the City of Lauderdale Lakes leading to the City changing its form of government to the Council-Manager plan. Mr. Baenziger also worked with a citizen's advisory committee in drafting the necessary changes to the City charter.
- For Palm Beach County, he conducted a review of the disposition of impact fee waivers granted to Utility Development Company by the County's Water Utilities and Utility Development Corporation (UDC) to determine how many of the 29,405 waivers granted to UDC in the late 1970's and early 1980's had been utilized by 1998. The work found 29,402 waivers and eliminated almost $20,000,000 in liabilities..
- Other recent efforts include conducting a strategic planning session for the Florida Association of Special Districts, an operational review of the City of Tamarac's water utility, a business practices review for a division of the Martin County Government, and a review of financial procedures for a division of the Marriott Corporation.

**Robert S. Hoffmann,** Senior Associate

Mr. Hoffmann has over twenty five (25) years of experience in both the municipal and private sectors. Mr. Hoffmann has worked on Wall Street, served as Finance Director in Clarkstown, NY (Pop. 82,000, $27million budget), and as City Manager in Franklin Lakes, NJ. He has an MBA in Finance, is a registered Public Purchasing Official, teaches Public Purchasing at Rutgers University and is currently the Borough Administrator in Westwood, NJ.

Mr. Hoffmann is distinguishing himself and his community as one of the most innovative in the country for the use of bio-fuels and alternative fuels for municipal operational savings. He has been interviewed by ABC News, MSNBC, the Wall Street Journal and other news agencies. Mr. Hoffmann's most recent work with Municipal Solutions includes the Efficiency Study for the City of Dartmouth, MA; Fleet Study for the City of Clearfield, UT, and Efficiency Study for the Cities of Delray Beach and Daytona Beach, Florida.

**Eric Duthie,** Senior Associate

Mr. Duthie is a 20-year consultant-practitioner who has been a consultant with Municipal Solutions since 2007. He has been engaged on various local government assignments in Alaska, Arizona, Florida and Utah. His duties and accomplishments have includes:

- *City / Town Manager; Police Chief*
- *Regional (multi-agency)Economic Development Authority*
- *Efficiency Studies: Administration, Budget, Police, Fire & EMS*
- *General Plan revision / development*
- *Zoning ordinance revision/development*
- *Strategic plan development*
- *Dangerous building abatement program*
- *Roadway development, curb, sidewalk projects*
- *Water/sewer rate studies*
- *Successful lobbying for Congressional and Federal agency appropriations*

Mr. Duthie also serves in a variety of professional capacities including:

- *St. Johns Assisted/Senior Citizen affordable housing Development Committee;*
- *Apache County Public Finance Corporation Board (Officer);*
- *Economic Development for Apache County Corporation Board (Officer);*
- *Apache County Youth Council (Officer);*
- *Northern Arizona Council of Governments Economic Development Committee;*
- *Northern Arizona Council of Governments Tourism Committee (Chair);*
- *Navajo/Apache County Regional Workforce Investment Board;*
- *U.S. Constitutional Commemoration Committee (Appointed by Governor);*
- *International City/County Manager Association;*
- *Arizona City/County Manager Association;*
- *High school wrestling coach;*
- *College fire science curriculum development;*

**Nick Romano**, Senior Analyst

A former Intern with Municipal Solutions, Mr. Romano has been a powerful driving force behind the Consultant Development Internship and Credentialing Program. He started as a part-time Analyst on a project for IBM, and is now working full-time in Business Development, International Development, and public-sector consulting where his survey creation, data collection and analysis skills are valuable. He will be a key point of contact and invaluable resource to incoming interns, analysts, and credentialed consultants.

Before arriving at Municipal Solutions, Mr. Romano had a variety of small-business and public sector consulting experience. He worked with city governments in Utah to implement and improve curb-side subscription recycling programs through survey intake and analysis. He completed a Master's degree in Public Administration with an emphasis in Finance and Management Analysis at Brigham Young University.

# FINDINGS & RECOMMENDATIONS

## ADMINISTRATION

### Organizational Structure & Staffing

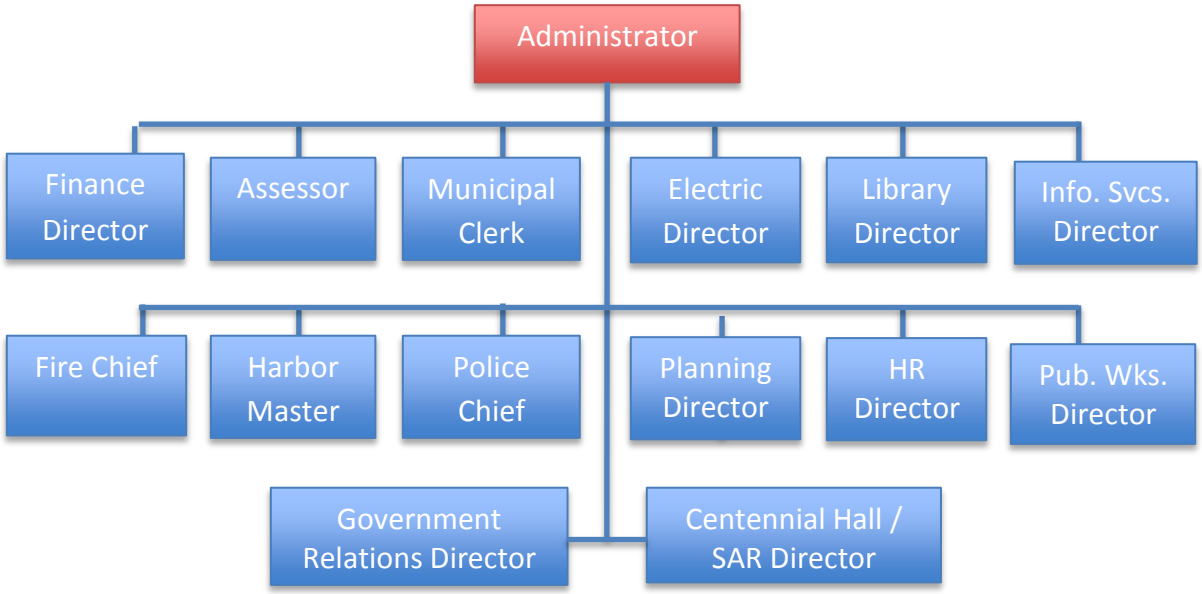
| OBSERVED FINDINGS | SOLUTIONS RECOMMENDED | IMPACT / EXPECTED RESULTS *(min. estimates ND=not determined)* |
|---|---|---|
| **1. Disunity among department managers; communication outside the established lines of administrative Service Levels are not demand-driven.** | Realign organizational structure for the City Manager to follow the 3-5-7 rule of direct reports<br><br>Adopt Assembly-Staff Rules of Procedure.<br><br>Begin a Strategic Planning Process<br><br>Administer a Customer Service Survey. | **Cost:** *Strategic Planning Process:* $30,000 - $60,000, 4 to 6 mo. *Customer Service Survey: $10,000 - $12,000, 30 – 60 days*<br>**Benefits:** community needs defined, desired service levels, departmental co-operation, budget process efficiency.<br><br>Clear authority & lines for effective communication within the form of government. |
| **2. Finance / collections functions performed *below* expectations, creating risk.** | Perform Job Audits, Skills Assessments & Employee Performance Evaluations | **Cost:** *$5,000, 30-45 d, staff turnover*<br>**Benefits:** Increased performance, decreased inefficiencies, reduced risk |
| **3. Staffing mostly *sufficient*- Clerk's Office, Planning* & Library.** | Make small adjustments to Classified Positions & Organizational Structure | **Cost:** none<br>**Benefits:** ND |
| **4. Staffing *insufficient* - City Attorney's office, HR, IT, Fire & Planning.*** | Make significant adjustments to Classified Positions & Organizational Structure | **Cost:**<br>- Aggregation / Consolidation: $0<br>- Deputy City Clerk: *$31,350 / yr.*<br>- Paralegal: *$26,300/yr*<br>- Police PC Tech to IT: $0<br>- Fire Department: $0<br>**Savings:**<br>- IG Relations Specialist: *$26,000 to $55,000/ year*<br>- Paralegal & Dep. Clerk expenses nearly offset *(Grade 28 class)*.<br>- Planner II: $60,000 to $65,000<br>- Building Maintenance*:* 4 staff could save $66,000 vs. contract<br>**Benefits:** mitigates attrition, higher-quality service, higher accountability, effective operations, morale, consolidated planning. |
| **5. The City Manager has a higher than expected number of direct reports.** | Reduction of number of direct reports from 12 to 8 | **Cost: $0**<br>**Savings:** Significant time and attention<br>**Benefits:** Greater organizational effectiveness, efficiency & unity |

| | | |
|---|---|---|
| **6. A organization-wide Succession Plan / Continuity of Operations Plan is needed** | Begin the development of a Succession Plan / Continuity of Operations Plan (COOP) | **Cost:** *Succession Plan: $5,000 - $7,500, consultant; COOP Plan: $30,000 - $40,000* **Benefits:** guides recruitments & reduces risk, fits with City's Emergency Ops. Plan |

## BACKGROUND AND SERVICE LEVEL INFORMATION

According to the FY 2015 Budget, the total budgeted compensation for the City and Borough's municipal work force is $19,676,000 – of which $7,867,000 (40%) is derived from enterprise and internal service funds. The number of municipal employees for FY 2015 is 160.31 FTEs not including temp employees and Sitka Community Hospital. Anticipating vacancies in 2015, CBS budgeted personnel costs at 90%.

The City and Borough government is managed by 14 departments. According to the most recent organizational chart, the following 14 department managers report directly City Administrator:




The City and Borough has 6 Enterprise Funds: Electric, Water, Wastewater, Solid Waste, Harbor and Sawmill Cove Industrial Park; 3 Internal Service Funds (Management Information Systems, Central Garage, and Building Maintenance) and 3 Special Revenue Funds (SE Alaska Economic Development Agency, Revolving LID Fund and Library Endowment); and Capital Project Funds. Unions represent 2/3 of the City and Borough's work Force

## OBSERVATIONS AND ANALYSIS

Continuity of Operations is among the most significant potential risks the City will face the next 1 to 3 years. The City and Borough will reportedly face a turnover of 75% of Department Head-level staff during the next 3 years – 60% within the next year. For any local government, this can have a significant impact on the organizational culture, effectiveness, efficiency and quality of service delivery. For many organizations, such a high turnover in a short amount of time can

be catastrophic, considering the present financial and operational challenges. Consultant concerns are also shared by several CBS staff.
When this study began in July, nearly 75% of the Department Heads were reported to be leaving within the next 2 to 3 years. The positions anticipated to transition within one year are:

- Assessor
- IT Director*
- Electric Department Director
- Municipal Clerk
- Planning Director
- Government Relations Manager
- Library Director*

Two positions anticipated to transition within the next 2-3 years† include:

- Fire Chief
- Centennial Building Director

**Since this study commenced, these positions were vacated, and replacements were hired and both have arrived. Both were hired externally. † No timetable has been set*

**Accountability through Direct Reports**
Based on the *3-5-7 rule of effective professional management*, personnel management can have a detrimental effect if subordinates number fewer than three (3) or greater than seven (7). According to most management experts, 5 directly managed employees provide both the employee and the manager the optimum level of interpersonal communications and organizational effectiveness.

**Disunity among departments.**
A City Administrator's management responsibilities, are without question, challenging. The responsibility of providing services efficiently, while managing a workforce of 100s or 1000s with $ millions in resources is tremendous. The risk of something going wrong and costing significant loss of money, resources or even loss of life is at the feet of the Administrator each and every day. Needless to say, the more established the internal systems, tools, processes and policies are, the lower the risk and greater the service quality.

a. <u>Communication between the Assembly and the Administrator, and the Administrator and Staff should be clearly established and followed</u>. How items are or should be formally brought to the Assembly, how agenda items are prepared, and the process of responding is can be distraction to high level management effectiveness if a policy that covers the boundaries of the Assembly is not in place.
    - Council Rules of Conduct regarding personnel discipline, demotions staff grievances, hiring and terminating staff, direct correspondence with staff, and structure and management of Assembly meetings could assure effective communication and clarity of roles and responsibilities.
    - Orientation Training for new employees and Assembly Members could be valuable to especially as it relates to overall municipal services, policies and procedures to maintain effectiveness in communication as new people entering the mix.

b. Better departmental policies regarding roles, responsibilities, and authority are needed. Consultants observed disagreement / confusion in terms of who is responsible for addressing various issues.

- Example: Public Works is charged with a construction project, but this does not mean PW is responsible for grant requirements, equal opportunity employment policy and doing annual reporting.
  - Is Public Works responsible for obtaining loans?
  - Is Public Works responsible for getting Assembly approval to apply for loans?
  - Is Public Works responsible for land use decisions and leasing property?
  - Is Public Works responsible for removing abandoned cars on private property or burring dead bears on private property
- Example: Should Finance not be responsible for risk management or setting up and training everyone on the ERP software. To what degree is IT responsible?

Consultants have additional areas where clear lines of responsibilities are unclear discussed throughout this report.

**Service Levels & Customer Service**
Performance levels are not demand-driven nor measured effectively. While most departments have department-level master plans, service levels in most departments are at or beyond the expected limit of staff's ability to effectively manage. Consultants were able to identify the presence of a Strategic Planning Committee, however this committee is not fully constituted and lacks facilitated leadership. Consultants were unable to identify the presence or use of local survey data reflecting customer service experience and expectations of the Council, Staff and citizens. Customer Service needs to be completed before the 2016 budget planning process begins.

While service quality in most departments *appears* to be good, without a **Customer Service Survey** of responses from Council, Community and Staff, identifying satisfaction and establishing performance indicators and a **Strategic Plan,** which establishes priorities, achieving organizational performance excellence will be very difficult to measure or attain. The FY 2016 budget process could benefit significantly from a Strategic Planning process which ascertains community and Council expectations in relation to types of services, service levels and service quality.

**Continuity of Operations**
Sitka, Alaska is a 'small town'. Intergovernmental relations with state officials and agencies are an extremely important part of City and Borough operations as the City and Borough rely heavily on State funds and low-interest bond programs. Each of the Department Heads has direct-dial access to state agency directors and supervisors throughout the State. These interpersonal relationships are intangible, invaluable and critical in maintaining an open pipeline to funds, permits and state-sponsored support for urgent needs. With a significant

pending loss of institutional knowledge, consultants are concerned that a loss of institutional knowledge will negatively affect continuity of operations (COOP), increase risk, decrease, staff efficiency, and negatively affect service delivery.

The added risk associated with Sitka's natural environment and climate and the potential loss of an employee for health reasons are additional reasons to have a Continuity of Operations Plan. A Continuity of Operations Plan should closely align with or be included within the City's Emergency Operations Plan.

**Succession Planning**
While some department heads have maintained a succession plan for their individual departments, the City Manager does not appear to have a comprehensive succession plan for all departments. As a result, hiring selections at the department head-level are critical, and some consolidation of departments will be necessary to maintain continuity, efficiency, effectiveness, and sustainability while minimizing the City's risk profile.

**Performance Evaluations**
With regards to performance, one City employee summed it up in a sentiment shared by many we interviewed: *"either start performing or move on"*. Problems within IT and utility billing may be the result of poor technology or training, the result of misplaced responsibility, or limited personal capacity. The Human Resources Manager has sample personnel evaluations, but admitted that evaluations are neither consistent throughout all departments nor tied to organizational goals and strategies.

**PRELIMINARY FINDINGS**

1. Disunity exists among department managers. Conversations with staff provided important insight and perspective regarding transitioning employees. Staff comments include:
   *"many of the people leaving are currently high-risk",*
   *"too many (management) employees lack the technical knowledge to perform their work"*
   *"some department heads with tons of knowledge are too inflexible"*
   *"there are a lot of long-time resident-employees with too much local knowledge which contributes to an unwillingness to look objectively at things"*

2. Finance / collections functions in some departments are being performed *below* expectations creating potential financial risk. Utility billing and collections are critical City and Borough services, and consultants observed performance issues within several finance and collections-related departments (see individual sections for details). While a significant effort was put into ascertaining overall IT issues and impact on various departments, it was difficult to completely ascertain the degree to which these challenges are interpersonal or skills-related. There appears to be no internal auditing function – which needs to be added – and not all employees are brought into a uniform finance-based training program. These functions either need to be assigned to an existing employee, or [recommended] the creation of a new auditor position. Recommended employee expense / personnel cost of $86,000.

3. Department Staffing appears *sufficient* in the following departments:

    a. Municipal Clerk's Office. After 25 years with the City, the Municipal Clerk appears to have been significant institutional and operational knowledge. The Clerk has been effectively grooming the Deputy Clerk for transition, and the Deputy Clerk (employed with CBS for 13 years and in current position for 6 years) appears sufficiently skilled and versed in the day-to-day operations to assume the Municipal Clerk's duties and assignments.
    b. Planning. Two full-time staff appears sufficient to maintain the status quo based on service levels of 20-30 plan reviews per month, but significant items are looming. The City and Borough's long-form Comprehensive Plan – which was created in 1999 and updated in 2002 needs revision in 2016. This cannot be completed effectively without a City and Borough-wide Strategic Plan. The Zoning Code also needs revision, document imaging needs to be performed, and the GIS system should be expanded.
    c. Library. Based on collection size (76,000), hourly circulation (73) and number of hours open per week (72), the Sitka Library is busy. Using the Wisconsin Public Library Standards as a sample benchmark, we would expect to see 1 library employee per 1,000 local residents. Sitka is 1 per 1,237. Also, the Library Department currently provides a service level exceeding what is considered excellent. The Wisconsin standards, for example, suggest 64 hours per week reaches the 'excellent' level of service, while the Sitka library is open 72 hours per week. Library service quality appears to be excellent, but the question of appropriate service levels and the added fiscal expense should be discussed *(See Library Section of this report for a detailed benchmarking analysis).*
    d. Police. Staffing levels for the Police Department appear to be sufficient; however, Sitka will continue to be an "organ donor" for other communities. Salaries and benefits appear to be in line with comparable communities; however, much larger law enforcement agencies in Alaska and the Western United States provide greater promotion and professional growth opportunities. The Sitka Police Department must understand and factor in turnover rates and retention as part of its staff development program.

4. Department Staffing appears to be *insufficient* in the following departments: Several Departments are functioning at or below consultant expectations.

    a. Human Resources Department. The HR Department appears to have many systems and processes in place, however the roles and responsibilities and demands required by this department – including employee on-boarding, employee evaluations, FLSA and risk management training – appear to exceed the current capacity of 1.5 persons.
    b. Police. Centralizing IT functions by centralizing the Police PC Technician into the IT Department is recommended. Impact on the Police Department should be negligible

c. Information Systems. As stated in multiple sections of this report, there is significant need for efficiency in this department. A primary need in all departments is the need for document imaging as the lack of electronically-stored and easily-accessible historical information (reports, permits, data) is causing significant staff 'work-a-rounds' and wasted time. Additionally, the department is poorly organized to respond to the needs of the network (as currently constructed). However proper leadership can turn current challenges into opportunities
d. City Attorney. Workloads are complex and various. The City and Borough currently benefits significantly from the complexity and volume of work produced by this department, however the City and Borough is at considerable risk if it were to lose its current Attorney. Document imaging is necessary and administrative assistance is only ½ of what is recommended.
e. Utility Billing. Staff does not appear to adequately address a key function: utility billing.
f. Fire Department. Firehouse is understaffed at night with only one individual. Increasing staffing at the firehouse w/ an additional volunteer should be considered.
g. Planning. While the Planning Department is sufficiently performing short-range planning activities, it is not adequately performing the much needed long-range planning functions – leaving this function to individual departments and consultants.

5. The City Manager might facilitate greater organizational efficiency with fewer direct reports. The City Manager appears to have more direct reports (12-14) than is generally accepted as a best practice. The Rule of 3-5-7 is a generally-accepted best practice in management and supervision of employees for efficiency and accountability. The City Manager's 12-14 direct reports far exceed this rule. Conversely, the Finance Director's 1 direct report also falls short of the rule. The Deputy Finance Director, for example currently has 7.

   After interviewing Department Managers and reviewing organizational functions, as well as structure and staffing of each, the Finance Department appears to be most suitable to absorb the management responsibility and accountability for additional finance and administrative functions departments under a realigned department. The total Finance operating budget for FY 2014 was $1,673,837, which represents approximately 6.25% of the total General Fund budget. The total Salaries and Wage expense was $839,949 with an additional $589,071 in fringe benefits. The total compensation to the 14.5 FTE's in the Finance Department was $1,429,020, which is 85% of their departmental budget.
   Performance levels are not demand driven. A Strategic Planning process needs to begin immediately and Customer Service Survey needs to be administered immediately and annually.

6. An organization-wide Succession Plan / Continuity of Operations Plan is needed. Consultants observed succession plans in some individual departments, but absent in others. Succession Planning should be completed at the highest level.

7. Coordination of Intergovernmental Relations is critical, but similar activities are being performed in most departments. Such activities should continue, but not uncoordinated. An Intergovernmental Relations Specialist or Manager position should be considered to coordinate all interdepartmental activities, grants, lobbying, and mutual-aid.

**RECOMMENDATIONS**

1. Begin a Strategic Planning Process and administer a Customer Service Survey immediately. Hire an outside facilitator to begin the Strategic Planning process and assure participation and success. Customer Service surveys can be easily administered and results are available quickly. Staff should be heavily involved to increase institutional capacity in the methods of strategic planning

2. Perform Job Audits, Skills Assessments & Employee Performance Evaluations of all departments. This includes the administration of a Job Survey, Skills Assessment and Performance Evaluation.

3. Make adjustments to Classified Positions & Organizational Structure.
    a. Consolidate 3 departments: Assessor, Information Systems, and Human Resources under the Finance Director. Broaden the Finance Department's scope to include these functions and rename the department Finance & Administrative Services.
    b. Move Government Relations Manager under the Finance & Administrative Services Director; Create a new classified position of Intergovernmental Relations "Manager", 'Specialist' or 'Coordinator'; maintain same staffing level for existing employee. New position should be a Grade 28 or 30 (depending on a job description review & job survey results). Work should be aimed at coordination of intergovernmental efforts of all departments. Expense should be borne by all affected departments.
    c. Increase the Deputy City Clerk to a full-time position.
    d. Add a part-time Paralegal or Legal Analyst position in the City Attorney's office.
    e. Centralize Police PC Technician into the IT Department.
    f. Add an additional volunteer night shift at the Fire Station.
    g. Planning. Review current staffing skills & organizational functions and consider consolidation under a more comprehensive Community Development Department. Add a Planner II to assist in long range planning needs.
    h. Building Maintenance internalization: Internalize building maintenance functions.

4. Begin the development of a Succession Plan / Continuity of Operations Plan. Hire a consultant to facilitate this process while building capacity in CBS staff.

**IMPACT / EXPECTED RESULTS**

1. Strategic Planning process & Customer Service Survey. Net Fiscal Impact: *Strategic Planning Process:* $30,000 - $60,000, 4 to 6 months. *Customer Service Survey: $10,000 - $12,000, 30 – 60 days.* Result: greater interdepartmental cooperation and clearly ascertain community and Council expectations in relation to types of services, service levels and service quality. These activities will also allow for conflict within the organization to be identified and addressed effectively.

2. Perform Job Audits, Skills Assessments & Employee Performance Evaluations. These actions will determine whether performance issues exist, to what degree technology / training might be the cause / solution and whether employee performance issues can be improved without replacement. *Net Fiscal Impact: $5,000. 30-45 days.* Result: increased performance, decreased inefficiencies, possible staff turnover.

3. Adjustments to Classified Positions & Organizational Structure
    a. Aggregation / Consolidation of Assessor, Information Systems, Human Resources and Government Relations Departments - *Net fiscal impact: $0. Recommended salary pay grades remain unchanged. Creation of "Finance and Administrative Services" Department will mitigate the potential risks associated with attrition while maintaining the highest level of service delivery possible, increase direct accountability and effectiveness in day-to-day operations, and likely improve interdepartmental morale. Balancing the number of direct reports will also create greater opportunity for the City Manager to strengthen all departments concurrently.*
    *b.* Elimination of the Government Relations Department / re-Classification & renaming position. *Net fiscal impact: $55,000 reduction in personnel expenses (Grade 28); $26,000 reduction in personnel expenses (Grade 30), while still maintaining continuity of Intergovernmental Relations efforts internally and externally.*
    *c.* Deputy City Clerk: *Net fiscal impact: ½ full-time position and estimated $31,350 per year.*
    d. Paralegal: *Net fiscal impact: ½ full-time position and estimated $26,300 per year.*
    e. Police PC Tech to IT: *Net financial impact: $0. Centralizing IT Police IT functions* into the IT Department will improve services and provide greater expertise and leadership city-wide. Impact on the Police Department should be negligible.
    f. Fire Department: *Fiscal: $0. Benefit, reduced risk.*
    g. Planning: ***Cost:*** Planner II: $60,000- $65,000 / year; Consolidation $0. ***Savings:*** Planner II: some outsourcing planning needs will be eliminated or reduced; Consolidation: combined planning and development functions. ***Benefit:*** cohesive interdepartmental planning, Code revision, improved services.

h. Building Maintenance internalization: ***Cost:*** *Staffing: $155,000 (4 FT @ $13/hr x 2080hrs)* ***Savings:*** *Staffing: >$60,000,* ***Benefits****: Significant cost savings, greater accountability.*

4. Succession Plan & Continuity of Operations Plan Development. *Net Fiscal Impact: Succession Plan: $5,000 - $7,500, consultant; COOP Plan: $30,000 - $40,000, consultant. Results: roadmap to guide future recruitments and reduced risk, and complements the City's Emergency Operations Plan.*

# CENTENNIAL HALL

## Centennial Hall

| OBSERVED FINDINGS | SOLUTIONS RECOMMENDED | IMPACT / EXPECTED RESULTS *(min. estimates ND=not determined)* |
|---|---|---|
| **1. Age and usefulness of the facility is a problem.** | None. City is proceeding with replacing this facility and is performing all due diligence.<br><br>Include Centennial Hall in a comprehensive Strategic Plan | **Cost:** $16,000,000<br>**Savings:** ND<br>**Benefit:** showcase forum, increased retail sales and tax receivables. $ unknown, but significant over 30 years. **Impact:** Efficient use of the facility, long-term strategy will produce greater efficiency and greater fiscal returns. |

**BACKGROUND AND SERVICE LEVEL INFORMATION**

Built in 1967, during Alaska's Centennial celebration, the Harrigan Centennial Hall is one of the finest Convention and Visitor Centers in the state. It is an 18,000 sq. ft. facility which hosts events in all stages from planning to completion including: *Conventions, Symposiums, Conferences, Seminars, Tradeshows, Exhibits, and Meetings*. The department also has an audiovisual department and the facility has wireless Internet throughout, teleconference equipment, and multimedia projectors. The facility also boasts a commercial, on-site kitchen is used by independent caterers during events. The two largest meeting rooms are 4,340 and 1,718 square feet.

Centennial Hall houses the Sitka Historical Society, a local history collection located in the Sitka Historical Museum (formerly known as the Isabel Miller Museum), an auditorium for public use, Baranof Arts and Crafts Association (in the summer months), a wildlife display and an information desk (with visitor information on it, in the summer months).

Services are by 3 full-time employees and 2 part-time employees a total personnel cost of approximately $338,471 in 2013. The Director / Manager has been with CBS for 30 years, and Manager of the facility since 1990 – 24 years. Employees work 7 days per week, and the facility is closed 2 days per year. Daily rental fee is $800. FY 2013 Centennial Hall General Fund Expenditures were $450,203.03. FY 2013 GF Revenues were $48,239. Total General Fund Operating Expenses for Centennial Building in 2013 were $111,743.29.

**OBSERVATIONS AND**

**ANALYSIS**

Service Levels and performance indicators are based principally on (a) number of events per year by type and (b) receipts. The following table reflects the breakdown of reservations (use) of Centennial Hall between 2008 and 2012.

| | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|
| **Use by Type** | | | | | |
| Non-Profit / Fundraiser | 815 | 579 | 711 | 663 | 529 |
| City | 266 | 304 | 288 | 239 | 237 |
| State / Federal | 73 | 79 | 58 | 33 | 34 |
| Commercial | 23 | 29 | 21 | 23 | 18 |
| ***TOTAL # EVENTS*** | ***1,177*** | ***990*** | ***1078*** | ***957*** | ***957*** |
| *Total $ Billed* | *$64,220* | *$61,446.67* | *$65,269.12* | *$62,772.15* | *$56,297.65* |
| *Total $ Waived or Sponsored* | *$25,598* | *$30,943.30* | *$15,414.40* | *NA* | *$27,926.90* |
| **GROSS TOTALS** | **$89,818.45** | **$92,389.97** | **$80,683.52** | **NA** | **$84,224.55** |

While the totals above DO NOT reflect direct and indirect fiscal impact events had on local hotels and retail sales, consultants can confidently report (a) the fiscal impact of Centennial Hall is significant, and (b) the lack of this facility would be financially debilitating to CBS tax based and local revenues.

**FINDINGS**

1. Age and usefulness of the facility is a problem. One of the principal challenges facing this facility is its age. The facility was constructed nearly 50 years ago and by all practical purposes. As other communities build larger and more modern facilities, the marketing of those facilities attracts conventions away from Sitka, which will have a tremendous impact on Sitka's return on investment.

**RECOMMENDATIONS**

1. None. City is proceeding with replacing this facility and is performing all due diligence.

2. Include Centennial Hall in a comprehensive Strategic Plan which, when adopted will incorporate resident, Assembly, all commissions and administration inputs, but guide use of the facility beyond attrition and mitigate the possibility of one or more individuals finding disfavor with variance.

**IMPACT / EXPECTED RESULTS**

1. None. Design, construction and use of a showcase forum for visitors and community alike. Impact will affect generations and increase retail sales, and local government tax receivables.

2. Include Centennial Hall in a comprehensive Strategic Plan: *Cost: $ unknown, could be included in the overall cost of developing the Strategic Plan. Savings: $ unknown, but could be significant over 30 years. Impact: efficient use of the facility, long-term strategy will produce greater efficiency funds spent on operations and greater fiscal returns on marketing &sales efforts.*

# CLERK

## CLERK / PUBLIC RECORDS

| OBSERVED FINDINGS | SOLUTIONS RECOMMENDED | IMPACT / EXPECTED RESULTS *(min. estimates ND=not determined)* |
|---|---|---|
| **1. Manual records management needs digital preservation.** | Begin Digital imaging Clerk's records immediately. | Digital Imaging:<br>**Cost:** $3,000 to $5,000.<br>**Savings:** $11,000 (50% of $22,000) / yr. in storage space rent;<br>**Benefit:** reduced risk & loss. |
| **2. Records retention policy.** | Update policy for Records Retention & staff training. | Records Retention Policy:<br>**Cost:** $0.<br>**Benefit:** Small, temporary increase in staff time. |
| **3. Current City Code needs review, updating and recodification.** | Hire a consultant to review the complete City Code and develop a revision roadmap | Code Review Roadmap.<br>**Cost:** $5,000.<br>**Benefit:** Clear priorities for code revision; basis for RFI/RFP |

**BACKGROUND AND SERVICE LEVEL INFORMATION**

The City Clerk's office manages a comprehensive list of responsibilities including: *Codification, Preparation of Board Member meeting packets, Agendas and Minutes, Bid Notice Preparation, Bid Opening Management, Elections Management, retaining and managing Certificates of Insurance, retaining and managing Financial Disclosures of elected officials, Records Management (contracts, mutual-aid agreements, franchises, memorandums of agreement), Public Information Officer and some Intergovernmental Relations.*

Clerical services are performed by 2 FTEs at a cost of approximately $ 245,800 per year.
FY 2013 City Clerk General Fund Expenditures were $342,500. Total hours in preparation of Council and Committee meetings, agenda preparation, meeting follow-up research and minutes preparation annually. Total Cost to the City: $206,250.

**OBSERVATIONS AND ANALYSIS**

It is clear from observation that there is very little in the City / Borough which doesn't somehow run through this office. Elections, agenda preparation, public notices, meeting minutes, management of all public files, mutual-aid agreements, franchises, contracts, grants management, mutual-aid agreements, property documents, deeds, leases, permits and more. The workload is significant and the hours often long. Coordination between all departments is essential, and while very good, has room for improvement – particularly regarding document management.

The current City Clerk has been with the City and Borough since 1989 and has served as Deputy Clerk since 1991 and Clerk since 1994 (20 years). The current Deputy Clerk has been with the City / Borough for 11 years, and has been serving as Deputy Clerk for 6 years. After 25 years with the City, the Municipal Clerk appears to have been significant institutional and operational knowledge, and approaching departure from her position within the next year, the Clerk has

been grooming the Deputy Clerk for transition, and the Deputy Clerk appears sufficiently skilled and versed in the day-to-day operations to assume the Municipal Clerk's duties and assignments.

Similar to other departments, there remains a significant amount of original paper records within the department which have no backup or duplicate. This puts the CBS at considerable risk of a catastrophic event such as a fire, flood or other natural disaster.

**FINDING**

1. Manual records management needs digital conversion and preservation.
   While the Clerk's office maintains a comprehensive listing of all documents, contracts, agreements, etc. manual record-keeping creates several significant risks to the City. Consultants have witnessed many clients who were unable to maintain important dates, timelines, terms and conditions in agreements – which eventually cost them $ millions in lost revenue, un-reported financial obligations uncovered by auditors, and legal fees resulting from failure to meet terms and conditions of said agreements. Digital records will provide excellent backup and restoration in the event of loss through inadvertent or unanticipated or vandalism. With an annual cost of $22,000 per year spent on the storage facility, staff could save $22,000 in expense, significant staff time and reduce future risk to the City.

2. Records retention policy / staff training are necessary.
   Although a records retention policy was adopted in February 2002, consultants observed that many departments maintain records in cardboard boxes, stored in closets, warehouses and basements. When asked about a formal records retention policy, some staff members were unable to identify either that a policy existed, the nature of the policies or that they had been trained recently on the policy. Since a loss of information would pose a significant risk to the City in a catastrophic loss event such as a natural or employee-caused event. As had been learned recently at the Federal Level, a Records Retention Policy is necessary to assure all records are maintained and destroyed in accordance with State and Federal laws. This policy should also indicate the key responsibilities of Finance, Clerk, Attorney, and affected Department Heads. Training of Department Heads and all staff should be compulsory. Work can be completed by department staff, borrowing similar policies as templates / samples, and at no additional cost to the City.

