



Los Gatos ♦ San Luis Obispo

Avery & Associates

# Organizational Assessment

For the City of Salinas

November 10, 2010

William Avery & Associates, Inc.  
3-1/2 N. Santa Cruz Ave., Suite A  
Los Gatos, CA 95030  
408.399.4424  
Fax: 408.399.4423  
[www.averyassoc.net](http://www.averyassoc.net)



---

# TABLE OF CONTENTS

---

Overview .....	1
Acknowledgements.....	2
Scope of Report.....	3
Methodology .....	6
Budget Strategies.....	7
Long Term Strategies.....	14
Governance Policies.....	17
Reorganization Proposals .....	22
Community Development Department .....	24
Development Services.....	25
A Preferred Organization .....	27
Guiding Principles .....	27
Other Recommendations.....	30
Performance Measures.....	31
Building Services.....	31
Planning Services.....	32
Web Site Tools.....	32
Summary .....	33
Community Services Department.....	34
Why a New Department.....	34
Guiding Principles .....	35
Structure of New Department.....	36
Benefits of Reorganization.....	38

Deputy City Manager .....	39
Administrative Services Department.....	41
General Accounting and Systems .....	43
Budgeting .....	45
Purchasing .....	45
User fees and charges.....	46
Information Systems (IS).....	46
Human Resources .....	47
Summary .....	47
Contracting of Services, JPA's and Consolidation of Services.....	48
Policy and Administrative Guiding Principles .....	48
Findings from Interviews and Surveys.....	49
Current City of Salinas Contract Services .....	51
Challenges to Salinas for Consolidations with other Governments.....	51
County of Monterey .....	52
Conclusion .....	53
Economic Development Initiative (Prosperity).....	54
Background .....	54
Economic Development Program Initiatives .....	55
Business Retention.....	56
Business Attraction.....	60
Organizational Structure .....	61
Fiscal Structure.....	63
Summary .....	64
Youth/Gang Violence Prevention Initiative (Peace).....	65
Background .....	65
Current Status .....	66

Scope of Work .....	67
Strategic Plan Development .....	68
Community Engagement of Key Stakeholders in Strategic Planning Process.....	70
Organizational Effectiveness Initiative.....	73
List of Recommendations.....	77
Budget Strategies.....	77
Governance.....	77
Community Development Department.....	78
Community Service Department.....	79
Administrative Service Department .....	79
Economic Development .....	80
Youth/Gang Violence Prevention Initiative.....	81

## APPENDICIES

- Appendix 1 Avery Proposal to City of Salinas
- Appendix 2 Biographical Briefs of Management Team for Salinas Project
- Appendix 3 List of reports
- Appendix 4 Surveys  
- Survey of Comparable Cities  
- Salary & Benefits as a percentage of total expenditures
- Appendix 5 PowerPoint presentation, Salinas Management Workshop, July 21, 2010 by Dr. Frank Benest
- Appendix 6 Nineteen cities survey of position reductions
- Appendix 7 City of Salinas –Input from Managers and Other Employees  
- Ideas from Employee workshops  
- Summary of meetings with managers  
- Employee suggestions  
- Meetings with Mayor, Council & City Manager  
- Dr. Benest Salinas workshop
- Appendix 8 Reports  
- Harvard Business Review article *Leadership in (Permanent) Crisis* by Ronald Heifetz, Alexander Grashow, and Marty Linsky, July-August 2009  
- *Introduction to Traits of Successful Managers* by Les White, January 2010  
- Public Management article *Creating a New Future for a Downsizing Organization* by Dr. Frank Benest, October 2005  
- Ten New Rules for Elected Officials in Times of Economic Meltdown by Dr. Frank Benest
- Appendix 9 Council Work Plans
- Appendix 10 Council Referral Process
- Appendix 11 Recommended Changes to Committees
- Appendix 12 Performance Measurement and Citizen Survey  
- Performance Measurement  
- Citizen Survey
- Appendix 13 Reduction Summary: Permanent Positions
- Appendix 14 Enabling Conditions for Effective Reorganization
- Appendix 15 TOT Ballot Measures

---

# ORGANIZATION ASSESSMENT FOR CITY OF SALINAS

---

## OVERVIEW

---

The sections below speak to the genesis, scope and methodology used in developing this report. Avery & Associates would like to comment briefly on the process we employed. We conducted over 60 interviews inside City Hall and in the community. In addition, we conducted three interactive workshops and met frequently with the Mayor, City Manager and senior staff as part of an iterative process. While we expect that the full report will assist City leadership in answering key questions and setting priorities, an important related goal was to establish a culture of change within the organization. We hope that because of this approach, the City organization will be better able to cope with the structural deficit and to adapt to change going forward.

Avery would like to thank members of the staff and community for the time and thoughtful cooperation they invested in this effort (see Acknowledgements).

### **Here is a brief summary of the major recommendations:**

- Increase general fund reserves and invest in four critical areas: economic development, training, information systems and neighborhood services/volunteerism.
- Complete a five year forecast, and implement other necessary budget balancing strategies.
- Explore a variety of contract service opportunities set forth in this report.
- Create a revamped Community Development Department, a new Community Services Department with a neighborhood services/volunteerism unit, an Office of Economic Development and Redevelopment, a Deputy City Manager position in the City Manager's Office, and re-title the Finance Department to Administrative Services.
- Adopt a series of governance policies for setting organizational priorities, creating work plan and council referral processes, restructuring Council committees, boards, and commissions, and establishing departmental performance measures including citizen surveys.
- Approve economic priorities for agriculture and retail, business retention and expansion, and expanded tourism utilizing a Transient and Occupancy Tax increase.
- Approve a variety of policy and structural changes to improve the effectiveness of current youth gang violence efforts.

A list of all the recommendations found in this report is provided at the end of this report.

## ACKNOWLEDGEMENTS

---

We wish to acknowledge the important contributions of citizen groups who dedicated many volunteer hours that led to the development of reports that showed great insights into the complexities of the City of Salinas organization. In particular we wish to acknowledge the work Of the Blue Ribbon Committee chaired by Mark Drever, the Independent Budget Review Committee co-chaired by Steve Ish and Brett Langdon, the Community Dialogue sessions where citizens engaged in a discussion of service and budget priorities, the Permit Advisory Committee chaired by Vince DiMaggio and various other community groups.

We wish to thank the following individuals from the community who gave of their time for one or more interviews and shared insightful and candid observations of the City organization: Colleen Bailey, Tom Carvey, Vince DiMaggio, David Elliot, Brian Finnegan, Brian Foucht, Peter Kasavan, Jim Levitt, Rex McIntosh, Ernie Mill, Matt Ottone, Trish Sullivan, and Bill Tebbe.

We thank other City and County government officials who participated in surveys, interviews and discussions with us, including Lew Bauman, Mike Miller and Wayne Tanda from the County of Monterey.

We also wish to thank the City employees who candidly shared ideas with us --- approximately 200 managers and non-management employees in the Adapting to Change workshops and the approximately sixty employees we interviewed. In particular we would like to thank the Mayor and Council for the time they took out of their busy schedules for interviews, the City Manager's willingness to engage in multiple meetings with us to share ideas and give feedback as well as department heads who gave unstintingly of their time to discuss organizational alternatives, answer funding and staffing questions and candidly discuss ideas that on occasion touched on their own futures. Lastly a special thanks to Cheri Miller and her staff who, despite a staggering workload, helped us set up meetings, arrange meeting space, secure reports and in general do everything we needed with courtesy and efficiency.

## SCOPE OF REPORT

---

On, May 18, 2010, the City Council received a report from the City Manager recommending that the City Council receive the Blue Ribbon Committee's (BRC) draft report and requesting that staff be directed to incorporate appropriate parts of that report into short-term budget balancing efforts and "to further study the BRC's long-term budget balancing recommendations for inclusion in the FY 2011-12 budget." As a result of this direction the City Manager retained Avery Associates to focus on these long-term budget balancing and organizational strategies. Appendix 1 is the proposal from Avery Associates that was submitted and approved by the City Manager. Appendix 2 is a listing of biographical information for the consultants from Avery Associates who worked on this project. While the focus of this report is on long-term organizational and procedural aspects of governance in the City, there is a section that provides observations about budget strategies based on a review of budget policies, input from employees and managers from interviews and online suggestions from employees for ways to reduce the City budget. However, the major components of this report are:

Governance Policies: A review of policies and practices that help to ensure that the organization is functioning in a focused and disciplined manner and doing so in the context of scaled back operations as a result of budget reductions. In this section we also make recommendations regarding elimination/consolidation of boards, commissions and Council committees.

Adapting to Change Presentations: Training sessions with Dr. Frank Benest, a recognized leader in local government, were held with the objective of setting the tone for the need for a future-oriented, adaptive organization capable of addressing local government issues in challenging economic times. During these sessions, City staff expressed the challenges they face and various ideas for improving the organization.

Organizational Analysis: This involved a review of three organizational structures recommended by the BRC to the City Council—Community Services, Community Development and Support Services (what we call Administrative Services). We have reviewed background material, interviewed policy makers, community members and employees, solicited opinions from employees regarding organizational and related changes, surveyed other cities, reviewed best practices and considered all of this information in the context of existing fiscal realities while acknowledging the need to proactively manage the organization. In this section we also comment on contracting opportunities.

Review of Three Initiatives: This review has entailed assessing initiatives that are already underway as well as new directions and suggests additional work that might occur to enhance these efforts. For example, considerable work has been underway in the City to reduce youth crime and gang violence and we have advised staff to help shape the governance structure of the Community Alliance for Safety and Policy (CASP). With regard to the Prosperity initiative, we will comment on ways to focus economic development

efforts and discuss additional resources and an organizational structure to help achieve this important City goal. Throughout the report we will comment on how to improve organizational effectiveness through goal setting processes, performance measures, contracting out, use of volunteers, and reinvestment in key areas to improve organizational performance. We then summarize key initiatives in the Organizational Effectiveness section.

Various citizen groups have directly and indirectly contributed to the content of this report. Our findings agree with a number of the findings of these groups—from those reviewing the entire organization to more specific areas such as the Permit Center and use of volunteers. Two such citizen groups are the BRC and the Independent Budget Advisory Committee (IBAC). A third broader grouping of citizens occurred through the Future of Salinas Community Dialogues.