3. Current City Code needs review, updating and recodification. Recent work on the Harbor code is representative of only one of the several sections of the current code

which need revision. Cost to review of the code is not significant (approximately $5,000), and could provide the City a clear roadmap of which codes need a greater +update than others and which priorities should be followed.

**RECOMMENDATIONS**

1. Begin Digital imaging Clerk's records immediately. This can be done through hiring a contract or seasonal employee.
2. Update the City's Records Retention Policy and train all staff regularly. This will aid all Department Heads in the maintenance and disposal of all public records. Conduct compulsory training for all employees.
3. Hire a consultant to review the complete City Code and develop a revision roadmap.

**IMPACT / EXPECTED RESULTS**

1. Digital Imaging: Cost: $3,000 to $5,000. Savings: $11,000 (50% of $22,000) per year in reduced storage space rental on storage facility + staff time + reduced risk of damage or loss.
2. Revise / Update / Train staff on Records Retention Policy: Cost: $0. Can borrow from other AK cities. Benefit: Retention of important documents, reduced risk of damage or loss, financial stability, and interdepartmental continuity.
3. Code Review Roadmap. Cost: $5,000. Benefit: Clarity on priorities for total code revision. Can be used as the basis for an RFI or RFP for each section of code which needs revision.

# FINANCE

## ELECTRICAL BILLING

| OBSERVED FINDINGS | SOLUTIONS RECOMMENDED | IMPACT / EXPECTED RESULTS *(min. estimates ND=not determined)* |
|---|---|---|
| **1. Process associated with establishing electrical connections needs to be streamlined in order to minimize errant billings fraud potential.** | Establish a standard initial fee for setting electrical meters, which includes parts & labor**.** | **Cost:** $0, internal. **Result:** Reduced fraud risk, more consistent, facilitated collections. |
| **2. Work performed is not reimbursed due to a poorly operated billing system.** | Conduct accurate and timely billings. | **Cost:** $0, internal. **Result:** Capturing all revenues due will standardize the expectation for services; some monetary revenue and operations efficiencies can be expected. |

### BACKGROUND AND SERVICE LEVEL INFORMATION

Contractors/builders frequently request CBS assistance specific to the installation of electrical infrastructure to new and remodeled buildings. The following steps outline the process as the consultants are aware:

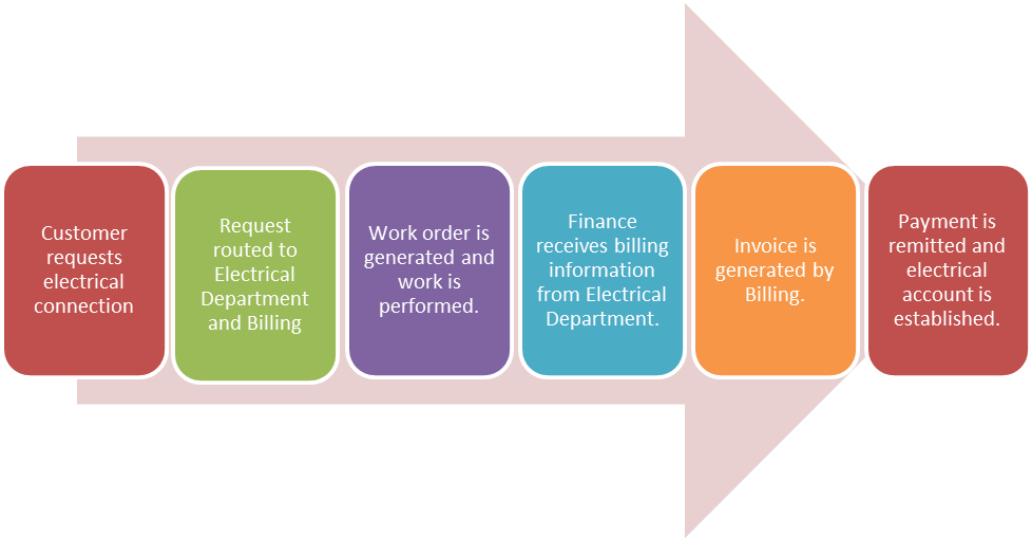
1. Customer visits customer service (CS) and requests service,
2. CS creates work order and forwards to the electric department,
3. Work is completed and warehouse personnel document cost (labor & materials) and send the information to Finance/Billing.
4. Billing creates invoice & mails to customer.
5. Customer then remits payment to Accounts Receivable.
6. Billing is notified when payment is received.
7. Billing is then able to activate and ongoing electric service account.

### OBSERVATIONS AND ANALYSIS

The current process of establishing electrical service to new and remodeled buildings is cumbersome and lends itself to miscommunication and missed billing opportunities. Interviews with Finance and Billing staff reveal perceptions that invoices often fail to include an exhaustive list of all materials and labor expended. In addition, Billing staff point to frequent miscommunication between Finance and Billing with regard to which work orders have been satisfied. Our team observed examples of work orders that were entered into the system and billed many months after they should have been. The result is the current system provides abundant opportunity for errant billing and even fraud.

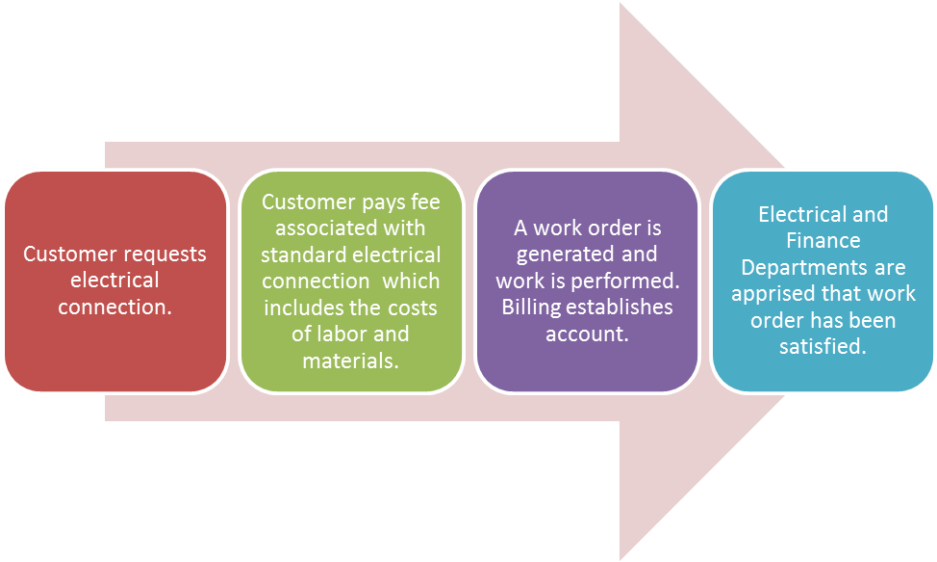
### FINDINGS

CBS's process associated with establishing electrical connections can be streamlined, thus reducing the chance for missed billings and fraud. The chart below illustrates the existing process.




**RECOMMENDATIONS**

In order to minimize the chances of miscommunication, missed and errant billings, and fraud, it is recommended that CBS simplify and streamline their electrical billing process. The following chart illustrates this revised process.




Specifically, CBS should establish and charge a fee structure associated with the establishment of electrical connections. Under the structure, residential connections would be less costly than commercial. Further, this fee should be collected at the beginning of the process, rather than billed at the end. The fee itself should be established at a rate and level, which is intended to capture materials and labor. In some cases, the fee may capture a small amount over the costs associated with materials and labor. In other cases, the fee may fall short of actual costs. The idea and concept here is that a standard fee would simplify the process, reduce errors, and generally provide the appropriate amount of compensation to CBS.

**IMPACT / EXPECTED RESULTS**

Improving the billing and collection process may improve revenue collections but will also standardize the delivery of services.

## INVENTORY CONTROLS

| OBSERVED FINDINGS | SOLUTIONS RECOMMENDED | IMPACT / EXPECTED RESULTS *(min. estimates ND=not determined)* |
|---|---|---|
| **1. Few controls are in place to ensure appropriate accounting for inventoried supplies and equipment stock that are shared and/or made available to non-municipal parties.** | Immediately act to maintain an inventory of these stockpiles.<br><br>Finance Department should immediately establish policies governing the charge of use and distribution of these vended materials and equipment. | **Cost:** $0, internal<br>**Result**: Reduced risk of fraud, reduced inefficient distribution, use. |

**BACKGROUND AND SERVICE LEVEL INFORMATION**

An examination of two facilities, the wastewater treatment and the public works facilities, revealed three locations where CBS keeps materials (piping, meters, valves, equipment, hoses, etc.). The photos above show stockpiles in two locations at the wastewater treatment facility. The third is located at Public Works' main facility.

According to our interviews with staff, including the Director, these inventories are used to satisfy both municipal and contractor needs. Further, contractors frequently find themselves needing items such as meters and piping. Instead of delaying construction while such items are shipped or flown into town, contractors will often obtain materials from CBS. These transactions may include the exchange of cash, or the contractor may simply reimburse/restock the City with materials when shipments finally arrive.

**OBSERVATIONS AND ANALYSIS**

Staff indicates that such exchanges as described above have been occurring for more than 30-years. Meanwhile, our interviews with finance and billing staff reveal concerns that the lack of inventory control provides the potential for criminal activities. In fact, not only is such possible, but likely. For example, the Public Works Director informed our team that CBS is currently addressing an alleged theft of scrapped materials. Our examination of the inventory sites, as

well as interviews with staff, reveals no indication that materials are formally inventoried and that transactions are electronically recorded.

**FINDING**

The lack of inventory controls associated with materials stockpiles provides the potential for inefficiency and fraud/theft.

**RECOMMENDATIONS**

CBS can minimize the potential for inventory fraud by recording inventoried items, assigning identifier numbers to each unit, and periodically inventorying stockpiled items. In addition, Finance should maintain this inventory and require that all transactions with contractors, as well as City consumption, be recorded and reconciled on a routine basis. Consumption of City resources should also be periodically audited.

**IMPACT / EXPECTED RESULTS**

By establishing an effective inventory process, CBS will mitigate loss, reduce the potential for fraud, but also be able to maintain a service that is essential to the community.

## PURCHASING

| OBSERVED FINDINGS | SOLUTIONS RECOMMENDED | IMPACT / EXPECTED RESULTS *(min. estimates ND=not determined)* |
|---|---|---|
| **1. The City Manager and Public Works Director are not authorized to make emergency purchases >$50,000** | Adopt a policy relating to emergency purchases. Clearly define criteria, process for making emergency purchases. | **Cost:** $0<br>**Savings:** will occur on a case-by-case basis.<br>**Benefits: Significant,** repairs of delayed infrastructure; service improvements are also likely. |

### BACKGROUND AND SERVICE LEVEL INFORMATION

The Electric and Public Works Department Directors have purchasing authority of $25,000 while the City Manager can approve purchases of up to $50,000. Above that limit, purchases must be approved by the Borough Assembly. Some of the facilities and equipment these two departments are very costly. Further, when problems occur, it is sometimes imperative that they be fixed immediately. If the City were to be without water or power for any length of time, the result could be catastrophic. Other broken items are necessary and while not critical to the immediate delivery of water or power, must also be repaired or replaced quickly.

### OBSERVATIONS AND ANALYSIS

The Electric Department cites two examples of emergency situations where the maintenance issues required expenditures of over $50,000 including (a) the exhaust mufflers involved in power generation which cost $70,000 to repair, and (b) a breakdown of the primary bucket truck which cost $100,000 to repair. In each case, Assembly approval of the expenditure was required prior to the repair being initiated. The result was a delay and, in the case of the latter, a costly substitution. The Department needed to rent a bucket truck at $2,000 per week to temporarily replace the one that was out of service.

### FINDINGS

While many factors that adversely impact the efficient operation of the Public Works and Electric Departments are often beyond the City's control (regulations, delays in permitting and so on), spending authority is an area that the City Assembly has authority over. Further, in an emergency situation, a spending limit for the City Manager of $50,000 is too low.

### RECOMMENDATIONS

In emergency situations, the City should introduce a mechanism whereby the City staff can act more quickly and efficiently to solve problems. It is recommended that CBA adopt a policy for emergency purchases and establish the criteria for an emergency situation and the process that should be followed for the Department to make the necessary repair. Any purchase made under an Emergency Purchase Policy should be the City staff authority to spend up $100,000 in emergency situations, with the Mayor's signature required for authorization (Vice Mayor in absence of the Mayor)... The actual spending would then be reviewed at the first Assembly meeting following the authorization of the expenditure by the Mayor and City staff.

**IMPACT / EXPECTED RESULTS**

Difficult to estimate. Impact would depend on the nature of the emergency and time/money saved by not having to wait a week or so for the Assembly to approve the action. In the case of the bucket truck, it would have been approximately $2,000 per week.

## TAX ASSESSMENT & COLLECTIONS

| OBSERVED FINDINGS | SOLUTIONS RECOMMENDED | IMPACT / EXPECTED RESULTS *(min. estimates ND=not determined)* |
|---|---|---|
| **Current level of municipal services appears to be unsustainable.**<br><br>**Current policies related to the tax structure may result in potentially "lost" tax revenue.**<br><br>**Long-term infrastructure** | Fill the Strategic Planning Committee.<br><br>Conduct a Strategic Plan process as to guide the FY 2016 Budget process.<br><br>Conduct an assessment of possible tax structures and implications of potential changes to the existing tax structure.<br><br>Consider revising tax policies (described below). | **Cost:**<br>- **Committee:** Staff time<br>- **Plan Process:** $50,000<br>- **Tax Assessment:** Staff time or consult.<br>- **Tax Policy Revision:** Staff time or consult.<br><br>**Benefits:** $800,000 to $2,400,000 / year in annual tax revenue. |

### BACKGROUND AND SERVICE LEVEL INFORMATION

Municipal services in Sitka require sustainable revenue streams. Road repair is currently deficient and conditions are worsening daily. Municipal buildings and infrastructure is old and in many instances, inefficient, insufficient or unsafe. The City is responsible for paying half of the cost of the $158 million Blue Lake Project, and with the additional $16 Million in debt obligation proposed for the new Community Center (Centennial Hall), and infrastructure improvement needs of Police Department, Jail and Harbor facilities, revenues for debt service and revenues to maintain municipal service levels are in high demand and short supply.

As state-shared revenues are retracting and likely to trend toward less state-based revenues for local governments in Alaska, service levels in Sitka will be unsustainable and must either be reduced or an effort to increase in local revenues needs to begin.

### OBSERVATIONS AND ANALYSIS

CBS has a small middle class. There is a high cost of living coupled with low-wage jobs. CBS does not charge a tax on sales over $1,500. As of June 2014, there were nearly 667 senior citizens (out of a total population of approximately 8,700) that had children in the school district. Senior Citizens (over age 65) have property tax exemptions for the first $150,000 of the value of their property.

Using part of the tax revenue collected from the tax cap revenue increase could be an effective way to improve municipal facilities and better serve both customers and visitors.

### FINDINGS

Previously moving the tax cap limit from $1,000 to $1,500 generated an additional $800,000 in tax revenue for the city. Consultants are uncertain as to the reasons for the $500 increment or

the burden placed on the community, however the impact was useful towards delivery of municipal services.

Consultants also noted that the tax cap limit of $1,500 could be circumvented easily by businesses that are bundling their sales in order to avoid paying taxes. Consultants anticipate that moving the tax cap limit up, could provide additional revenues necessary to provide debt service, repair infrastructure and replenish cash reserves of the City.

**RECOMMENDATIONS**

In light of some of the long-term infrastructure needs of the community combined with declining resources, it is recommended that CBS conduct an assessment of possible tax structures and implications of potential changes to the existing tax structure. Consultants understand that this is a highly sensitive personal and political issue, however, the revenue issue should be addressed with an examination of all expenses and potential revenue streams.

Consider the following tax policies:

- Elimination of the tax on food or rent or tax according to metrics associated with income.
- Revision of the tax code that allows seniors to continue to live tax free, but with age appropriate taxes for younger spouses and children.
- Consider increasing the tax cap limit in increments of $500 to generate an additional $800,000 (per increment) in annual tax revenue.

Amending or updating the tax structure could continue to provide the same protections desired for senior citizens, significantly reduce fraud potential, & ensure residents equitable tax burdens.

**IMPACT / EXPECTED RESULTS**

**Costs:**

**Committee:** Dedicated staff time or consult
**Plan Process:** $50,000
**Tax Assessment:** Staff time or consult.
**Tax Policy Revision:** Staff time or consult.

**Benefits:** $800,000 to $2,400,000 / year in annual

| Original Tax Limit | Potential Increase | Total Tax Limit | Additional Total Revenue |
|---|---|---|---|
| $1,000 | $ 500 | $ 1,500 | $ 800,000 (previous) |
| $1,500 | $ 500 | $ 2,000 | $ 800,000 |
| $1,500 | $ 1,000 | $ 2,500 | $ 1,600,000 |
| $1,500 | $ 1,500 | $ 3,000 | $ 2,400,000 |

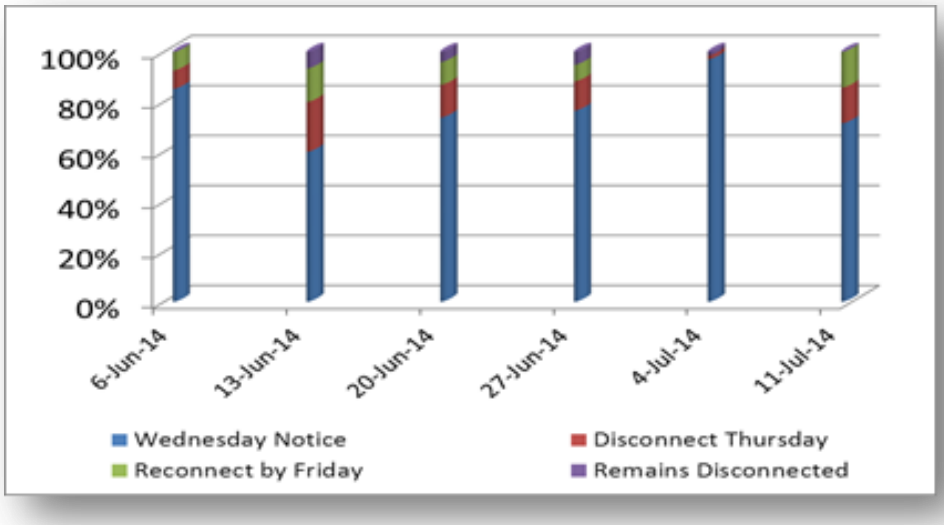
*Note: An increase of $500 from $1,500 would generate an additional $800,000. Incremental increases would generate the same increase in revenue.*

## UTILITY ACCOUNTS

| OBSERVED FINDINGS | SOLUTIONS RECOMMENDED | IMPACT / EXPECTED RESULTS *(min. estimates ND=not determined)* |
|---|---|---|
| **1. Notice & collection process requires significant staff resources.** | Re-examine the process for notifications and shut-offs. | **Cost:** ND, staff time, resources<br>**Result:** Streamlining the notification process could result in greater efficiency and cost reduction. |
| **2. A small number of delinquent payers (3% of all customers) exist and receive regular reminders (door hangers) to pay their bills.** | Consider implementation of a policy, which assesses an increasing reconnection fee for delinquent payers.<br><br>Work with delinquent customers to understand how to improve payment options. | **Cost:** $0, internal<br>**Savings:** recovery of $300,000 in uncollected debt.<br>**Result:** Imposing more significant reconnection fees could encourage timely payment. |

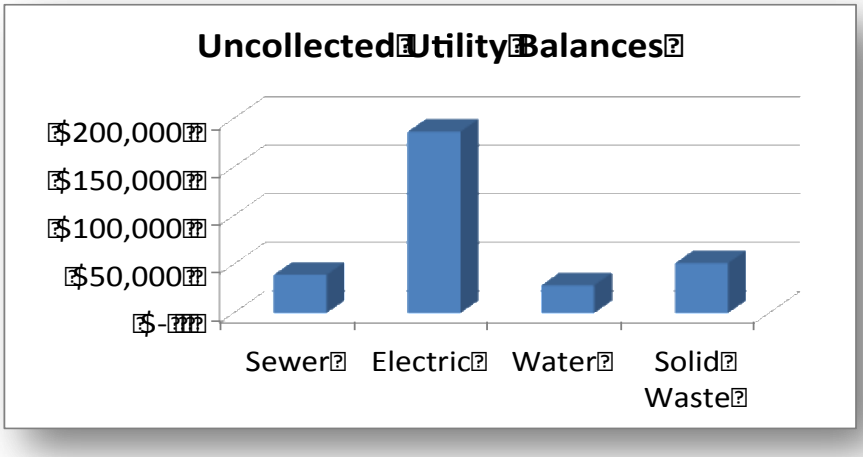
### BACKGROUND AND SERVICE LEVEL INFORMATION

CBS Utility Billing, as of the date of this report, administers utility services to a slowly growing number of 5,403 utility customers. 3,728 are residential customers. Late and delinquent payers are provided with notices prior to service discontinuation. An examination of notice and disconnect activity is illustrated in the chart below.

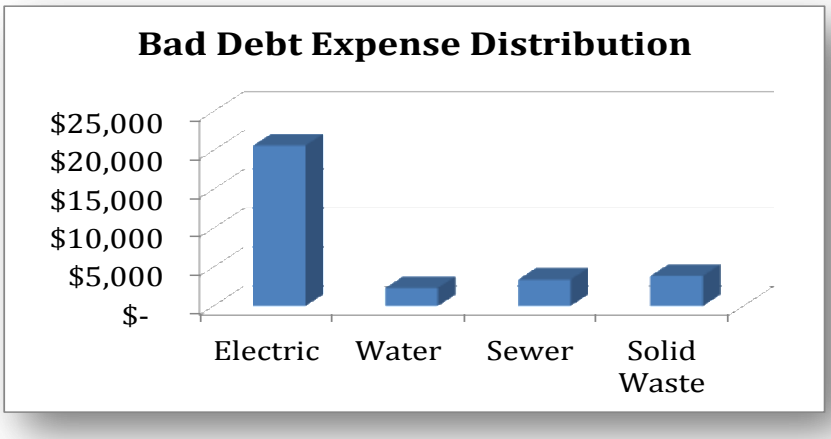



As can be seen by the chart above, collection efforts have been fairly successful despite the fact that there exists a $299,287 outstanding collectible balance in utilities as of June 30, 2014. This balance has decreased slightly since April 30 of 2014, when it was $307,409. Notices are issued to customers that disconnection is imminent on Wednesday of every week. Most customers resolve the bill quickly. Those who do not respond have their service disconnected on Thursday. The sampling we took during June and July showed that most customers who had their service disconnected, reconnected by the following day, Friday. The purple portion of the

charge above shows the number of customers who remain disconnected beyond Friday. The following chart illustrates the distribution of uncollected utility balances among the four utilities.




Meanwhile, Finance reports bad debt expense for utilities at $30,445 for FY14. According to the Deputy Finance Director, this amount is fairly typical for CBS. How this bad debt is distributed among the utilities is illustrated in the chart below.



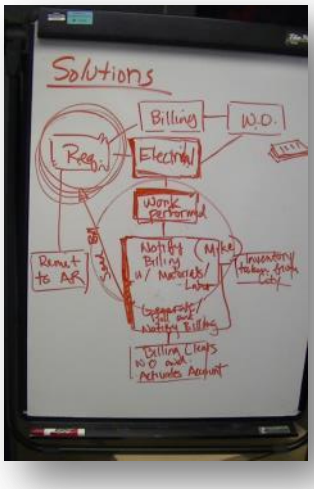

**OBSERVATIONS AND ANALYSIS**

NOTE: The Electric Department employees report a very small number of customers represent a very high percentage of those receiving door hanger reminders to pay their bills. These numbers are supported by collections statistics.

We found that in the first six months of calendar year 2014, the Electric Department delivered 1,077 door hangers. It actually terminated service for 118 accounts. In other words, 89% of the instances when a door hanger was delivered, the bill was either paid or arrangements were

made to pay the bill within 24 hours and prior to the termination of service. Only 11% have their service disconnected.

Further, we found only a relatively small number of customers (160 out of the 5,403 or 3%) account for the vast majority (79%) of the door hangers delivered. Given only 11% of the accounts that receive door hangers have their service terminated, it would also appear that the vast majority of these 160 customers find the resources somewhere to pay the bill when threatened with the imminent loss of service.




The staff time required to complete the noticing and collection processes for delinquent utility balances are considerable. This chronic nature by some customers costs CBS thousands annually in lost productivity and energy. The CBS also suffers from the opportunity costs and lost interest earning associated with $300,000 in uncollected utility fees. Currently, accounts are not tied to properties receiving service. This reality allows friends and family members of delinquent customers to re-establish service under a different name. This practice can continue indefinitely and a home or property could theoretically accumulate multiple service accounts. Not only is this practice possible within the parameters of current policy, but staff reports that this routinely occurs. The byproduct of this reality is that a delinquent utility customer needs only to find a friend or relative to establish a new utility account for the previous patron, thus relieving the delinquent customer of the responsibility of paying the outstanding balance in order to enjoy re-established service. Additionally, because utility balances are not associated with or connected to properties, the City frequently misses the opportunities to collect funds owed to it when these properties change hands or are refinanced.

**<u>RECOMMENDATIONS</u>**

In order to minimize the costs and issues associated with delinquent payers and uncollectible bills, CBS should do two things:

1. <u>Consider alternative systems to reduce reliance on door hangers</u>.

2. <u>Work with its chronically delinquent customers</u> to determine how last minute payment is possible, and identify ways to get them to pay earlier. Such action would save the Utility time and the customers the fees they are charged for both the door hanger and reconnection.

3. <u>Pass a Property-Owner Utility-Bill Ordinance</u>**.** To avoid thousands of un-reconciled customers, shift the ultimate obligation of utility billing to landlords and property owners. *NOTE: Check State statute to determine when the City is allowed to withhold utility services to a "new" occupant due to unpaid obligations on the part of a past occupant or*

*occupant. It **is** clearly within the City's legal authority to impose a 'lien' on property for past unpaid balances - allowing the City to collect (previously considered uncollectible) debt at a transaction point such as a sale or refinance of property.*

**IMPACT / EXPECTED RESULTS**

The goal is to minimize the number of delinquent payers and to maximize the collection of fees for service. While some delinquent bills are expected, implementing processes will assist the department in reducing costs. Perversely, the recommended actions could lead to a reduction of revenue to the CBS. If door hangers are replaced by some other medium, there would be no need for a door hanger charge. Further, fewer disconnects would lead to few fees for reconnection.

1. Replacing door-hanger system**.** *Cost:* ND, staff time, resources. *Result:* Possible increases in customer complaints that they did not receive appropriate notice that their electric service would be terminated. On the other hand, streamlining the notification process could result in greater efficiency and cost reduction.

2. Improve delinquent payer timeliness. *Cost:* $0, internal. *Savings:* recovery of $300,000 in uncollected debt. *Result:* Imposing more significant reconnection fees could encourage timely payment.

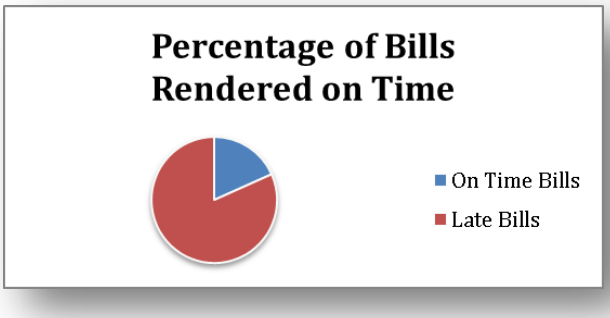
3. A Property-Owner Utility-Bill Ordinance**.** Cost: $0. *Results:* To avoid thousands of un-reconciled customers, shift the ultimate obligation of utility billing to landlords and property owners. Utility balances tied to properties, not to customer names, will assure that utility balances are satisfied.

## UTILITY BILLING

| OBSERVED FINDINGS | SOLUTIONS RECOMMENDED | IMPACT / EXPECTED RESULTS *(min. estimates ND=not determined)* |
|---|---|---|
| **1. 82% of utility bills were not issued on time, 44% were late 8 times in 18 months.** | Evaluate the existing process to determine potential of an automated system.<br><br>Perform Job Audits & Performance Evaluations of associated staff.<br><br>Provide staff training and / or termination if necessary. | **Cost:** ND, internal.<br>**Savings:** potential lost revenue, time<br>**Results:** Potential for significant service improvements to customers. |

**OBSERVATIONS AND ANALYSIS**

Utility bills are rarely rendered by the scheduled date as indicated in the following chart.



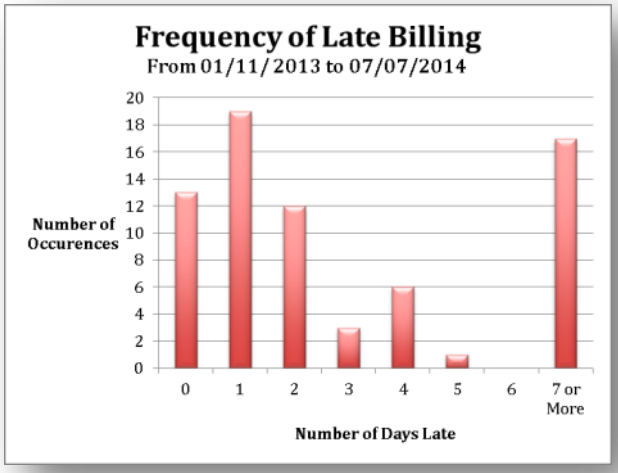

Source: City and Borough of Sitka

For the past 18 months, only 18% of the utility bills were rendered on time while 82% were not. Furthermore, every single customer in Sitka has received at least one bill that is seven or more days late. In fact, Cycle 4 customers have experienced significantly late billings eight times out of the past 18 months (44%).

The CBS has approximately 5,400 customers and four billing cycles per month (one each week). Hence, approximately one quarter (1,350 customers) of the total customer base is billed each week. Thus each case of late billing affects approximately 1,350 customers.

The consequences of late billings can be significant. Issues include:

1. Utility billing is a relatively straightforward activity and one of the very few activities that the City and Borough of Sitka performs that touches every resident and business monthly. When customers receive bills erratically, they notice and it reflects poorly on the government as a whole. *"Those guys at City Hall can't even get simple stuff right."*




2. No adjustment is made in the collections cycle, but the due date remains the same as it would have been had the bill been rendered on time leaving the customer has fewer days to pay. For those on a fixed income, that can be a financial issue. They may receive two bills during the same month. Theoretically they realized they did not receive their bill and set some money aside. Unfortunately, many do not follow that practice.

**FINDINGS**

1. Utility bills are not being rendered on time, causing customers a compressed timeframe to pay, and causing a significant impact on perceived professionalism of the City.
2. The staffing level for utility billing is appropriate for a similar-sized customer base.

**RECOMMENDATIONS**

1. Evaluate the existing process to determine causes for late bill issuance. Consider moving all account billings to monthly or bi-monthly rather than weekly.

2. Perform Job Audits, Skills Assessments & Employee Performance Evaluations of all utility billing and collections-related positions. This includes the administration of a Job Survey, Skills Assessment and Performance Evaluation.

3. Provide additional staff training or termination. The individuals performing these duties may be poorly suited for it. If identified, provide professional training or a change in personnel would be necessary

**IMPACT / EXPECTED RESULT**

It should be noted that the revenue impact on the City of late billing is minimal. People have no choice but to pay whenever they receive the bill. Some people may move during the period that bill is late and collection could be more difficult. On the other hand, the financial impact of bills that are issued late could be positive to the CBS. With a lesser amount of time to pay the bill, more people may be late and hence poor billing practices may lead to more late fees.

## UTILITY BILLING – METER WORK ORDERS

| OBSERVED FINDINGS | SOLUTIONS RECOMMENDED | IMPACT / EXPECTED RESULTS *(min. estimates ND=not determined)* |
|---|---|---|
| **Meter replacement work orders are processed in an untimely, inefficient manner.** | Continue to update work orders and monitor progress. | **Cost:** ND, internal.<br>**Savings:** potential lost revenue, time<br>**Results:** Potential for significant customer service improvements |

### BACKGROUND AND SERVICE LEVEL INFORMATION

Electric bills are generated by reading each customer's electric meter and determining the amount of power used during the previous month. Most of the meters are still mechanical[1] and from time to time, need to be replaced. When the change is made, a work order is generated and sent to billing. The work order records the reading on the meter being taken out of service and the reading on the newly installed meter. The reading from the old meter is then used to calculate the consumption to the point at which the meter was replaced while the reading on the new meter is used at the basis for future consumption. If the meter change is not updated in the billing system prior to the next billing cycle, an erroneous bill will be generated because the last reading on the old meter will be subtracted from the current reading on the new meter. These bills can be quite large since meters operate on the same principle as an automobile odometer. For example, if the billing system has a last reading of 2,600 and then receives a reading of 0002, the billing system will assume the meter has gone all the way to 9999 and started over to get to 0002. The bill generated would then be for 7,401 kilowatts. Fortunately, the system has a built in feature to identify outliers and to have the readings re-checked.

### OBSERVATIONS AND ANALYSIS

Consultants observed work orders which had not been updated in the system in a timely manner. Further inquiry discovered that the average number was/is between 3 and 6 per cycle. The result is the meter readers are being asked to return to the premise and double check the reading. When they do so, they find the new meter and that the reading was indeed correct. As a result, time is unnecessarily wasted.

Updating of work orders is performed by the billing technician. As noted in our finding concerning late billings, the amount of work the position performs is reasonable. It should also be noted that we have been informed that since our visit in July, the number of work orders not being updated in a timely manner has dropped to approximately one per cycle.

It certainly is reasonable for a work order not to be updated from time to time but it should be rare. In fact work orders should be among the first tasks completed. Further, prior to sending the meter staff out for a re-reading, billing should check to ensure no work orders need to be

[1] In the near future, the CBS plans to restart its meter replacement program whereby the mechanical meters are replaced by digital meters.

updated. At the same time prior to undertaking a re-read, the meter staff should check the recently forwarded work orders to determine if one needs to be updated for the property in question.

Before proceeding it is important to note that no one reported to us that any such erroneous bills were actually reaching customers. City staff, it appears to be doing a good job of acting as the goalie – that is, catching these situations before the bills are issued. Still time is wasted to re-check accurate readings.

**FINDINGS**

Not all work orders are being processed in a timely manner which leads to unnecessary re-visits to the property. The situation has improved significantly since July but additional room for improvement exists. The staffing level for utility billing is appropriate.

**RECOMMENDATIONS**

1. Evaluate the existing process to determine causes for inaccurate work order issuance.

2. Perform Job Audits, Skills Assessments & Employee Performance Evaluations of all utility billing and collections-related positions. This includes the administration of a Job Survey, Skills Assessment and Performance Evaluation.