The BRC endorsed the views of various groups and offered major themes:

- Engage the community and further tap into the extraordinary spirit of volunteerism in the community. Re-structure the organization for success through consolidations of departments. Update land use plans and foster the creation of more industrial and commercial space.
- Better organize the work of the City through governance policies that create work plans, improve performance measures, reduce organizational redundancies, streamline citizen boards and commissions and, in general, improve organizational effectiveness.
- Focus the organization on achieving the critical initiatives of “Peace” - the reduction of youth-gang violence and “Prosperity” - ensuring a vibrant and focused economic development program. Both of these areas were recognized as major goals of the City in the adopted FY 2010-2011 Operating Budget.
- Develop and adopt strategies to reduce current operating costs through reorganization and cost reductions particularly in the area of salaries and benefits - the major driver of costs in any city budget.

While the BRC addressed short and long range issues, The IBAC weighed in with suggestions primarily focused on correcting immediate deficit problems and suggested operational improvements as well. Some major points of the IBAC were:

- Eliminate budget deficits and avoid them in subsequent fiscal years.
- Focus on the major areas of expenditure increases—salaries and benefits.
- Evaluate salary levels that appear to be higher than IBAC’s sample of other jurisdictions.
- Reduce health insurance costs because City benefits (or at least the City’s share of cost) appear to be higher than those in other jurisdictions.
- Consider a variety of other operational improvements.

*The Future of Salinas: Report on Four Community Dialogues* captures sessions with citizens and their opinions regarding service levels and choices. The key findings from these sessions were:

- 80% of respondents want to enhance Salinas as a community, even if some new money is needed to preserve current services
- They want continued affordable programs in libraries, and parks and recreation with almost 90% willing to spend additional funds on youth programs
- They want to reassess public safety and make it more effective through changes in how the City does business with an emphasis on community policing and engagement of youth and adults
- They believe government could be more efficient and volunteerism and youth programs could help provide services
- They reflect a willingness to pay more after “efficiency moves” are made such as reducing administrative costs, some maintenance costs, and salary costs for “higher paid” employees
- Measure V was the most supported new revenue measure because of the positive perception of its benefits
- Participants want to see public safety effectiveness improve, more engagement and education of the public about its local government, and efforts to enhance the quality of life particularly for the City’s youth

## METHODOLOGY

---

Our methodology has involved interviews, surveys and review of various reports. We have also been proactive in offering ideas as the work has progressed. The Principal Consultant has had regular discussions with the Mayor and City Manager about ideas for improving policies, answering questions and approaches on a variety of topics ranging from economic development, permitting and executive evaluation processes, and critiquing written and verbal presentations. In addition, we engaged managers and non-management employees in three workshops to offer training in adapting to change in this difficult economic environment. This included soliciting their ideas and opinions regarding the BRC report, the Consultants work and improving the organization.

The Mayor and City Council and community members offered their perspectives on the permitting process, economic development, volunteerism, and the City organization and staff. Some of the major themes and ideas from these interviews are included throughout this report. We have also reviewed a variety of articles, publications, reports and surveys prepared by outside experts, in-house staff and community groups. Appendix 3 lists the reports used.

In addition we conducted a survey of ten comparable cities to gather information about their budgets and services. The cities were chosen because they were similar in population size, demographics, and budgets. Several are central cities. Others were chosen because they have a reputation for being innovative and we were looking for good ideas about organizational structures, city policies, and performance measures. A summary of survey results is shown in Appendix 4. Some observations from the comparison year of FY 2009-2010 are noted below:

- The City of Salinas had the lowest level of General Fund reserves by a wide margin. The second lowest level of reserves was over 7 million dollars.
- The City had to deal with the second highest deficit.
- The City had the third lowest per capita General Fund expenditure level even with the inclusion of Measure V funds.
- The City had the lowest per capita yield in General Fund revenues and was still third lowest when Measure V revenues are included.
- Salinas had the third fewest non-public safety employees compared to other cities and was about in the middle when public safety employees are included. The two cities with lower non-public safety employees did not provide library services.

Three workshops were conducted by Dr Frank Benest entitled “Promoting Adaptive Change in a Disruptive World”—one for managers and two for other employees. Approximately 200 employees attended these sessions. A copy of the PowerPoint presentation is included as Appendix 5. A shorter version of this presentation was given to the two employee sessions. A session has been developed for the City Council if they choose to have one.

## BUDGET STRATEGIES

---

While this report is not intended to address short-term budget issues, we have included our observations as well as some of those from interviews and discussions with the Mayor and Council, City Manager and City employees, and from other sources that are germane to short and long-term budget balancing strategies. The City Council and staff have done an exemplary job of literally surviving years of difficult fiscal situations through budget reductions and some revenue enhancements while maintaining reasonable service levels in the community. But fiscal problems persist and options to fix those problems are limited. In order to restore a more balanced approach to the City's fiscal future, the following processes and strategies are suggested:

1. Five-Year Forecast: In order to fully assess future budget impacts it is recommended that a longer timeframe for forecasting General Fund revenues and expenditures be undertaken. The City's current budget includes a forecast for overall revenues and expenditures for the FY 11-12 year budget – in effect a two year budget. A longer timeframe is needed to identify budget events that are likely to occur more than one year out and to fully recognize the future impact of revenues and expenditure decisions made in the current year. In addition, the long term financial forecasts, as well as the impact of current budget decisions into the future years, need to be clearly explained in the budget. (This was noted, in part, by the Independent Budget Advisory Committee in its statement that annual budget decisions need to be viewed by the impact on the following year's budget). We believe it goes beyond a one year assessment. Actions in one year need to be premised on the best estimates of what the budget situation may look like over multiple years. In that regard, the City needs to: 1) Assess the impact of the loss of the ½ cent sales tax revenues from Measure V when it sunsets in FY 2015-16; 2) Evaluate different scenarios of increases in personal services costs (salaries and major benefits such as retirement and health costs) which are the main drivers of cost increases in the budget, and, 3) Consider the impact of fluctuations in major revenue sources. This five-year forecast should include three scenarios of best case, mid-case and worst case. It should be premised on a major assumption of eliminating projected deficits as quickly as possible so that the organization is not faced with a continuing scenario of dealing with budget deficits each year. While this might require more radical expenditure reductions as well as major initiatives to increase revenues that may be preferable to repeatedly being faced with smaller but demoralizing service cuts. And, increasing revenues through sales tax increases, major fee adjustments and other major revenue increases should not be “off-the-table” as one option for coping with recurring fiscal difficulties.
2. City Reserves: This forecast should have as one of its major assumptions restoring reserves in accordance with the existing budget policy of maintaining a reserve “equal to five percent of the general fund operating budget to cover cash flow requirements and normal variances in revenue and expenditure estimates”. In the adopted 2010-11 budget, including Measure V funds, this would be about \$4 million. The 5% is below the Government Finance Officers Association recommendation of two months of revenue for unknown contingencies and emergencies. In reviewing

other cities, the City of Salinas had by far the lowest level of reserves. While all other cities reported reserves in the millions, Salinas' reserves as of the end of the 2009-2010 fiscal year were in the thousands. Of the ten cities surveyed, the smallest reserve level was \$7.5 million and the largest was \$40 million. One-time year-end balances above amounts estimated should be earmarked to this reserve account so that the City has a margin of fiscal safety in the event of major revenue shortfall or need for emergency expenditures. For example, if there were a one million dollar close out general fund/Measure V fund balance, we would recommend \$500,000 (50%) be allocated to rebuild the reserves and the balance be allocated to the four investment areas outlined below.

3. Reinvestment in Certain City Activities: These four areas are viewed as keys to moving the City forward in difficult economic times:
  - a. Need to reinvest in, not eliminate, effective training programs for remaining employees. \$20,000
  - b. Need to reinvest in neighborhood initiatives and volunteers. The City reduced a neighborhood services/volunteerism unit that was intended to more effectively utilize volunteers and provide for better coordination of city services to socio-economically impacted neighborhoods. \$80,000
  - c. Need to invest in the City's equipment such as computers and software which has become obsolete and directly affects the productivity of employees. If enough funds are available, we recommend an allocation of \$150,000 for this purpose.
  - d. Need to invest in City functions that become an even higher priority because of a stagnant national, state and regional economy. For example, investing more in economic development initiatives to seed private investment. \$250,000

Throughout this report, we refer to the need to reinvest in these four critical areas--training, neighborhood services/volunteerism, information systems hardware and software, and economic development.

Revenue Enhancements: While this subject seems to be anathema to many groups, it cannot be ignored if the City values a balanced set of services for its residents and businesses. The per capita general fund revenues in the City are lower than the average of other cities and most City staffing levels on a per capital basis are also lower. This means that the City does not invest as much into its infrastructure and ongoing city services as most cities. Measure V is an example of a major revenue initiative that has allowed the City to put funds into critical services, but even with that investment, the City still has service and staffing levels that are on the low side of the surveyed communities. (See Appendix 4) While reductions in compensation levels, further staff reductions, use of more volunteers, streamlining of some departments, and a continued aggressive program of seeking grants will help mitigate loss or reduction of services, additional revenues will need to be part of the

equation in order to address Peace and Prosperity initiatives and related service needs of Salinas residents.

4. Cost Reduction Ideas: Input from citizens groups, the Benest workshops, and other interviews produced ideas such as the following: Combine public safety fleet maintenance with all other fleet maintenance services, consolidate city-county animal control services (currently under review), contract out more services (engineering design, fleet maintenance, street tree maintenance), reduce library services to six days, consider various wage and health reductions in Item 6 below, reduce the number of managers, provide a more flexible use of City credit cards, increase the use of volunteers to offset reductions, and use more temporary help when backfilling positions. Some of these ideas have been implemented and some need to occur and are covered in greater detail in other sections of this report.
5. Contracting Out Services: As a practical matter, there are contract cities that contract out virtually all services to the private sector and other public agencies. In the case of the City of Salinas, contracting out city services has been done in some operations but cannot be viewed as a short-term budget fix because existing labor agreements preclude contracting out work where employees currently fill positions. If the City wishes to more fully explore this option as a budget solution then it would have to amend one or more its labor agreements to make it feasible. It is not a given that those contracted services would be cheaper or provide good customer service. One approach for evaluating the cost effectiveness of contracting out is to allow the City to compete with the private sector in preparing comparative cost proposals for specific levels of service—this is a model that was successfully used in the City of Phoenix over 30 years ago. In addition, some cities weigh cost savings versus “fair wage” social justice arguments that sometimes exist for certain blue collar occupations such as custodians. Another option is to provide services to other local governments (contract in). Some cities raise significant revenues by selling services to other agencies. Another section of the report will address specific examples /opportunities for contracting out or selling City of Salinas’ services to other jurisdictions.
6. Other Budget Balancing Strategies: Generally speaking, cities can deal with budget problems in four accepted areas:
  - a. Increase revenues—this will need to be explored with the sun setting of Measure V and the need to fund high priority city services and programs (e.g., police services, upgrading infrastructure).
  - b. Changes to the way services are delivered: This may mean providing services through contracts with the private sector or other governmental agencies.
  - c. Shifting general fund expenditures to other funds: As with most cities the City of Salinas has shifted virtually all the expenses it can to other funds, such as, redevelopment, gas tax, CDBG, and refuse collection. The City could expand use of assessment districts which would provide a way to shift costs to property owners who benefit directly from services or facilities.

- d. Service reductions: This has been one of the most commonly employed strategies in Salinas and most cities. As the City faces continued budget problems, it has few places on the expenditure reduction side to turn to except personal services costs through position cuts and salary and benefit reductions. The City has tapped its reserves, reduced capital and other non-personal service expenditures, charged most general fund overhead costs to other funds, and otherwise depleted its options in terms of reducing expenditures other than employee related expenses.
- e. It is in this context that the following suggestions, previously made by the BRC and IBAC and raised in various interviews, are made. Most would first require good faith bargaining with employee groups.
- Adopt two tiered retirement system
  - Employees share in the cost of health insurance
  - Offer two to three years of fully paid health insurance or equivalent cash payment to encourage retirements or departures that would then allow deletion of vacated positions
  - Reduce special pay such as premium for bachelors and masters degrees—the City has a long list of special pay provisions across all bargaining groups
  - Convert special pay percentages to flat rates
  - Freeze step increases
  - Reduce salaries
  - Increase furlough hours but also build in management ability to require flex schedules to cover high customer usage hours and days—if furloughs continue to be used they should be viewed as a permanent strategy for helping to fix budget deficits.

A recent survey by CALPELRA (California Public Employers Labor Relations Association) of 280 public agencies throughout the State indicated the following trends in negotiations in 2009-2010:

- The majority (67%) cut wages and benefits by 3% as a result of 2009-2010 negotiations—the second year in a row for reductions
- Approximately 24% reduced compensation by more than 6%
- 30% of the reductions were permanent for those agencies reducing compensation
- 30% of the agencies reached impasse and imposed reductions

- 30% of the changes/reductions were in pension benefits and half of those were the introduction of new benefit tiers including public safety functions and increased contributions by employees

In planning for 2010-2011 negotiations these agencies reported:

- 65% plan on negotiating a second tier of pension benefits
  - 61% plan to increase employee payment of medical premiums
  - 70% plan to negotiate increased employee contributions toward benefits
  - 30% plan to reduce wages and special pay
  - 17% plan to increase unpaid furlough days
  - 20-30% will work on reducing retiree medical benefits, change work rules that allow for more cost savings, and reduce costs of leaves, vacation and holidays
- f. Clearly the stage has been set statewide to pursue continued contraction of public employee salary and benefit costs as one of the major ways of reining in the cost of municipal operations. In the City this approach has to be embraced for the following reasons:
- The City continues to run a deficit and with the expiration of Measure V looming in the not too distant future a major revenue source will be gone. Without significant economic growth and concomitant increases in revenues, the City will face a general fund shortfall of 8-9 million dollars.
  - The City in effect has no general fund reserves to mitigate staff and service reductions unlike most other survey cities which have reserves in the millions. (See Appendix 4)
  - Over the past two years, the City has reduced positions in greater numbers than most of the other 19 cities that were surveyed. Only two other cities reduced more positions than Salinas. (See Appendix 6)
  - Service reductions have already occurred in most City departments and will continue to occur given no dramatic change in economic conditions, no new revenues and continued upward trends in pension and health costs.
  - Survey of comparable City of Salinas' salary and benefit costs compared to other cities (see Appendix 4) shows that as a percentage of total expenditures the City is higher than most. This fact may indicate two possibilities: 1) The City has reduced salary/benefit costs less than other comparable cities and/or 2) the City has greatly reduced all other areas (capital outlays, non-personal operating costs, reduction of services, layoffs

and attrition of positions) more than comparable cities have and the only major area for further reductions is employee compensation.

- The cost of public safety services looms as a major driver of current and future general fund cost increases and represents in most cities about two thirds of general fund operating budgets. Cities must address these public safety costs through equal attention to salary and benefit cost reductions, new law enforcement strategies (e.g., adding non-sworn positions in lieu of sworn wherever possible) and greater reliance on crime prevention strategies that address systemic community problems through improved education, housing and employment programs that may mitigate the future need for sworn personnel. That being said, the Peace Officer's Standards and Training (POST) analysis of the Police Department currently underway may well find that the City Police Department is understaffed in relation to its crime rates, response times, clearance rates on crimes and other key performance indicators. Some cities have voter approved parcel taxes and other funding strategies simply to cope with public safety costs and to save other city service areas. This may be necessary for the City.
- Despite its fiscal problems and constraints, the City needs to reinvest in certain areas to strengthen the organization, improve economic conditions and strengthen neighborhoods.
- Each of these problem areas requires strategies to address them. In the short-term, the City will need to negotiate salary and benefit reductions as one of the few remaining areas for cost reductions, plan for the end of Measure V and whether or not a new revenue measure will be in the offing, build up reserves with one-time funds, reinvest in key areas through the use of one-time expenditure savings or revenues that exceed budget estimates, and make budget balancing strategies permanent rather than temporary, given that local, regional, State and national economies are likely not going to dramatically improve in the near future.
- Certainly, the fiscal situation for cities appears to still be very problematic. In an October, 2010, National League of Cities report entitled "City Fiscal Conditions in 2010." approximately 400 local governments responded to a survey about local fiscal conditions. Some of the major findings are:
  - Revenue and expenditure reductions were worse in 2010 than 2009.
  - Cities in the west were worse off than other regions.
  - Local government budgets lag behind economic conditions so "2011 will likely confront further declines".
  - Property tax declines accelerated and reserves decreased in 2010 although most cities still had healthy ending balances.

- Fiscal pressures result from “local economic health, public safety and infrastructure costs, and employee related costs for health care, pensions and wages”.
- Most cuts in 2010 were made in the areas of worker layoffs, health benefits, and public safety and across the board reductions.
- The cost increase factors reported by fiscal officers were pension costs (83%), health costs (81%), infrastructure needs (76%) and public safety costs (68%).
- Nine out of ten fiscal officers said their agencies were less able to meet fiscal needs in 2010 than the previous year.

In the long-term, combinations of approaches suggested in subsequent sections of this report may help mitigate current and projected budget problems, but those approaches will most likely not be a solution to those problems without employing actions spelled out above.

## LONG TERM STRATEGIES

---

### ***Dr. Frank Benest Workshops—Preparing for Change***

Dr. Frank Benest is a seasoned local government expert who has spent considerable time analyzing a number of cities that have gone through downsizing. He has conducted numerous workshops with city policy makers, managers and employees to review the obstacles and approaches to coping with change in difficult economic times. That is what led us to ask Dr. Benest to conduct workshops, gather input from City employees and share his experience with the City of Salinas. In the course of the three workshops conducted by Dr. Benest, the following major themes were identified by the approximately 200 City employee participants:

#### **1. Prioritization**

Given the diminished resources and continued downsizing experienced by the City of Salinas, it is essential that the City Council identify a few priorities, resist temptations or community requests to add new priorities or projects, and avoid continued referrals for new work to the departments. The Council and City management must then focus the departments on those few priorities and help the organization “stay the course.” The City departments must also prioritize their work and eliminate non-value-added work.

#### **2. Vision, goals and measures**

Reorganization and restructuring are not “magic bullets.” The Council and City management must identify the vision and goals for the reorganization. Is the goal cost-savings, better collaboration, or improved customer service? Based on the vision and goals, measures can be established and then used to evaluate the effort over time.

#### **3. Communication efforts**

Management needs to focus on communicating internally in order to effectively roll-out implementation plans and support implementation over time. Management must also communicate with interest groups and the community in general so residents and businesspeople understand the rationale for the BRC recommendations and the implementation of the recommendations. Over time, the Council and City management need to communicate the reduced capacity of the organization and help re-shape expectations of the community.

#### **4. Talent development**

The only way to expand organizational capacity is through employee development. Some monies must be put aside for staff training, especially in the area of “soft skills” such as leadership development. Leadership development programs can be established in a cost-effective manner on a regional basis. For instance, local governments in the County can collaborate in creating a Leadership Academy and other leadership development programs,

such as employee exchanges, or utilize the local Chamber of Commerce's "Leadership Salinas Valley" program. In addition, cross-training, job rotations, interim assignments, and special projects can all contribute to growing and stretching staff. To address the "retirement wave" of baby-boomer managers and professionals, the City needs to develop a succession planning program to prepare the next generation of leaders.

## **5. Leadership skills and organizational support**

To make any reorganization successful, leadership must be in place to promote cohesion, team-work and collaboration. In addition to leadership, organizational support for the reorganization must include employee development, continued internal communication efforts, reasonable performance measures, employee recognition, and opportunities to grow and advance.

## **6. Lack of scrutiny and examination of public safety functions**

A number of employees felt that the lack of scrutiny of police and fire undercut the BRC recommendations. Because public safety now consumes approximately 2/3's of the City's General Fund and that cost is likely to grow over time, many felt that public safety (especially discretionary police and fire services) should be examined for cost-savings and considered as part of any restructuring.

## **7. Collaboration, team-building and learning**

Many employees considered that the greatest opportunity posed by reorganization related to enhanced collaboration across functions, team-building, and employee learning as well as opportunities to advance.

In addition to this seven point summary, a more detailed statement of manager and employee observations about how to change the organization is entitled "Input from Managers and other Employees" and shown in Appendix 7.

One of the major conclusions from these workshops is that the City is dependent on its workforce that has undergone downsizing, off and on, over the past ten years. It is a workforce that needs to have its ideas heard and needs opportunities for training. Top managers have to be attuned to the morale impacts of constant change and significant downsizing. One of the most profoundly unwise decisions that managers and policy makers make is to cut training budgets at a time when training and staff development is most acutely needed. Why is it that no dollars remain in some city budgets to train a downsized staff that is expected to do more work and do it more effectively? That is why we recommend the allocation of \$20,000 from either reserves or fund balances of various funds (general fund and enterprise funds) to restore a training budget in the Human Resources Division. We also recommend a small steering committee of management and non-management employees to help define important training needs in an annually updated training plan including:

- Mandatory training for all employees in customer service and for select employees for project management, verbal presentations and report writing, analytical skills, team building (problem solving, consensus building and brainstorming skills)

- Diversity training
- Cross training of employees to ensure that no job is known by only one person
- Skills training in areas that cut across departments such as project management, computer, purchasing, grievance and disciplinary processes, and performance evaluation reports
- Occasional rotational assignments to other departments or even other cities to gain insights into various city operations
- Interpersonal skills development through training classes and on-the job coaching that help employees cope with conflict situations, difficult personality types, communication skills, team leadership skills etc.
- A leadership academy can be developed with other government agencies in the area to foster the development of new talent to supplant the wealth of “baby boomer” talent that will be retiring in the next several years
- The Airport Manager who has considerable leadership and management training skills should assist in developing and implementing a citywide training program

Workshop papers including “Creating a New Future for a Downsizing Organization”, by Dr. Frank Benest, “Leadership in a Permanent Crisis” from the Harvard Business Review and, for the managers’ session, “Traits of Successful Managers” by Les White, are shown in Appendix 8. A final paper recently completed by Dr. Benest regarding key elements that elected officials need to focus on when leading an organization in this day and age is also included in Appendix 8 and is entitled, “Ten New Rules for Elected Officials in Times of Economic Meltdown”.