3. Provide additional staff training or termination. The individuals performing these duties may be poorly suited for it. If identified, provide professional training or a change in personnel would be necessary

Finance Director needs to continue to monitor the situation to ensure it improves or at the very least does not revert to past practice.

**IMPACT / EXPECTED RESULTS**

Updating the work orders in a more-timely manner will not increase revenues but will lead to improved productivity on the part of the meter readers. They will be able to use the time saved for other matters.

## GOVERNMENTAL RELATIONS

### INTER GOVERNMENTAL & INTER-DEPARTMENTAL RELATIONS

| OBSERVED FINDINGS | SOLUTIONS RECOMMENDED | IMPACT / EXPECTED RESULTS *(min. estimates ND=not determined)* |
|---|---|---|
| **1. Manager is reported to be leaving w/in 12 months.** | Request current GR Manager to prepare Succession Plan. | **Cost:** See below<br>**Benefit:** See below |
| **2. Position performs work both similar, dissimilar to other department heads.** | Conduct job survey and job description review of the City Attorney and Administrative Assistant. | **Cost:** $750 to $1,000. Consulting assistance.<br>**Benefit:** Assurance of job functions, and capabilities of current employees. |
| **3. Accomplishments & impact of position aren't well documented.** | Request a summary of accomplishments including ongoing projects from the current GR Manager. | **Cost:** see above<br>**Benefit:** Assurance of job functions, and capabilities of future employee. |
| **4. Many ongoing projects, duties may not be easily assigned or delegated.** | Determine if consolidation of functions / dissolving the position is warranted. | **Cost:** see above<br>**Benefit:** see above |

**BACKGROUND AND SERVICE LEVEL INFORMATION**

The Government Relations Director is involved in the coordination of City and Borough policies and priorities with other municipalities, state and federal agencies and other related groups. The Government Relations Director takes the lead on both Legislative and Congressional priorities and funding requests, coordinates advocacy trips, and is the primary contact with the City's lobbyist. This position also serves as CBS Coastal Management Coordinator, dealing with ACMP, Sitka Coastal Plan, consistency, permitting, coastal zone, and resource issues. Deputy Clerk provides production and grant support services as-needed.

The current Director of Government Relations has been working with the City and Borough for many years. Starting as a consultant for Coastal Management in 1987 – and working in this capacity for 20 years, and is looking at retirement within the next 12 – 18 months.

**OBSERVATIONS AND ANALYSIS**

Consultants observed that the duties performed by this position / department are similar to those of Intergovernmental Relations manager for a much larger municipality. Responsibilities performed are not dissimilar to many of the City and Borough's department heads which involve direct-dial contact with state officials and agencies which are extremely important as the City and Borough rely heavily on State funds and low-interest bond programs. These interpersonal relationships are intangible, invaluable and critical in maintaining an open pipeline to funds, permitting and state-sponsored support for urgent needs.

Because each of the Department Heads also has direct-dial access to state agency directors and supervisors throughout the State, it initially *seems* as if this position is redundant. However, there are unique functions which this position performs such as:

- Issuance of regular press releases,
- Correspondence with federal agencies and Members of Congress,
- Daily coordination with the contract Lobbyist,
- Tracking and advocacy on transportation planning and infrastructure (roads, marine, aviation), environmental challenges, Forest Service lands issues, public relations and special events and economic development,
- Institutional knowledge and long-term tracking of projects *(i.e. Breakwater Replacement)* despite staff turnover, and
- Continuing oversight and advocacy for broad CBS institutional interests.

The capability of the Government Relations director appears to be similar to the Clerk who maintains a high level of and intimate familiarity with projects being managed by multiple Department Heads including the City Engineer, City Attorney, City Clerk and Finance Director. The loss of the current Government Affairs manager will most certainly include a loss of institutional knowledge. To what degree this loss of institutional knowledge may negatively affect continuity of operations (COOP), increase risk, decrease staff efficiency, and negatively affect service delivery – remains to be seen.

**FINDINGS**

1. The accomplishments and impact of this position are not well documented. As this position is under consideration for being dissolved when the current manager leaves the city, It would be important to clearly know and understand the past and ongoing projects to assure continuity with either the maintenance of this position (and replacement with a new individual) or with dissolution of the position.

2. While the Governmental Relations Director position appears to address the needs beyond the eyesight and foresight of many of the department heads, the position currently lacks what it can best provide – a *required* coordination role among and between all departments. Consultants are unclear as to the *formal* internal coordination roles this positions is required to perform, nor are the consultants clear on whether this position can be dissolved and absorbed by other departments or department heads

**RECOMMENDATIONS**

1. Conduct job survey and job description review of the City Attorney and Administrative Assistant. Review of Job Descriptions and Job Survey will permit a careful examination regarding workloads and staff skills, and the current allocation of office time resources necessary to validate the need for additional personnel assistance and allow the City Manager to determine which (if any) duties and responsibilities can be split or shared among all other department heads.

2. Request a Summary of Accomplishments including ongoing projects from the current GR Manager. Should be reviewed as part of a discussion regarding the future of this position.

3. Determine if consolidation is warranted, and if so, re-write job description with new duties and reporting relationships and request / require current GR Manager to begin preparing a plan for successfully transitioning the responsibilities of this position to a replacement.

**IMPACT / EXPECTED RESULTS**

1. Job Skills Analysis: **Cost:** $750 to $1,000. Consulting assistance. **Result**: Thorough understanding of essential job functions, continuity of operations and duties.

## HUMAN RESOURCES

### HUMAN RESOURCES MANAGEMENT

| OBSERVED FINDINGS | SOLUTIONS RECOMMENDED | IMPACT / EXPECTED RESULTS *(min. estimates ND=not determined)* |
|---|---|---|
| **1. Departments have indicated a need for additional support related to employee discipline issues.** | Continue to develop effective disciplinary policies and processes for CBS staff and members of the Collective Bargaining Units. | **Cost:** ND<br>**Benefits:** Standards, expectations for employees, directors supports effective work environment. Solving issues mitigates risk and improve performance. |
| **2. Department service-levels appear to exceed the level of staffing in HR.** | Perform Job Audits, Skills Assessments & Employee Performance Evaluations of the HR employees | **Cost:** ND<br>**Benefits**: validate or invalidate the most efficient employee to HR personnel ratio. |
| **3. The workload for the Department seems to exceed what one person, the Director, can address.** | Add an additional staff member<br><br>Note: The CBS enacted this measure in September | **Cost:** Get from the CBS; consultant cannot figure it out from the budgets. They have re-categorized HR out of Admin into its own unit. |

**BACKGROUND AND SERVICE LEVEL INFORMATION**

The City has approximately 159 full time equivalent employees, three Collective Bargaining Units, and a Human Resources Department composed of one employee, the Director and part-time clerical support. The total 2015 operating budget for the Human Resources Department is $280,338.63, which is 1% of the Total General Fund. Salaries and wages account for $146,034.72 with another $96,136.91 for fringe benefits. Total compensation of $242,171.62 is 86% of the department's total operating budget.

**OBSERVATIONS AND ANALYSIS**

The general standard used in government is that a City should have one person in human resources for every 100 employees. Based on that standard, the Human Resources Department has 1.5 FTEs, which is theoretically the right number of employees for the number of staff employed by CBS. However, the Human Resources Department is a full-service department that performs a number of activities including recruitment, on-boarding (activities associated with bringing a new employee into the organization), classification and compensation, benefits, safety / risk management, and employee and labor relations (including contracts, disciplinary actions and grievances).

While the Director works closely with the City Attorney, Municipal Solutions® observed that the department is under-staffed by approximately one person. During our interviews of other Department Managers, it was noted that other CBS departments are requesting additional support related to disciplinary action for employees. It is important that departments are able

to effectively manage their employees and have appropriate processes in place to proceed with disciplinary action, if necessary.

***NOTE: in September, an additional staff person was added to address this need.***

**FINDINGS**

1. Need for additional support related to employee discipline issues. It was observed that a general philosophy in regards to disciplinary action was that ten written warnings were better than three, which is understandable when HR has to defend their position with the unions and in court. It should also be noted that if employees are allowed to underperform, it adversely impacts the performance of all employees either because they become a bottleneck or because the morale of other, higher performing employees is adversely impacted.

2. Department service-levels appear to exceed the level of staffing in HR. The Human Resource Department appears to be understaffed as it is not as responsive to management needs as it should be. With more staff, the department might be more proactive; however, without a skills assessment and job survey, it is difficult to determine whether it is an issue of a) volume of work, b) individual HR employee capacity.

**RECOMMENDATIONS**

1. Disciplinary policy and process *(ongoing).* The City Manager should continue work with the HR Department to develop the disciplinary policies and processes with other departments through the CBS Personnel Policies and Collective Bargaining agreements. This continuing process will work to mitigate risks to the organization and effectively support the functions of the organization.

2. Job Audits and Skills Evaluations. Perform Job Audits, Skills Assessments & Employee Performance Evaluations of the HR Director. This includes the administration of a Job Survey, Skills Assessment and Performance Evaluation. This will assist the City Manager in determine if sufficient resources are available and to validate or invalidate the most efficient employee to HR personnel ratio.

3. Additional Staffing. Add an additional staff member so that the existing workload can be dealt with more expeditiously and completely.

   *Note: We understand that the CBS added an additional staff member in September and hence this need has been addressed.*

**IMPACT / EXPECTED RESULT**

1. Disciplinary policy and process. *Cost:* ND *Benefits:* Continue developing and improving discipline standards and expectations for employees and directors will support a more

effective working environment. Addressing issues as they occur will mitigate CBS risk and improve performance.

2. Job Audits and Skills Evaluations. *Cost:* ND. Can be accomplished concurrently with other departments. *Benefits:* validate or invalidate the most efficient employee to HR personnel ratio.

By implementing these recommendations, general impact / results will include improved employee–labor relations, department productivity and will positively impact employee effectiveness throughout CBS.

# INFORMATION TECHNOLOGY

## COMMUNICATION INFRASTRUCTURE

For security reasons, this section has been provided to City Administration under separate cover.

## LEGAL

### LEGAL & RISK MANAGEMENT

| OBSERVED FINDINGS | SOLUTIONS RECOMMENDED | IMPACT / EXPECTED RESULTS *(min. estimates ND=not determined)* |
|---|---|---|
| **1. Office maintains highly-developed skill sets, works w/ few resources.** | Begin developing a city-wide Succession Plan. | **Cost:** $5,000 - $7,500. **Benefits:** SIGNIFICANT risk reduction, COOP, retain institutional knowledge. |
| **2. City & Borough is at risk without Succession Plan.** | Prepare, actively maintain a Service-level Report real time. | **Cost:** $0. **Benefits:** Temporary increase in staff time. |
| **3. A regular, simple report on activities and service levels is recommended.** | Conduct job surveys & job description reviews. | **Cost:** $750 to $1,000. Consulting assistance. **Benefits:** Clear job functions & duties. |
| **4. Workloads relating to staffing levels and skills difficult to determine.** | Expand organizational structure, accommodate a part-time Paralegal. | **Cost:** *Intern*: $3,000 to $4,000; *Contractor*: $5,000 – 7,000; **Benefits:** document backup storage complete. |
| **5. File management & document imaging is needed.** | Hire an intern or contractor to assist in document imaging and file management. | **Cost:** $24,000*/ year. **Benefits:** Value added in pre-trial prep., case & records management. |

**BACKGROUND AND SERVICE LEVEL INFORMATION**

The City Attorney's office manages a comprehensive list of responsibilities including: *Case Management, Code Revision & Enforcement, Contract Review, Mutual-Aid Agreements, Policy Revision, Fines & Fees, Risk Management, Planning & Zoning Review, Prosecutions of Civil and Criminal Cases, support to the Police Department, assists in the management of Property / Infrastructure, and assists the Sitka Tribal Court on cases involving minors consuming alcohol.*

Legal services are performed by 2 FTEs at a personnel cost of approximately $ 248,000 per year. Total annual operating Budget for 2014 is $305,214. City Attorney General Fund Revenue FY 2013 was $337,078.

**OBSERVATIONS AND ANALYSIS**

The City Attorney position appears to require a highly-developed skill set. This position requires familiarity local, state and federal law, in addition to Police Policy and procedure, contract negotiation, policy review, code revision, personnel issues, criminal and civil law, risk management, and Human Resource law – to list a few functions performed. The current City Attorney's experience, skills and attributes as former District Attorney, Assistant Attorney General under Governor Palin, and a private law practice add significant value to CBS.

Like all Department Heads at CBS, the responsibilities of City Attorney also often include intergovernmental relations. With this current City Attorney's previously developed high-level and important connections at many levels throughout the state – this experience serves CBS well.

**FINDINGS**

1. City & Borough is at risk without a Succession Plan. The City and Borough is at considerable risk if it were to lose its current Attorney as it currently benefits significantly from the complexity and volume of work produced by this department. Similar to the Clerk's Office, this office needs a Succession Plan.

2. A simplified, regular report on service levels is recommended. While the City and Borough Attorney's office is able to provide a sample quarterly and semi-annual report, which included # of cases, court appearances, fines imposed and fines paid, a *simplified, comprehensive report* illustrating annual and multi-year service levels was not provided or was unavailable. Tracking and measuring service levels and measure performance on a monthly, annually and multi-year basis is important to overall transparency, performance measurement and fiscal responsibility.

3. Workloads relating to staffing levels and skills difficult to determine. Based on the limited information provided, it was difficult for our consultants to determine work-load / services levels as it relates to staffing. Distribution of work assignments and weight of effort was difficult to determine. Moreover, should the city find itself minus the Attorney for a prolonged period of time, it would be difficult to replace this individual as much of the department's core functions seems disconnected from the Administrative Assistant.

4. File management and document imaging is needed. Past case files are stored in a series of file cabinets and in open view. Similar to many other departments, document imaging is critically necessary for security of data, ease of use and continuity of operations in the event of an emergency situation.

   As the City and Borough Attorney's office does not operate in a deficit (roughly a $20,000 surplus based on 2013), the City should consider: (a) hiring an intern or contractor to assist in document imaging, or (b) hiring a part-time Paralegal to assist in pre-trial preparation, case and records management, and document imaging.

**RECOMMENDATIONS**

1. Begin development of a city-wide Succession Plan. Include policies and procedures to guide staff development, recruitment, and new-hire on-boarding and development.

2. Prepare and actively maintain a Service-level Report real time which should include:
   a. Cases
      i. # pretrial conferences
      ii. # of cases by type (criminal, civil, juvenile and tribal), status (open, closed), and result (prosecutions, abeyances, suspensions, fines collected and issued by type (in $))
   b. Miscellaneous
      i. # Codes, Policies and revised by name and type
      ii. # Plans reviewed by name and type

iii. # Personnel Actions, Hearings by # and type
iv. # Contracts reviewed,

3. Conduct job survey and job description review of the City Attorney and Administrative Assistant. Review of Job Descriptions and Job Survey will permit a careful examination regarding workloads and staff skills, and the current allocation of office time resources necessary to validate the need for additional personnel assistance.

4. If needed, expand the organizational structure to accommodate the hiring of a part-time Paralegal to provide immediate assistance and long term continuity for the Department.

5. Hire an intern or contractor to assist in document imaging and file management.

**IMPACT / EXPECTED RESULTS**

1. City-wide Succession Plan: Cost: $5,000 - $7,500. With some outside consulting correspondence and shepherding, can be done mostly internally. Results: SIGNIFICANT risk reduction, preserves continuity of operations, assures retention of skilled employees' institutional knowledge; promotes 'best fit' of new hires.

2. Annual Reporting: Cost: $0. Slight increase in current staff time and attention.

3. Job Skills Analysis: Cost: $750 to $1,000. Consulting assistance. Result: Assurance of job functions, and capabilities of current employees.

4. Intern / Contractor: Cost: *Intern*: $3,000 to $4,000; *Contractor*: $5,000 – 7,000; Results: Intern / Contractor – completed document imaging and backup storage complete.

5. Paralegal: Cost: $24,000*/year. Results: Paralegal: Value added in pre-trial preparation, case and records management.

## LIBRARY

### STAFFING & SERVICE LEVELS

| OBSERVED FINDINGS | SOLUTIONS RECOMMENDED | IMPACT / EXPECTED RESULTS *(min. estimates ND=not determined)* |
|---|---|---|
| **1. The hours of operation are significantly higher than required for providing "Excellent Level" of service** | Consider the preferences, lifestyle and needs of the community to reduce the number of hours of operation to the public. | **Cost:** $0<br>**Savings:** $50,000-$80,000 /yr.<br>**Benefit:**<br>- Maintain service level<br>- Cost reduction |
| **2. The library provides a significant number of public Internet usages to both residents and tourists.** | Improve wireless network tracking and review possible revenue models to monetize the wireless internet service to residents and tourists. | **Cost:** ND<br>**Revenue:** $10,000-$50,000/yr.<br>**Benefits:**<br>- Better network support and service to patrons<br>- Opportunities for additional revenue |
| **3. Public internet has revenue potential.** | Consider the revenue potential of advertising to offset the cost revenue potential of public internet network. | **Cost:** ND<br>**Revenue:** $10,000-$50,000 /yr.<br>**Benefits:** Increased local economic development, cost-offset of public internet service |

**BACKGROUND AND SERVICE LEVEL INFORMATION**

The FY 2015 adopted budget for the Library Department in the City and Borough of Sitka is $905,268. This is approximately 3.3% of the total General Fund budget. The total number of FTEs is 7.3, however CBS uses 10 additional temporary 'intermittent' employees (FTE total unknown).

The library is primarily funded through the General Fund with a limited amount of revenue being generated from user fees, grants, and partnerships with the local school districts.

The facility is open 72 hours per week and is frequented by over an estimated 100,000 patrons per year. The library provides over 125,000 annual patron checkouts as well as over 60,000 public Internet sessions.

**OBSERVATIONS AND ANALYSIS**

Each community is unique and requires different levels of library service. For example, in the 1980's the Wisconsin Department of Public Instruction developed standards that libraries can use to help them provide 4 different levels of service to their community. The current Wisconsin Public Library Standards (WPLS) are defined as "basic", "moderate", "enhanced", or "excellent" in serving the community.

At the time of this review the Library was moving to a temporary facility while the existing library undergoes an expansion. The expanded facility will provide more space to provide services for children and teens and the library will be able to accommodate additional community services. In consideration of the on-going expansion and library improvement initiatives, the chart below contains the Wisconsin Public Library's recommended standards for community service levels based on Sitka's population size of 9,046.

| Wisconsin Public Library Standards | Level of Service | | | | Sitka |
|---|---|---|---|---|---|
| | Basic | Moderate | Enhanced | Excellent | |
| **Staff FTE** | 8.14 | 9.05 | 10.86 | 12.66 | 7.31 |
| **Volumes Held (Print)** | 54,276 | 59,704 | 65,131 | 84,128 | 62,664 |
| **Periodical Titles Received** | 134 | 149 | 188 | 232 | 247 |
| **Audio Recordings Held** | 2,895 | 4,071 | 4,613 | 6,694 | 4,441 |
| **Video Recordings Held** | 3,799 | 4,613 | 6,242 | 9,770 | 6,335 |
| **Public Use Internet Computers** | 10 | 15 | 20 | 25 | 12 |
| **Hours Open per Week** | 57 | 59 | 61 | 64 | 72 |
| **Materials Expenditures** | $57,804 | $76,981 | $92,450 | $116,151 | $90,800 |
| **Collection Size** *(Print, Audio, & Video)* | 63,322 | 67,845 | 75,986 | 93,174 | 76,209 |

*Source: Wisconsin Department of Public Instruction*, www.pld.dpi.wi.gov/pld_standard

It appears that Sitka provides an "Enhanced Level" of service in providing print volumes (62,664 held), periodical titles (247), audio recordings (4,441), video recordings (6,335), materials expenditures ($90,800), and total collection size (76,209 for print, audio, & video).

Benchmarking is also a useful measurement tool to help evaluate the service and efficiency level of the library department. In Wasilla, a city of comparable size (8,456 residents), the library department budget is $1,028,184, which is 6% of their total General Fund budget compared to Sitka's budget of $899,454 or 3.3% of the General Fund budget. Wasilla has a salary expense of $812,387, or $85,514.42 average salary expense per FTE (9.5 total FTEs) compared to Sitka's average salary expense per FTE (7.3 total FTEs) of $74,910.52.

| Library Department Benchmarking Information | Sitka | Wasilla |
|---|---|---|
| *Dept. Budget as a % of General Fund Budget* | **3.36%** | **6.06%** |
| *Department Budget Per Capita* | **$99.43** | **$121.59** |
| **Total Department Op. Budget** | $899,454 | $1,028,184 |
| **Total Salaries and Benefits** | $547,596 | $812,387 |
| **Materials Budget (Books, Audio & Video)** | $90,804 | $80,660 |
| *Salary as % of Op. Budget* | 61% | 79% |
| *Circulation Budget as % of Op. Budget* | 10% | 8% |
| *Average Total Cost per Employee* | $74,910.52 | $85,514.42 |
| **Total Employees (FTEs)** | 7.31 | 9.5 |

*Source: City of Wasilla & City and Borough of Sitka published budget data*

**Staffing Levels & Hours of Operation**

It is recommended that there is 1 FTE per 1000 persons. Sitka has the equivalent of 1 FTE to 1,237 persons. The number of FTEs of 7.3 is considered to be below the number of staff needed to provide "basic" level of services. It is recommended that the number of staff be between 10.8 and 12.6 in order to provide "enhanced" or "excellent" service. In Sitka, there are additional library student aides that may offset the need for hiring additional staff. In addition, Sitka boasts a 72-hour per week schedule. This is 8 hours a week more than even the "Excellent Level" of service recommend by the WPLS. The number of hours the Wasilla library is open to the public is *40 hours per week* despite having a larger staff (9.5 FTEs) and departmental budget ($1,028,184).

**Circulation Information**

One statistic that is helpful to measure is circulation of physical items per hour. In Wasilla, there are 3 circulation desks where they have 25 physical items per circulation desk per hour. This provides a measure that can provide some insight into how busy the circulation desk is. A low number of items circulating per hour, say 10 per hour, may mean that the employee does not need to occupy the circulation desk full-time and can go on to and accomplish other things in the library. However, a circulation of 100 physical items per hour signifies that there is a very high volume of traffic and there should be one employee stationed at the circulation desk full time. Sitka's circulation per hour is 73 items per hour. The City of Wasilla has 75 circulations per hour and 3 circulation desks. They spend about 7% or $80,660 for the purchase of books, audio and video in FY 2014. They purchase their books at INGRAM and receive approximately 40% off of the cost of new titles. What they can't find on INGRAM they will purchase on Amazon.com. Their Audio/Visual includes 2,971 DVDs. Their total circulation volume is approximately 55-60 thousand items. They currently have 7 desktops but will be soon receiving 20 new desktops and 23 laptops.

Their current Internet policy is 1 hour per person per day. Total public Internet usage for FY 2013 was 18,856 as follows:

- 15,708 public internet sessions on Desktop computers
- 3,148 wireless internet sessions

The City and Borough of Sitka has 12 public use Internet computers and approximately 60,776 Internet sessions in FY 2014.

| Library Department Information | Sitka *(FY 2014)* | Wasilla *(FY 2013)* |
|---|---|---|
| **Staff FTE** | 7.31 | 9.5 |
| **Volumes Held (Print)** | 62,664 | 62,975 |
| **Periodical Titles Received** | 247 | 83 |
| **Audio Recordings Held** | 4,441 | 11,605 |
| **Video Recordings Held** | 6,335 | 2,841 |
| **Public Use Internet Computers** | 12 | 7 |
| **Hours Open per Week** | 72 | 40 |
| **Materials Expenditures** | $90,800 | $78,353 |
| **Collection Size (Print, Audio, & Video)** | 76,209 | 60,000 |

**FINDINGS**

1. Service *quality* appears high, however service *levels* appear much higher than expected for providing "Excellent Level" of service against comparable cities.

   When comparing the library of the City and Borough of Sitka to the library of City of Wasilla, along with the WPLS data, it appears that Sitka is working hard to provide an excellent level of service to its citizenry. Based upon a variety of comparable metrics (circulation, inventory, hours of operation), it is clear that that the number of hours of operation that the library is open to the public (72 hours) is significantly higher than Wasilla (40 hours) and even the standards of excellence proposed by the WPLS (64 hours for "Excellent Service"). The total number of circulated items per hour is roughly the same in both Wasilla and Sitka (75 and 73 respectively).

2. The library provides a significant number of free public Internet usages to both residents and tourists.

   The City and Borough of Sitka have 12 public use Internet computers and provided approximately 60,776 Internet sessions in FY 2014. The amount of public Internet usage is significantly higher than Wasilla's total public Internet use of 18,856 sessions. Staff from the IT Department and the Library indicated that the wireless network is unstable and also has the limited ability to track users.

**RECOMMENDATIONS**

1. Consider the Wisconsin Public Library Standards in creating performance measures for the new library. By taking into consideration the preferences, lifestyle and needs of the community, the City and Borough of Sitka may want to consider a reduction in the number of hours of operation to the public, which may correspond to a reduction in departmental expenses.

   It is clear that that the number of hours of operation that the library is open to the public (72 hours) is significantly higher than Wasilla (40 hours) and even the standards of excellence proposed by the WPLS (64 hours for "Excellent Service"). The total number of circulated items

per hour is roughly the same in both Wasilla and Sitka (75 and 73 respectively). A caution to reducing the amount of hours is that the amount of items circulated per hour, and thus the number of staff required to provide adequate levels of service, may increase.

2. Create a Network Plan to address network issues and better track volume level for wireless Internet usage.

3. Consider public internet revenue options. It is recommended that the option to off-set a small part of the costs of the network by implementing a system can be accomplished using advertisements and sponsorships but would still allow the network to be free to use. Revenue option should not compromise the integrity of the organization. Several reasons why CBS should consider placing advertisements on its library computers.

   A. CBS is in a unique position. Because of local and tourist use of the city's wireless network, the local and non-local population served makes targeting easy for local, regional, and national advertisers alike.

   B. This is not an uncommon practice. Schools in Virginia and Arizona offer commercial advertising on their websites. Municipal Media Solutions is one of several companies which provide services to government agencies looking to sell advertising on their websites. Several of MMS clients include:
      - The Cook County Assessor – www.cookcountyassessor.com
      - Washington State Department of Transportation - www.wsdot.com
      - Metra – www.metrarail.com
      - Pace Bus - www.pacebus.com
      - Massachusetts Bay Transportation Authority (MBTA)- www.mbta.com
      - Massachusetts Registry of Motor Vehicles- www.massrmv.com
      - Metropolitan Atlanta Rapid Transit Authority (MARTA) - www.itsmarta.com
      - The Alachua County, FL. Appraiser – www.acpafl.org
      - The Village of Schaumburg, IL – e-Newsletter
      - The Metropolitan Mayor's Caucus – www.mayorscaucus.org
      - Bloomingdale Township – www.bloomingdaletownship.com
      - Winnebago County Geographic Information Systems - www.wingis.org
      - Clean Air Counts – www.cleanaircounts.org

      Active Network (www.activegovernment.com) also provides similar services. Their clients include the City of Cedar Hill, TX, City of San Clemente, CA, Loudoun County, VA, and City of Scottsdale, AZ.

   C. New Revenue Stream. Monetizing web traffic is free money. With very little effort, the Library's public network can become mini revenue centers. Part of this study is focused on helping CBS generate new revenue without placing an increased burden on taxpayers. Additional revenue created by online advertising, however small, website marketing will allow CBS to serve residents and promote businesses.

   D. It doesn't cost CBS additional expense. Other than a small amount of set up time, the CBS can have its website generating revenue with no additional costs. Many companies

also offer this set-up service, but operate on a gross revenue sharing basis. The costs and time associated with setting this up include:

- Development of advertising packages and pricing,
- Billing, Collections, and Reconciliation (can be automated)
- Managing advertiser relationships
- Ongoing Program Management
- Advertising Content Control
- Ad Trafficking and Reporting (can be automated)
- Ad Server Management
- Technical Support
- Customer Service

**IMPACT / EXPECTED RESULTS**

As the City and Borough of Sitka begins to prepare for the expansion of their library, it will be important to consider the level of service they would like to provide, and the amount of staffing levels, hours of operations and other expenditures associated with providing the desired level of service.

1. Service Levels & Performance Measures. The Library had 3,663 total hours of service in FY 2014. The total cost per hour of providing all library services was $245.55 / hr. (FY 2014 Amended budget of $899,454 divided by the total hours of service 3,663). If you reduced the library hours of operation to the recommended 64 hours of service per week by the Wisconsin Public Library Standards, or 3,328 hour per year, the estimated savings to the City and Borough of Sitka is the net difference in the amount of hours of operation (3,663 - 3,328 = 335 hours) multiplied by cost per hour of providing total library services in FY 2014 ($245.55) which is approximately $82,259.25 in savings. While admittedly this number does not completely account for all fixed costs that may or may not be impacted by a reduction in operating hours, it approaches the idea of a cost savings that could be realized through a reduction in the hours of operation.

   Another way to approach the cost savings by reducing the hours of operation is by considering the salary expense per hour of operation. The salary expense per hour of operation is calculated by taking the total salary and benefit expense of $547,596 and dividing that by the total hours of operation, or 3,663. The total per hour salary and benefit expense is $149.49/hr. By reducing the hours of operation by 335 hours, that is a reduction in salary expense of $50,079.15 ($149.49/hr. multiplied by 335 hours).

2. Internet Use Measurement. Improved wireless network tracking to measure cost / benefits of the service. Information can also be used to evaluate possible revenue models to monetize the wireless internet service to residents and tourists.

3. Public Internet Advertising. The amount of Internet usage (60,776) is significant and may be used as a source to generate ad revenue to offset the cost of providing network support and service. Business owners understand that converting leads into customers is important to help their companies grow. Based on a lead conversion rate of only 1% of all Internet traffic (60,776 in FY 2014) for an average sale of $10, would generate additional revenue to a company of $6000. Depending on the willingness of a business or multiple businesses to pay for advertising, the City and Borough of Sitka may be able to generate between $10,000* and $50,000 in advertising revenue. *(*This number is based on 10 businesses paying $1,000 to have an advertisement on the Internet for the entire year).*

## PLANNING

### STAFFING, PROCESS, POLICIES & PROCEDURES

| OBSERVED FINDINGS | SOLUTIONS RECOMMENDED | IMPACT / EXPECTED RESULTS *(min. estimates ND=not determined)* |
|---|---|---|
| **1. Dept. is providing *short-range* planning support of building, code and developer-type services but performs less *long-range* planning.** | Perform a staffing skills analysis and review of department functions.<br><br>Consider hiring a Planner II for long-range & inter-departmental planning | **Cost:** $1,500, 30 days<br>**Benefit:** increased interdepartmental performance; long-range planning.<br><br>(see below) |
| **2. Land Use Code needs Revision.** | Planner II or consultant. | **Cost:** $10,000 (consultant); $0 Planner II<br>**Benefit:** increased reliance on modern principles and practices; long-term continuity of land use decisions |
| **3. Planning Director retiring.** | Develop Succession Plan.<br><br>Consider merging Planning into a Development Services Department. | **Cost:** $0, internal<br>**Benefit:** potential customer service improvements; long-range planning, inter-departmental coordination. |
| **4. Documentation is paper based and stored on the lower level of City Hall.** | Implement electronic records going forward and work towards electronic records for all old records. | **Cost:** $7,000 to $10,000.<br>**Benefit:** Records are more protected in case of disaster and easier to search for staff. |
| **5. Application process is mostly paper based and somewhat confusing.** | Review software options to improve the Planning application process. | **Cost:** $10,000 + annual fee<br>**Benefit:** More automated process can improve efficiencies for constituents and staff. |
| **6. GIS services are used in an ad-hoc / not departmental-wide manner.** | Determine overall organization GIS needs, possibly centralize GIS and provide more functional GIS tools for staff & constituents. | **Cost: $**0 internal, may require training + license fee.<br>**Benefit:** Improved quality of GIS data with more tools available for staff to use. |

**BACKGROUND AND SERVICE LEVEL INFORMATION**

The Planning Department budget for FY 2014 was $256,376, which is approximately 1% of the Total General Fund budget. Total salaries and wages were $130,530 with an additional $95,132 in Fringe Benefits. Total Salaries and Benefits were $225,662 or 88% of the departmental budget. There are 2 FTEs in the Department; a Planning Director and a Planner I, which provide support for all planning and zoning processes and committees. The department oversees part of the GIS functionality.

The City and Borough of Sitka (CBS) has several plans and through various activities:

- Master Plans such as the *Capital Improvement Plan (CIP), Sewer Master Plan, Stormwater Master Plan, Harbor System Master Plan, Road Master Plan, Solid Waste Plan, Municipal Water System Master Plan* are but a few of the plans developed and being used on a daily basis,
- The Comprehensive Plan was completed in 2002 and updated in 2007, and
- Assembly Vision activities in 2010 through 2013.

## OBSERVATIONS AND ANALYSIS

### Planning Documents

Comprehensive Plans, Master Plans and Strategic Plans have different purposes. The above-mentioned Master Plans exist for various departments and are critical for the effective management of specific department activities. They appear to have been produced principally through outside consultants with little assistance from the Planning Department. While these documents are a great start and resemble much of the same thoughts and ideas conveyed in a Strategic Planning process, however, these documents are not synthesized. Each of these Master Plans are representative of the needs are for a specific department, utility or infrastructure, but do not reflect not what goals, priorities and expected service levels the residents of Sitka have. They do not include widespread community participation and input and are not as cohesive as a Strategic Plan would require.

The Comprehensive Plan and Assembly Visions are the closest the City has come to a full Strategic Plan. The Comprehensive Plan was created in 1999, updated in 2002 and 'snapshot' updated in 2007 to establish policies and standards to guide decision-making on land use decisions, capital improvements, economic development, intergovernmental issues, and the allocation of fiscal resources among municipal units. Within Sitka's Comprehensive Plan are three different types of plans:

1. a General Land Use Plan
2. an Economic Development Plan, and
3. a Capital Improvement Plan

The Comprehensive Plan is intended to guide decision-making, however with the current land-use code, planning and development fees and plan review process needing to be updated, the plan isn't as closely adhered to as would be expected.

Assembly Visioning process and documents are also a useful tool for the assembly to communicate its desires, offer counsel to Senior Management and to better understand the constraints Senior Management are under. A review of these documents reflects and engaged relationship of open communication and ability to reach consensus on most important items.

While each of the individual plans is important, they cannot be as effective without a community-based Strategic Plan which includes input from wide input of community stakeholders, business and residences. Strategic Plans communicate the values of the

community, the desired services and service levels, and which is the basis for decision-making. All plans should be implemented under policies and values of the Strategic Plan.

**FINDINGS**

1. Non-Strategic functions. The department appears to be providing principally *short-range* planning services to support building, code and developer-related needs and performs less *long-range* planning. As nearly every department has their own Master Plans, this department could have a much larger leadership / participation role in (a) synthesizing department Master Plans, (b) updating the Land Use Code and (c) assisting in the facilitation of the Strategic Plan.

2. Land Use Code needs Revision. The Land Use Code is the enabling legal document for all development and building standards.

3. Retiring Planning Director. The Planning Department is facing the retirement of the Planning Director. How is the director replaced? Could the planning and zoning services be consolidated into another department? Much of the knowledge of what has happened in the Planning Department over the last 20+ years is only found with the Director so there will be a significant loss of institutional knowledge. This should be mitigated in the future with better documentation.

4. Documentation is paper based and stored on the lower level of City Hall. Most of the Planning documentation is either stored on the lower level of City Hall or in the current Director's head and not really anywhere else. Both are a cause for concern and could lead to issues for the City in the future. Getting these records in an organized digital archive will help this situation. There are several ways to accomplish this. One way is to tie it into the centralized document imaging system that has been implemented in other departments. The other is to tie it into the development services software proposed previously. This second option could provide an easier search mechanism as it could also be tied to GIS so any information about a project could be obtained with a few clicks of the mouse.

5. Planning application process. Sitka does not have a well-defined planning process. Planning application processes are largely a paper-based process and performed in an ad-hoc manner. Doors are always open for local residents to 'walk-in'. This process could be automated and more transparent.

6. GIS services are used in an ad-hoc manner; not used interdepartmentally. GIS function. Use and maintenance of GIS services and appears to be scattered throughout the organization and with an outside vendor. Discussion should be held to determine what the GIS needs are and who should be responsible for it. Consolidate the main responsibility into one department if possible.

**RECOMMENDATIONS**

1. Perform Job Audits, Skills Assessments & Employee Performance Evaluations of all departments. This includes the administration of a Job Survey, Skills Assessment and Performance Evaluation. Also consider hiring a Planner II to perform long-range planning and

2. Land Use Code revision. Hire a consultant or assign duties to Planner II to assist.

3. Conduct a Fee Study. Review Fees in comparison to other similar agencies within Alaska and the Northwest US.

4. Succession Plan & Consolidation. Develop a Succession Plan. Consider merge of Planning into a Development Services Department. Consider merging Planning into a Development Services Department. Create more of a one-stop shop for constituents developing in the community. A retiring Director provides an ideal opportunity to reevaluate the organization of the department. In the case of the Planning Department one approach would be to merge this small department with others such as the Building Division of Public Works and possibly others to create a Development Services Department which could serve as a one-stop shop for constituents looking to develop in the community. This would also provide an opportunity to reassess the duties of the staff in the new combined department and determine further efficiencies**.**

5. Documentation is paper based and stored on the lower level of City Hall. Implement electronic records going forward and work towards electronic records for all old records. Documents for all planning and zoning applications are only found on paper on the lower levels of City Hall. Must at least provide document imaging for this information so there is a backup copy of this valuable information. Document imaging will also allow quicker search capabilities for staff research.

6. Improve application planning process. Review software options to improve the Planning application process and consider creating an online planning application process. Streamlining paper based processes is an easy way to gain efficiency. The current planning application process is just such a process. Reviewing this process and implementing some automation software will make it easier for staff to track each case and having online tools available for the constituents will make it easier for them to see the status of their case.

7. GIS use. Determine overall organization GIS needs, possibly centralize GIS and provide more functional GIS tools for staff & constituents. GIS has been somewhat neglected by the organization. The Planning Department has been able to implement a basic GIS system with the help of Public Works staff to provide maintenance and a third party vendor to provide online services. This could be expanded in multiple directions and has been requested by departments such as the Building department who would like to

have access to information in the field when doing inspections. Emergency services and Utilities could also make use of a more robust GIS system.

**IMPACT / EXPECTED RESULT**

1. Job Audits & Evaluations. Will determine whether performance issues exist, to what degree employee performance issues can be improved with or without consolidation. ***Cost:*** *$1,500. 30 days.* ***Result:*** increased interdepartmental performance.

2. Land Use Code revision. ***Cost:*** $10,000, consultant + staff: ***Benefit:*** enabling legal authority to enforce land use plan & policy. Increased reliance on modern principles and practices; long-term continuity of land use decisions. ***Impact:*** ND

3. Fees have not been reviewed for 20+ years. Reviewing the Planning fees in comparison to other similar organizations could also bring additional revenue. Since fees have not been changed in over 20 years it is highly likely that fees could be increased without creating a huge impact on constituents developing in the community. Few residents like raised fees or taxes, but a regular review could find that certain fees are out of line and can be adjusted up or down. ***Cost:*** *$7,500* ***Benefit:*** Possible increase in revenue.

4. Succession Plan & Consolidation. ***Cost:*** *$0, internal* ***Benefit:*** Succession Plan.

5. Documentation is paper based and stored on the lower level of City Hall. ***Cost:*** *$7,000 to $10,000.* ***Benefit:*** rapid query capability, data protection / data recovery protection.

6. Improve application planning process. ***Cost:*** $10,000 + annual license fee. A tool for all Development Services processes could be implemented for around $10,000 plus an annual license fee. ***Benefit:*** More automated process can improve efficiencies for constituents and staff.

7. GIS integration. ***Cost:*** *$ 0, internal (may require additional licenses).* ***Benefit:*** Improved quality of GIS data with more tools available for staff to use

## STRATEGIC PLANNING

| OBSERVED FINDINGS | SOLUTIONS RECOMMENDED | IMPACT / EXPECTED RESULTS *(min. estimates ND=not determined)* |
|---|---|---|
| **Most of the CBS Departments have Master Plans & Comprehensive Plans, but they are not tied to a community-based Strategic Plan which identifies the values of the residents within the community, their desired levels and quality of services and their priorities.** | 1. Administer a Customer Service Survey.<br>2. Immediately Staff, train the Strategic Plan Committee.<br>3. Train Elected Officials and Management Staff.<br>4. Conduct citizen Focus Groups.<br>5. Conduct Stakeholder Workshops to develop vision and policies<br>6. Quantify the draft Strategic Plan elements.<br>7. Adopt and implement the Strategic Plan | **Cost:** $35,000 to $40,000 – 6 month process.<br>**Savings:** $ millions over 10 years (life of the plan)<br>**Benefit:** Unnecessary cost avoidance, efficient allocation of resources, service levels & quality which matter most to citizens; greater community cohesiveness, sustainability |

### BACKGROUND AND SERVICE LEVEL INFORMATION

Many local governments are starting to realize the critical importance of community-based Strategic Planning. Nevertheless, where such pertains to the absence of such a plan, Sitka is not alone. A recent ICMA State of the Profession survey reveals that less than two thirds of American communities claim to have a strategic plan. The survey also shows that smaller communities like Sitka are more likely not to have a plan. A little more than three quarters of those who have plans actually link them to their budget process. The shocking number, however, is that only approximately 30% of cities claiming to have strategic plans involve their citizens in the formation of that plan.

There is great power associated with asking citizens what they value most, before attempting to appropriate their resources to satisfy citizen expectations. Communities with strategic plans also tend to develop in a more positive manner than those municipalities who lacks such a plan. According to the International City and County Management Association (ICMA):

> *"Communities that take the time to educate their residents and then offer them the opportunity to participate in activities such as local strategic planning and financial decision making are undoubtedly more likely to experience greater success in these areas."* *~ Civic Engagement – An Outgrowth of Civic Awareness – ICMA)*

### OBSERVATIONS AND ANALYSIS

The City and Borough of Sitka (CBS) should be complimented for several plans and activities:

1. Assembly Vision activities in 2010 through 2013. These documents are a great start and resemble much of the same thoughts and ideas conveyed in a Strategic Planning process, however, these documents are only representative of what goals, priorities and expectations the Assembly and management staff have. They do not include widespread

community participation and input and are not as cohesive as a Strategic Plan would require.

2. Master Plans exist for various departments and are critical for the effective management of specific department activities. Master Plans such as the *Capital Improvement Plan (CIP), Sewer Master Plan, Stormwater Master Plan, Harbor System Master Plan, Road Master Plan, Solid Waste Plan, Municipal Water System Master Plan* are but a few of the plans developed and being used on a daily basis.

3. The Comprehensive Plan, completed in 2002 with help from the Assembly and staff with stakeholder assistance – while comprehensive – is not being fully utilized. This Plan was established to guide decision-making on land use decisions, capital improvements, economic development, intergovernmental issues, and the allocation of fiscal resources among municipal units. Within this Comprehensive Plan are three different types of plans:
    4. a General Land Use Plan
    5. an Economic Development Plan, and
    6. a Capital Improvement Plan

Unfortunately, Comprehensive Plans and Strategic Plans have different purposes. While each of the individual plans is important, they cannot be as effective without a community-based Strategic Plan which reflects the values of the community.

**FINDINGS**

- **CBS lacks a community-based Strategic Plan which identifies the values of the residents within the community, their desired levels and quality of services and their priorities and which ties together all other existing policies and plans.**

**Unclear Community Vision.** Consultant interviews with administration, staff, and community stakeholders reveal a diversity of cultures and priorities among the 8,800 people that call Sitka home. Local individuals reflect specific cultures which are manifest in various ways. Interviews with many stakeholders conveyed feelings of disenfranchisement and friction between their culture and the predominant population. Sitka's two radio stations - an AM station and an FM station – are claimed to represent two of the predominant ideologies. An interview with the indigenous Sitka Tribe revealed another. Competing ideologies and cultures are not unusual or uncommon in local government; however, they should be understood and put to good use.

While the Comprehensive Plan document and its elements are of good quality, they have not been utilized as effectively as a tool for community-based decision-making and annual budgeting. A Comprehensive Plan is an implementation mechanism of a Strategic Plan.

**RECOMMENDATIONS**

With such diverse perspectives, histories, and ideologies, and considering the significant demands placed on CBS resources it is critical that the differences among the various cultural

and stakeholder groups come together through a Community-based Strategic Planning exercise to chart a course forward.

Such an endeavor includes the collection, at a grassroots level, of feedback and data from which can be formed a community vision and priorities. A community-based strategic plan will provide CBS policymakers with the basis for budgetary decision-making. It will empower both the Assembly and staff to say no to opportunities that do not align themselves with community priorities and yes to those opportunities, which are aligned with what citizen's value most. Most importantly, the successful execution of a community-based strategic planning initiative will likely build bridges between cultures, histories, and ideologies as it focuses attention and resources on those needs that are the most critical to the community at large. Strategic Planning steps include:

**Phase I: Preliminary**

1. **Community Customer Service Survey**. Conduct a survey of all community stakeholders to ask them about what the CBS is doing right and where they need improvement in particular areas, including economic development, service delivery, leadership, and other areas. This feeds into the strategic plan process, but also begins promotion and engagement process. Promote through local news media, distribute through customer addresses or online for reduced costs.

2. **Strategic Plan Committee.** Complete the staffing of the Strategic Plan Committee. Identify key stakeholders from (a) survey responses, and (b) identification of key staff and stakeholders to chair the Committee.

**Phase II: Orientation & Training**

3. **Training of Strategic Plan Committee Training**. Provide facilitated, professional training for Strategic Plan Committee members.
4. **Training Sessions.** Consultant teaches Strategic Planning principles and techniques with Committee, for Management Staff, Assembly members and citizens. There would be a series of strategic planning work sessions where both strategies (the "what") and tactics (the "hows") are created.
5. **Focus Groups**. Hold a series of focus groups with stakeholders and local residents where you share with them the results of the survey. Create working groups to create a vision and values statements for the community and organization.

**Phase III: Strategic Planning**

6. **Stakeholder Workshop**. Committee conducts a workshop with consultant, Assembly members and Management Team to take the survey results, and focus group results (vision and values statements) and narrows down a focus on no more than 10 strategic issues for the next 5 years.
7. **Staff Vetting / Quantification.** Once the strategic plan is created it would be shared and vetted with staff. The plan will be quantified, prioritized in terms of time, resources and money.

**Phase IV: Strategic Plan Adoption**

8. **Approval & Adoption.** When completed, the Strategic Plan would be approved and adopted by the Assembly.
9. **Budget Planning.** When completed, the Strategic Plan should be a part of a priority-based FY 2016 budget process.

**Phase V: Implementation & Action Planning**

10. **Management Training**. Management staff receives training on Strategic Planning and Performance Management techniques and the creation of effective Action Plans. Management staff members learn how to measure Action Plan Progress, and motivate staff on reaching the objectives of the Strategic Plan.
11. **Staff Training.** Management would then train professional and front-line staff on the new strategic plan and how to become aligned with it and how to best implement it.

**Phase VI: Performance Measurement**

12. **Performance Measurement.** Management would monitor the performance of their staff and report to the governing body on its progress in dashboard format.
13. **Annual Review.** Every year the Strategic Plan would be reviewed in terms of any new data, challenges, etc.

**IMPACT / EXPECTED RESULTS**

**Cost:** $35,000 to $40,000 – 6 month process.
**Savings:** $ millions over 10 years (life of the plan)
**Benefit:** Plan completion by April 2015 – in time for budget planning, unnecessary cost avoidance, efficient allocation of resources, service levels & quality which matter most to citizens; greater community cohesiveness, sustainability

## PUBLIC SAFETY

### EMS

| OBSERVED FINDINGS | SOLUTIONS RECOMMENDED | IMPACT / EXPECTED RESULTS *(min. estimates ND=not determined)* |
|---|---|---|
| **1. No formal retirement / replacement plan for EMS units which tend to wear down at accelerated pace.** | Adopt a Fleet Management and Replacement Policy for all units. Implement designated apparatus replacement fund. | **Cost:** >$20,000 / annually<br>**Benefits:** Will mitigate future repair or emergency replacement costs and reduce risk to public. |
| **2. Equipment expensive to purchase and maintain; needs CIP** | Adopt an Equipment Capital Improvement Plan for equipment retirement and replacement. | **Cost:** $5,000 / annually<br>**Benefits:** Mitigates future repairs or emergency replacement costs; reduces risk & strain on GF budget. |
| **3. CBSEMS appears to comply with general operational policies** | Develop written Policies and Procedures for *Personal fitness, and Outside employment,* Legal review of policies | **Cost:** $0 - ND, can be completed by staff or vendor.<br>**Benefits:** Standard policies and procedures are necessary to support an efficient and effective professional department and to reduce liability. |
| **4. EMS relies on the use of volunteers to supplement full-time staff.** | Scheduling and deployment of staff resources should be analyzed annually for effective & efficient utilization. | **Cost:** No additional costs<br>**Benefits:** In order to minimize risk and ensure responsiveness to emergencies. |
| **5. Operates under the authority, direction and overview of a professional physician.** | Annually review the medical direction provider's licensure for complaints & disposition of complaints. | **Cost:** No additional costs<br>**Benefits:** Improved quality of care to patients. |
| **6. Retains a third party collection agency for accounts receivable and maintains that it cannot provide this function internally.** | - Annually explore a reduction in third party collection fees.<br>- Explore other contractual service options with State, Federal, Tribal or area industry. | **Cost:** No additional costs<br>**Benefits:** Potential to increase revenues for the General Fund. |
| **7. EMS is permitted to cross-train staff.** | EMS employees may cross train CBS PD employees, at no additional cost | **Cost:** No additional costs<br>**Benefits:** Improves employee skills, employee morale, services to residents, and citizen confidence in public safety services. |

## OBSERVATIONS AND ANALYSIS

### EMS APPARATUS & EQUIPMENT

The total Ambulance General Fund budget for FY 2014 was $310,071, which is approximately 1.2% of the Total General Fund budget. Total Salaries and Wages were $70,304 with additional Fringe Benefits of $58,772.

CBSEMS is comprised of a fleet of three (3) box-type ambulances. A new unit was received recently, leaving two other units which are five (5) and seven (7) years old, respectively. Based on reported call volume of approximately 1,000 responses annually, the units tend to wear down at an accelerated pace. The cost of replacement can vary between $60,000 to more than $100,000. Without a formal retirement/rotation plan, the EMS service delivery could be significantly impacted if one of these units becomes inoperable.

CBSEMS equipment is specialized and expensive to purchase and maintain, as well as having the useful life of much of this equipment reduced due to extensive and nearly continual use, based on the reported average of 1,000 EMS responses per year. Cost vary, but can be included in an equipment needs analysis to determine priority need.

**EMS STAFFING**

CBSEMS utilizes and depends upon the skills and abilities of many volunteers, in supplement to the full-time staff. This is a great advantage for CBS and is exemplary of residents drawing together and using their combined strengths in safeguarding the community. Staffing and scheduling should be reviewed to ensure adequate coverage and service level maximization.

**EMS POLICY DEVELOPMENT**

CBSEMS reports to be in compliance with general operational policies.

**EMS MEDICAL DIRECTION**

As required, the CBSEMS operates under the authority, direction and overview of a professional physician. CBSEMS receives medical direction from a physician in Sitka. This can be of great convenience as most transportable injuries will be seen in a Sitka facility in which the physician maintains privilege. Additional benefit may be received by the patient, as the physician may be familiar with, or even may have previously treated the patient, if familiar to Sitka.

**EMS REVENUE ENHANCEMENT**

CBSEMS retains a third party collection agency, which is reported to deliver +/- 95% of all accounts receivable. The fee for the third party collection agency is seven percent (7%). Based upon additional discussions with CBS administrative and technology upgrades, it is not anticipated that such a collections service could be provided internally. CBS would be well served to review collection fees to establish a baseline of collection expectations. This may allow future baseline expectations and performance from the vendor.

**EMS CROSS TRAINING**

Cross-training among emergency service providers enables better performance individually and collectively which, in turn, increases public confidence and support. In a small and isolated area as Sitka, it is of tremendous benefit for all emergency services to work in unison. Additionally, the financial benefits can be measured over time in areas of overtime, on-scene time, and transportation time and improves interagency communications with dispatch and each other.

**FINDINGS**

1. Fleet. Older EMS apparatus need to be refurbished or rotated out of the fleet. Department needs to adopt a fleet Management & Replacement Policy (MRP) and Equipment Capital Improvement Plan (EQUIP).

2. Staffing. Conducting an analysis of volunteer availability and scheduling will identify areas of improvement in to supplement full-time staff.

3. Policies Compliance & Reporting. CBSEMS appears to be in compliance with general operational policies, however some expected policies and procedures are absent and needed. Legal review of all policies is recommended.

4. Medical Direction review. A minimum of annually reviewing medical direction provider for licensure complaints, staff concerns and general coordination needs to be established.

5. Revenue collection review. Semi-annually review vendor collection rates and fees to establish a baseline of vendor performance expectations.

6. Cross training. The FD & EMS is permitted (and should continue) to cross-train PD staff.

**RECOMMENDATIONS**

1. EMS Apparatus & Equipment.

    a. Adopt a Fleet Management and Replacement Policy for all EMS units, to mitigate future repair or emergency replacement costs. Conservative estimates project the need to establish a designated apparatus replacement fund of at least $20,000 annually.

    b. Adopt an Equipment Capital Improvement Plan (EQUIP) to identify and plan for equipment retirement and replacement for all EMS equipment, to mitigate future repair or emergency replacement costs. Conservative estimates project the need to establish a designated CIP of at least $5,000 annually.

2. EMS Staffing. Based on the reported number of EMS calls for service annually (+/- 1,000) the scheduling and deployment of staff resources should be analyzed to determine the most effective and efficient utilization. The results of the analysis may recommend additional full-time employees, but it may also show areas of improvement in scheduling and deployment of volunteers to improve supplement to full-time staff.

3. Policy development. It is recommended that EMS develop written policies and procedures for the following areas: Personal fitness, Outside employment, Legal review of policies

4. EMS Medical Direction. CBSEMS should annually review the medical direction provider's licensure for complaints and/or disposition of complaints.

5. EMS Revenue Enhancement. CBSEMS should annually explore a reduction in third party collection fees. CBS EMS should explore additional contractual service options with State, Federal, Tribal or area industry.

6. EMS Cross Training. CBS EMS employees may cross train CBSPD employees, at no additional cost, in the following areas:
   - Apparatus orientation for equipment location, nomenclature and purpose to assist in efficient and effective on-scene treatment.
   - Vehicle operation, emergency driving and communications with medical direction can improve lifesaving abilities and timeliness in transportation of patients.
   - Proper patient lifting techniques can minimize employee injury from patient handling.
   - EMS staff can provide basic first aid training and refresher training.

**IMPACT / EXPECTED RESULTS**

The recommendations surrounding Fire and EMS services will result in overall service improvements, higher employee morale, and more effective budgeting for high-cost fire and EMS equipment and apparatus that are necessary to ensure the safety of fire and EMS staff. In addition, the department should look for opportunities to reduce the cost of third-party collections for EMS transport services by identifying alternative providers of this service.

1. Fleet Set-aside and Policy Revision:
   **Annual set-aside repair fund** - *Cost*: $20,000 annually. *Benefits*: Mitigates future repairs and emergency replacement costs; reduces risk to public.
   **Equipment Capital Improvement Plan (EQUIP**): *Cost*: >$5,000 annually. *Benefits*: Mitigates repairs and replacement for all EMS equipment; reduces risk to firefighters.
   **Fleet Management & Replacement Policy**: *Cost:* $0.

2. EMS Staffing deployment review. *Cost:* $0. *Benefits*: Mitigates risk; ensure after-hour responsiveness.

3. Policy development. *Cost*: $0 *Benefits*: Standard policies and procedures are necessary to support an efficient and effective department.

4. EMS Medical Direction. *Cost:* $0 *Benefits*: Annually review medical director's license for complaints, staff concerns and general coordination.

5. EMS Revenue Enhancement. *Cost*: ND *Benefits*: Reviewing vendor collection rates and fees may determine improve in EMS revenues.

6. EMS Cross Training: *Cost*: $0. *Benefits*: Improved employee moral; improved service; citizen confidence.

## FIRE

| OBSERVED FINDINGS | SOLUTIONS RECOMMENDED | IMPACT / EXPECTED RESULTS *(min. estimates ND=not determined)* |
|---|---|---|
| **1. Compliance with operational policies is good, but expected operational policies are missing.** | Develop written Policies and Procedures for: *Personal fitness, Outside employment & Ride-along (w/waiver)*<br>Legal review of policies is recommended. | **Cost: ND,** can be done internally<br>**Benefits:** Standard policies and procedures are necessary to support an efficient and effective department. |
| **2. Cross-training PD staff is recommended.** | CBSFD may cross train CBSPD, at no additional cost. | **Cost: $0**<br>**Benefits:** Improved interoperability, employee morale, improved service delivery and citizen confidence. |
| **3. Old apparatus in fleet should be rotated out or refurbished; Annual 'set-aside' needed.** | Adopt a Fleet Management & Replacement Policy (MRP).<br>Adopt an Equipment Capital Improvement Plan (EQUIP). | **Cost:** Minimum of $15,000 / year.<br>**Benefits:** Will mitigate future repair or emergency replacement costs. |
| **4. Effective use of volunteer staff to supplement paid staff; Fire station night shift understaffed.** | Review staffing & scheduling methodology annually to ensure deployment & staffing methods remain effective.<br>Add volunteer staff to firehouse night shift. | **Cost: ND**. Can be completed internally with assistance from HR & Finance.<br>**Benefits:** Minimize risk; ensure after-hour responsiveness. |
| **5. New Public Safety Facility needs coordinated leadership.** | Form a Regional Public Safety Committee to aid in the preliminary design and funding of multi-agency, multi-use facility. | **Cost: ND.** Should be designed by committee: Fire, EMS, Police, State, other stakeholders<br>**Benefits:** Reduced long term costs, greater interoperability & cooperation. |

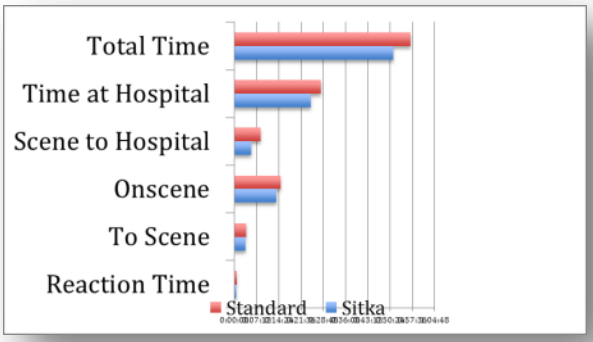
**BACKGROUND AND SERVICE LEVEL INFORMATION**

In FY 2014, the Fire Protection budget was $1,696,074.43, which is approximately 6.3% of the Total General Fund budget. There are 9.5 FTEs with a total salary and wage expense of $710,740 and another $414,587 for Fringe Benefits. The total compensation of $1,125,327 represents approximately 66% of the total Fire Protection Departmental budget, which is an average cost per employee of $118,455.47. In addition to full-time staff there are 25 volunteer firefighters. The department covers a large geographic area of 2,900 square miles and is domiciled in one central station.

The significant difference between CBS and the other Alaskan community's examined is that CBS relies on a mostly volunteer fire department. With 9.5 full time equivalents and 80 volunteers, the department has a considerable amount of community support, and perceived performance and community trust is high. Of the 80 volunteers, there are 45 emergency medical technicians (EMTs), 25 firefighters, 2 paramedics, 3 EMT III's and 4 EMT IV's.

**OBSERVATIONS AND ANALYSIS**

Our team's observations, interviews with Fire staff, and analysis of performance data reveal a department that generally well operated and performing well within industry parameters. While the department does not appear to regularly benchmark against National Fire Protection Association standards (NFPA), output measures that are tracked appear very appropriate and even impressive as we compare such against measures Municipal Solutions generally expects to find. We offer the following chart comparing Sitka performance against standard performance expectations or measures based on our experience and observations:




It must be kept in mind that ISO states that there are no national standards that relate fire department timeliness. ISO ratings are primarily based on the appropriation of resources and travel distances rather than pure timeliness. Meanwhile, the NFPA standards prescribe methodologies based on percentiles of achieving certain timeliness measures. For example, NFPA 1221 calls for dispatching to be accomplished within 60 seconds 95% of the time. Meanwhile, NFPA 1710 prescribes a standard of 60-second turnout time for at least 90% of calls. This standard also calls for 4 minutes or less engine travel time to 90% of the incidents; 8 minutes or less for first alarm assignments (deployment) to 90% of incidents; 4 minutes or less to 90% of EMS incidents; and 8 minutes or less for ALS unit travel time to EMS incidents 90% of the time.

We nevertheless find no fault with the methods used by the Sitka Fire Department with regard to measuring response performance. In fact, as stated, Sitka's timeliness measures exceed those we generally expect to find within comparable fire agencies.

**FIRE POLICY DEVELOPMENT**

CBSFD reports to be in compliance with general operational policies.

**FIRE APPARATUS & EQUIPMENT**

Our review of fire operations further revealed that the current average age of Fire apparatus and service vehicles is over 20 years. CBSFD is comprised of a fleet of three (3) primary fire response vehicles. CBS maintains two (2) structural-rated fire trucks which are 20 and 21 years old, respectively. A 75' aerial ladder truck was engaged approximately two years ago.

Based on reported call volume of approximately 200 responses annually, there does not appear to be a pressing need to retire these vehicles, at this time, but it is important to remember that the age of the fleet increases the cost of ongoing maintenance and increases the risk that any particular piece of apparatus will be unable to function at any critical moment. Cost of repairs, maintenance and replacement on one item alone can easily and quickly exceed $100,000. Without a formal retirement/rotation plan, the FD's service delivery could be significantly impacted if one of these units becomes inoperable. Water supplies appear adequate for the city size.

Firefighting equipment is specialized and expensive to purchase and maintain. Based on the reported average of 200 responses per year, regular inspection and replacement of equipment, both apparatus and personal protective equipment should be in place.

**FIRE STAFFING**

It was reported one individual staffs the fire station overnight – which is insufficient. Staffing redundancy is necessary in order to minimize risk and ensure responsiveness to emergencies.

Staffing levels appear to be appropriate and even healthy given the size of this agency. CBSFD utilizes and depends upon the skills and abilities of 80 volunteers, to supplement the use of 9.5 full-time staff. This is a great advantage for CBS and is exemplary of residents drawing together and using their combined strengths in safeguarding the community. Based on the reported number of FD calls for service annually (200) the scheduling and deployment of staff resources should be analyzed to determine the most effective and efficient utilization. Staffing and scheduling should be reviewed annually to ensure adequate coverage and service level maximization. Such analysis will adjust staffing and improve scheduling and deployment of resources and volunteers to better supplement full-time staff.

**FIRE CROSS TRAINING**

Cross-training among emergency service providers enables better performance individually and collectively which, in turn, increases public confidence and support. In a small and isolated area as Sitka, it is of tremendous benefit for all emergency services to work in unison.

Additionally, the financial benefits can be measured over time in areas of overtime, on-scene time, and transportation time and improves interagency communications with dispatch and each other.

**PUBLIC SAFETY FACILITY**

EMS and Fire staff have discussed the need for, and potential funding and construction of, a new joint-use facility.

- The current estimated cost for such a facility varies between $25,000,000 to $50,000,000 dependent on agency involvement and use. The size and location of the facility is also dependent upon the project partners, land availability and cost. These issues will be negotiated as partnerships and cost-sharing mechanisms are identified.

- Potential project partners may include, but are not limited to City and Borough Police, Fire and EMS; Superior Court; Tribal Courts; Prosecution agencies; Citizen advocacy and Social services; Historical groups; State and Federal agencies and any other suitable and funding available partners should be pursued.

**FINDINGS**

1. Policies Compliance & Reporting. CBSFD reports appear to be in compliance with general operational policies, however some expected policies and procedures are absent and needed. Legal review of all policies is recommended.

2. Cross training. The FD & EMS is permitted (and should continue) to cross-train PD staff.

3. Fleet. Older Fire and EMS apparatus need to be refurbished or rotated out of the fleet. Department needs to adopt a fleet Management & Replacement Policy (MRP) and Equipment Capital Improvement Plan (EQUIP).

4. Staffing. Effectively use volunteers to supplement full-time staff. Add an additional volunteer to the overnight shift at the Fire Station.

5. Public Safety Facility. A joint-use facility is recommended to save costs and increase interoperability. The project appears to need leadership, cohesive planning and cooperative decision-making. A third party facilitator may be needed.

**RECOMMENDATIONS**

1. Policy Compliance & Reporting. It is recommended that CBSFD develop written policies and procedures for the following areas: Personal fitness, outside employment and ride-along (w/waiver). Legal review of policies is recommended.

2. Training / Cross Training. CBSFD may cross train CBSPD, at no additional cost, in the following areas:
   - Apparatus orientation for equipment location, nomenclature and purpose to assist in efficient and effective "knock-down" of a fire.
   - Vehicle operation, emergency driving and emergency communications with dispatch can improve life and property preservation in a fire response.
   - First responder on scene response safety, such as utility locating and shut-off, evacuation and rescue.
   - SCBA (air pack) operation, handling, safety and refilling.
   - Hydrant connection training.
   - Fire cause recognition (arson investigation).
   - Basic fire ground safety and security.

3. Fleet set-aside and Policy Revision.
   a. CBSFD should adopt a **Fleet Management & Replacement Policy** for all FD units, to mitigate future repair or emergency replacement costs. Conservative

estimates project the need to establish a designated apparatus replacement fund of at least $10,000 annually.

b. CBSFD should also adopt an **Equipment Capital Improvement Plan** to identify and plan for equipment retirement and replacement for all fire and PPE, to mitigate future repair or emergency replacement costs. Conservative estimates project the need to establish a designated CIP of at least $5,000 annually.

4. Staffing. CBS should immediately act to ensure that at least two individuals are staffed overnight at the fire station. CBS should also more closely examine scheduling and deployment of staff resources to determine the most effective and efficient utilization.

5. Public Safety Facility. A joint-use facility is recommended to save costs and increase interoperability. Form a Regional Public Safety Committee to aid in the preliminary design and funding of joint-use facility.

**IMPACT / EXPECTED RESULTS**

1. Policies. *Cost*s: $0. Can be done internally. *Benefits*: Standard policies and procedures are necessary to support an efficient and effective department.

2. Cross Training: *Cost*: $0. *Benefits*: Improved employee moral; improved service; citizen confidence.

3. Fleet Set-aside and Policy Revision: **Annual set-aside repair fund** - *Cost*: $15,000. **Fleet Management & Replacement Policy**: Cost: ND. *Benefits*: Mitigates future repairs and emergency replacement costs; reduce risk to public; policy & procedure to assist mitigating costs.

4. Staffing deployment. *Cost: $0*. Can be done with assistance from HR & Finance Departments. *Benefits***:** Minimize risk; ensure after-hour responsiveness.

5. Multi-use, multi-agency Facility. *Cost*: $25M-$50M. Should be a partnership driven project: Fire, EMS, Police, State, other stakeholders. *Benefits*: Reduced costs, greater interoperability & cooperation.