## GOVERNANCE POLICIES

---

There are a variety of policies and processes that may help the policy makers and staff more effectively manage a downsized organization. In addition to the themes from the Benest workshops cited above, interviews with the Mayor and Council, managers, employees and community members revealed related management problems and issues that if addressed could improve the performance of the City organization. The following reflect the main themes that were raised.

### **1. Clarify mission and goals of the organization**

In the past the City has periodically conducted goal setting sessions. We would urge that this be done each year to reconfirm the City mission, goals, and major work plan items for the year. These should be facilitated session so that all the key players, Mayor and Council, Council appointees and department heads/senior managers can fully participate.

### **2. The organization is reactive and not focused on proactive, future oriented activities**

The organization has gone through difficult budget downsizing with potentially more to come. Even in this environment an organization must look to developing, retraining and cross training staff and, refining processes to better cope with a workload that is still comparable to what existed before downsizing. Attention should also focus on where the organization needs to be in the future. Some techniques used by the City in the past and different approaches recommended here to achieve these objectives are:

- a. Departmental staff meetings that involve at least monthly discussion of major organizational issues and initiatives that address the future of the organization, not just day to day topics. This means improved communications among department heads, mid-managers and employees.
- b. Continue and expand the use of Council study sessions to focus on major City issues and programs.
- c. As mentioned in a previous section, the City needs to do a multiple year forecast of its fiscal condition and take steps to avoid or resolve structural budget problems.
- d. Periodically conduct off-site department head meetings, preferably at a major company's site in the city to promote business retention/ economic development, to discuss major, substantive City items (major projects, programs, or organizational improvements).

### **3. There is not an effective process for setting priorities which is particularly critical for an organization that has been downsized**

Next to comments about improving the Permit Center processes, the most frequently mentioned area in need of improvement was the effective management of priorities. As

with any organization, there will be new projects added and deleted during the course of the year but these should be weighed for importance against those projects previously approved by the Council in annual goal setting sessions and through the budget process. It is in this context that the City should refine its work plan process so the Council can review its priority work items and evaluate additional requests.

A Council needs to keep three major areas in mind when it reviews organizational priorities: 1) The day to day services and programs in the operating budget which represent the bulk of the work for most employees, 2) capital budgets which represent the major activities of engineering and design staff, and 3) administrative projects which represent a significant workload for professional staff and managers. Frequently, workload that is not tracked on a regular basis includes administrative projects ---- plans, studies, review of processes, audits, investigations, new procedures --- the less visible work that allows the organization to change and progress and meet deadlines.

We recommend a simplified way of tracking these projects through a workplan which includes information such as when they are scheduled to be completed and to whom they are assigned. A work plan is relatively easy to update once the original projects are entered. It informs the Council and public of the progress on major projects; it requires staff to plan when work will get done; it is a tool for ensuring accountability and measuring individual and team performance; it can identify interdepartmental and interagency projects to help foster improved project coordination; and, it provides a framework for the Council to assess just how much work has been assigned to departments. Appendix 9 briefly describes a citywide work plan process.

#### **4. Council needs to have a better process to review and limit individual council member requests for new staff work**

Other cities have a formal process whereby individual council requests for new projects that require significant time are first approved by the council. In some cities if a project requires 3 hours of staff time, the council must first approve this request at a council meeting. This process excludes normal requests for service, such as, fixing a street light, filling a pothole, reporting a graffiti problem, etc. The reason cities have adopted this practice is to ensure that the full council decides what new projects are added to the workload previously approved by the council in its budget adoption and goal setting processes. Those cities understand it is incumbent upon a council to have a formal referral process to manage workload with the consent of the whole council as a whole, particularly in these times of significant staff downsizing. It is in this context that we recommend the council referral process identified in Appendix 10. The current tracking report used by the City entitled "Status of Responses to Councilmember Inquiries", is adequate as a written follow-up report format.

#### **5. Everyone --the community, policymakers and staff-- need a better understanding of City projects and workload**

An interdepartmental staff team should be formed and given the charge to explore additional ways to effectively communicate information about the City to its diverse publics. Techniques that should be explored or augmented are website improvements for citizens to

post comments, quarterly Council meeting locations outside City Hall, City Hall meetings in the neighborhoods/ Council Districts and improvements to newsletters, city branding and logos.

#### **6. Training and development of the downsized workforce needs to be a priority**

Reallocate \$20,000 from one-time unallocated fund balances for staff skills and leadership training. Potential uses for these funds are described above in the Benest Workshop section.

#### **7. There are too many special committees created which poses a staffing issue and some council committees are virtually defunct**

We asked department heads to review the list of boards and commissions and the list of committees for possible reduction/consolidation. Five department heads responded in writing and some made verbal comments. In addition, the BRC recommended that boards, commissions and committees be reviewed in an effort to streamline citizen input processes.

We developed a list of recommended changes to the committee structure (See Appendix 11.) based on the input from department heads, the fact that some of the committees have virtually no current tasks (in effect they are just carried on the books), our perspectives as a result of our organizational reviews, and what is believed to be a reasonable combination of tasks for some of these Council appointed citizen bodies.

We recognize that affecting change in this area is uniquely a responsibility of the Mayor and City Council and that citizen involvement and “sunshining” of city government is of paramount importance. We also understand that the Council may have strong views about continuing some citizen bodies. However, we recommend the Mayor and Council consider establishing fewer committees and commissions. We also recommend the Council receive an annual work plan from each board, commission and its committees to ensure their work efforts reflect Council goals and priorities. A work plan would be a brief description of projects a board or commission intends to complete over the year with estimated timelines for completion. Also, an annual meeting to review these plans with board and commission members affords them a chance to showcase accomplishments from the previous year and an opportunity for the Mayor and Council to thank them for continued service to the City.

Within this context we recognize that some of these bodies have state or federally required tasks of hearing appeals or otherwise performing quasi-legal/administrative functions and a work plan of this kind represents only one aspect of their work efforts.

Finally a question occurred regarding city staff serving as voting members on city appointed committees, boards and commissions rather than being limited to a staff support role to those bodies. Survey cities did not respond to this question, had no policy or did not have staff sitting as members of advisory bodies. One city had a formal policy prohibiting it. The Institute for Local Government (the research arm of the League of California Cities and County Supervisors Association of Counties) advised that this was not a common practice and could give rise to conflicts of interest.

## **8. Too many department silos and not enough interdepartmental teamwork**

Expand the use of interdepartmental teams to improve city operations for, as examples, developing a city training plan or priorities for an information system and software and hardware improvements.

Send small teams of employees to be formed to investigate practices in other cities. For example, some employees are critical of City information systems and current purchasing practices, so they should visit two to three progressive cities to review those operations.

The Council and top management need to constantly recognize the efforts of positive teamwork throughout the organization and reinforce the value of interdepartmental, interagency and staff/citizen teamwork.

## **9. Need more engagement of volunteers and temporary jobs for youth to help fill service gaps and address community needs**

This topic will be covered in the section of the report that addresses a new Community Services Department.

## **10. Customer service has to be an important value for the city organization**

Customer service training for virtually all employees should be a prominent value of the organization. Recognition programs for individuals and teams of employees who personify this value through service to the community should be formally recognized at staff and Council meetings.

## **11. The organization from top to bottom needs to be values driven, not personality driven**

Many cities adopt values statements that address topics such as integrity in conduct, respect for its citizens, fair treatment of citizens and employees, willingness to innovate and change, teamwork, open communications, and customer service. Values represent foundational ideals of life and purpose which guide individual and organizational conduct. Training programs are built to reinforce those values and these values are clearly communicated to the organization and the public. The adoption of a values statement can be part of a mission/goals setting session of the Council.

## **12. The City needs to measure performance and obtain regular feedback from the community**

As with most cities, the City of Salinas does have some performance measures or indicators that are reported in the Operating Budget. While it is important to have a limited number of effective performance measures to evaluate services, it takes time to develop simple reporting systems that don't overwhelm a downsized staff that is busy delivering services. The most important way for a city to measure performance and one most commonly discussed and used by other cities is an annual or bi-annual citizen survey. A discussion of

performance measures including suggested measures and use of a citizen survey is provided in Appendix 12.

In combination, these suggested areas of improvement in governance can help build a more effective, disciplined organization to lead and manage the City through these difficult economic times and into the future.

## REORGANIZATION PROPOSALS

---

In this section of the report, we offer some overall comments about reorganizations and present three specific reorganization recommendations. In developing these proposals we reviewed the comments from the BRC and citizen input, organizational information from other cities, employee interviews, and our own professional experience and judgment. When analyzing potential savings from position reductions we reviewed where position reductions have already occurred (see Appendix 13), discussed reorganization and staffing ideas with the City Manager and department heads, considered the expectations of the BRC and applied our judgment to what is required to effectively manage and do the work in each new department. In each section, there are guiding principles that helped shaped each reorganization proposal.

We offer the following observations about reorganizing City functions:

1. Reorganizations are usually done by putting together staff with mutually supportive skills (engineers, accountants), organizing around a purpose (improving neighborhood services) or on arranging similar functions together (for example, hiring, training and retaining employees). All reorganizations should be based on effective service to external customers (residents and businesses) and internal customers (other departments and offices).
2. Reorganizations should not be viewed as a panacea for organizational effectiveness. While they can help to align functions properly, people make up an organization and have to be trained and motivated for the organization to perform effectively. Leadership is a more critical factor than how certain tasks and functions are aligned.
3. Big departments are not necessarily better. If too big, leadership in a department may not be capable of focusing on the truly important problems and issues and resolving them. However, with the right leadership—working through others, building teams, effectively managing priority assignments—a broad span of control in a larger department can operate effectively. It is important to find balance and synergism between size and performance.
4. In considering reorganizational options we considered the principles in Appendix 14, entitled “Enabling Conditions for Effective Reorganizations.”
5. In downsizing there can be an overemphasis on reducing the number of managers. Be careful what you wish for---because it can be argued that it is even more critical to have effective managers with exceptional people skills (honest and open communications, team building, and the ability to motivate others) to redesign functions, streamline processes, and achieve high performance with fewer staff. In the case of the City of Salinas, staff reductions have been fairly equally distributed across employee classifications and bargaining units (See Appendix 13) Also, in comparison to other agencies, the percentage of supervisors and managers is near the median of nineteen

other cities. (See Appendix item 6) The data does not suggest the City has too many managers.