## POLICE

| OBSERVED FINDINGS | SOLUTIONS RECOMMENDED | IMPACT / EXPECTED RESULTS *(min. estimates ND=not determined)* |
|---|---|---|
| **1. Aging facilities expect to experience increased maintenance costs;** | Upgrade HVAC and electrical systems.<br>Construct a multi-agency public safety/judicial facility | **Costs:** vary between $25,000,000 and $40,000,000. **Benefits:** "one stop", multi-agency public safety facility could house Police, Fire, EMS, Courts, Prosecutors, Advocacy services. |
| **2. A Fleet Management & Replacement Policy is needed** | Draft, adopt Fleet Management & Replacement Policy. | **Cost:** minimum of $10,000 annually. **Benefits:** Manages & mitigates future repairs & emergency costs. |
| **3. Certified police staffing appears adequate, dept. may be a "training ground" for officers causing high turnover.** | Consider other subsidies & benefits to retain Officers. | **Cost:** Subsidies: Not Determined<br>**Benefits:** Increased employee retention, improved community affinity, improved officer skills and abilities, reduced academy training costs, reduced overtime for staff time off and training. |
| **4. Department appears compliant with operational policies.** | None. | **Cost**: $0 **Benefits:** Standard policies and procedures support an efficient and effective professional department and to reduce liability. |
| **5. Police cross-training is recommended.** | Cross train CBSFD and EMS in multiple areas. | **Cost:** No additional cost. **Benefits:** Improved crime scene investigation, traffic control, conflict resolution, vehicle and facility security, and personal security. |
| **6. Prisoner incarceration is costly and deterioration of the jail poses potential for various security risks.** | a. Alternate work release programs with Courts.<br>b. Annually review State reimbursement rates, process, procedure<br>c. Explore potential savings by using prisoners for minor janitorial or landscaping<br>d. Explore video/audio conferencing court attendance options.<br>e. Consider reducing prisoner visitation schedule or increase jail staffing. | **Cost: ND. Benefits: Multiple**<br>a. Reduce # of prisoners held, savings in cost of prisoner transport, meals, personal health needs and other liability expenses.<br>b. Timely reimbursement improves operations by accurate posting available funds for projects and other issues.<br>c. Although available on a case-by-case basis, prisoners can perform basic duties in the place of vendors or contractors, allowing for budget savings.<br>d. Minimized liability, safety and security of physically transporting prisoners to local or distant hearings.<br>e. Limiting visitation to no more than once per day, or a few times per week will reduce potential escape or physical resistance concerns and will allow staff to focus on priority jail issues.<br>f. |

| | | |
|---|---|---|
| **7. Dispatch and jail staffing levels are insufficient for continued and effective 24/7 coverage**. | Improve full coverage and efficiency of dispatch and jail operations by adding staff.<br>○ Jail: Two (2) full-time jail officers;<br>○ Dispatch. Two (2) part-time dispatchers. | **Cost:** Jail Officers x two (2)-$105,000 *(total costs)*. Part-time Dispatchers x Two (2) - $40,500 *(payroll cost only)*.<br>**Benefits:** Improved performance and employee morale; Enhanced security and liability protection. |

## BACKGROUND AND SERVICE LEVEL INFORMATION

The total Police Department Operating budget was $4,287,727, which accounts for approximately 16% of the Total General Fund budget. In FY 2014 there were a total of 32.5 FTEs. The total salary and wage expense was $1,998,203 with an additional $1,469,197 in fringe Benefits. The total salary and benefits of $3,487,400 represent 81.3% of the total Departmental budget.

The Police Department provides multiple services including patrol, jail, dispatch, and animal control services. When compared with other similarly sized communities, the combined public safety budget of $4,287,727 is significantly less than Ketchikan and Wasilla, with a budget of $5,385,656 and $7,137,034 respectively. It is Municipal Solutions experience that most communities of similar size to Sitka expend over 40% of their budget on emergency services. As such, it can be argued that CBS emergency services are in need of increased funding, primarily to supplement jail and dispatch staffing and services.

| Police Benchmarking Information | Ketchikan | Sitka | Wasilla |
|---|---|---|---|
| **Population** | **8,250** | **9,046** | **8,456** |
| *Dept. Budget as a Percent of Total Operating Budget* | **30.13%** | **16.02%** | **42.05%** |
| *Department Budget Per Capita* | **$652.81** | **$473.99** | **$844.02** |
| **Total Department Op. Budget** | $5,385,656 | $4,287,727 | $7,137,034 |
| **Total Salaries and Benefits** | $2,460,732 | $3,487,400 | $6,067,937 |
| *Salary as % of Op. Budget* | 45.69% | 81.33% | 85.02% |
| *Average Total Cost per Employee* | $67,788.76 | $107,304.62 | $112,369.20 |
| **Total Public Safety Personnel** | 36.3 | 32.5 | 54 |

## FINDINGS

### FACILITY

The current police department has outdated HVAC, electrical, and IT infrastructure. The current electric service must be upgraded to meet future needs. IT racks are not in a secure location due to the way the building was subdivided to meet the initial needs of the Police Department when they moved in. One location is in a hall closet that is not presently monitored by video surveillance equipment. The facility also houses the jail and dispatch, which will be addressed in sections to follow. As the Fire and Police facilities continue to age, maintenance costs are expected to continue to increase.

**POLICE VEHICLES**
CBS should be complemented for its list of assets and depreciation schedule for all vehicles. Consultants were unable to identify a specific Fleet Management & Replacement Policy.

**STAFFING**
Currently, it appears that the number of certified police staffing is adequate, however, CBSPD is reportedly perceived to be a "training ground", or "stepping stone" for new hires to gain experience and then leave for other areas. This is not unusual in a small area, particularly one so geographically isolated as Sitka. However, salaries compared with living costs may show disparity between the actual salary and the actual living expenses. Staffing the Jail appears *inadequate*. See comments below.

**POLICY DEVELOPMENT**
CBSPD reports to be in compliance with general operational policies.

**CROSS TRAINING**
In a small and isolated area as Sitka, it is of tremendous benefit for all emergency services to work in unison. Consultants were surprised that more frequent interagency coordination, planning and training don't take place. Cross-training among emergency service providers enables better performance individually and collectively which, in turn, increases public confidence and support. Additionally, the financial benefits can be measured over time in areas of overtime, on-scene time and transportation time and improves interagency communications with dispatch and each other.

**JAIL**
The current detention facility is over 40 years old and is reported to be a continual maintenance and repair expense drain. It is reported the jail operations costs approximately $650,000 per year, with reimbursement from the State. It was determined the State was delinquent on reimbursement for some time, but has once again become current. There is a potential the facility could fail to comply with many current detention facility standards, and increased liability exposures may become significant if this continues.

- Open Air Prisoner Transport. One area of significant concern is the "open air" prisoner delivery to the jail. Most facilities provide a secure, gated or otherwise enclosed area for prisoner arrival. However, there is no such ingress security in place at this facility. The potential for security risk is enhanced until this issue is resolved.

- Staffing levels not addressing use of facility. The jail was initiated as a '*short term* incarceration facility' but occasionally is required to hold a prisoner for a longer time. The jail is designed to hold up to 12 prisoners per day, but the average is reported to be five (5) prisoners per day, with each staying approximately 5.5 days. This is an average, however. If there is only one (1) prisoner in the jail each day, the staffing needs do not decrease since 24/7 monitoring is required. Jail staffing levels cannot be compared to staffing levels in other emergency service departments since sufficient staff levels must

be maintained whether there are one or twelve prisoners being held. The jail staff is composed of five (5) jail officers and one (1) supervisor. This staffing level does not meet industry standards.

- Staffing for Visitations. The jail publishes a visitation schedule that offers visitation up to three times (3X) each day. The staffing needed to adequately provide security for this generous visitation schedule is insufficient.

Jail video monitoring is sufficient for cells and common areas, but is reported to be in need of upgrade and increased coverage. The jail staff monitors the video and is provided contingency assistance from the dispatcher on duty.

**DISPATCH**

Database and records security appears to be adequate and the transition of paper records to digital imaging / electronic records is ongoing.

Consultants observed that police dispatch staffing levels are *insufficient* for 24/7 service provision. Dispatch staff are comprised of five (5) dispatchers and one (1) supervisor – but because currently provides communication services to several CBS departments and community organizations, and must multitask continually throughout their shift, including monitoring video surveillance of the jail. As a result, the potential for a loss of active surveillance is high. This risk can be decreased with the addition of jail and/or dispatch staff – details described further in the Staffing section of this report.

The dispatch technology is antiquated for current industry standards and needs to be upgraded. It is reported that CBSPD is exploring the potential for implementation of a mobile data terminal operation in police vehicles which can reduce multitasking demands of the Dispatcher.

**RECOMMENDATIONS**

1. **Facility.**
    - The HVAC System also needs to be replaced.
    - Electrical system needs to be upgraded.
    - Construct a multi-agency public safety / judicial servicing facility to serve Police, Fire, EMS, Superior Court, Tribal Courts, Prosecutors, Advocacy services and any additional partners should be pursued. The public advantage would be to provide a "one stop" servicing facility. Coordination between all public safety and public enforcement / advocacy agencies could be improved and the gaps in service, communication, and timely citizen issue resolution would be minimized. Prisoner air transportation to Juneau, which is reported to occur more than 15 times each year, could be significantly reduced. Combining the courts in close proximity to the jail will enhance prisoner, officer, staff and public safety as open air prisoner transport could be eliminated. Additionally, the efficiency and time-savings involved in court and jail processes could be significantly enhanced.

2. **Vehicles.**
   Adopt a fleet management and replacement policy for all PD vehicles to mitigate future repair or emergency replacement costs. Establish a designated vehicle replacement fund of at least $10,000 annually.

3. **Staffing.** Decrease the responsibilities of the Dispatchers by adding additional staff. A choice of two options is recommended:
   - Jail: Consider the addition of at least two (2) additional Jail officers to provide better support for safety and security, as well as officer training, staff time off and sufficient 24/7 prisoner contact and monitoring.
   - Dispatch. Consider the addition of two (2) additional part-time personnel for better security and safety.
   - Other subsidies and benefits. Explore additional subsidies and benefits to retain police officers including: *housing fees, medical costs subsidy, personal property storage and handling fees and meal subsidization as potential areas to decrease expenses.*

4. **Policy Development.** None

5. **Cross Training.** Cross train CBSFD and EMS in the following areas:
   - *Crime scene preservation, evidence preservation and collection, traffic control, diffusing conflict, crowd control, apparatus and fire station security, firefighter personal security.*

6. **Jail.**
   - Alternate work release programs. Explore and coordinate alternative work release programs with the courts, in order to reduce the number of prisoners being held inside the facility. This analysis may indicate significant savings in the cost of prisoner transportation, meals, personal health needs and other liability expenses for incarcerated persons.
   - State reimbursement rates. Annually review the State reimbursement rates, process and procedure in order to maximize the resources available and assure the reimbursements are complete.
   - Work Crews. Explore the potential expense savings by using prisoners for minor janitorial or landscaping functions performed by other paid providers.
   - Court Attendance by Video. Explore alternative court attendance options such as secure jail to court video/audio conferencing, thereby minimizing the liability, safety and security of physically transporting prisoners to local or distant hearings.
   - Visiting hours vs. staffing levels. Consider a less generous prisoner visitation schedule or increase jail staffing.

7. **Dispatch.**
   - Staffing levels. Staffing appears *inadequate*. Consider the addition of two (2) additional part-time personnel.

- Technology. Continue digitization / document imaging of records and development of electronic files. Work with IT to assure proper retention and back-up of data, case files, report and evidence.
- Cost-sharing. Explore contractual service opportunities with other emergency service agencies to enhance revenues for Dispatch.

**IMPACT / EXPECTED RESULTS**

1. **Facility.** *Costs:* vary between $25,000,000 and $40,000,000. Cost could be offset through pro-rated cost-share partnerships with other local, state agencies, grant funding and the Federal Forfeiture Fund to pay down the debt of a multi-agency facility. *Benefits*: A "one stop", multi-agency public safety servicing facility could:
   - *Improve services, communication, and provide timely citizen issue resolution,*
   - *Significantly reduce prisoner air transportation expense and risk to Juneau,*
   - *Enhance prisoner, officer, staff & public safety during prisoner transports to court,*
   - *Eliminate the need for open air prisoner transport, and*
   - *Enhance the efficiency and time-savings of court and jail processes.*
2. **Vehicles.** *Cost*: minimum of $10,000 annually. *Benefits*: Manages future repair needs and mitigates impact of emergency replacement costs.
3. **Staffing.** *Cost:* **Jail**: Two (2) Jail officers - $105,000. **Dispatch**. Two (2) part-time dispatchers - $40,500 *(payroll cost only)*. *Benefits*: Increased employee safety and security, reduced risk, officer training, reduced overtime / staff time off and sufficient 24/7 prisoner contact and monitoring.
4. **Cross Training.** *Cost:* No additional cost. *Benefits*: Improved crime scene investigation, traffic control, conflict resolution, vehicle and facility security, and personal security.
5. **Jail**. *Cost*. **ND**. *Benefits*. Reduction in cost could be eliminated if the services were provided all under the same roof.
6. **Dispatch.** *Cost:* No additional cost. *Benefits.* Possible enhancement / offset of revenues.

## PUBLIC WORKS

### BUILDING MAINTENANCE

| OBSERVED FINDINGS | SOLUTIONS RECOMMENDED | IMPACT / EXPECTED RESULTS *(min. estimates ND=not determined)* |
|---|---|---|
| **1. Fees have not been comprehensively reviewed for 20+ years** | Conduct Fee Study benchmarking Plan Review fees of similar agencies, formalizing review process & updating policies. | **Cost: $8,500 to $10,000** **Results:** Collection of revenue based on direct review costs & staff time. |
| **2. Services could be tied in with other development services.** | Consider merging Building Department into a Development Services Department w/ Planning | **Cost: ND, internal** **Benefits:** Create more of a one stop shop for constituents developing in the community. |
| **3. Documentation is largely paper based and stored in City Hall** | Implement electronic records going forward and work towards electronic records for all old records. | **Cost: $7,000 to $8,000** **Benefits:** Records are more protected in case of disaster and easier to search for staff. |
| **4. Permit process is mostly paper based** | Review software options to improve the permit application and inspection process<br><br>Complete digital imaging process. | **Cost: ND. Solutions exist for $25,000 to $30,000 range** **Benefits:** Automation improves efficiencies for staff &customers; imaging provides query-able data, reduces risk of catastrophic loss. |
| **5. Would like tablets, GIS information in the field** | Purchase tablets, install mobile version of permitting software, ensure network / remote access & GPS capability. | **Cost: $600 to $1,500.** **Benefits:** Automated inspection process provided real-time, punctual and efficient inspections. |

**BACKGROUND AND SERVICE LEVEL INFORMATION**

The Building Division of Public Works is staffed by 2 full time employees and is responsible for all building inspection services as well as the Fire Marshal inspection responsibilities. The division provided almost 700 inspections and over 200 plan reviews in 2013. The total Public Works Building Official expense for FY 2014 was $236,178, which represents approximately 0.9% of the Total General Fund budget. The total salaries and wage expense was $121,661 with an additional $82,568 in Fringe Benefits. The Total Salary and Benefit expense of $204,229 is approximately 86% of the total Public Works Building Official budget.

**OBERVATIONS AND ANALYSIS**

Work within the department appears very responsive to the inspection needs of the Community. Unfortunately, consultants discovered that the City is accommodating builders in a manner which is neither efficient nor effective. Consultants identified:

- no formally documented plan review / building inspection process which can be handed to a customer and reviewed offsite as part of a customer's preparation for a possible development or site improvement,
- no current way to measure / recover the cost of staff time performing plan-review and inspections,
- no scheduled hours for inquiries, rather an open-door policy among planners, building officials and utility department representatives accommodates local inquiries for building process-related information.

Each of these items is necessary to require development to 'pay for itself' and doesn't create a practice of government subsidizing development at the expense of other General Fund services.

**FINDINGS**

1. ***Permit Fees*** - Permit fees haven't changed since 1997. There is also no same day inspection fee and permits are open indefinitely without penalty. Fees should be reviewed. If an increase is warranted possibly increase over time to limit the immediate impact on the public. Permit fees currently cover about 60% of the division's expenses.

2. ***Staffing*** - The current staffing appears to be adequate for the tasks, however greater efficiency and customer service might be achieved my moving / consolidating the Division under a Development Services Department. With the culture and unwritten policy of providing 'personal attention' to customers, a one-stop shop could be very useful and should be considered.

3. ***Documentation*** – Although the department manages new permits electronically, the process is still paper-based. As is consistent with many departments, there are also several files of paper copies of information containing historic data on permits which need to be appropriately archived – and if possible – made available online for public inspection. Department staff has begun to scan inspections, however Funds for staffing and software to complete document imaging is recommended, but has not been formally requested by the department.

4. ***Permit Software*** - Staff is interested in using tablets in the field to reduce workload and be more efficient. Adequate online software is needed in order to accommodate this service. A software process will also improve on the Excel based tracking system in place now as well as provide better permit and inspection tracking capabilities to citizens and contractors. GIS would be needed for this type of system. Cloud based services are available for this type of service.

**RECOMMENDATIONS**

1. Conduct Fee Study benchmarking Plan Review fees of similar agencies, formalize internal review process & policy review. Reviewing the Building permit fees in comparison to other similar organizations could also bring additional revenue. Since fees have not been changed in over 20-years it is highly likely that fees could be

increased without creating a huge impact on members of the development community. A regular review of building fees will assure Sitka is competitive and adjusted over time.

2. Consider merge / consolidation of Building Department into a Development Services Department w/ Planning. Create one-stop-shop.

3. Implement electronic records process and digital archiving for old records. Most of the Building documentation is stored in City Hall. This is a cause for concern and could lead to issues for CBS in the future. Getting these records in an organized digital archive will help this situation. There are several ways to accomplish this. One way is to tie it into centralized document imaging system that has been implemented in other departments, or be included in the document imaging process into the development services software proposed previously. Tying into the existing system would provide easier query functionality and would be tied to GIS so any information about a project could be obtained with a few clicks of the mouse.

4. Review software options to improve the permit application and inspection process and complete the digital imaging. Streamlining paper based processes is an easy way to gain efficiency. The current planning application process is just such a process. Reviewing this process and implementing some automation software will make it easier for staff to track each case and having online tools available for the constituents will make it easier for them to see the status of their case.

5. Mobility. Purchase tablets, install mobile version of permitting software, ensure network / remote access & GPS capability.

**IMPACT / EXPECTED RESULTS**

1. Fee Study. *Cost:* $8,500 to $10,000. *Results:* Collection of revenue based on direct review costs & staff time.

2. Consolidation. *Cost:* ND, internal. *Benefits:* Create more of a one stop shop for constituents developing in the community.

3. Electronic Records. *Cost:* $7,000 to $8,000. *Benefits*: Records are more protected in case of disaster and easier to search for staff.

4. Software options. *Cost:* ND. Solutions range between $25,000 and $30,000. *Benefits:* Automation improves efficiencies for staff &customers; imaging provides query-able data, reduces risk of catastrophic loss.

5. Mobility. *Cost:* $600 to $1,500. *Benefits:* Automated inspection process provided real-time, punctual and efficient inspections.

## ENGINEERING, SOLID WASTE, FACILITIES, STREETS, WATER AND WASTEWATER

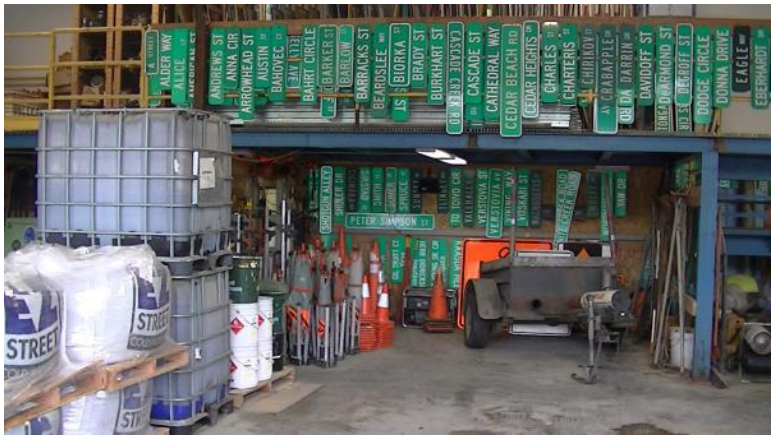
| OBSERVED FINDINGS | SOLUTIONS RECOMMENDED | IMPACT / EXPECTED RESULTS *(min. estimates ND=not determined)* |
|---|---|---|
| **1. Staffing skills & duties need re-evaluation; staffing levels appear appropriate.** | Review department needs, functions and services and conduct a review of staff qualifications and experience. Identify realignment options. | **Cost:** $8,000 - $10,000, 30 days **Savings:** ND, significant efficiencies **Benefits:** Maximized usefulness of infrastructure; significantly reduced maintenance budget. |
| **2. Significant infrastructure needs w/ no clear funding source or completion strategy; no support from Assembly and Public.** | Create a long-term strategy and reliable funding source for infrastructure replacement and construction.<br><br>Conduct a public awareness campaign. | **Cost:** ND, internal (lobbying budget) **Benefits:** Maximized infrastructure life; reduced maintenance budgets and mitigated risk. |
| **3. Department appears to provide unnecessarily extensive support to 15 committees and commissions.** | Use of staff resources should be re-examined and reduced. | **Cost:** $0 – 1-2 month process of review by administration and approval of Assembly. **Savings:** ND. **Benefit:** Reallocation of staff time and resources. |
| **4. Department is lacking the guidance of an Assembly-approved Strategic Plan.** | Begin a strategic planning process (see Section on Strategic Planning. | **Cost:** $35,000 to $40,000 – 6 month process. **Savings:** $ millions over 10 years (life of the plan) **Benefits:** Expense avoidance, **resource** allocation efficiency, sustainability, department & community satisfaction |
| **5. CBS uses its limited resources to perform the work of others, and / or taxpayer dollars are improperly spent.** | Engineering standards should be established and rigorously enforced.<br><br>Performance bonds should be retained to assure work lasts as expected or is replaced without further taxpayer expense.<br><br>Institute a policy that the CBS does not perform work outside the CBS public right-of-way. | **Cost:** $ financial and liability – unnecessary risk. **Savings:** Potentially significant. **Benefits:** Reductions of operating costs / expense, and reduced liability. |

### BACKGROUND AND SERVICE LEVEL INFORMATION

The Public Works Department provides an extremely wide variety of services to the residents and businesses of Sitka. Its functions include the following:

- Building Inspection
- Parks and Recreation
- Engineering
- Fleet Maintenance
- Gary Paxton Indust. Park
- Landfill: *Construction*
- Landfill: *Biosolids*
- Maintenance: Facilities & Grounds
- Residential Roads
- Solid Waste Disposal
- Water services, and
- Wastewater services

The department also oversees the City's leases and rock quarry, and applies for and manages the grants and oversees the City's leases. The Department also plays a large role in preparing the City's legislative policy.



**Management Support**

The Department provides support to 15 boards, commissions and committees and these require significant resources. Supporting these entities requires significant time of Public Works staff. Consultants do not believe that support to so many committees and commissions is the best use of CBS resources, nor do Consultants believe the level of public involvement will be diminished. This concern does not only apply to the Public Works Department, but all departments.

**Budgets**

The total FY 2014 budgets for key divisions in Public Works-related departments which merit specific focus:

- Streets Department division was $1,506,870.45, which represents approximately 5.6% of the Total General Fund Budget. *The total Salaries and Wages expense was $312,146 with an additional $209,596 in fringe benefits. The total compensation of $521,742 is approximately 34.6% of the total Streets Department budget.*

- Water Fund total expenditures totaled $1,584,039 while revenue was $1,586,000. *The total Salaries and Wages were $218,057 in addition to fringe benefits of $145,242. Total compensation of $363,299 represents 22.9% of total Water fund expenditures.*
- Wastewater Fund total expenditures were $2,776,326 while revenue was $2,439,000. *The total Salaries and Wages were $652,391 with an additional $422,712. Total compensation of $1,075,103 represents 38.7% of the total Wastewater Fund expenditures.*
- Public Works Administration division budget was $520,946, which represents 1.95% of the Total General Fund budget. *Total Salaries and Wages were $276,249 with an additional $197,811 for Fringe Benefits. Total compensation of $474,060 is approximately 91% of the total Public Works Administration Budget.*
- Engineering Department budget was $1,063,468, which represents approximately 4% of the Total General Fund Budget. *The total Salaries and Wages expense was $646,925 with an additional $274,892 in Fringe Benefits. The total compensation expense of $921,817 represents 86.7% of the total Engineering Budget.*

**Staffing**

In 2015, the Department is budgeted for 43 FTEs with a General Fund Budget of $6.5 million *(including $4.3 million for Public Works functions and $2.2 million for Internal Service funds).FTEs include seasonal positions.*

**Capital Investment**

CBS's FY2015 Enterprise Fund Budget is $11 million and the Capital Projects Budget of $79 million. Over the next five years, the Capital Improvement Plan is estimated to be $150,000,000.

**OBSERVATIONS AND ANALYSIS**

As noted, the Public Works Department provides a wide array of services. The functions of Public Works addressed in this section are: *Engineering, Facilities, Solid Waste (including landfills), Water, Wastewater and Streets.*

**Engineering**

Five employees (the Municipal Engineer, two Senior Engineers, a Project Manager and a part time Engineering Drafting Manager) work in this area. The staff oversees the Capital Projects Program and all the engineering associated with CBS' 14 major structures, the harbors and airport. While they do not provide support to the Electric Department, they have also supported the school district and the hospital. Some of its other duties include leading the efforts to obtain loans and issue bonds; submitting grant applications, grant management reporting; managing building leases; and providing contract coordination. It also helps apply development standards.

| Engineering Department Benchmarking Information | Ketchikan | Sitka | Wasilla |
|---|---|---|---|
| **Population** | **8,250** | **9,046** | **8,456** |
| *Budget as a Percent of Total Operating Budget* | **7.43%** | **3.97%** | **6.63%** |
| *Department Budget Per Capita* | **$161.08** | **$117.56** | **$133.09** |
| **Total Department Op. Budget** | $1,328,873 | $1,063,468 | $1,125,417 |
| **Total Salaries and Benefits** | $716,123 | $921,817 | $530,422 |
| *Salary as % of Op. Budget* | 54% | 87% | 47% |

While total Salaries and Benefits paid to Sitka Engineering employees appears high *($921,817 or 87% of the total Engineering budget)* when compared to the cities Ketchikan and Wasilla, which have a similar sized operating Budget of $1,328,873 and $1,125,417 respectively, the total operating budget in Sitka is lower, overhead is lower, and cost of operations is lower. Personnel costs in the budget reflect temporary employees hired to assist with $30,000,000 in capital projects which are much larger than the average of $1-2,000,000 in years past.

Currently, the Engineering Department is a general fund account. It is not an enterprise fund, however a significant portion of the Engineering salaries is provided through grant funds. If the City & Borough were to create an enterprise fund for Streets, and if it were to assure that all enterprise funds included the expense of Engineering, then the financial General Fund burden of Engineering services could be reduced and more properly assigned to the enterprise funds.

**Solid Waste**
This service is no longer performed internally, but rather provided inter a Contractual Services – agreement. There are no CBS employees associated with this department. Private vendors collect the trash and deliver it barges that take it to Washington where the landfill is located. CBS has been very successful in the privatization of this service.

**Facilities & Grounds** *(includes parks maintenance)*
These divisions have seven (7) employees who are responsible for maintaining the CBS's structures and grounds. This includes 4 employees who are responsible for parks and recreation facilities

**Streets**
This division has five (5) employees who maintain 24 miles of primarily residential roads. The State maintains the primary roads.

**Water & Wastewater**
CBS owns and operates a 6.5 MGD water treatment plant and 5.3 MGD wastewater treatment plant distribution and collection systems. Operations and maintenance is provided by a division composed of 12 staff:

- 1 Environmental Superintendent
- 3 Water Treatment Operators,
- 5 Wastewater Operators *(includes 1 Lab Specialist and 1 Maintenance Specialist),* and
- 3 Maintenance Personnel *(an electrician, a mechanic and short-term apprentice mechanic)*.

**Management Support**
The Department provides support to 15 boards, commissions and committees and these require significant resources. Supporting these entities requires significant time of Public Works staff. Consultants do not believe that support to so many committees and commissions is the best use of CBS resources, nor do Consultants believe the level of public involvement will be diminished. This concern does not only apply to the Public Works Department, but all departments.

**Funding Deficiencies and Potential Risks**
With the wide and varied responsibilities comes a myriad of issues. Much of the CBS's infrastructure has been built with money from other sources, such as grants. The public does not appear to understand these sources are declining and that local monies will likely be needed for at least some significant infrastructure projects. CBS's roads will all need to be reconstructed over the next 20 years at an estimated cost of $45 million dollars. Yet no funding source exists. Referendums to authorize a dedicated funding source failed in 2009 and 2011.

Additionally, as stated previously, a significant portion of the Engineering salaries is also covered by grant funds. This puts the City at risk should funding sources become less available.

Finally, the Department is sometimes called upon to perform activities the CBS is not responsible for and / or is outside the public right-or-way. Some examples include being asked to repair state roads and private drainage systems, removal of abandoned cars on private property and burying bears that died and are lying outside the public right of way. The result is further funding deficiencies as budgeted monies are not used for what they are intended. Instead they are being used to solve other agencies' or individuals' problems.

**Leasing**
Lease management is not a typical Public Works function. It rarely requires any engineering or other expertise that Public Works typically has. Instead it requires knowledge of facilities management and the law. The latter is important but is not needed on an on-going basis.

**Rock Quarry**
The City's rock quarry is reaching the end of its life and a new quarry will need to be opened soon. The issues going forward are related to land use and permitting.

**Construction of Street Infrastructure**
The construction quality of the aging **Street Infrastructure** adhered to relatively weak by engineering standards. Roadways not constructed to expected engineering standards causes the roadways deteriorate more rapidly and rely on resident tax dollars to replace it. Many of these were built by private developers. Engineering standards should be established and rigorously enforced, and performance bonds retained by CBS to assure work lasts as expected or is replaced without further taxpayer expense.

**Building and Construction Inspections**
The CBS does not presently have a function to insure construction meets acceptable building and construction standards, both in terms of sound practices and safety.

**Strategic Plan**
While the Department has a **Capital Improvement Plan**, it does not have a Strategic Plan that the community has created and the City and Borough Assembly approved. As a result the Department is looking at a wide variety of needs and demands but does not have the mechanism to prioritize them.

**FINDINGS**

In 2013, the Department underwent a peer review by the American Society of Civil Engineers (ASCE) in 2013. Consultants echo the group's findings and do not wish to reiterate all of them but add some of our own reemphasizing some of the ASCE's more important findings, but not referencing them specifically:

1. Staffing needs skills re-evaluation and reassignment. Staffing levels appear appropriate. Engineers are performing administrative functions such as lease management and supporting Boards and Commissions. Among the many functions Public Works oversees are some of which should be managed by other departments or at least by people with different skill sets. For example, Engineering needs to play some role in grant applications and management but not to the degree it presently does. Engineering also supports a large number of committees, boards and commissions. Lease management, among other things, is something that is better overseen by people with other skill sets. In other words, the engineers spend time on activities that could be better supported by others. The engineers could focus on the areas they have been trained to perform.

   Staffing levels seem appropriate for the routine, day-to-day operations and the operations seem well run. Two staffing question consultants arose:

   First, the CBS should consider which of the current boards, committees and commissions it has are cost effective. While citizen participation is important and worthwhile up to a point, it is not without cost in terms of the CBS' resources.

   Second, our consultants noted the Wastewater Deputy position who directly oversees the water and wastewater operations has not been filled. Initially it seemed like an extra level of supervision which might offer a reduction in expenses, however, consultants fully agree that rehiring this position is an appropriate course of action since the Superintendent is nearing retirement.

2. Infrastructure needs a reliable funding strategy, source – does not appear to have the support of residents or assembly. How the CBS's infrastructure will be maintained over

the long term is a serious issue and needs to be addressed. Adherence to rigorous engineering standards does not appear supported by the Assembly and the public in the past. The result is premature repair and replacement of infrastructure in streets and for the general public of Sitka to be assuming that cost instead of the private developer. $45 million is immediately needed for the road reconstruction. Significant capital demands exist in other areas, such as the harbors, as well. CBS needs to continue to undertake a public education campaign to communicate the urgency of the infrastructure needs of the community, the proposed plans for infrastructure investment, and the issue of declining financial resources. The alternative is to ignore the problem until it gets so bad residents realize something needs to be done and are willing to permit a tax adjustment to pass.

3. Department appears to provide unnecessarily extensive support to 15 committees and commissions. Use of staff resources should be re-examined and reduced.

4. The Department is lacking the guidance of an Assembly-approved Strategic Plan. It should be part of a larger plan for the government as a whole.

5. Building & Construction.

   a. The Public Works Department is sometimes called upon to work on projects the CBS is not responsible for and / or is outside the public right-or-way. The result is one of the following or both:

      i. The CBS uses its limited resources to perform the work of others, and / or
      ii. Taxpayer dollars are improperly spent.

   While it may be nice to please everyone, it is illegal to take public monies and spend them to support private interests such as work on private property. It often involves trespassing and can create a legal liability into the future. If the Department builds or alters private property, the owner may require the Department to return to repair the "damage" it has done.

**RECOMMENDATIONS**

1. Staffing skills realignment. A number of the Department's administrative functions should be moved to other departments. While CBS is a relatively small government and everyone must wear many hats, engineers are in very short supply both here and nationally. Hence they should be focused on engineering activities. Consequently we suggest the following activities be moved to other departments. We have also suggested where we think they might be moved but recognize the CBS staff is much more familiar with the situation and resources. It will be better able to judge where these functions should go.

   - Move *lease management* Planning and Zoning (P&Z).
   - Move the *rock quarry* to P&Z. The most significant issue with respect to the quarry is that it will soon need to be closed and another opened. The land use

and required permitting is best handled by P&Z. The on-going management is minimal.

- Move *grant* and *loan applications* to Finance with *grant management* support from the Engineering Department.

Further, review the existing boards, committees, and commissions to determine which are necessary and which are not. Eliminate those that are not. For the remainder determine if there is another department that would be more appropriate to support them. It may be that Public Works is the best agency to support some or all of the remaining committees, etc.

Finally, Engineering appears to lack staffing necessary to handle construction inspections beyond the basic Building Official Inspections that only focuses on codes and life/safety reviews. Seasonal construction projects (private) generally have construction inspectors on staff or hire out this service seasonally. In Sitka, this service is not provided and hiring inspection firms from outside Sitka can be extremely expensive. An individual focused on quality control and risk which performs construction inspector functions documenting all construction activity, making sure the contract requirements are met, quality control, risk management, and contract management/communication are addressed – would be a welcome addition to the department. Whether this person could function as a ½ time position or fulltime position is undetermined.

2. Infrastructure needs a reliable funding strategy, source. Create a long-term strategy for infrastructure replacement and construction. In addition to the information already contained in the Master Plans, this *strategy* should include a public information and education plan as well as a feasible funding formula for necessary improvements.

3. Review and update engineering standards; receive training in enforcement. Construction and engineering standards for streets, harbor and drainage appear to need to be updated, strengthened and enforced. The greater enforcement of construction and engineering standards will assure that private developers and contractors will turn over infrastructure to CBS that will last their expected life without additional taxpayer expense. Building inspectors and Public Works Engineers cannot allow for the causing premature repair and replacement of infrastructure investments in streets. Surety Bonds and Performance Bonds should be retained for a period of time sufficient to assure work quality was sufficient so that additional taxpayer resources will not be necessary prematurely for repair and maintenance.

   Consulting assistance is highly recommended with additional enforcement training.

4. Committee and commission support: Use of staff resources should be re-examined and reduced.

5. Strategic Plan. The CBS needs to develop a Strategic Plan for the Department and the government as we whole. Strategic Plan would provide guidance to the Department in prioritizing and undertaking its tasks and impose discipline on CBS departments as a whole.

6. Building & Construction.
    a. Engineering standards should be updated and rigorously enforced, and performance bonds retained by CBS to assure work lasts as expected or is replaced without further taxpayer expense.

    b. Institute a policy that the CBS does not perform work that other entities should be performing and that it does not perform work outside the public right-of-way.

    c. Continue to explore the costs / benefits of paperless inspection technology including networked handheld devices and software and adopt as opportunity and cost are possible.

    d. As stated in section 1 above, Engineering appears to lack staffing necessary to handle construction inspections beyond the basic Building Official Inspections that only focuses on codes and life/safety reviews.

**IMPACT / EXPECTED RESULTS**

1. Staffing Skills and Realignment. **Cost:** $8,000 - $10,000, 30 days if completed by a consultant, $0 if internalized. **Savings:** ND. **Result**s**:** Maximized use of human resources.

2. Identification of funding sources & Public Awareness Campaign. **Cost:** Continued Lobbying budget, internal. **Savings:** $ millions in replacement costs. **Result:** Maximized infrastructure life; reduced maintenance budgets; mitigated risk and reduced maintenance & replacement costs.

3. Committee and Commission support. **Cost:** $0 – 1-2 month process of review by administration and approval of Assembly. **Savings:** ND. **Benefit:** Reallocation of staff time and resources.

4. Strategic Plan: **Cost:** $35,000 to $40,000 – 6 month process. **Savings:** $ millions over 10 years (life of the plan). **Benefit:** Expense avoidance, resource allocation efficiency, sustainability, department and community satisfaction.

5. Building & Construction:

    a. Eliminating Departmental work outside the CBS's property and right-of-ways. **Cost:** ND **Savings:** Potentially $ significant. Benefit: The CBS' resources will be preserved for the project they are intended, monies will be spent legally and future liabilities will be avoided.

b. Engineering standards should be updated and rigorously enforced, and performance bonds retained by CBS to assure work lasts as expected or is replaced without further taxpayer expense. **Cost:** $2,500 every 3-4 years / 6 month process. **Savings:** potential loss of revenue, premature infrastructure placement costs. **Benefit:** high quality maintenance, reduced risk.

c. Institute a policy that the CBS does not perform work that other entities should be performing and that it does not perform work outside the public right-of-way. **Cost:** none. **Savings:** reduced risk to the CBS. **Benefit:** same as previous.

d. Explore the costs / benefits of paperless inspection technology including networked handheld devices and software. **Cost:** undetermined. **Savings:** undetermined. **Benefit:** undetermined.

e. Considering hiring a PT or FT employee to handle construction inspections with a focus on quality control and risk. This position will be responsible for documenting all construction activity, making sure the contract requirements are met, quality control, risk management, and contract management / communication are addressed. **Cost:** undetermined. **Savings:** undetermined. **Impact / Benefit:** Having an FTE responsible for construction inspection and QC of our projects would significantly reduce risk and increase quality.

## FACILITIES

| OBSERVED FINDINGS | SOLUTIONS RECOMMENDED | IMPACT / EXPECTED RESULTS *(min. estimates ND=not determined)* |
|---|---|---|
| **1. Tracking software not used to prioritize, maximize building maintenance effectively.** | Begin full utilization of this maintenance software.<br><br>Review service level needs of building maintenance activities. | **Cost:** $0. Software purchased.<br>**Benefits:** greater accountability, productivity, and customer service. |
| **2. CBS appears to pay more for custodial services that is warranted.** | Review current custodial contract and align the service level with CBS needs.<br><br>Prepare and issue new RFP. | **Cost:** Contract Review: ND, internal<br>**Savings:** Contract: >$30,000 / year.<br>**Benefits**: Significant cost savings, greater accountability. |
| **3. In-housing Building maintenance could produce significant cost savings** | Consider internalizing Custodial Services with 4 fulltime staff. | **Cost:** Staffing: $155,000 *(4 FT @ $13/hr. x 2080 hrs.)*<br>**Savings:** Staffing: >$60,000<br>**Benefits**: Significant cost savings, greater accountability. |

**BACKGROUND AND SERVICE LEVEL INFORMATION**

CBS maintains 231,079 ft.² of primary municipal space. The square footage includes the airport, animal shelter, Centennial Building, City Hall, the City State building, a corrosion control facility, fire station, the Kettleson Library, a Marine services center, a public services center, a recycling building, the senior center, the Sawmill Cove Administration building, a transfer station, a boat Company building, and the wastewater treatment plant. In addition to this space, CBS also maintains a variety of generator buildings totaling 3826 ft.² and eight restrooms/concession buildings totaling 6428 ft.²

All of this is maintained with a small crew of three maintenance technicians. While custodial services are contracted out, less than half of total municipal space is custodian on a regular basis (97,230 ft.²). The total monthly cost associated with custodial services is $17,236 or $206,832 annually. This equates to approximately $2.12 per square foot. This cost includes all consumables such as paper and cleaning products. Custodial services include general cleaning, windows, and floors. *(See table 1 below)*

**Table 1: Cost of Custodial Services**

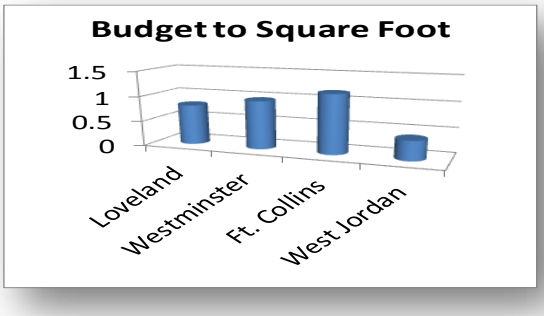
| FACILITY | SQUARE FOOTAGE | MONTHLY CUSTODIAL COST |
|---|---|---|
| Airport | 19,701 | $5,906 |
| Animal Shelter | 3,200 | $400 |
| City Hall | 17,158 | $2,833 |
| City State | 27,302 | $4,426 |
| Public Services Center | 20,441 | $1,208 |
| SCIP WWTP | 3,000 | $600 |
| Restrooms, score booth, and concessions | 6,428 | $1,863 |
| **TOTALS** | **97,230** | **$17,236** |

The Maintenance Tech crew, meanwhile, utilizes a work order system *(Maintenance Connection)* to organize, and distribute tasks on a daily basis. However, this system is not utilized to its fullest capacity. In fact, work orders are generated solely for preventative maintenance tasks. Municipal Solutions® consultants found no prioritization, or tracking associated with

repairs and departmental requests.

**OBSERVATIONS AND ANALYSIS**

In a recent survey of custodial costs for the City of Fort Collins Colorado, Municipal Solutions® consultants found that the highest cost incurred by cities in that area emerged at about one dollar in $1.16 per square foot, about half of the cost paid by CBS. *(See chart below).*




The basis for greater scrutiny of CBS costs associated with outsourced custodial services. For example, our experience in this area reveals that insourcing cities generally employ in the neighborhood of .035 to .04 full-time equivalents (FTE) per 1000 ft.². **Using a ratio of .035 FTE and considering the 97,000 ft.² currently cleaned at CBS, we could expect a need for 3.5 FTE (3.395) in order to appropriately clean CBS's municipal space**.

Even considering the cost of consumables, uniforms, and equipment, etc., the costs associated with outsourcing custodial services, even if such aligns well with those costs incurred by other Alaskan communities, appears to represent an inefficient allocation of resources. The table below illustrates what our team would expect in terms of insourced custodial services, even assuming four FTE's working 2080 hours per year at an hourly rate of $13 with benefits and an added 10% for custodial consumables.

**Table 2: Insourced vs. Outsourced Custodial Services**

*(Example)*

Utilizing these insource numbers, CBS would still pay approximately $1.60 per square foot, well above our previously benchmarked numbers. Indeed, our past studies have generally found custodial services to be effectively and efficiently outsourced. However, notwithstanding whether or not CBS's costs compare well with those of other Alaskan communities, it appears that the municipality should consider insourcing custodial services.

| Insourced Custodial | Cost in $ | Contractor | Cost in $ |
|---|---|---|---|
| LABOR<br>*($13/hr. @ 2080 hours per year ($27,040 annual salary). Benefits are calculated 30% of salary or, in this scenario, $8,112.)*<br>4 FTE | $140,608 | LABOR<br>*(Total contract of $326,832 including consumables.)* | $206,832 |
| CONSUMABLES | $14,060 | CONSUMABLES | NA |
| **TOTAL** | **$154,668** | **TOTAL** | **$206,832** |

**FINDING**

1. Software. CBS is not maximizing the utilization of its work tracking software in order to adequately prioritize building maintenance work and account for maintenance tech activities.

2. Custodial Services Contract. CBS also appears to be paying more – $30,000 to $50,000 more for outsource custodial services, than would be expected of a municipality of similar size.

3. Staffing. Considerable savings (>$60,000) could be possible if CBS brought this function in-house *(includes consumables).*

**RECOMMENDATIONS**

1. Software.
    a. Begin full utilization of this maintenance software.
    b. Review policies & procedures of building maintenance activities.

    CBS should require departments requesting building maintenance service to utilize CBS's current software platform. In short, all work, including preventative maintenance and repairs, should be requested, prioritized, and tracked utilizing CBS's current software. Management should use reports from this system as the basis for decision-making concerning building capital outlays and staffing.

2. Custodial Services Contract.
    a. Review service-level of building maintenance activities.
    b. Carefully scrutinize its current custodial contract and consider re-bidding and insourcing alternatives.
    c. Prepare and issue new RFP.

    Staffing. Consider internalizing Custodial Services with 4 fulltime staff. If RFP doesn't produce expected cost-savings, consider internalizing building maintenance services to produce a cost potential cost savings of more than $60,000.

**IMPACT / EXPECTED RESULT**

1. Software. **Cost:** $0. Software is already purchased and in use. **Benefits:** greater accountability, productivity, and customer service.

2. Custodial Service Contract. **Cost:** Contract **Review:** ND, internal. **Potential Savings:** >$30,000 / year. **Benefits:** Significant cost savings, greater accountability.

3. Staffing- Internalization of Building Maintenance. **Cost:** $155,000 (4 FT @ $13/hr x 2080hrs). **Savings:** Staffing: >$60,000. **Benefits:** Significant cost savings, greater accountability.

## FLEET

| OBSERVED FINDINGS | SOLUTIONS RECOMMENDED | IMPACT / EXPECTED RESULTS *(min. estimates ND=not determined)* |
|---|---|---|
| **1. CBS is a candidate for significant savings in fuel & maintenance expenses.**<br><br>**2. There is no definitive, definable fleet replacement policy.**<br><br>**3. Purchase decisions are not made collaboratively.** | Develop a multi-departmental fleet rotation and replacement policy that will maximize the utility & investment of the fleet.<br><br>Include departmental stakeholders in fleet acquisition decisions.<br><br>Join a purchasing consortium. | **Cost: ND, internal**<br>**Savings:**<br>• 25% to 33% (>$1,000,000) of their fleet maintenance budget.<br>• 30% improvement in fuel economy<br>• Up to 50% reduction in diesel fuel costs for vehicles<br>**Result:** Maximized usefulness of vehicles and equipment; significantly reduced maintenance budget |

**BACKGROUND AND SERVICE LEVEL INFORMATION**

According to the CBS organizational chart and personnel documents, CBS maintains an internal fleet operation, composed of two mechanics and a fleet manager – however, the CBS only currently has two employees in the Central Garage. This operation provides primary care for 95 vehicles and pieces of equipment *(Central Garage Sinking Fund Report for FY2013)*. An examination of the municipality's inventory reveals that half of the stock is composed of light trucks, while CBS also cares for a small contingent of heavy trucks, sedans, SUVs, vans, or multi-passenger vehicles, and fire/EMS apparatus. Our examination of the facility revealed that it is adequately stocked and managed. The municipality stocks primarily preventative maintenance supplies such as tires, filters, and lubricants.

Other parts and supplies are required as the need arises. Maintenance and repair histories, meanwhile, are recorded in inadequate and automated fashion. Interviews with department heads reveal high satisfaction with fleet services. Our interview with the fleet manager reveals a 'can-do' attitude and enthusiasm specific to keeping service vehicles in service.

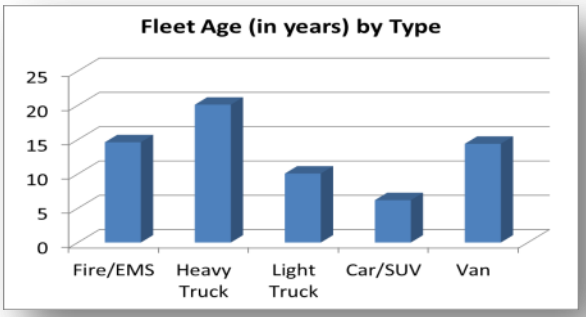
**OBSERVATIONS AND ANALYSIS**

Consultants identified that the present disposal and purchasing decisions are the product of departmental and mechanic recommendations based on their estimation of a given unit's age and usefulness to the fleet. The lack of an objective, rational policy and procedure exposes the municipality to possible fraud and creates a possible scenario where most units are not being rotated in a cost-efficient manner. The lack of such a policy and methodology could partially be responsible for the lack of rotation in the CBS fleet.

Our review of data associated with 78 units listed in the report reveals an average age of 11.42 years per vehicle. The majority of the fleet is older than 10 years. Of the 78 active rolling vehicles examined, 45 are a decade or older. The entire inventory totals 891 years.

Consultants found no evidence of a written or defined methodology related to fleet rotation that guarantees unit replacement at the point when cost efficiencies are at their absolute highest. Without such, CBS is exposed to the likelihood that resources are being unnecessarily expended maintaining antiquated stock. There are practices and standards that can assist the Municipality in rationally determining when vehicles should be moved out of the system. In fact, consultants observed that the current replacement fund appears unsustainable and fleet charges among departments are inequitable and based on old data.

While many cities and municipalities across the United States have established policies lengthening out the useful life of their vehicles, CBS finds itself in a different situation. It is likely that the antiquated nature of the fleet is translated itself into the unnecessary expenditure of resources, which could be better invested in new fleet vehicles. CBS has software that tracks vehicle maintenance. It is therefore possible to quantitatively and fiscally determine the magnitude of the current replacement methodology. Any definitive measure would require extensive analysis of data, including the complete maintenance history of the existing fleet.




Nevertheless, based on our experience with other municipalities as well as very conservative assumptions, we can conclude the necessity for CBS to begin to address its aged fleet and rotate vehicles out of its inventory, which have reached or exceeded their useful life. Such a move saves resources. It may also improve the safety of employees who are called upon to use these vehicles on a daily or as needed basis.

**FINDINGS**

1. CBS is a candidate for significant savings in fuel & maintenance expenses.

2. No written or defined fleet rotation methodology exists which promotes more efficient replacement.

3. Purchase and maintenance decisions are not made collaboratively. Currently,
    a. each department make its -own vehicle purchasing decisions and perform their own maintenance,
    b. fleet charges to other departments are inequitable (staff is working to address this), and
    c. vehicle rotation methodology is relatively non-existent.

    These practices need to be discontinued and new policies adopted and followed.

**RECOMMENDATIONS**

1. Adopt a comprehensive 15-point Fleet Rotation Policy. Collaboratively review and establish a similar multidimensional decision-making model / policy associated with vehicle disposals and acquisitions. The Borough of Westwood in New Jersey, for example, has had a 40% improvement in it fuel economy over the past seven (7) years after implementing a standardized fleet replacement policy.

   Consultants complement CBS for its automation of vehicle maintenance and repair records. It can enhance and build upon the benefits associated with this tool through the establishment of a policy, a fleet rotation methodology that maximizes investment in each vehicle. Specifically, clearly articulate a fleet replacement policy and methodology that incorporates multiple dimensions associated with the utility of any given fleet unit is required. There are practices and standards that can assist the CBS in objectively determining when vehicles should be moved out of the system. In an IQ Report, published by the International City and County Management Association (ICMA), the following is provided:

   > *"The department should have a written replacement policy that is based, in part, on economic factors, with the goal of reducing overall equipment life cycle costs (procurement, maintenance, and disposal). The bottom line is that vehicles and equipment should be replaced when owning and operating them costs more than owning operating their replacements."*

   When the annual maintenance costs of a vehicle or piece of equipment, combined with its trade-in or disposal value equals a figure greater than the cost of purchasing a new unit, it is time to consider the disposal and or replacement of the vehicle. The determination of the inputs associated with this calculation is possible with accurate, factual, and computerized data associated with the maintenance history of any vehicle. Beyond this formula lays a more complex methodology associated with determining whether a vehicle should be eliminated from the fleet.

   Gone are the days when vehicles were automatically rotated when they reach time related and mileage thresholds. The contemporary utilization of these criteria supports and provides the basis for vehicle evaluation, not necessarily elimination.

2. Include departmental stakeholders in fleet acquisition decisions. Department staff members each have different expectations and preferences. Those preferences however, should be tempered and rooted in prudent decision-making. Joint-purchase decisions assure what is in the best interest of CBS as a whole rather than the desires of one individual or individual department. Fleet replacement and acquisition decisions should include the input and feedback

from the departmental users. Departments should be involved in setting not only policy, but also priorities associated with fleet replacements. The needs of each department can evolve over time.

3. Join a purchasing consortium. CBS should consider other financial factors such as the initial cost of the vehicle or piece of equipment in question. Its resale value. Its fuel economy, as well as its repair record. Non-fiscal considerations include the overall condition of the vehicle's body, mechanical condition, its suitability for the job intended, the image that CBS wishes to portray, employee morale, and the impact on the fleet staff's workload. When to begin the consideration or rotation of a fleet unit is a determination that varies among jurisdictions. Below are two examples:

   - The City of West Jordan, Utah, utilizes a 14-point system associated with its fleet replacement policy. Vehicles accumulate points based on age, use, and vehicle history. When a unit reaches 14 points, the City evaluates the unit and determines whether to dispose of it or transfer it to a different department.

   - The City of Peoria, Arizona has, as have many municipalities throughout the country, recently lengthened the number of years and mileage before a vehicle would be considered for rotation. In Peoria, departments are provided with incentives associated with maximizing a unit's life and use.

   *Note: While CBS staff look at and consider purchasing through the State or other alternatives, consultants were unaware of any formal relationships or memberships with other local governments, boroughs or formal purchasing consortiums.*

**IMPACT / EXPECTED RESULTS**

1. Adopt a comprehensive 15-point Fleet Rotation Policy. The operating budget for the 2014 Central Garage Fund (repair budget) is $935,769. The implementation of these recommendations will save approximately 25% of the repair budget over the next five (5) years if implemented – approximately $1,000,000.

   - If CBS implements a '**vegetable oil in lieu of**' half of its diesel fuel program, then 50% of the diesel fuel purchased for vehicle and equipment use can is eliminated. Vegetable oil can be obtained from the restaurants in Sitka as well as the cruise ships that visit. The oil can be filtered by the fleet operations unit and then used in diesel engine vehicles. ***(Refer to Attachment A for additional information.)***

2. Collaborative purchasing decisions. Such inclusion will enable CBS to avoid accusations of departmental favoritism and potential general staff frustration while reinforcing an equitable, clear policy which serves the public interest.

- If CBS chooses to replace vehicles and equipment which are more fuel efficient than those presently in service, it is anticipated that fuel economy of the CBS fleet will improve by 30% over the next seven (7) years.

3. Purchasing consortium. Joining a purchasing group of public agencies (State contract, co-operative among local governments) could effectively save CBS expenses while obtaining high-quality vehicles at a bulk-price over standard retail options.

## PARKS & RECREATION

| OBSERVED FINDINGS | SOLUTIONS RECOMMENDED | IMPACT / EXPECTED RESULTS *(min. estimates ND=not determined)* |
|---|---|---|
| **1. Outsourcing of some parks maintenance functions appears feasible, could provide some cost savings.** | Prepare and issue RFP / RFI to identify suitable local / regional contractors. | **Cost:** ND<br>**Savings:** $10,000-$15,000 per year<br>**Benefits:** Increased productivity of existing full-time staff, savings from seasonal staff. |

### BACKGROUND AND SERVICE LEVEL INFORMATION

CBS actively maintains and manages 40 parks, grounds areas, ball fields, recreation sites, trails, one remote cabin and other open spaces. In all, CBS maintains 109 acres and 10.67 miles of trail. This includes the following:

- 7 parks
- 3 playgrounds
- 2 recreation sites
- 11 ball fields
- 27 landscape areas
- Kaisei-Maru interpretive memorial site
- Tom Young Cabin
- Cemetery
- 10,67 miles of trail
- 27.2 acres of turf (1,186,661 sq. ft.)

In 2014, CBS appropriated approximately $600,000 to the Recreation Department which amounts to approximately 2% of the General Fund. As a matter of comparison, CBS appropriates significantly less per-capita for recreation services than the neighboring community of Juneau and less than Wasilla and Anchorage.

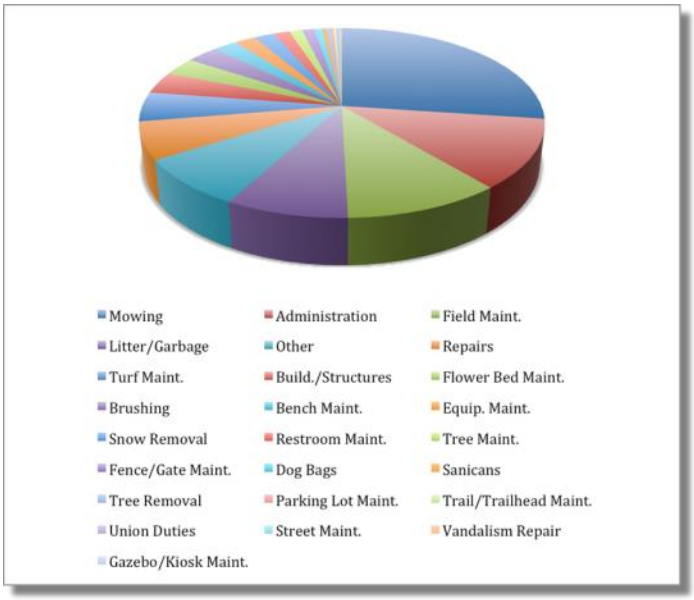
| | Anchorage | Juneau | Sitka | Wasilla |
|---|---|---|---|---|
| *Budget as a Percent of Total Operating Budget* | **4.95%** | **3.99%** | **2.24%** | **4.77%** |
| *Recreation Budget Per Capita* | **$ 72.13** | **$ 394.85** | **$ 66.35** | **$ 95.78** |
| **Total Department Op. Budget** | $ 21,539,654 | $ 12,854,600 | $ 600,236 | $ 809,930 |
| **Total Salaries and Benefits** | $ 10,394,976 | $ 3,769,100 | $ 326,848 | $ 594,669 |
| *Salary as % of Op. Budget* | 48% | 29% | 54% | 73% |

In 2003, CBS issued a request for proposals specific to mowing, weeding, trimming, fertilizing, thatching, edging, etc. for municipal ball fields, parks, city facilities, schools, harbors, medians, and cemetery. The City sought to establish a seven-year, renewable contract with a service provider.

The table on the right details the lawn areas and quantities itemized in the 2003 RFP:

According to staff, the 2003 RFP failed to identify a contractor that would be able to assume the duties and services stipulated in the request for proposals. Meanwhile, a small parks crew, including four seasonal workers, provides open space maintenance. CBS, meanwhile, expends approximately $45,000 per year to compensate four seasonal workers.

| Lawn Areas | Square Feet |
|---|---|
| Airport | 7,846 |
| Baranof School | 2,800 |
| Blatchely MS | 6,000 |
| Castle Hill | 1,000 |
| Cemetery | 32,400 |
| Centennial Bldg. | 31,950 |
| City/State | 6,300 |
| Crescent Harbor | 89,600 |
| DeGroff Island | 1,750 |
| High School | 70,000 |
| Library | 11,425 |
| Lightering Facility | 3,000 |
| Moller Lower | 65,110 |
| Kimsham | 239,580 |
| Municipal Bldg. | 1,200 |
| Pioneer Park | 5,000 |
| Public Works | 2,500 |
| Sealing Harbor | 87,196 |
| Sitka Com. Hospital | 17,275 |
| Swan Lake | 24,800 |
| Pacific High | 6,000 |
| Thomsen Harbor | 15,700 |
| Transfer Station | 4,800 |
| Turnaroud Park | 28,750 |
| KGH Ball Field | 94,300 |
| Verstovia School | 16,925 |
| Whale Park | 4,200 |
| Waste Water Plant | 55,650 |
| **Total Sq. Ft.** | **933,057** |




The chart above breaks down parks maintenance functions by type and number of hours dedicated to each function, from June through September. There were 6,360 total number of hours dedicated to 25 primary duties.

**OBSERVATIONS AND ANALYSIS**

As the chart above illustrates, approximately 27% of man-hours are dedicated to turf mowing alone. Another 8% of hours are spent on sanitary duties and 319 hours (5%) are spent on turf maintenance. These functions, in our experience, are some of the most outsource-able parks functions. While the limited contractor pool may present CBS with difficulties associated with privatizing all parks functions, we believe that the following parks functions can be outsourced:

- Mowing
- Sanitary (Litter removal, garbage cans)
- Turf Maintenance
- Brushing
- Tree Maintenance
- Tree Removal

The removal of these tasks would correspondingly eliminate 2,913 man-hours during a six-month schedule. Given an hourly wage of approximately $10.80 per seasonal worker *($45,000/1040 hours/4 seasonal workers),* CBS can expect to eliminate $31,460 in wages alone by outsourcing. Therefore, CBS would not financially benefit from an RFP unless the cost is below the $31,000.

**FINDING**

A scarcity of capable contractors and the corresponding magnitude of parks functions pose the primary obstacles associated with outsourcing parks maintenance functions; this despite the fact that nearly half of all current labor lends itself to outsourcing.

**RECOMMENDATIONS**

CBS should issue an RFP / RFI for the most outsource-able functions of parks and recreation maintenance.

**IMPACT / EXPECTED RESULT**

If CBS is able to contract with a private provider, the estimated savings could be $10-$15,000 per year. *Cost:* ND**.** *Savings:* $10,000-$15,000 per year**.** *Benefits:* increased productivity of existing full-time staff, savings from seasonal staff.

## PORTS & HARBORS

| OBSERVED FINDINGS | SOLUTIONS RECOMMENDED | IMPACT / EXPECTED RESULTS *(min. estimates ND=not determined)* |
|---|---|---|
| **1. Harbor operations face escalating ongoing costs associated with operating and maintaining this significant asset.** | | |
| **1. Fee schedule does not automatically appreciate w/ the annual Consumer Price Index (CPI).** | Maintain a fee schedule which generates revenue at an appreciation rate of 2.5% annually or the CPI. | **Cost:** None, internal.<br>**Savings:** ND<br>**Benefit:** prudent approach to capital infrastructure maintenance & replacement. |
| **2. Delinquency fees are high and need to be curbed;** | Adopt a policy reducing tolerance for delinquent patrons: 60 days delinquent = eviction and placed on the harbor's waiting list* | **Cost:** ND.<br>**Savings:** ND, significant efficiencies.<br>**Benefit:** Realigns costs vs. expense of operating the ports and harbors & staff collection activities. |
| **3. Lightering fees need to be brought into better alignment with other Alaskan ports.** | Recommend increasing the fee by at least 25% * | **Cost:** None, internal.<br>**Savings:** a 25% increase in the lightering fee expects to net >$15,000 / year.<br>**Benefit:** prudent approach for infrastructure maintenance & replacement; |
| **4. Fish Box Tax does not distinguish between box weight of 25 lb. & 50 lb.** | Amending the fish box tax from a flat fee 'per box', to a 'gross weight' or 'per box weight' formula. | **Cost:** ND.<br>**Revenue:** up to $200,000 / year.<br>**Benefit:** Increased tax revenue; should apply to harbor infrastructure improvement |

**BACKGROUND AND SERVICE LEVEL INFORMATION**

Total FY 2014 revenue for the Harbor Fund was $7,454,200 and total expenditures were $4,261,491. The total Salaries and Wages were $462,963 with an additional $363,242. The total compensation was $826,205, which represents approximately 19.4% of total Harbor Fund expenditures. **The harbor facilities are currently in need of repair or replacement at the current estimate of $16,000,000.**

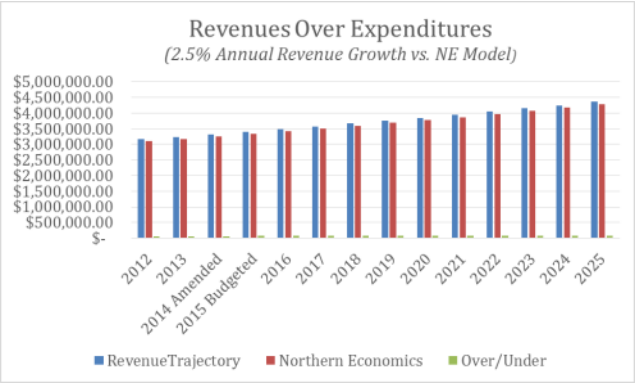
The CBS Harbor System consists of five harbors with more than 1300 stalls and more than 40,000 linear feet of moorage. Stalls range in size from 16 feet to 150 feet. The city maintains a wide range of infrastructure associated with the Harbor system, including Fisherman's Work Float, Marine Service Center Bulkhead, Thomsen Harbor Breakwater Float, boat launch ramps, two cruise ship lightering docks, fish cleaning stations, title girds, a seaplane base, and parking areas. CBS currently has more than 1100 permanent moorage holders, of which more than nine in 10 are Alaska residents. Recreational vessels make up about 60% of the user base, with commercial fishing vessels contributing 30%, and charter vessels and other vessel types making up the remaining 10%. Sitka's harbors also have a waiting list for moorage. The list currently exceeds 300 vessels – include those waiting for a stall and commercial fishing vessels.

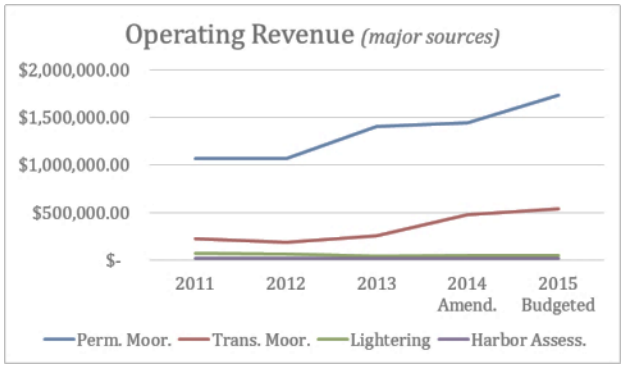
Under the current moorage rate structure, CBS generates approximately $2.28 million annually in moorage revenue ($1.73 million in permanent moorage and & $544,000 in transient moorage), as well as $237,000 of other revenue. Total revenue, less grant revenue, is expected to exceed $3.8 million by the close of fiscal year 2015. As noted in a 2012 Northern Economics report commissioned by CBS, revenue had been sufficient to cover operating needs, but was not enough to cover depreciation or facility replacement. Since the issuance of that report, CBS has acted to increase fees.

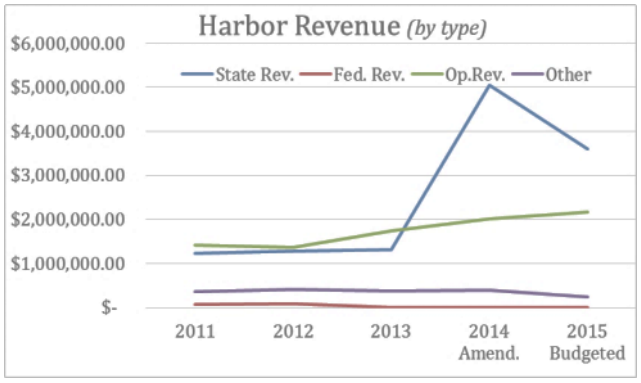
## OBSERVATIONS AND ANALYSIS

### Fiscal Conditions

The CBS harbor operations have historically been supported by state, Federal, and operating revenues. A review of these sources indicates significant grant funding has been received from the State of Alaska in the last two years and is expected once again in the 2015 budget. As mentioned previously, operating revenue has been on an incline since CBS adjusted moorage these in 2012. Lightering fees, associated with accommodating larger cruise ships, has conversely been on a decline since 2012. Meanwhile, Federal assistance has all but dried up since 2013. The chart below illustrates these trends.

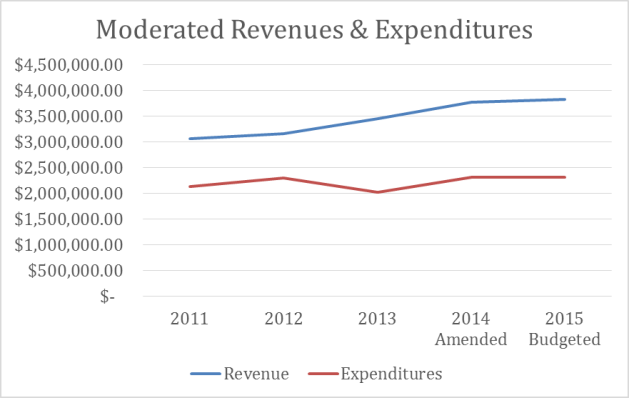


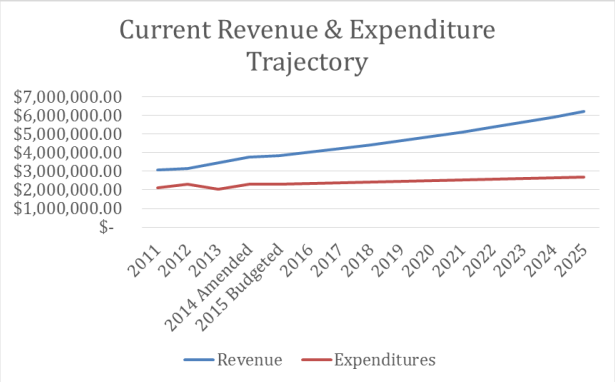



An examination of operating revenue shows four primary sources: permanent moorage, transient moorage, lightering, and harbor assessments. As mentioned above, lightering revenue has declined in recent years, while harbor assessments have remained static. Moorage revenue has increased significantly since 2012. Recent increases adopted by the Assembly were in response to recommendations made in a 2012 analysis of harbor operations conducted by Northern Economics. The following chart shows a five year trend of these four primary operating revenue sources.

An examination of revenue versus expenditures, meanwhile, reveals the recent impact associated with CBS receiving nearly $7 million in grant revenue over the last two years. The chart below also shows the increase in revenues associated with adjusting moorage rates in 2012. Finally, the chart also shows intended expenditures of grant funding in 2014 and 2015.