6. In reviewing the ten survey cities' organizational structures on their websites, the following patterns were evident: 1) most cities adhered to fairly traditional organizational structures with eight to nine departments and offices; 2) almost all have separate human resource departments; 3) each has an assistant city manager and/or a deputy city manager and in about half those cases they doubled as a department head; 4) most had separate community development and public works departments; 5) while most had community services departments, those departments did not include the library function. That function was handled by another government agency, in most cases the county; 6) there was no pattern to the location of economic development, CDBG, housing and redevelopment functions. They were located in various departments as well as city managers' offices but frequently grouped together; and, 7) most of the comparison cities were full service cities except for one which contracted out fire and police services to the county. Only three cities provided library services directly.

## COMMUNITY DEVELOPMENT DEPARTMENT

---

Among the most important recommendations of the Blue Ribbon Committee was the need to plan for a thriving community by “proactively conducting the entitlement work necessary to attract new businesses, as other cities have done.” While this recommendation deals mainly with the need to identify and ready new sites for retail and industrial development, it also suggests the City should review and approve entitlement and permit applications as quickly as possible to facilitate the timely construction, inspection and completion of these projects. Delivering these services well is among the most powerful tools the City has to successfully stimulate economic development and improve its fiscal condition.

During the course of our work on this section of the report, interviews were conducted with 19 people engaged in the development process; 11 employees and 8 citizens including developers and their representatives, engineers and attorneys. Additional interviews were conducted with Council members and department heads and employees during which development services and staffing were discussed. All were constructive and thoughtful in their comments and suggestions, whether critical or complimentary of the City’s performance. In interviews with community members, City Council and employees it was the most frequently mentioned area warranting improvement. And it should be noted that over the last several months various people in the industry have said that there has been substantial improvement in these services.

Documents in addition to the BRC Report were also relied on to understand elements of the City’s development services and how they are delivered, including: the report of the *Mayor’s Permit Center Advisory Committee* (June, 2010), the report of the *Salinas Valley Business Development Task Force Workshop* (February 24, 2005), the *City of Salinas Permit Center Organizational Analysis And Recommendations for Improvement* by Gary Peterson (February 24, 2010) and, with respect to related budgetary issues, the report of the *Independent Budget Advisory Committee* (February 23, 2010). City staff reports and correspondence with the project team were also considered, as well as survey information from other cities shown in Appendix 4.

Interviews established that a wide range of opinions exists about the City’s delivery of these services. Following is a representative sample of what we’ve heard and read:

- *Current planning services are improving*
- *Backlog of engineering reviews has dropped with new Sr. Civil Engineer*
- *Permit center employees are afraid to criticize the organization and managers*
- *Planning staff is indecisive*
- *More consolidation of development service functions would help applicants*
- *Other departments’ comments on entitlement applications are late and delay service delivery*
- *Time frames for reviews and decisions need to be set and met*
- *City can’t process big projects fast. Major projects shouldn’t take a year.*
- *There is a new receptiveness and service orientation in the permit center*
- *Building, planning and engineering operate as silos without leadership*

- *Increased use of over-the-counter application handling and informal review of emailed plans before formal submission are huge improvements*
- *Wednesday appointments for informal reviews are very helpful*
- *Projects with complex engineering work need to be reviewed and returned faster*
- *Developers' project managers can help manage big projects, like Unikool*
- *The 4-day business week is inconvenient for some permit center customers*

## DEVELOPMENT SERVICES

---

Development services are provided through three City departments: Engineering & Transportation (E&T), Community Development (CD) and Fire. Other departments provide information about impacts of particular development proposals on their services and facilities. Building plan checks, building permits, engineering reviews and construction inspections are provided by a staff of 18 FTE positions in the Permit Center within the E&T department, not including 5.0 FTE municipal code enforcement staff. Outside consultants are used for plan checks of complex building projects. This staff also provides information and advice over the counter on a myriad of building issues presented by developers and the general public in the Permit Center.

Planning entitlements and permits, and over-the-counter services given to customers at the Permit Center, are provided by 5.0 FTE current planning staff budgeted in the Community Development (CD) department. In addition, one senior planner in CD provides oversight and technical assistance for major projects and development agreements such as for the Future Growth Area.

A contract employee serving as Fire Marshal performs fire plan checks and one Fire Plan Checker is budgeted in the Fire department and located in the Permit Center. The Fire department also performs fire prevention inspections of built occupancies with 3.0 Fire Prevention Inspectors.

An organization that serves clients with multiple needs through more than one organizational structure will be challenged to meet all those needs in a coordinated, timely fashion. Two or more structures will usually have competing priorities and deadlines, different managers and supervisors, and flows of disparate information that make it hard to consistently focus on the same customer needs with equal diligence and consistent response times.

One theme we heard often was that these differences were interfering with the delivery of timely development services. This was expressed variously as a lack of leadership, review deadlines not enforced and met, staff operating in silos. These problems have probably grown because of staff cuts in the past three years. The number of development services positions in CD and E&T has dropped from 34.5 FTE in 2007-08 to 24.75 FTE in 2009-10, or

by over 28%.<sup>1</sup> At least with respect to building activity, the staff cuts weren't accompanied by equivalent reductions in workload. As shown in Exhibit1 below, the number of building and other permits issued, between 2007-08 and 2008-09, increased 24%, then fell back in 2009-10 to a level still more than 10% above 2007-08.

**Exhibit 1**

**City of Salinas Building Permits**

	<b>No. Permits</b>	<b>Project Value</b>	<b>Fees Paid</b>
2007 to 2008	4,316	\$96,697,449.15	\$4,949,324.16
2008 to 2009	5,350	\$57,622,377.52	\$2,635,337.71
2009 to 2010	4,766	\$83,804,944.82	\$4,385,552.46

These staff cuts without a similar drop in workload have likely increased the competition between work priorities of the several departments engaged on a full-time or intermittent basis with delivery of these services. This can be reduced or avoided by consolidating most of these services in one department with common supervision and management.

---

<sup>1</sup> .75 CD Director and Admin Secretary are included in 2009-10 but were not budgeted in Planning in 2007-08. If these positions are not counted in 2007-08, the drop in positions between 2007-08 and 2009-10 is over 30%.

## A PREFERRED ORGANIZATION

---

A main focus of this study is the City's organization and services that support economic development. We ask, is the City organized and staffed properly to do that? Does the City provide services as well as it could, at a cost it can afford, to facilitate development that improves the local economy and the City's fiscal condition? Taken as a whole, development services that efficiently and quickly enable the improvement and use of property are the most effective tools the City has available to facilitate increased economic activity.

## GUIDING PRINCIPLES

---

The following principles should be weighed in deciding how these departments and functions would best be organized and in implementing final recommendations:

- Customer-centered development services should be an organizing principle for City functions and staff to reflect their high priority for the City Council and the development community. Each employee should consider themselves an ombudsman, in principle, and be trained in how to provide excellent customer service. Employee evaluations should address this critical performance dimension for each employee.
- Department directors and other managers should actively promote cohesion, teamwork and collaboration across functions that customers depend on for excellent services. Responsibility and accountability for excellent service should be clearly focused on key management personnel. The organization should develop and evaluate measures of service performance that reflect customer satisfaction and staff productivity.
- Services should be contracted out to handle temporary increases in workload if cost-effective to do so. When economic growth accelerates and permitting increases contracting out or use of temporary staff should be explored as a first option before hiring permanent staff.
- Staff responsibilities should be assigned to permit accurate costing of services and recovery of costs where appropriate. Current costs should be reduced if possible.
- While there needs to be some sensitivity to span of control, how many direct reports a manager has is of less influence than effective management approaches such as empowerment of lower level employees, constructive employee evaluations, team building and elimination of redundant and obsolete processes and procedures.

Three organization options have been considered for development services.

Option 1 is to make no changes in the organization of either the Community Development or the E&T departments.

Option 2 would create a new department of Development Services, comprised of the Permit Center, planning and transportation planning, which would clearly focus City management and the development community on how development services are managed and delivered. Remaining CD staff and functions would be transferred to a new division or office of the City Manager's Office and comprised of economic development, CDBG, housing and redevelopment.

Option 3 would transfer planning staff to the Permit Center in Engineering and Transportation, and transfer the remaining functions and staff of CD to the City Manager's Office as described in Option 2. E&T would be renamed Community Development to more clearly describe the range of services it provides.

We recommend Option 3 which would consolidate all development services, except those now located in the Fire department, in the Engineering & Transportation Department where the Permit Center is located now. This would require the placement of 6.0 FTE positions providing planning services in E&T in the Permit Center. The physical location of current planning positions on the first floor of the Center will occur shortly anyway, so their organizational placement in the Center is appropriate. We believe this change will help improve services in four ways:

- The move will encourage a *team* approach to the timely delivery of all development services.
- Supervision and management of planning work will be exercised by one department responsible for the entire range of development services for most applications.
- Responsibility and accountability for leadership of development services will be clearly focused.
- Performance data for all key development services can be more easily integrated and reported.

Three other organizational changes should occur with the move of planning staff to E&T.

First, transportation planning with 2.0 FTE positions should be transferred from the development/traffic & transportation division of E&T to the Permit Center under the Sr. Civil Engineer where transportation planning can be more easily integrated with other review disciplines.

Second, the remaining staff and functions in CD, including housing (6.45 FTEs), CDBG administration (3.80 FTEs) and redevelopment (3.5 FTEs) would be transferred to a new office, entitled the Office of Economic Development and Redevelopment in the City Manager's Office. As further discussed elsewhere in this report, we believe these staff and

functions together with economic development work well together and require the leadership and visibility of the City Manager’s Office to be successful.