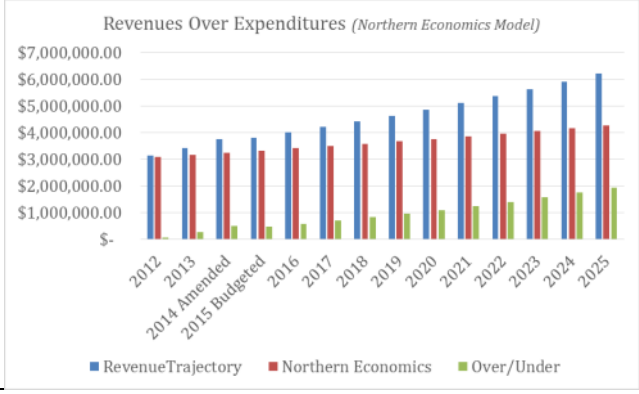



The inclusion of grant funding and capital expenditure activity partially obscures the true historical relationship between revenues and expenditures.



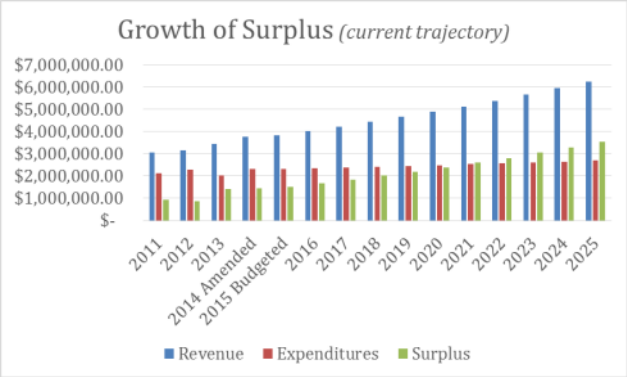

The following chart shows revenue and expenditure trends. It attempts to extract large grant funding and capital expenditures from the trends by utilizing historical data and extrapolating to the present. The two trend-lines illustrate what the trends look like in the absence of extraordinary grant funding and capital expenditures.

The next chart illustrates revenue and expenditures at historic rates of increase and extrapolates these trends to the year 2025. In fact, our analysis shows that at its current trajectory (which shows a 5% annual revenue growth and a 1.5% annual expenditure growth), CBS will have realized $31.65 million of revenue over expenditures by the year



2025. The following chart illustrates the impact of these trends on surplus growth.

In the 2012 Northern Economics analysis, it is suggested that $3.1 million (in 2012 dollars) is required to meet all operational and capital needs of the Sitka harbor operations. Using this as a baseline assumption as well as the current 5% annual growth rate in revenues, as well as assuming a 2.5% inflationary factor associated with expenditures, we can expect that CBS will have realized $13.5 million of total revenues over expenditures by 2025. The following chart illustrates this.




Our analysis shows that by maintaining annual revenue growth at 2.5% annually, CBS will be able to provide for operational and capital expenditures through 2025, and still be able to realize a cumulative surplus of $1 million by that year. The following chart illustrates this.

The conclusion of our analysis is that CBS has appropriately reacted to the Northern Economics recommendation to maintain a fee structure that supports both operational and capital needs. Without the fee increases that ensued following the presentation of the Northern Economics report, CBS would not have had the funds necessary to meet over $100 million in capital needs. The city is now in a position that should enable it to maintain stasis with expenditures by maintaining an annual growth rate in revenues of 2.5%. In order to accomplish this, CBS will need to continue to maintain market parity specific to its fee structure. The following discussion will focus on this topic.

**Delinquencies**

Interviews with harbor staff revealed that delinquencies associated with tardy stall occupants/patrons represent an ongoing problem for CBS. According to staff figures, and the last batch of collection letters sent, 162 were sent to patrons who are currently 30 days late, 27 letters were sent to patrons that are 60 days late, and 66 letters were sent to patrons who are currently 90 to 120 days delinquent. Meanwhile, the harbormaster reports that his assistant charged with collections spends 25% of her time writing and mailing letters to delinquent stall occupants.

**Fish Box Tax**

In January 1, 2007, a flat rate tax of $10 per box was levied on packaged fish or seafood caught by fish charter customers and collected by whoever packages the fish. There are three established fish processing facilities in Sitka, with additional fish processing that occurs at various lodges. The total fish box revenue collected for FY 2013 was $112,890.

It was observed that the per box fish tax is levied on boxes that are between the weight of 25 lb. and 50 lb. boxes.

In conducting a small benchmarking study of comparable cities and towns in Alaska, consultants noticed Sitka charges 'by the box' rather than 'by the pound' most other communities do. As a result, City of and Borough of Sitka may be missing up to $200,000 in potential revenues per year.

**FINDINGS**

Harbor operations face escalating ongoing costs associated with operating and maintaining this significant asset. Findings include:

1. Automatic Fee Adjustments. Fee schedule:
   a. does not automatically appreciate to cover the cost of inflation or parallel the annual Consumer Price Index (CPI),
   b. does not permit the accumulation of working capital to cover the costs of operation,
   c. does not provide enough revenue to accumulate working capital, and
   d. does not create enough revenue to create an emergency reserve.
2. Delinquency fees are high and need to be curbed. CBS can do more to better administer its operations and minimize delinquencies by implementing policies that more effectively discourage tardy payments.
3. Lightering Fees. Lightering fees need to be brought into better alignment with other Alaskan ports.
4. Fish Box Tax. By not differentiating between the weight of a 25 lb. and 50 lb. box of fish, the City and Borough may be missing potential revenue of up to $200,000 / year as compared to both boxes being equally taxed at a flat rate of $10.

**RECOMMENDATIONS**

By proactively adjusting fees in the last two years to better align revenues with these needs, CBS has begun to realign costs of operations with revenues. Adjustments to the fee schedule will be necessary to meet operations and $16,000,000 in capital improvement needs.

1. Fee / Policy Adjustments. CBS should remain vigilant of the harbors capital needs and adjust its fee schedule as needed in order to align resources with those needs.

   a. Assure that a fee schedule is established which:
      i. generates revenues at an appreciation rate of at least 2.5% annually or the CPI,
      ii. permits a small accumulation of working capital, and
      iii. creates an emergency reserve.

2. Delinquencies.

   a. CBS should adopt a policy reducing tolerance for delinquent patrons. After examining the policies of other Alaskan harbors, it is recommended that at 60 days delinquency, owners can be evicted and placed on the harbor's waiting list.

b. Lightering. CBS should immediately examine whether the lightering fee has been set at an appropriate level. Our examination and subsequent recommendation increasing this fee by at least 25% (or $15,000) / year.
c. Fish Box Tax. CBS should consider the costs and benefits associated with changing the fish box tax from a flat fee per box, to a percentage of gross weight or may charge a flat fish box tax of $10 per every 25 lb. box of fish.

| Flat Fish Box Tax | 50 lb. boxes | 25 lb. boxes |
|---|---|---|
| **Total lbs. of Fish** | 1,000,000 | 1,000,000 |
| **# of Boxes** | 20,000 | 40,000 |
| **Total Box Revenue @ $10/box** | $200,000 | $400,000 |

**IMPACT / EXPECTED RESULTS**

Recommended fee and policy adjustments are necessary for operations and capital improvements. The following impacts can be anticipated:

1. Fee / Policy Adjustments.

   a. Maintained fee schedule. **Cost:** ND. **Revenue:** up to $200,000 / year. **Benefit:** Increased tax revenues and positive fiscal operations to improve harbor infrastructure over time, plus an emergency reserve.

2. Delinquency Fees. **Cost:** ND. **Savings:** ND, significant efficiencies. **Benefit:** Realigns costs vs. expense of operating the ports and harbors & staff collection activities.

   a. Lightering Fee. Cost: None, internal. Savings: a 25% increase in the lightering fee expects to net >$15,000 / year.
   b. Fish Box Tax. **Cost:** ND. **Revenue:** up to $200,000 / year. **Benefit:** Can effectively raise more tax revenue by collecting $10 more per every 25 lbs. of boxed fish that was previously being unrealized in a 50 lb. box.

## STREETS

| OBSERVED FINDINGS | SOLUTIONS RECOMMENDED | IMPACT / EXPECTED RESULTS *(min. estimates ND=not determined)* |
|---|---|---|
| **1. Poorly established and / or enforced engineering standards appears a primary cause for premature aging of street infrastructure** | Department and CBS Attorney should begin to review and revise Engineering & Design Standards; from a consultant can provide both state and national context, training | **Cost:** $10,000 (consulting fees) + staff time.<br>**Savings:** $ millions over 20 years.<br>**Benefit:** improved enforcement and project management; longevity of street infrastructure. |
| **2. Street Department successful in maintenance given many constraints** | Department Management should continue to maintain its Street Inventory, Road Master Plan and continue to retain high quality, resourceful employees. | **Cost:** $ as budgeted; **Savings:** ND.<br>**Benefit:** ongoing training to assure design, engineering, project management standards sustained. |
| **3. 70-80% of the street infrastructure is at or beyond its lifespan.** | See below. | See below. |
| **4. Strategy & long-term (20-year) commitment needs to be addressed immediately.** | Strategy and Commitment.<br>a. Revisit the Local Improvement District for $20 million LID.<br>b. Seek Federal/State Funds. Use LID as "match"<br>c. Undertake a public education campaign | Strategy and Commitment. **Cost:** ND (to be determined); **Savings:** potentially significant.<br>**Benefit:** long-term solution. |

### BACKGROUND AND SERVICE LEVEL INFORMATION

Streets Department division was $1,506,870.45, which represents approximately 5.6% of the Total General Fund Budget. The total Salaries and Wages expense was $312,146 with an additional $209,596 in fringe benefits. The total compensation of $521,742 is approximately 34.6% of the total Streets Department budget. Funding for road and repair maintenance comes from the General Fund. The budget for FY 2015 is $1.3 million for road improvements.

Many of the city's 22.13 miles of residential streets were not paved until a Local Improvement District (LID) was created and State grants aided funding in the 80s and 90s.

### OBSERVATIONS AND ANALYSIS

Consultant observations of local street conditions were that many of the roads are in need of repair and show signs of cracking and potholes. Consultants were curious if the Street Department maintained a street inventory and, if so, to what level of effectiveness this information was used in ongoing street maintenance and forecasting complete street repair. Consultants were presented with a copy of the CBS's Street Inventory and Pavement

Management Plan. These documents demonstrate that not only are department staff familiar with construction and engineering standards, but they also have produced a comprehensive street inventory and complete Road Master Plan. Both documents continue to aid CBS in the ongoing and forecasted street maintenance.

Unfortunately, consultant observation and review of the Street Inventory creates more questions than answers. Why does the Street Inventory lack depth information? Consultants learned that a combination of factors have led to the current condition of the poor streets. Poor adherence to standard engineering and design standards, including use of the proper road base (in some areas no road base was observed), as well as and possibly poor construction practices such as compaction and proper drainage design.

**Maintenance Quality**

Despite the tremendous influx of state funding 20-30 years ago, the lower than expected funding for re-investment during the past 10 years, and the unknown details of individual road quality, and lack of as-built information requiring staff to often 'work blind', the roadways should be in *worse* condition – particularly given Sitka's climate. Considering the above-mentioned problems were not all known simultaneously but have come to light over the last 3-4 years, street maintenance has been completed remarkably well. While some of the roadways were not initially constructed to the expected engineering standards with required materials, proper depth and compaction of road base and proper depth of asphalt, staff has done a tremendous job extending local streets beyond their expected life – nearly double the expected life of the streets! Assembly and residents can be assured that their streets have been *exceeding* their initially anticipated life spans.

All can be assured that this department has accomplished a lot with very little the past 4-5 years to stretch the remaining life of the asphalt and base as long as possible. Given the limited financial re-investment put into street repair and maintenance the past 10 years, 'patch and fill' simply isn't an option. Continuing the status quo will only cause the roadways deteriorate more rapidly and rely on an even greater amount of local tax dollars to replace it. The challenge now for CBS is *'what to do about it?'*

**FINDINGS**

1. As reported by the Engineering Department, roads which were constructed 20+ years ago failed to properly adhere to expected engineering standards. While lack of adherence to established expected engineering standards may have been the cause for some premature aging of street infrastructure *(precede current administration).*

2. Street Department has been remarkably successful in maintenance and given many constraints. The City and Borough staff have worked feverishly in the past 10 years to establish and adhere strictly to engineering standards and rigorous construction management Department inventory, planning documents, offices and even the sign repair shop were all in better than expected order.

3. 70-80% of the street infrastructure is at or beyond its reasonable lifespan. The Street Department needs a reliable funding strategy and source for future road reconstruction.

4. A long-term (20-year) commitment needs to be addressed immediately. While CBS should be complemented for its $1.3 million investment for 2015, this cannot be sustained for 20 years when an estimated $45 million is immediately needed.

**RECOMMENDATION**

1. Engineering & Design Standards; Training. Department and CBS Attorney should review and revise Engineering & Design Standards, including bid specifications and bond requirements to assure adherence and enforcement to protect future street infrastructure projects. The assistance of a consultant can provide both state and national context on road standards as well as provide professional training to staff.

2. Ongoing maintenance. Department Management should continue to maintain its Street Inventory, Road Master Plan and continue to retain high quality, resourceful employees.

3. Strategy and Commitment.
    a. LID - Although a combined street-hospital millage increase was voted down in 2011, consultants strongly recommend the Assembly revisit the millage rate increase option for a $20 million LID - strictly for local streets. The LID will only partially fund street improvements.
    b. Seek matching Federal & State Funding – Receiving a 'matching contribution' from federal and state sources is much more likely with a matching contribution by the city without having to fully fund replacements.
    c. Public Education - CBS needs to continue to undertake a public education campaign to communicate the urgency of the infrastructure needs of the community, the proposed plans for infrastructure investment, and the issue of declining financial resources. Doing nothing will only worsen the financial position of the City and have a negative impact on the local economy until a tax adjustment will eventually pass.

**IMPACT / EXPECTED RESULTS**

1. Engineering & Design Standards. **Cost:** $10,000 (consulting fees) + staff time. **Savings:** $ millions over 20 years. **Result:** improved enforcement and project management; longevity of street infrastructure.

2. Ongoing maintenance. **Cost:** $ as budgeted; **Savings:** ND. **Result:** ongoing training will assure design, engineering and project management standards are maintained.

3. Strategy and Commitment. **Cost:** ND (to be determined); **Savings:** potentially significant. **Result:** long-term solution.

## WATER & WASTEWATER

### WATER & WASTEWATER

| OBSERVED FINDINGS | SOLUTIONS RECOMMENDED | IMPACT / EXPECTED RESULTS *(min. estimates ND=not determined)* |
|---|---|---|
| **1. Facility clean, well-maintained.** | Continue to monitor and maintain facility. | **Cost:** ND, as budgeted, staff.<br>**Savings:** continuous.<br>**Benefit:** efficient management of facility and public resources. |
| **2. Telephone lines or system need replacing, upgrade.** | IT needs to assess and replace defective equipment or run new line as needed. | **Cost:** estimated <$5,000;<br>**Benefit:** risk of mis-alarm; staff time and attention; |
| **3. Old ventilation system caused corrosion of lab equipment.** | Continue to monitor air quality within the facility. | **Cost:** ND<br>**Savings:** potentially significant.<br>**Benefit:** continue ongoing monitoring, replacement as needed. |
| **4. Staffing levels appear appropriate, however staffing needs & skills should be reevaluated.** | Conduct Staffing skills assessment and a review of department functions, service levels. Adjust as necessary. | **Cost:** $1,500, 30 days; consultant & staff time.<br>**Benefit:** assurance of sustainable, efficient operations. |
| **5. Dep. Superintendent vacancy should be filled.** | Hire a Recruitment Consultant. | **Cost:** $22,500, 90 days.<br>**Benefit:** reduced risk, opportunity to be trained by Department Director. |

**BACKGROUND AND SERVICE LEVEL INFORMATION**

CBS owns and operates a 4 MGD water treatment plant and 5.3 MGD wastewater treatment plant. Operations and maintenance is provided by a division composed of 11 staff:

- 3 Water Treatment Operators,
- 5 Wastewater Operators *(includes 1 Lab Specialist and 1 Maintenance Specialist),* and
- 3 Maintenance Personnel *(an electrician, a facilities person and an apprentice)*.

The 2014 amended budget data states the Wastewater Fund total expenditures at $2,776,326 and revenue was $2,439,000. The total Salaries and Wages were $652,391 with an additional $422,712. Total compensation of $1,075,103 represents 38.7% of the total Wastewater Fund expenditures.

The Division Head, the Environmental Superintendent, is assisted by a Deputy Superintendent who oversees a Chief Water Operator and a Chief Wastewater Facilities Operator. The Deputy Superintendent position is currently vacant.

**OBSERVATIONS AND ANALYSIS**

The Wastewater Treatment Fund division runs a very efficient operation. Having examined the local streets, and visited aging buildings and other facilities, consultants were concerned about the potential for another aging public facility. An unannounced tour of the facility reflected a

high-quality operation, well-maintained working environment and well organized and capable staff. The facility is in very good condition and the facility appears to be very well-run.

In comparing the fiscal health of all utility funds, the Wastewater Fund maintains a revenue positive operating environment with a positive balance in its undesignated working capital. The Fund completed a Sanitary Sewer Master Plan in 2012 and has benefitted from Assembly-approved fee increases for FY 2015.

Wastewater treatment involves *primary treatment* only *(essentially the removal of basic solids and sending the effluent to the ocean)*. The water treatment process involves essentially adding chlorine and fluoride to surface water – an appropriate process given the relatively high quality of CBS raw water. While this level of treatment is well below what is required in many local governments throughout the lower 48 states, however, it is appropriate given Sitka's location and proximity to other populated areas.

**FINDINGS**

1. Facility was clean, and extremely well-maintained.
2. Telephone systems (possibly only the lines) need replacing, upgrade. During our visit, the automated alarm system continued to call the office phones. Staff reported a frequent problem with the phone system.
3. Old ventilation system was insufficient and caused corrosion of electronic and lab equipment.
4. Staffing levels appear appropriate, however staffing needs & skills should be reevaluated.
5. The Deputy Superintendent vacancy needs to be filled.

**RECOMMENDATIONS**

1. Facility. Continue to monitor and maintain facility.
2. Telephone system replacement. IT needs to assess and replace defective equipment or run new line as needed.
3. Ventilation System: Continue to monitor air quality within the facility to assure proper ventilation is occurring. Budget and replace as necessary.
4. Staffing skills assessment. Because of the numbers of employees in this department has on the financial, quality of life, and economic development of the City, a review of department functions, services and staff qualifications, skills and experience is recommended. A realignment of organizational structure and staffing should be made if determined necessary.
5. Hire an executive search firm to identify and assist in filling the Deputy Superintendent vacancy.

**IMPACT / EXPECTED RESULTS**

1. Facility. **Cost:** as budgeted. **Savings:** continuous. **Result:** efficient management of facility and public resources.

2. Telephone System. **Cost:** estimated <$5,000; **Savings:** ND. **Result:** risk of mis-alarm; staff time and attention;
3. Ventilation System. **Cost:** continuous; **Savings:** potentially significant. **Result:** continue ongoing monitoring and replacement as needed.
4. Staff Skills Assessment. **Cost:** $1,500, 30 days; consultant & staff time. **Savings:** ND. **Result:** assurance of sustainable, efficient operations.
5. Recruitment Consultant. **Cost:** $22,500, 90 days. **Result:** reduced risk, opportunity to work with and be trained by Department Director prior to his departure.

## ELECTRIC UTILITY

### ELECTRICAL DEPARTMENT: OPERATIONS

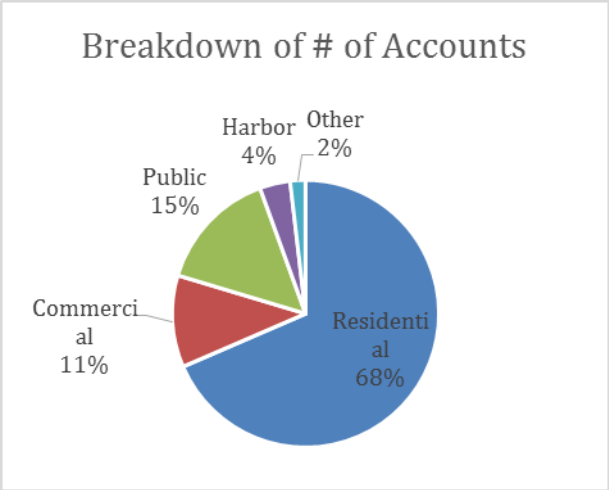
| OBSERVED FINDINGS | SOLUTIONS RECOMMENDED | IMPACT / EXPECTED RESULTS *(min. estimates ND=not determined)* |
|---|---|---|
| **1. Transmission efficiency (energy lost) meets the national average of 6%.** | Continue to implement system improvements to increase transmission efficiency | **Cost:** ND<br>**Result:** Increased efficiency, decreased operational costs |
| **2. Residents should be encouraged to conserve & reduce energy consumption.** | Continue to promote and develop alternative sources of power & conservation programs<br>Analyze a rate structure which encourages conservation. | **Cost:** ND<br>**Result:** Reduced consumption = lower infrastructure demands. Results: minimized and/or postponed need for new infrastructure and attended costs. |
| **3. Older meters don't allow monitoring of use and efficient management.** | Expand the use of new meter reading technology – technology that will allow for better consumption monitoring. | **Cost:** ND<br>**Result:** Greater monitoring and measurement of revenues, current and future infrastructure needs. |
| **4. Department is facing increasingly challenging staffing needs and potential continuity loss.** | Upgrade Systems Engineer to System Engineer / Deputy Director to improve recruiting.<br>Develop a Succession Plan for all key positions.<br>Begin transition / recruitment process for Department Director. | **Cost:** No fiscal impact if implemented. Alternative could be costly.<br>**Result:** If recruitment is started early, finding a suitable applicant is more likely and less costly. |
| **5. Commercial customers do not have a rate structure that promotes energy conservation.** | **Short Term:** The Electric Utility generates power using water flow and dams. Presently it has excess capacity and until it approaches capacity, usage should be encouraged.<br><br>**Long Term:** As long as the State of Alaska is willing to fund future growth in capacity, continue on the current path. Should that funding be eliminated at some point, then once the current electrical usage reaches 80% of capacity, the CBS should review the existing rate structure to take advantage of the new technology and flatten demand | **Short Term Cost:** None<br>**Long Term Cost:** Political & economic issues.<br><br>**Short Term Results:** Increased revenues to the Utility.<br><br>**Long Term Results:** Adjusting rates when external dollars are no longer available to fund increases in capacity would lead to reduced consumption and to avoid or at least postpone a large capital project and related costs. |

**BACKGROUND AND SERVICE LEVEL INFORMATION**

The Department seems to be extremely well run. One measure CBS compares to other utilities in terms of system-wide electricity losses. THE CBS's is 6% *(source: Sitka Energy Department)* is

identical to the nationwide average 6% *(source: U.S. Energy Information Administration, 1900 - 2012).* The staff members are knowledgeable and dedicated.

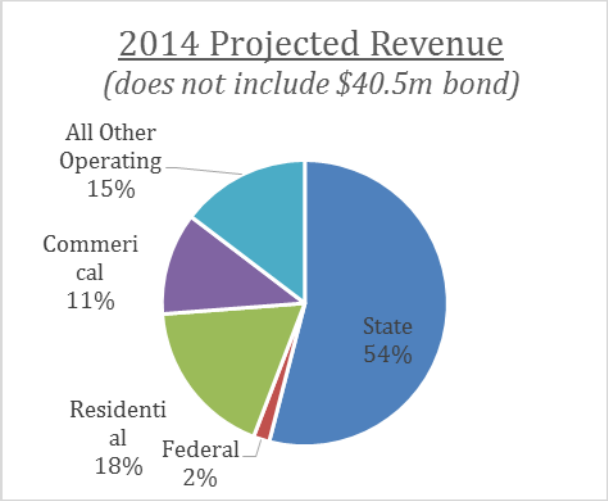
**Staffing.** The Electric Department is an enterprise fund and therefore no General Fund dollars are utilized to support its operation. The department is supported by 26 FTE's which conduct four functions: Transmission and Distribution (10 employees) Generation (11 employees) and Administration / Other (5 employees).




The Electric Department provides power to approximately 5,400 accounts. Almost 69% or 3,700 are residential, 11% or 600 are commercial, 15% or 800 are harbor, and 4% or 200 are governmental. The department is funded through State Grants (54%), Residential Fees (18%), Commercial Fees (11%), Other Operating Revenues (18%), and Federal Grants (2%).

**Rate Structures.** The rate structures for local customers are as follows:

- Residential:
  'Increasing Block Rate' *(the more electricity used, the **higher** the price per kilowatt)*,
- Commercial / Government / Harbor:
  'Declining Block Rate' structure *(the more electricity used, the **lower** the price per kilowatt).*




Over the past three years, rates have increased 37%.

**Payments & Delinquencies.** The Electric Department generates power, reports the use of power by customers based on meter readings to the Utility Billing which renders the bills and then assists in the collection of bills. In this final step in this process of bill collection, the Department hangs notices on the doors of delinquent customers - a process that takes 5 man-hours per week on average. If payment is not received by the next day, the Department shuts off the power.

**Regulations.** The Department is impacted by a number of federal rules and regulations that are intended for application throughout the United States. However, due to the uniqueness of CBS, many of these regulations are not applicable. Overall, the staff has done a good job of demonstrating why CBS should be exempt from these regulations, and the State and federal Government have often agreed.

***IMPORTANT NOTE:*** *Sitka owns and operates 4 independent utilities – Electric Department, Water Department, Wastewater Department, and Solid Waste Department. The Municipal Finance Department produces one singular combined customer billing for all four utilities in one combined monthly statement. The Municipal Finance Department also operates a customer service counter for all combined utilities through which customer payments are received and processed, services established and disconnected, and customer problems resolved. The related report sections attempt to reflect a combined billing functionality as it operates and reflect it as a function of Finance Department.*

**OBSERVATIONS AND ANALYSIS:**

**CAPACITY**

With the recent expansion, the Utility currently has excess capacity and any increases in consumption will lead to increased consumption with only very minor increased expenses. Hence, in the short term encouraging consumption will lead to increased revenues. As long as the State of Alaska is willing to fund additional capacity, the CBS can increase capacity at little additional cost. If, however, the State ceases to fund future capacity, then the CBS will be faced with a large capital investment in new or expanded generation capacity.

**TECHNOLOGY, RATE STRUCTURE & BILLING**

The cost electricity is based on two factors: the Capital Cost *(or the cost of building the infrastructure)* and the Production Cost of a unit *(kilowatt)* of electricity. Capital Costs tend to be high but once plant is constructed and equipment acquired, the actual Cost of Production of a kilowatt tends to be quite low. Example: constructing dam to generate electric power is very costly after which producing a unit of electric power is not. In fact, the cost of producing an *additional* unit of electricity can be extremely low – even close to zero. At some point, however, peak (and not average) demand approaches the capacity, the only way to generate more power is to build additional, costly infrastructure.

Historically, electric rates were based on average costs *(variable costs plus an allowance for depreciation of the infrastructure)*. Since the average cost of production declines as more power is used, many utilities use a *declining block structure* to bill customers. This structure is felt to be the fairest as it reflects the actual cost of the electricity utilized. An alternative is to increase the rate as consumption increases with the theory is that 'higher rates discourage consumption'. That approach can be important because if consumption can be reduced or held

constant, capacity is not reached and the construction of new infrastructure can be eliminated or at least postponed.

CBS currently uses a declining block rate structure for its commercial customers and an increasing block rate structure for its residential customers.

Improvements in metering technology have made it possible to measure consumption for discreet periods throughout an entire day. This ability has led to the development of new pricing structures that can impact consumer behavior. For example, some electric utilities measure the consumption in 15 minute periods and bill the customer based on the highest amount of consumption used at any time used during the a 15 minute period during the year. The theory is that the utility has had to construct capacity to meet this peak demand and the customer should pay for it.

Other utilities use time of day pricing. Under this approach, at the times of day when the customers of the utility as a whole are using the most electricity, the rates are higher. The natural reaction of customers is to shift some of their use to off-peak times. For example, if the peak period is 2 to 5 p.m. and the price is higher for those hours, some consumers may postpone running their washer and dryer until after 5 p.m. Large users might reschedule operations to avoid the peak or use their own generators.

Under either approach, customers will monitor their usage and attempt to flatten the demand curve. The result is that peak demand for the utility is reduced and it can postpone the need to build additional capacity.

The CBS has the metering technology and time-of-day analysis for approximately 1,000 of its customers. It is planning to continue updating the remaining meters in the near future.

**STAFFING**

The Electric Department Director is planning to retire in June and the Project Manager is planning to retire at approximately the same time. The System Engineer position has been vacant for almost two years. Another member of the senior staff can retire at any time. Something could happen to the person occupying the other position or he could decide to leave for some reason. As a result, at least two senior level positions will be vacated in the middle of next year. It is also possible that at least one other senior position will retire in the next year.

The Director is attempting to convert the System Engineer position to a Deputy Director / System Engineer. If he does not succeed in filling that position by the middle of next year, at least three of the current five senior level positions would be vacant. If one or two of the others were to leave, the Department could be devoid of senior lever management experience.

Recognizing the difficulty the Department has in finding well qualified engineers and the need for succession planning, it has begun looking introducing internship programs.

**FINDINGS:**

1. Capacity & Conservation: Due to greater generation capacity from the new Blue Lake hydro facility, capacity should not be an issue in the foreseeable future. CBS should be prepared to develop and introduce rates for its commercial and residential customers that will encourage conservation if/when the State of Alaska ceases to fund its capital plant expansions.

2. Metering & Measurement. Older metering technology does not allow the City to monitor use and efficiently manage future infrastructure needs.

3. Rate Structure Revision. The current rate structure encourages consumption for commercial customers which is appropriate given its current capacity. As noted, it may wish to reconsider that structure if the State ceases to pay for its capital expansion projects.

4. Staffing: Department is facing increasingly challenging staffing needs and potential loss of continuity due to three positions:
    - The System Engineer position has been vacant for almost two years,
    - The Electric Department Director is planning to retire in June 2015, and
    - The Project Manager is planning to retire June 2015.
    - Another member of the senior staff can retire at any time.

**RECOMMENDATIONS**:

1. Capacity & Conservation. Continue to promote and develop alternative sources of power and conservation programs – including re-examination of a rate structure which encourages conservation. This should be gradually introduced so that customers will have time to adjust how and when they do live their lives and do business. Careful consideration needs to be given to the implementation so that businesses are not encouraged to relocate elsewhere to locations where the rates may be lower.

2. Metering & Measurement. Expand the use of new meter reading technology – technology that will allow for better consumption monitoring. The City is wisely reinstituting its program to install meters that will allow it to monitor all its customers' consumption on a more frequent basis.

3. Rate Structure & Revision. City needs to be prepared to its rate structure and take advantage of the new technology if the State ceases to fund new projects that expand its capacity. In the meantime, it should encourage consumption.

4. Staffing.
    a. Upgrading the position of Systems Engineer to System Engineer / Deputy Director to improve recruiting success and continue to recruit.
    b. Develop a Succession Plan for all key positions.

c. Begin transition / recruitment process for Electrical Department Director.

*Note: Based on the salaries in the Lawson Compensation Study, the City should expect to pay somewhat more than the recommendation for the Electric Generation Manager (whom the individual will supervise) and the Electric Director is making. That would be a range of approximately $58.50 to $67.50 per hour. If the City cannot find someone relatively quickly, it should consider hiring an executive recruiter with expertise in recruiting electrical utility personnel. The Department should also develop and implement a succession plan for the other senior level positions.*

**IMPACT / EXPECTED RESULT**

1. Conservation. *Cost*: ND. *Benefit*: Reduced consumption will result in lower demand for new generation infrastructure. *Results*: minimized and/or postponed need for new infrastructure and the attended costs. *Caution:* Once the CBS' electric utility approaches capacity and the State stops paying for future projects, it should consider rates for its commercial customers that encourage consumption. The program should be implemented cautiously so that it does not drive businesses (and jobs) out of the CBS. Commercial customers will likely raise that objection whether changing the rate structure actually would or would not encourage businesses to leave. Analysis to determine the validity of the argument and where the tipping point might be.

2. Metering & Measurement. *Cost*: ND. *Benefit*: Greater monitoring and measurement of current and future infrastructure needs.

3. Rate Structure Revision. *Cost:* Potential political and economic consequences. *Results:* Adjusting the rates so all customers are on an increasing block rate structure could:
   a. generate additional revenues for the utility or,
   b. decrease the bills for residential customers while increasing the bills for commercial customers.

4. Staffing.
   *a.* Recruitment*: Cost*: $ no fiscal impact if implemented. The alternative of hiring temporary engineers to manage the operation could be quite costly. *Result*: IF recruitment is started early, finding a suitable applicant is more likely and less costly.

## OTHER FINDINGS

### VENDING MACHINES

| OBSERVED FINDINGS | SOLUTIONS RECOMMENDED | IMPACT / EXPECTED RESULTS *(min. estimates ND=not determined)* |
|---|---|---|
| **1. 9 Vending Machines in Public Facilities could produce greater revenue** | Bid out vending machine space. | **Cost:** $0. **Revenue:** Rent Plus 20% of sales/ **Benefits:** Cover the cost of electricity, generate additional revenue. |

**OBSERVATIONS AND ANALYSIS**

They are at least 9 vending machines at different locations (City Hall, Water Utility, Down at the Harbor) that are not currently under any known contract. The City is paying for the electricity required to operate the machines. Additional revenue could be generated if vending machine locations were designated for inclusion in a bid to contract out the vending services.

**RECOMMENDATION**

Bid out the vending machine space. Specify a monthly rent for the use of the space in addition to a percentage of the gross sales of each machine.

**IMPACT / EXPECTED RESULTS**

The rent from bidding out the vending machines should be priced at a minimum of a break-even cost to cover the electricity consumed by the machines. In the City of Westwood New Jersey, they charge a $1 a month per machine and collect 20% of the gross vending sales. Beyond covering the break-even cost, there is a potential to be net-positive through the collection of rent and vending sales revenue.

### COPY MACHINES

| OBSERVED FINDINGS | SOLUTIONS RECOMMENDED | IMPACT / EXPECTED RESULTS *(min. estimates ND=not determined)* |
|---|---|---|
| **1. Copier bundling and lease terms could reduce costs up to 20%.** | Re-evaluate and bundle copier leases agreements | **Cost:** $0 staff time only. **Benefit:** Est. 20% savings, improved service options. |

**OBSERVATIONS AND ANALYSIS**

All of the copier leases should be bundled and re-evaluated. When bundled, a better lease rate or rent terms might be obtainable.

**RECOMMENDATION**

A comparable sized municipality in the lower 48 saved $10,000 a year (or $40,000 over 4 years) when compared to their previous lease contract by putting the copier service to bid. Include toner and paper in the bid specifications or lease clause.

**IMPACT / EXPECTED RESULTS**

**Cost: $0** staff time only. **Benefit:** est: 20% savings, improved

## Conclusion

**The Miracle of Local Government**
Municipal Governments are complex organisms, regardless of types of services, size, location, or operating budget, municipal governments are difficult to manage. They are dynamic environments of macro-forces, competing demands and resource constraints. The political landscape is ever-changing with competing values of Assembly Members, Employees and Residents. It is truly a small miracle when services are performed at an acceptable much less exemplary level.

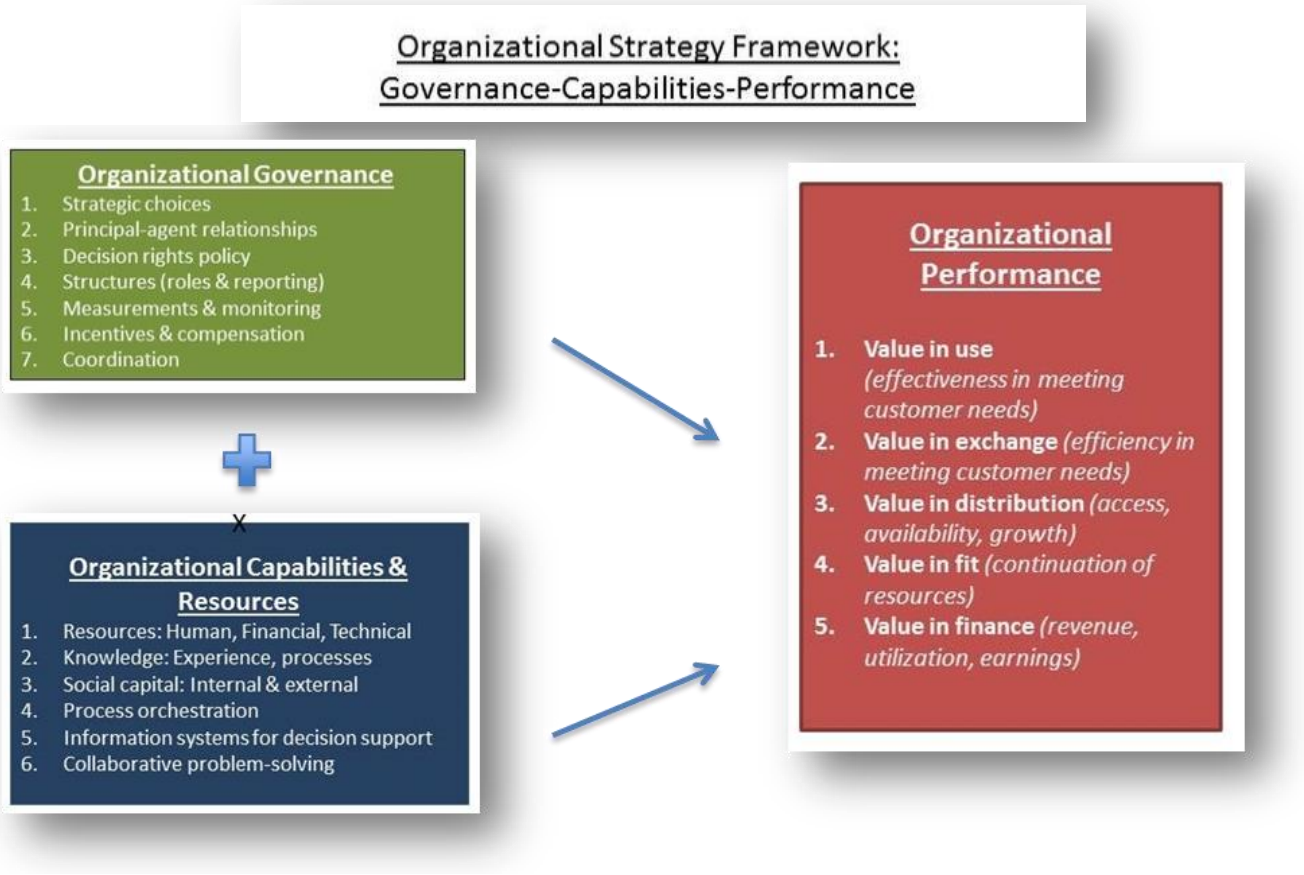
**Purpose of the Study**
The purpose of this study was to (a) identify opportunities for greater efficiency, and (b) provide management a clearer pathway for greater organizational efficiency, effectiveness and sustainability. This report contains the results of 5 months of high-level analysis of the Borough and City of Sitka's key internal systems, tools and processes.

**Efficiency & Effectiveness in Sitka.**
For a community of less than 10,000, the Borough and City provides services equal to that of few cities over 100,000. While the magnitude of each service is nowhere comparable, the level of complexity and the necessary knowledge, skills, experience and education are very similar. As these skill sets would be compensated at a much higher salary range in larger communities with comparable levels of complexity – CBS administration should be commended for steering the ship in the right direction.

**Creating a Management Framework**
Identifying inefficiencies requires an understanding of these organisms and the factors that impact them. Since one citizen's waste is another citizen's essential program, when performing an evaluation, it is important to consider ***Organizational Governance*** and ***Capabilities / Resources***. The former are the rules a city operates by to guide, steer, pilot and direct the local government.

> *Capabilities / Resources* factors are the means, financial capital, knowledge capital, intellectual capital or fixed assets, required to carry out the organization's mission. These factors are illustrated below.
>
> Understanding and identifying organizational inefficiencies must be done in the context of the entity. Organizational efficiency requires that findings and recommendations to be coupled with *values*. In other words, those reviewing this report, must be aware of what he or she values. This includes each member of the Assembly, each employee, each business owner and each local resident. Some key values might include:

1. **Value in the Use of Municipal Resources.** Is use of resources *effective* in meeting the customer's needs?
2. **Value in the Exchange of Services.** How *efficient* was the service delivered?
3. **Value in the Way Resources Are Distributed.** Are services accessible, available and responsive to community needs?
4. **Value in Fit and Sustainability.** Should certain services be continued or could they be stopped? Should resources be reallocated to other needs?
5. **Value in Finance.** Are revenues and earnings utilized to their best potential?




**Priorities Framework**

Consultants could recommend starting points in each department however, as we have learned with a previous recommendation to install water meters to measure water consumption, some recommendations may not be *valued* as much as others. While we have provided department-by-department findings and recommendations, those recommendations need to be prioritized.

**Conclusion**

Consultants have identified many areas in this report where departments can improve, but nowhere did consultants find a single area of such urgency where life or property was in serious peril. Opportunities for greater efficiency are largely department specific and correctable with proper emphasis and accountability.

*The question is where to begin? We feel a three prong approach is desirable.*

First, the Consultants recommend a facilitated Strategic Planning Process. The goal would be for the CBS to establish a framework that could then be used to prioritize the accomplishment of the more resource intensive findings. This effort would involve:

1. Residents + Assembly + Administration
2. Council + Staff,
3. City Manager + staff

Second, Information systems are the backbone of every modern organization. Consequently we believe the CBS should move ahead with the implementation of the recommendations improving the IT infrastructure.

Third, we recommend the CBS implement the suggestions we have made with little or no cost.

The tables below are provided to illustrate the Governance and Resources / Capabilities needs in each department and in aggregate. These tables are intended to be used in discussion of Strategic Planning and prioritizing implantation of our recommendations.

| Capabilities & Resources | Resources: Human, Financial, Technical | Knowledge: Experience, processes | Social capital: Internal & external | Process orchestration | Information systems for decision support | Collaborative problem-solving | Organization / Institutional Culture |
|---|---|---|---|---|---|---|---|
| **Administration** | | | | | | | |
| *Administrator* | X | | | X | X | X | X |
| *Centennial Hall* | | | X | X | | X | X |
| *Clerk* | | | | X | X | | |
| *Finance* | X | X | | | | X | |
| *Government Relations* | | | | | | X | |
| *Human Resources* | X | X | X | X | X | X | X |
| *Information Systems* | | X | | X | X | X | X |
| *Legal* | X | | | X | X | X | |
| *Planning* | X | | | X | X | X | X |
| **Public Safety** | | | | | | | |
| *EMS* | X | | | X | | | |
| *Fire* | X | | | X | | | |
| *Police* | X | | X | X | | X | |
| **Public Works** | | | | | | | |
| *Building Maintenance* | | X | | X | X | X | |
| *Engineering* | X | | X | X | X | | |
| *Facilties Maintenance* | | X | | | X | | |
| *Fleet* | | | | X | | | |
| *Parks & Recreation* | X | | | X | | | |
| *Ports & Harbors* | X | | | X | | | |
| *Streets* | X | | X | X | | X | |
| *Utilities: Electric* | X | X | | X | | X | |
| *Utilities: Water* | X | X | | | | | |
| *Utilities: Wastewater* | X | | | | | X | |
| **Other** | | | | | | | |
| *Library* | X | | | X | X | | |
| TOTAL | 16 | 7 | 5 | 18 | 10 | 13 | 5 |

| Organizational Governance | Rules | Strategic Choices | Principal Agent Relationships | Decision Rights Policy | Organizational Structures (Roles & Reporting) | Measurements & Monitoring | Incentives & Compensation | Coordination |
|---|---|---|---|---|---|---|---|---|
| **Administration** | | | | | | | | |
| *Administrator* | X | X | X | X | X | X | X | X |
| *Centennial Hall* | | X | X | | | | X | X |
| *Clerk* | | X | | | X | | X | |
| *Finance* | | | | X | X | X | X | X |
| *Government Relations* | | | | X | X | X | X | |
| *Human Resources* | | X | X | X | X | X | X | X |
| *Information Systems* | X | X | X | X | X | X | X | X |
| *Legal* | | | | | | X | X | X |
| *Planning* | | X | X | | X | X | X | X |
| **Public Safety** | | | | | | | | |
| *EMS* | | | | | | X | X | X |
| *Fire* | | | X | | X | X | X | X |
| *Police* | | X | | | | | X | X |
| **Public Works** | | | | | | | | |
| *Building Maintenance* | | | X | | X | | X | |
| *Engineering* | | | | | X | | X | |
| *Facilties Maintenance* | | X | X | | X | | X | X |
| *Fleet* | | | | | | X | X | X |
| *Parks & Recreation* | | | | | | | X | X |
| *Parks & Harbors* | | X | X | | | | X | |
| *Streets* | | | | X | | | X | X |
| *Utilities: Electric* | X | | X | X | X | X | X | X |
| *Utilities: Water* | X | | | | | | X | |
| *Utilities: Wastewater* | X | | | | | X | X | X |
| **Other** | | | | | | | | |
| *Library* | | X | | | | | | |
| TOTAL | 5 | 10 | 10 | 7 | 12 | 12 | 22 | 16 |

**Thank you.**

Municipal Solutions consultants would like to thank the Assembly, Staff and Residents of the City of Sitka for their support and interest in this project. We look forward to participating in your success during the months and years to come.

## APPENDIX A

# Software Replacement Costs and Process

### *New Software Procurement*

Replacing software is a difficult issue to price and to define. For example, it is not uncommon for a software vendor to approach the Borough and City of Sitka with a "total" comprehensive software solution for some inexpensive solution such as $100,000. If it sounds too good to be true – it probably is. First one must ascertain specifically what software application modules will be procured and then determine if it is a Hugo®, Chevy®, or Hummer® level of sophistication.

If we use the very simplistic example of a $100,000 software solution, it is critical to plan at least once again the price for the many aspects of implementation. Then, most software vendors will charge maintenance beginning day one, thus it is prudent to plan another once again price for the first four years of maintenance. Thus, the hypothetical $100,000 software would actually probably cost about $300,000 during the first four years without the inclusion of any budgetary cost for hardware or communications. The following chart is provided as a sample of the type of variances software will cost and will cost to implement.

| Month 1. 2, & 3 | Month 4, 5, & 6 | Month 7 & 8 | Month 9 to 12 |
|---|---|---|---|
| Initiate project and project planning | Develop RFP | | |
| Secure dCDRumentation from CDR | Develop RFP & Notify Vendors | Contract Development and Negotiations [Optional] | |
| Schedule interviews and meetings | Pre Bid Conference [optional] | Provide Re-Engineering Workshop [optional] | |
| Provide questionnaires to all users | Evaluate Vendor Responses | | Project Implementation and Oversight |
| Review materials provided by CDR | Onsite Demos | | |
| Review materials provided by CDR | Offsite Clinet Visits [Optional] | | |
| Review and analyze questionnaire responses | Corporate Headquarter Visits | | |
| Interviews, meetings, and focus groups | Contract Development and Negotiations | | |
| Review and analyze questionnaire responses | | | |
| Interviews, meetings, and focus groups | | | |
| Prepare Needs Assessment Report | | Meetings to review draft documents | Presentations to CDR Officials |
| Prepare Needs Assessment Report | | Meetings to review draft documents | Presentations to CDR Officials |
| Status Report | Status Report | Status Report | Status Report |

## *Estimated Time Frames*

With over 30 years of assisting municipalities with software procurement activities, we typically plan a **three-year timeframe (**from start to finish) to replace old software.

Normally we would estimate the Assessment of Need elapse time to first hire a consultant, then for the consultant to provide an analysis, and then the time for the CBS Assembly to go forward to approve an action plan would take one year.

The next step would be the procurement process period. Typically it will take at least one year [sample chart below], but given the normal delays and the concomitant issues with conversion parallel processing, and process re-engineering, it would be more prudent to plan a two year window of time for a software procurement and implementation.

| | Est. Initial Costs | | |
|---|---|---|---|
| | **Probable** | **Low** | **High** |
| Financials, Budgeting, Payables, Receivables, Payroll, Water, Fixed Assets | $350,000 | $100,000 | $800,000 |
| Land Management and Code Enforcement | $150,000 | $75,000 | $400,000 |
| Implementation Costs [fit/gap, conversion, modifications, reports, interfaces, training, implementation mgnt, travel expenses] | $500,000 | $100,000 | $800,000 |
| Year One to Year Four Maintenance Costs | $500,000 | $100,000 | $800,000 |
| Years Five & Six Maintenance Costs | $150,000 | $50,000 | $400,000 |
| Estimated **6** year **Software** Costs | $1,650,000 | $425,000 | $3,200,000 |
| **Annual cost per year of software** | **$275,000** | **$70,833** | **$533,333** |
| | | | |
| Initial Hardware Costs | | | |
| Servers [est. three servers] | $55,000 | $25,000 | $70,000 |
| PCs & licenses [using 10 new users as our model] | $28,000 | $15,000 | $50,000 |
| System and slave printers | $5,000 | $3,000 | $15,000 |
| Networking hardware and accessories | $30,000 | $12,000 | $60,000 |
| Installation and wiring | $25,000 | $10,000 | $40,000 |
| Estimated initial costs | $143,000 | $65,000 | $235,000 |
| **Annual cost per year of hardware** | **$23,833** | $10,833 | $39,167 |
| Annual **hardware and network** support/maintnence [6 yrs] | $102,000 | $55,000 | $200,000 |
| **Average** hardwar support and mainenance | $125,833 | $65,833 | $239,167 |
| | | | |
| Average annual cost for hardware, software, and outsourcing support | **$400,833** | $136,667 | $772,500 |

## APPENDIX B

# SAMPLE FLEET REPLACEMENT POLICY

**Purpose**

The purpose of this policy is to establish criteria, procedures, and the mechanisms for replacing vehicles and equipment. The intent is to:

- Replace vehicles at appropriate intervals.
- Replacement vehicles must meet department needs.
- Establish reliable funding mechanisms and fair allocation of costs to each department.

**Replacement Criteria**

15 Point System – Each vehicle will be evaluated annually using a Point System that assigns points for age, mileage, and repair costs. Vehicles will ideally be replaced after reaching 15 points using the following guidelines. Points are not capped at 15. Points continue to accrue as long as age, miles, and maintenance costs are being logged in and accrued. The Point System can be applied fairly to most vehicles, regardless of their expected lifecycle or mileage. The Point System is simply a tool that quantifies the measurable criteria (age, mileage, repairs) and helps staff to prioritize replacements.
The 50 Point System is based on:

- Age (1 point for each 1/5 of target age)
- Miles (1 point for each 1/5 of target miles more hours)
- Maintenance (1 point for each 1/5 of target maintenance costs)

***Vehicle Targets Table (see below)***

The table below lists target age, miles, and maintenance costs for all vehicle classes. These targets do not automatically trigger replacement. Targets are the expected age and miles that replacement should be considered based on industry standards and actual experience.

Vehicle Downtime – – The vehicle downtime and frequency of visits to repair facilities will also be considered in the decision-making process.

Other Factors – – Vehicles may need to be replaced with less than, or more than 15 points, depending on department needs, funding, or other circumstances.

| Vehicle Category | Target Age (years) | Target Miles or Hours | | Target Maintenance: % of original purchase price |
|---|---|---|---|---|
| Fire Ambulance | 7 | 125,000 | Miles | 50% |
| Fire Engine | 10 | 7000 | Hours | 50% |
| Fire Letter | 10 | 7000 | Hours | 50% |
| Fire Sedan | 7 | 75,000 | Miles | 50% |
| Fire Truck | 7 | 75,000 | Miles | 50% |
| Fire Special Ops | 15 | 3000 | Hours | 50% |
| Other Sedan | 7 | 100,000 | Miles | 50% |
| Other Truck | 7 | 100,000 | Miles | 50% |
| Police Line Motorcycle | 3 | 25,000 | Miles | 50% |
| Police Line Sedan | 6 | 75,000 | Miles | 50% |
| Police Line Truck | 6 | 75,000 | Miles | 50% |
| Police Line Special Ops | 10 | 15,000 | Miles | 50% |
| Police Support Sedan | 7 | 100,000 | Miles | 50% |
| Police Support Truck | 7 | 100,000 | Miles | 50% |
| Public Works 10 Wheeler | 8 | 100,000 | Miles | 50% |
| Public Works Bobtail | 8 | 100,000 | Miles | 50% |
| Public Works Dump truck | 8 | 100,000 | Miles | 50% |
| Public Works Heavy Equipment | 8 | 100,000 | Miles | 50% |
| Public Works Sedan | 7 | 100,000 | Miles | 50% |
| Public Works Truck | 7 | 100,000 | Miles | 50% |
| Public Works Vactor | 10 | 6500 | Hours | 50% |
| Public Works Sweeper | 8 | 3500 | Hours | 50% |

**Exceptions to Standard Replacement Criteria**

Special circumstances should be considered. A department may need to increase its number of vehicles, acquire a different type of vehicle, or replace a vehicle earlier than expected. In these cases, the requesting department submits the appropriate form and the Fleet Management Committee would consider the request.

**Fleet Management Committee**

The Fleet Management Committee makes recommendations to the City Manager regarding the vehicles to be replaced each year. The Committee includes representatives from the elected body, Finance, Fire, Police, Finance, Public Works, and Risk Management.

***Replacement Procedures***

| Step | Actions | Timeline | Description |
|---|---|---|---|
| 1 | Point System Evaluation | February 1 | Fleet staff calculates points to every vehicle as of December 31 of the previous year and distribute the points report to departments. |
| 2 | Department Submits Requests | March 1 | Department heads review the points report, propose exceptions, special cases, requested vehicle replacements. |
| 3 | Fleet Committee Recommendation | April 1 | Fleet Management Committee considers points and department requests, recommends vehicle replacement list and cost estimates to City Manager. |
| 4 | Governing Body Budget Approval | May – June | Governing Body first budget and vehicle replacement funding. |
| 5 | Fleet Committee Finalizes Replacement List | May – June | Fleet Management Committee finalizes replacement list based on Governing Body approved budget. |
| 6 | Fleet Lease Charge to Departments | May – June | Fleet lease charges appear in department budgets to repay City Fleet Funding account for new vehicles. Charges for all vehicles will be spread over five years, or over the expected life of the vehicle if less than five years. |
| 7 | Vehicles Purchased | July – September | New vehicles purchased from City Fleet Fund. |

**Funding Mechanism**

<u>Vehicles – purchase price under $100,000</u>

Internal Lease – – New vehicles will be purchased front from unrestricted cash available in the Fleet Fund. Each department then "leases" the vehicles from the Fleet Fund. The department pays for vehicles as they are being used, with the cost spread across the vehicles life (target age).

<u>Heavy Equipment – purchase price $100,000 or above</u>

External Lease – – New heavy equipment will be purchased upfront using a third-party source of financing. Leasing options will be determined using the existing City purchasing policies, which will require a competitive bid to ensure the lowest interest rate available. The department will pay the Fleet Fund the scheduled debt payments as required by the agreement.

# APPENDIX C

## Succession Plan (Sample)

# City of San Bernardino – Management Development Program

*Draft 5/25/06*

**Key Goal:**

Grow our own future local government leaders by promoting the management development of future department directors, division managers, and supervisors to replace those planning to retire from the workforce in the coming years. This is accomplished by identifying employees from a wide range of leadership levels to form an "acceleration pool". These employees are then developed through training and job experience to maximize their potential contributions to the organization.

Human Resources Role:

To work in conjunction with our managers in determining the most effective means to help them develop their department's future leaders.

**Objectives and strategies:**

Key Objectives:

Expose participants to the rewards and advantages of a career in management with the City.

- Hold panel discussions with Department Heads about management issues.
- Expose employees to the benefits associated with moving into management positions.

1. **Identify an "acceleration pool" of employees that have the highest potential for advancement**
   - Succession Planning Committee and Department Directors invite employees to apply for inclusion. The final list will be approved by the Committee and City Manager, and employee must agree to participate.
   - Participants can/should include all levels of employees, including division heads, field staff, office/professional, etc.
   - Participants will submit a resume and cover letter, which should include their 1-5-10 year goals.
   - Participants will agree to a set of standards that must be met for continued participation in the program during the program cycle (i.e. must have satisfactory performance evaluations, come to training classes, participate in group projects, meet with their mentor, etc.).

- Define program for participants and mentors.
- New list of participants identified each fiscal year.

**2. Establish a mentor/protégé program**

- Participant may recommend a mentor for consideration and approval by the committee or will be assigned a mentor.
- Participant will meet monthly with their mentor from within the organization.
- Participants will agree to a two-year commitment and must identify someone else in the organization that they will formally mentor the second year. Their protégé cannot be someone else in the Management Development Program and must be approved by the committee prior to selection.

**3. Develop the supervisory and management skills of program participants**

- Participants will attend an orientation.
- Participants will attend a minimum of twelve hours of supervisory training provided through the IE Employee Relations Consortium (Liebert, Cassidy Whitmore).
- Participants will attend a minimum of four (4) 1-2 hr training sessions offered in-house. Possible topics and trainers:
    i. Workers' Compensation – Rhonda and Linn
    ii. Employee discipline/Skelly process – Linn
    iii. Sexual harassment/EEO/diversity issues
    iv. Coaching/employee development – department head panel
    v. City processes related to employees (Civil Service, payroll, in-processing/out-processing, evaluations) – HR staff
    vi. Project management/contract management
    vii. Agenda item prep/process
    viii. Ethics Training

- Participate as a group in ICMA Coaching conference calls on supervisory and management topics, and have group discussion afterward.

**4. Broaden the organizational perspective of program participants**

- Provide opportunities to interact with the City Manager, Mayor, and Council through the utilization of brown bag lunches, evening dinners, and panel discussions.
- Invite local business and community leaders to meet with the group to talk about important community issues and expectations of how local government is involved (Chamber of Commerce, Rotary).
- Hold participant networking meetings periodically to encourage relationship building within the group. Meetings can be held at off-site locations around the City (community centers, City Yard, library, Police Station).
- Provide some basic overview training about structure of City government; development of ordinances, resolutions, etc.; City budget; community demographics.

- Shadow assigned mentor.
- Include police and fire personnel in some program activities.
- Attend one (1) City Council Meeting and one (1) other board or commission meeting and provide a one- (1) page summary of the meeting.

5. **Look at changes in the organizational structure that support management development as an important goal**
   - Consider rotations or temporary assignments of employees to other departments, when possible.
   - Promote the establishment of lines of advancement within departments; in order to provide opportunities for advancement within the organization.

**Next steps:**

- Get buy-in from City Manager and Department Heads; incorporate their feedback
- Develop the list of program participants
- Develop a calendar of events for the next year

# MANAGEMENT DEVELOPMENT PROGRAM REQUIREMENTS

## Municipal Solutions, LLC / James Madison Group

## *(SAMPLE)*

The next generation of leaders needs guidance for leading in perhaps the most challenging time in history. Many municipalities have discovered already that it's getting harder these days to find and train the next generation of leaders. Demographic winds of change are at work as baby boomers retire and the less-populous "Generation-Xers" prepare to take over. Organizations that are facing significant turnover will benefit from this program which includes:

- *Gaining the tools and processes necessary to ensure that the vision for the organization and community continues and that the organization and culture once developed will be in good hands once senior staff have left.*

- *Discovering innovative ways to mentor staff so that the organization can continue to prosper and continue to successfully implement the organization's vision even after key staff left.*

A sample of our management development for succession planning is detailed below.

**A. Participate in at least two ICMA / FCCMA Coaching Telephone Panel discussions:**

- Preparing yourself for a Chief Executive Position
  Thursday, September 25, 2008, 2 p.m.-3 p.m.
- Resiliency – How to Deal with Criticism and Adversity
  Wednesday, October 8, 2008, 3 p.m.- 4 p.m.
- Serving Diverse Communities – Best Practices
  Wednesday, October 15, 2008, 2 p.m.- 3 p.m.

**B. Attend a minimum of 24 hours training through the [established forum] conducted by [designees] held at [location]:**

- Customer Service for Management (6 hours), August 2008.
- Teaching Customer Service to your Employees (6 hours)
- Supervisory Skills for the First Line Supervisor/Manager (6 hours)
  Thursday, September 4, 2008, 9 a.m. – 4 p.m.
- Preventing Workplace Harassment, Discrimination and Retaliation (3 hours)
  Thursday, November 6, 2008, 9 a.m. – 12 p.m.
- Ethics in Public Service (3 hours)
  Thursday, November 6, 2008, 1 p.m. – 4 p.m.
- Privacy Issues in the Workplace (3 hours)

Thursday, January 8 2009, 9 a.m. – 12 p.m.

- Issues and Challenges Regarding Drugs and Alcohol in the Workplace (3 hours) Thursday, January 8, 2009, 1 p.m. – 4 p.m.
- Teaching Customer Service to your Employees (6 hours), February 2009.
- Personnel Issues: Hiring, Reference Checks and Personnel Records & Files (6 hours) Thursday, March 5, 2009, 9 a.m. – 4 p.m.
- A Guide to Labor Negotiations (6 hours)
  Thursday, May 7, 2007, 9 a.m. – 4 p.m.

**C. Attend Management Development Program orientation (1 hour)**

**D. Attend a minimum of 6 training sessions on topics taught by City staff (dates to be determined) focusing on helping you understand how the City operates and issues important to supervisors and managers:**

- Agenda item preparation and process (City Clerk)
- Workers' Compensation (Risk Manager / Personnel Director)
- The role of a City Commission member (various Commission members)
- Sexual Harassment/Discrimination Policy/EEO (Risk Manager / City Attorney)
- The role of the Mayor (Mayor)
- Police Department functions (Police Chief)
- RFP Process (Finance staff)
- Fire Department functions (Fire Chief)
- The role of the City Manager (City Manager or designee)
- Review of Boards and Commissions (City Clerk or designee)
- Putting together the City Budget (Finance Director or Designee)
- Public speaking skills (Consultant or designee)
- Understanding our City Charter and the Municipal Code (City Attorney)
- Writing Skills (designee)

**E. Attend and provide a one-page summary of one City Commission meeting and one other Board or Commission meeting before December 1, 2008.**

**F. Participate in the mentor/protégé program:**

- Select a mentor from either the list provided to you or one of your own choice. If you cannot decide on a mentor the committee will assign one to you. The committee will have final approval on mentor selection.
- Meet at least monthly with your mentor during the upcoming Fiscal Year.
- Identify someone within the organization that you would like to mentor (a protégé) for the upcoming Fiscal Year. Your protégé cannot be someone else in the Management Development Program and must be approved by the committee prior to selection.

**G. Select one conference/seminar on a topic relevant to your career path and/or Department's function. Approval to attend must be received by Department Heads.**

**H. Attend Supervisory Skills Training (6 hours) conducted for the City by designee.**

**I. Throughout the fiscal year other opportunities may arise that require your attendance, such as:**

- Opportunities to interact with community leaders.
- Networking meetings with others in the Management Development Program.
- Tours of City facilities.
- Brown bag lunches with Department Heads and Commission Members.
- Attending a Neighborhood Association meeting.

# APPENDIX D

## Organizational Governance & Strategy Framework

## Definitions for Organizational Strategy Framework

**Governance factors:** rules to operate by, to guide, to steer, to pilot, to order, to administer, to structure, and to direct

**Capability and resource factors:** means of production, financial capital, human capital, knowledge capital, intellectual capital, fixed assets, and asset stocks.

**Data for Analysis:** Observations, interviews, surveys, archival data, historical data, press reporting, social media, etc.

## Governance factors:

*Rules:* The rules, which govern the capabilities and resources.

*Strategic choices:* The strategic choices that organize the organizational and institutional resources. These include goals and objectives.

*Strategic investments:* The policies governing investment decisions in governance factors and capability factors.

*Contracts:* The complete and incomplete contracts that govern transactions within and between organizations and institutions.

*Decision rights:* Who has the authority and where are they located in the organization and institutions to make decision.

*Organizational structure:* Roles and responsibilities and the organizational reporting and operational structure.

*Incentives and compensation:* The financial and other types of incentives and compensation that seek to motivate and govern behavior and resources.

*Budget Authority:* Who has the budget authority, particularly in relationship to key organizational resources.

*Business model:* How the organization has chosen to make money.

*Monitoring and Measuring:* The key metrics for monitoring and measuring performance and value creation.

*Transaction costs*: The underlying costs of running the institutions and organizations.

*Feedback systems:* The formal and informal systems that provide performance feedback in relation to performance and value creation.

*Coordination:* The meetings and communication that organize resources and capabilities.

## Resource and Capability Factors:

*Resources:* The means of production that are governed to generate performance and value creation.

*Knowledge*: The key knowledge and skills to generate the strategic choices of performance and value creation. This includes the organizational and institutional experience developed.

*Capital:* The necessary financial, technical, physical, intellectual, human capital to achieve the strategic choices of performance and value creation.

*Processes and routines:* The processes and routines the organizations designs, develops and deploys to achieve its strategic objectives.

*Social Networks:* The social relationships, interactions both internal and external to that provide the means of organizations and institutions to accomplish their strategies.

*Technology platforms*: The technology, including information technology that organizations and institutions use to achieve their strategic choices.

*Collaborative problem-solving:* The collaboration to solve problems necessary to achieve strategic performance and value creation goals.

*Organizational and Institutional Culture:* The shared norms of generating value.

| Capabilities & Resources | Resources: Human, Financial, Technical | Knowledge: Experience, processes | Social capital: Internal & external | Process orchestration | Information systems for decision support | Collaborative problem-solving | Organization / Institutional Culture | | |
|---|---|---|---|---|---|---|---|---|---|
| **Administration** | | | | | | | | | |
| *Administrator* | X | | | X | X | X | X | | |
| *Centennial Hall* | | | X | X | | X | X | | |
| *Clerk* | | | | X | X | | | | |
| *Finance* | X | X | | | | X | | | |
| *Government Relations* | | | | | | X | | | |
| *Human Resources* | X | X | X | X | X | X | X | | |
| *Information Systems* | | X | | X | X | X | X | | |
| *Legal* | X | | | X | X | X | | | |
| *Planning* | X | | | X | X | X | X | | |
| **Public Safety** | | | | | | | | | |
| *EMS* | X | | | X | | | | | |
| *Fire* | X | | | X | | | | | |
| *Police* | X | | X | X | | X | | | |
| **Public Works** | | | | | | | | | |
| *Building Maintenance* | | X | | X | X | X | | | |
| *Engineering* | X | | X | X | X | | | | |
| *Facilties Maintenance* | | X | | | X | | | | |
| *Fleet* | | | | X | | | | | |
| *Parks & Recreation* | X | | | X | | | | | |
| *Ports & Harbors* | X | | | X | | | | | |
| *Streets* | X | | X | X | | X | | | |
| *Utilities: Electric* | X | X | | X | | X | | | |
| *Utilities: Water* | X | X | | | | | | | |
| *Utilities: Wastewater* | X | | | | | X | | | |
| **Other** | | | | | | | | | |
| *Library* | X | | | X | X | | | | |
| | | | | | | | | | |
| TOTAL | 16 | 7 | 5 | 18 | 10 | 13 | 5 | | |

| Organizational Governance | Rules | Strategic Choices | Principal Agent Relationships | Decision-Rights Policy | Organizational Structures (Roles & Reporting) | Measurements & Monitoring | Incentives & Compensation | Coordination |
|---|---|---|---|---|---|---|---|---|
| **Administration** | | | | | | | | |
| *Administrator* | X | X | X | X | X | X | X | X |
| *Centennial Hall* | | X | X | | | | X | X |
| *Clerk* | | X | | | X | | X | |
| *Finance* | | | | X | X | X | X | X |
| *Government Relations* | | | | X | X | X | X | |
| *Human Resources* | | X | X | X | X | X | X | X |
| *Information Systems* | X | X | X | X | X | X | X | X |
| *Legal* | | | | | | X | X | X |
| *Planning* | | X | X | | X | X | X | X |
| **Public Safety** | | | | | | | | |
| *EMS* | | | | | | X | X | X |
| *Fire* | | | X | | X | X | X | X |
| *Police* | | X | | | | | X | X |
| **Public Works** | | | | | | | | |
| *Building Maintenance* | | | X | | X | | X | |
| *Engineering* | | | | | X | | X | |
| *Facilties Maintenance* | | X | X | | X | | X | X |
| *Fleet* | | | | | | X | X | X |
| *Parks & Recreation* | | | | | | | X | X |
| *Ports & Harbors* | | X | X | | | | X | |
| *Streets* | | | | X | | | X | X |
| *Utilities: Electric* | X | | X | X | X | X | X | X |
| *Utilities: Water* | X | | | | | | X | |
| *Utilities: Wastewater* | X | | | | | X | X | X |
| **Other** | | | | | | | | |
| *Library* | | X | | | | | | |
| | | | | | | | | |
| **TOTAL** | **5** | **10** | **10** | **7** | **12** | **12** | **22** | **16** |