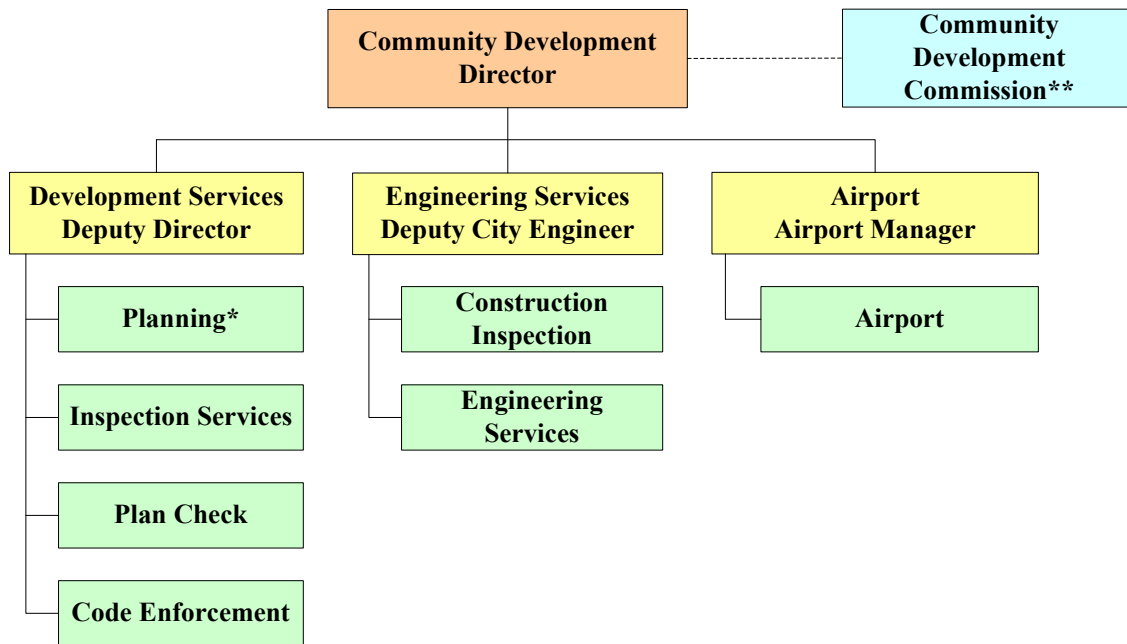
Third, the environmental resources planning position in the Environmental Maintenance Services Department would be transferred to the Planning Division in the Permit Center. This will place all of the significant planning positions in this division. This will enhance cross training and maximize utilization of these planning positions for various planning assignments.

With these transfers the current CD department will no longer exist. The E&T department would be renamed Community Development to reflect the broader range of development responsibilities it will have. In establishing this Department, the Council should consider the recommendation to combine the Planning Commission and the Traffic and Transportation Commission into a Community Development Commission particularly since transportation issues and programs are usually an integral part of planning activities.

The organization chart for the new Community Development department is shown below.

### Exhibit 2

#### New Community Development Department



\*Planning includes 2 Transportation Planners and 1 Environmental Resources Planner

\*\*New Community Development Commission – merged Planning and Transportation Committee

## OTHER RECOMMENDATIONS

---

### **Staff**

The position of Deputy City Engineer in E&T is now vacant and is being filled on an interim basis by a Sr. Civil Engineer. That individual should be appointed to the position if his performance warrants and his vacated Sr. Civil Engineer position should be deleted. If necessary, the position should be filled through regular appointment processes. The number of functions and span of control of the department are too great without the Deputy position available to assist the Director in managing the department.

There is understandable concern that an ombudsman position is needed to help Permit Center customers resolve problems. We do not, however, believe that a position subordinate to the Deputy Director should be given that responsibility as recommended in the *Mayor's Permit Center Advisory Committee* report. Instead we believe that the role should be located outside the E&T department and placed in the City Manager's Office and assigned to an individual the City Manager believes can best represent the Office in that role.

Beyond the formal assignment of ombudsman responsibilities, regular staff training is needed in the principles of customer service that give all Permit Center employees the tools to effectively deal with conflict and to solve customer problems constructively and respectfully. And the City organization is not so large that problems of this kind cannot be handled personally, if necessary, by the Planning Manager, the Deputy Director or the E&T Director before the ombudsman becomes involved.

Finally, as vacancies occur in engineering design staff, there should be further review of contracting for design services. Contracting for these services affords an opportunity to better manage staff resources with the ebb and flow of capital dollars as the economy expands and contracts. A process for doing this will be further discussed in the Organizational Effectiveness section later in this report.

### **Fees**

The principle standard for setting development fees in most cities is the cost to provide the services. Indeed, the cost of these services is the basis for establishing the maximum amounts a city is legally able to charge for them. Cities may chose to set fees that don't recover 100% of service costs, but that should be a policy decision based on accurate cost information and made for clear reasons.

It is unclear how much of the current costs of City development services are recovered by fees. In a staff report to the City Council, dated May 11, 2010 from the Finance Director, the history of fee setting for planning and building services was reviewed, highlighting fee levels in comparable jurisdictions and changes in the CPI as the main factors used to set fees in Salinas. While information was provided showing that total building service and planning service costs were substantially less than permit revenues received in recent

years, current costs for discrete services, such as the issuance of individual permits and entitlements, were not available.

In his staff report dated September 28, 2010, the Deputy Director of Permit Services reported that a commitment was made to the development community that the City would perform a study of development service fees in conjunction with continuing service improvements. We recommend that the City initiate this study within the next two months to ensure it's completed before the budget is prepared for FY 2011-12. The study should comprehensively review the costs, including salaries, benefits, non-personal costs and overhead, to deliver individual permit, entitlement and other fee-based services. The results will provide the City with both an accurate basis to set fees to recover the full costs of services if it chooses, and a legally defensible basis for setting fees at those levels.

Fees that recover the full costs of building and planning services are a small percentage of total development costs, particularly compared to impact fees required to pay for infrastructure associated with new development. We would encourage the City to consider a policy of full cost recovery for development services, provided the efforts to improve these services continue.

## PERFORMANCE MEASURES

---

The City budget contains a section for workload and performance indicators for major departments and divisions. However, few if any quantitative measures are shown in the document. None are shown for development service functions.

Development services are well suited to quantitative measures of goals and actual performance. A few straightforward measures can reflect customer satisfaction with the services they receive and the quality and amount of those services delivered over time. Suggested measures are included in Appendix 12, Performance Measurement.

There are many ways to measure development services. Numbers of permits, entitlements, inspections and other approvals can be tracked by type of development or occupancy or improvement. From a customer satisfaction and quality of service standpoint, however, time is often the most important measure. It relates directly to the fact that "time is money" for the developer or contractor. If the City's services are delayed, professionals and contractors can't move forward and project financing can become more expensive or, in some cases, lost.

## BUILDING SERVICES

---

For building plan check and permit services, the Deputy of Permit Services has established excellent measures, which were contained in his staff report to the City Council, dated September 28<sup>th</sup>. 2010. They set goals for reviewing and approving plans of differing complexity that could require 1, 2 or 3 reviews before final approvals and permits. Most of the reviews will be done over the counter after initial submittal, and be reviewed within less than 3 weeks for all but the most complex projects. These measures are shown in Appendix 12, Performance Measurement.

Inspections should also have performance goals and performance records. Building inspections should be conducted during the first business day after the request is received. Actual performance in delivery of these services should be published at least every three months.

Goals and performance should be supplemented with customer surveys that measure satisfaction with services received and the performance of staff. Ratings of satisfactory or better in 90% of the responses should be the goal. Customer evaluations should be published at least every six months, or perhaps less frequently depending on the length of the survey instrument and the customers' time to complete it. The point is to stay in touch with customers' opinions of our service and to use it constructively whenever we can.

## PLANNING SERVICES

---

Similar measures should be used for planning services. The service measures shown in Appendix 12 should be published and tracked over time to monitor actual performance which should also be published at least every three months. We recommend that staff review these measures with the development community. New measures might be identified that the development community believes are important and that can be tracked efficiently.

## WEB SITE TOOLS

---

Staff knows that development services information on the City's web site needs to be updated and has put that task on the Permit Center work plan. We recommend the web site be redesigned and expanded to provide a broader range of information and tools to assist the public in understanding the permitting and development process in Salinas. Three examples of California city permit services web sites are:

[http://www.roseville.ca.us/gov/community\\_development/permit\\_center.asp](http://www.roseville.ca.us/gov/community_development/permit_center.asp)

[http://www.ci.livermore.ca.us/permit\\_center/index.html](http://www.ci.livermore.ca.us/permit_center/index.html)

<http://www.ci.modesto.ca.us/development/>

Developing a web site like these represents a substantial amount of work by Permit Center staff and requires talent in web site construction. It will be an additional unbudgeted cost that should be funded from development-related revenues. The information it would provide to citizens and developers, and the message it sends that Salinas is organized to process new development smoothly and quickly, will be more than worth the cost and effort.

## SUMMARY

---

In summary, over the course of the next three to six months and contingent on approval of this reorganization, implementing actions need to occur to transfer and fill positions, complete the fee study, approve a final list of performance measures and initiate additional customer surveys, formally assign ombudsman responsibilities, create an office of economic development and redevelopment in the City Manager's Office and rename the department.

## COMMUNITY SERVICES DEPARTMENT

---

### WHY A NEW DEPARTMENT

---

The City of Salinas has progressed in a number of ways to better serve residents and fulfill the needs of neighborhoods. An active and progressive Library Department is providing a number of outreach services to engage youth and adults in literacy programs, adult education, computer skills training and the arts. The Parks and Community Services staff is working alongside law enforcement officials to integrate service approaches to better address gang violence problems. Volunteer organizations are stepping forward to service the needs of neighborhoods. Major new initiatives such as the California Endowment-funded Building Healthy Communities (BHC) are directed to solving the extraordinary socio-economic problems (as described in the BHC's Logic Models and Plan Narrative Report) in the East Salinas community. The interrelatedness of these activities prompts a consideration of an integrated/interrelated set of community service based functions in one department.

This idea of a new department was further reinforced from interviews of a number of people whose perspectives helped this recommendation. Our survey of other cities and our review of reports indicated that other cities have moved toward community services departments that include recreation, library and neighborhood oriented functions as a way to better utilize remaining downsized staff and still provide residents with a reasonable level of community services. Some of the survey and interview opinions on this issue are listed below:

- *With a significantly downsized Parks and Community Services Department, the remaining in-house functions should be combined with other activities.*
- *Some Recreation staff are deeply involved in the crime prevention efforts of Community Alliance for Safety and Peace (CASP) and some of the functions of three teams of CASP are a natural fit for a new Community Services Department (Education, Community Mobilization and Leisure/Recreation Teams).*
- *Libraries do considerable outreach and community based services and in some respects are already mini-community centers.*
- *The functions of the Library Department and the Parks and Community Services Department with their community-based, outreach activities blend together readily.*
- *There needs to be a better organized effort to use the volunteer resources in the community and these two existing departments are usually the best at tapping into to volunteer efforts.*
- *There have been some exemplary local volunteer efforts that have produced excellent results, and this energy and "can do" attitude of volunteers needs to be captured and modeled in other neighborhoods throughout the City.*

- *Special attention needs to be given to strengthening neighborhoods in areas where gang activities are high.*
- *Economic conditions warrant a more integrated, cost effective approach to serving residents.*
- *There needs to be greater engagement of neighborhoods to help them solve problems and a city department needs to have this role of coordinating city services as one of its primary responsibilities..*
- *An ICMA professional publication indicated that now is the time to build volunteer programs. It reported a 58% increase in volunteers signing up to help in communities partly driven by an increased need for volunteers to maintain services and partly by an abundance of retiring baby boom talent available to volunteer.*
- *Several cities reported having neighborhood services units, volunteer coordinators and focused programs for working with neighborhoods to improve quality of life areas—cleanups, graffiti, physical blight, housing, code enforcement.*

## GUIDING PRINCIPLES

---

We also looked at certain guiding principles and enabling conditions in formulating a recommended Community Services Department:

First, any new department should have clear priorities to better serve residents (its customers), enhance collaboration of City staff and those in other agencies and realize cost savings and future cost avoidance—preferably all three.

Second, a key condition of managing a new department is to have effective leadership. This requires team building, breaking down silos and gaining collaboration across functions. Effective leaders recognize and mobilize excellent performance while being sensitive to the morale of the employees being combined in a new department.

Third, there should be reasonable spans of control (the number of people supervised by one manager) and more goal-oriented supervision that uses team approaches.

Fourth, there will be areas that a city should reinvest in regardless of current economic conditions. This is necessary so the organization can be more effective in dealing with current problems. One of the four high priority areas identified in the proposed Community Services Department is in reinstating a neighborhood services unit.

## STRUCTURE OF NEW DEPARTMENT

---

We considered one alternative which would leave the current two departments unchanged. However in interviewing some of the managers and spending several hours with the current Parks and Community Services and Library Directors we became convinced there were opportunities for improving City services through this combined department while accommodating current and foreseeable economic realities. It also provides a structure for comprehensively addressing neighborhood needs and strengthening citywide volunteer efforts. It is important that the City has an organization that is responsive to the Building Healthy Communities initiatives, CASP and the work of neighborhood volunteer organizations. The Community Services Department is a natural to be the lead department for these responsibilities given its extensive involvement in the programs already and its considerable experience in outreach activities to the community. These neighborhood services activities should build on what worked and didn't work with the previous staff and work plan. Key objectives should be:

- Helping to organize neighborhoods and identify priority needs.
- Coordinating with City departments to provide some of the needed services to meet those priority needs—literacy programs, skills training, code enforcement, clean up campaigns, graffiti removal, housing rehab, repairs to public infrastructure such as street lights and planting street trees.
- Working with CASP and the Police Department on gang prevention initiatives.
- Using successful neighborhood volunteer organizations to foster additional neighborhood associations to engage in self-help services.
- The emphasis would be on substantive ways neighborhoods can be improved through limited intervention with public services and self help strategies modeled by neighborhood associations.

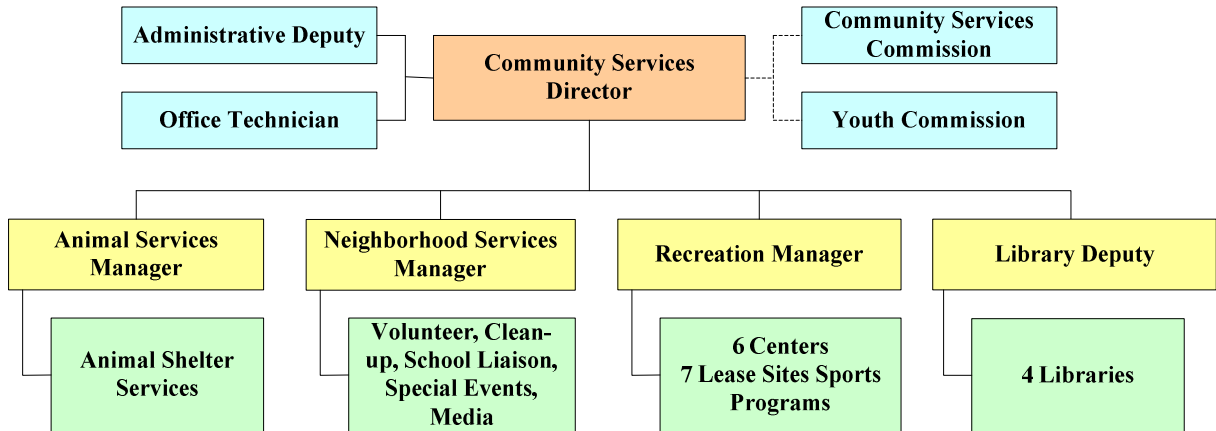
We are also proposing that the Animal Services Operation be moved out of the Police Department to the Community Services Department since this is essentially a neighborhood service that does not require Police Department oversight. After this department is formed and operating effectively, other services that directly address the quality of neighborhoods such as code enforcement, the towing contract and graffiti removal should be reviewed for possible transfer to this Department.

The new Department would consist of four divisions: Library, Recreation, Animal Services and Neighborhood Services. It would have a Board of fifteen members incorporating two existing commissions—Library and Recreation-Parks Commissions.

The organization chart for the new Community Services department is shown at Exhibit 3.

### Exhibit 3

#### New Community Services Department



This Department would have approximately 135 employees operating out of 18 facilities (some by contract) and most would be open seven days a week based on currently budgeted service levels. Temporary hours would be reallocated from General Fund in the two departments to the merged department and an additional amount would be allocated from any one time General Fund/Measure V 2009-2010 year-end fund balance to provide at least the equivalent of a full-time position. These hours would be allocated to organizing neighborhoods on the Eastside under the direction of a Neighborhood Services Manager (an existing Recreation Manager) who would spend time on neighborhood organizing, coordination of City services to impacted neighborhoods and helping form new neighborhood volunteer organizations using existing neighborhood models such as the Eagle Drive Bison Way Neighborhood Association and the Monterey Park Neighborhood Watch. (In facilitating the creation of neighborhood organizations, one community leader cautioned that the City should not “force feed” formulas for organizing but allow for neighborhood creativity in shaping their own mission/purpose and organizational structures. It was felt that the last neighborhood services unit didn’t accomplish part of its purpose of actually fostering the development of any neighborhood associations. Another community leader said the City is not organized to help neighborhoods and that anyone in such a position has to be empowered to work with all departments and to breakdown departmental silos).

While we believe there may be an opportunity for some future position reductions, any decisions in this regard should follow placing this reorganization into effect, assessing the need for additional staff for the Neighborhood Services Unit and determining if the City will offer any retirement/resignation incentives as it did before (two years of paid health insurance to potential retirees) which could help foster additional vacancies. Any

retirements or early departures could then be weighed against the 25 full time positions and 40 temporary positions that were eliminated from the 2010-2011 budgets (primarily in Parks and Community Services). Then, additional vacancies could be eliminated, filled with temporary help, contracted out or filled with permanent staff depending on service needs and budget conditions projected over the next two to three years.

## BENEFITS OF REORGANIZATION

---

There are both short-term and long-term benefits to this recommended combination of functions:

- When the Cesar Chavez library is under construction the library collection and employees can temporarily locate in recreation centers.
- Combined commissions can generate broader understanding of complex issues and shared budget priorities foster increased community relations.
- Library literacy classes can be extended to recreation facilities.
- Event planning and activities will be centralized in one department.
- Bookmobile can be used to disseminate neighborhood information for events, cleanups, community meetings, etc.
- Combined internet computer services will mean over 140 computers are available to the public.
- Administrative services can be consolidated.
- Volunteer organizations and efforts will be strengthened.
- City services to neighborhoods, particularly, highly impacted neighborhoods, will be focused and strengthened.
- Combined facilities will mean both community service and library functions will be even more available to the public.
- Cross training staff will broaden understanding of city services and community issues.
- It places a priority on residents, neighborhoods and creating the building blocks for improving the quality of life in those neighborhoods.

## DEPUTY CITY MANAGER

---

As a result of the creation of a Community Services Department, a department head position can be eliminated or used in a different capacity. It is strongly recommended that the current Parks and Community Services Director transfer to the City Manager's Office into a newly created position of Deputy City Manager and the current Library Director assume the role of the Director of Community Services of the new department.

The Deputy City Manager position will create a second high level position in the City Manager's Office to help build capacity with the remaining staff and develop streamlined and effective work management processes in a downsized organization.

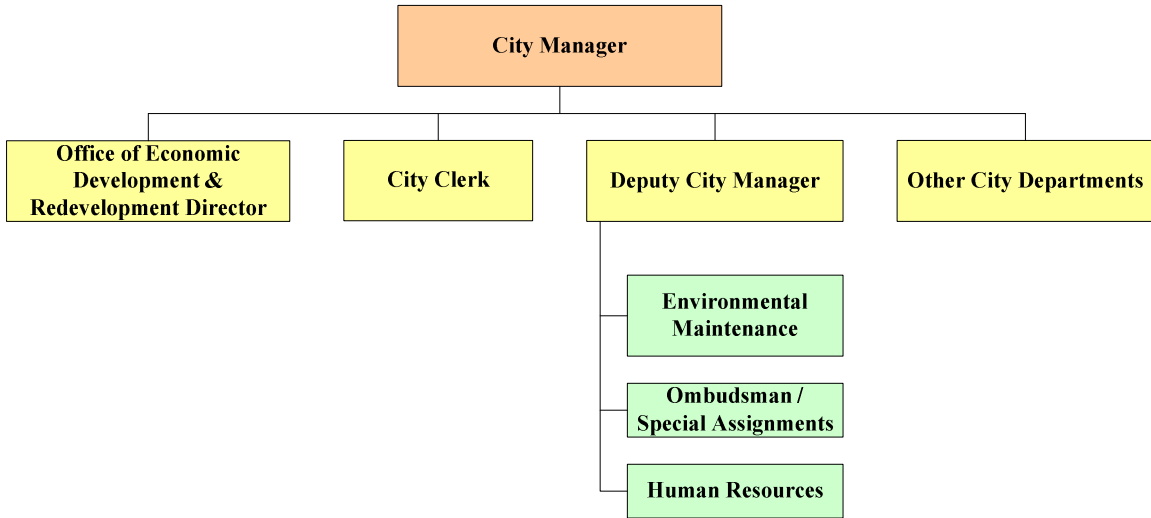
In reviewing all of the comparative cities, each organization had at least a deputy city manager or assistant city manager position. There needs to be capacity to move an organization forward and having the current staffing of one City Manager and Executive Assistant and part-time help will not suffice. Also, some functions continue to require supervision. The following duties are propose as the core activities of this position:

1. Serve as the overall supervisor of the Environmental and Maintenance Services Department. This would require minimal time because some of the day to day supervision can be assigned to one of the current Division managers. Also, when priority organizational changes are resolved in the new Community Development Department (permit center, integration of planning activities in to this department, reviewing contract services), then this department could potentially absorb the Environmental and Maintenance Services functions as proposed by the BRC. In the near term, however, that would be too much to expect in terms of span of control, cross training staff, and addressing high priority planning and permit processing issues.
2. Serve as the Manager of the Human Resources Division. An effective leader/manager can oversee human resource functions such as recruitment, selection, training, grievance and disciplinary processes and worker's compensation programs. Development and implementation of training programs would be assisted by the Airport Manager who has considerable experience and a high level of interest in staff development and training. An existing Human Resources management position vacancy can be reclassified to a high level analyst position to assist the Deputy City Manager. The Deputy along with existing capable staff can manage most day to day functions and some routine labor relations. Some of the major labor relations work would still be done by contract.
3. Serve as the Ombudsman for development issues. As proposed in the Community Development reorganization section of this report, there needs to be a person that can serve as an independent party to resolve development issues. This position would be ideal for this responsibility inasmuch as it would have the authority of the City Manager to act independently of the Community Development Department.

4. Assist the City Manager in implementing reorganizations and new programs, developing work plans and implementing other management improvements identified in interviews and in the Governance Policies section of this report.

### Exhibit 4

#### New Deputy City Manager



As can be seen there is more than sufficient substantive policy work for such a position. It is recommended that the Deputy City Manager position be created and compensated with the same total compensation package as the Parks and Community Services Director position which would be abolished.

In terms of the Environment and Maintenance Services Department organization it would remain basically the same with one caveat. If the City Council approves an incentive package for early retirements/departures then three or four supervisory and manager positions could be eliminated by consolidating, for example, the Parks/Forestry and Streets Divisions. This prospect should be fully explored over the next three months. Also, fleet maintenance consolidation needs to be analyzed to determine if police and fire fleet maintenance can be merged into the Fleet/facilities Division as it is in most cities.

## ADMINISTRATIVE SERVICES DEPARTMENT

---

The Blue Ribbon Committee report was relatively silent on the City's administrative services areas other than to recommend the consolidation of Finance and Human Resources functions into one Administrative Services department. Our review doesn't support that proposed consolidation but rather leads us to conclude that the City should strengthen and rename its Finance Department to better manage its broad range of core financial responsibilities and systems and retool the Human Resources function which should remain in the Office of the City Manager.

We don't believe that one department that combines both financial and human resources services would operate successfully in the present environment and make the necessary progress to effectively service the needs of line departments. Unfortunately, Salinas has insufficient resources to cushion the impacts of severe downsizing, and its financial and other systems (purchasing, budget, telephone, computer network) are becoming increasingly obsolete. This creates major challenges to the organization that can best be met by staying focused on core financial functions and closely related services managed in one department.

Our team's review of administrative services included interviews with the Mayor and Council, interviews with department heads and former staff, key finance, human resources and information systems staff and with other department personnel. The purpose of these interviews was to obtain input about issues and areas of improvement from the perspective of a both providers and users of these services. The following represents a sample of comments we heard in these interviews.

- *Finance needs more of a "do it now attitude."*
- *Some employees are good but not customer service minded.*
- *Information Systems (IS) needs professional consulting help to ensure they stay progressive in their attitudes.*
- *I don't know why technology is under finance.*
- *System is inflexible and we need to make endless budget transfers to get our transactions through.*
- *Financial system is cumbersome and it's creating "shadow financial practices" in departments.*
- *Finance functions are becoming obsolete.*
- *Grants accounting is cumbersome.*
- *I can see (expenditure) budget status with a few mouse clicks but cannot look at revenue since it comes in a text file-- it's very 70's.*
- *Time keeping for payroll is very cumbersome and requires way too much clerical support.*
- *We get enough info to do the job but it (the system) causes problems for specialized needs. It is very inflexible.*
- *IS needs to invest in a new fiscal package.*
- *The information technology in the City is very inefficient in keeping networks connected.*

- *We need T1 lines and Comcast 22K lines.*
- *It took 3 1/2 years to get broadband cards.*
- *We need kiosks for the public.*
- *Purchasing has two credit cards and they accompany staff to make purchases.*
- *We need a Cal Card program.*
- *Finance needs to review credit card policy.*
- *I wasn't involved in the final steps of the budget process; it was done at a higher level.*
- *We got very little feed back as to how the budget process was progressing.*
- *We have to enter budget data on written forms which is very time consuming.*
- *The HR staff is very challenged since layoffs to keep on top of questions... but they get back to us.*
- *Finance and HR require different skills, I see no fit here.*
- *The kinds of specific questions that we ask of the HR Officer could never be answered by a generalist.*

In addition to our interviews, we have surveyed other similar size cities, reviewed the organization of their HR and financial services function, and gathered information about the level of information services and financial services support provided in these cities.

While administrative services are generally defined as HR and Finance (inclusive of purchasing and Information and Systems) we are going to separately review each functional area.

We recommend renaming of the Finance Department to the Administrative Services Department because it better reflects the range of functions it manages including finance, purchasing, budget management and information systems. This was a common name used by other cities with or without the inclusion of the human resource functions.

We are not proposing the inclusion of the HR Division in this department because of its unique and very different focus on people resources versus financial resources. Certainly this Division must be involved in the budget preparation cycle because salaries and benefits comprise over 75% of the cost of city operation and HR staff members have critical insights regarding the costs of personnel and provisions of labor agreements. However, these responsibilities can be carried out properly without direct involvement in most of the other functions in the proposed Administrative Services Department. .

The proposed Administrative Services Department has 23 positions remaining after reducing 3.5 positions in FY 2010–11 budget. This combined with the 10% “Friday furlough” experienced in FY 2009-10 represents a 2-year decline from 26.5 full time equivalent positions (FTE) to 20.7 FTE or a 22 percent reduction in available staff. We don't believe the department could accomplish the significant improvements needed in core services (general accounting, purchasing, information systems, user fees and charges) if it were to also become responsible for human resources services.

The Finance Director acknowledges that his successor will have challenges in bringing the department into the new millennium and we agree. One of the key challenges will be to

change the culture of the finance organization from a 20<sup>th</sup> century model of being only a “gate keepers” to the 21<sup>st</sup> century model of also being facilitators and business partners.

This transition will require a cultural shift and a reorientation for finance staff. Specifically this will involve going from centralized control with a focus on accounting to an organization with a greater focus on assisting and supporting departments to meet their goals, and, transitioning from centralized oversight and control to a department with decentralized processes and systems that continues to maintain appropriate fiscal controls. In addition, with new system capabilities, there will be a focus on workflows, best business practices and automated edits and controls. This will involve less transaction review and more after-the-fact transaction auditing.

We believe this Department, and other support service offices, divisions and departments should do an annual user satisfaction survey with all the line offices and departments to determine customers’ view of services and to develop benchmarks that will allow staff to quantify improved service satisfaction and outcomes. After the first survey, performance objectives should be put into effect with a minimum approval rating of 80% satisfactory for each objective.

## GENERAL ACCOUNTING AND SYSTEMS

---

The City uses a 25-year-old homegrown legacy system that has a well thought out data structure and “drill down” capacity for such old technology. This system does all accounting, business licenses, budget, payables and disbursements, purchase order and encumbrances, payroll and salary projections.

As expected, however, a 25-year-old system also has its limitations. Comments from departments point to a need for a new financial system, including replacing a budget module that is reportedly an inflexible budget system. This financial system requires two full time programmers to keep it operational. It is programmed in an obscure product called *wIntegrate* and it will be increasingly difficult to find programmers to maintain the system as staff turnover occurs.

Clearly, there is a need for a new financial system. Some of the primary benefits of a modern financial systems include:

- Workflow allows the best business practices to be considered and the process to be simplified.
- No need for duplicate and redundant data entry, and improved the integrity of data.
- Dynamic drill down and query capacities that allow users to have direct access to all data, not predetermined subsets as is in the current system.
- Automatic performance measures that can be imbedded into the process and reported automatically (e.g. number of days it takes to issue a check from receipt of goods).

- Ad-hoc reporting capabilities that allow departmental users data access without assistance from programmers.
- Significant process improvements through the use of features such as electronic commerce, electronic data interchange and web functions.
- Vendor maintenance plans and system upgrades that allow the system to grow with new needs and changes in technology.

Cost estimates for a new system depend on a variety of factors --system features, type of software, implementation timeframes, etc. A recent conversion project for a basic financial package for another local government cost \$124,000 inclusive of the implementation consultant, but this did not include a payroll module. A full financial package for the City could easily be several times this amount.

An option for funding a new system is to use technology bonds. Both California Statewide Communities Debt Advisory Committee (CSCDA) and the Association of Bay Area Governments ABAG issue debt in pools for smaller issuers and these pools allow technology bonds. Technology bonds can be issued for up to 10-years and can include software, implementation and related city staff costs and hardware.

Another option may be to adopt a new system from another public agency. Monterey County has just installed a new financial system known as an Enterprise Planning Resource (ERP) system. An ERP is a full suite of products in a relational database structure, which has little or no data redundancy. The products usually include accounting, human resources, payroll, purchasing, reporting, grants etc. The County Auditor Controller has expressed interest in exploring the possibility of providing this system for the City's use. These considerations could both reduce costs and decrease the complexity and risk of a system conversion. These ideas are further explored in the contracting out section.

The City should also look for opportunities to use current trends in financial management technology such as possible "cloud computing" internet-type applications. While this technology is still evolving and managing data in a secure way remains problematic, the industry is working on ways to make this more secure including the emergence of "closed clouds". With the suddenness of shifts in technology trends, what may not be practical today may be tomorrow. The City should be poised to explore all options.

If it is decided to implement a software product, the City should select a consultant to help the City develop an "as is model" and assist in the RFP process for software selection and with the selection of a separate implementation contractor. A major part of the work in the RFP review is analysis to determine the extent that software will need to be modified or that the City's business process will need to change to match the software. This analysis should explain major interface and conversion efforts that will be required. This cost can range between two to five times the software costs depending upon the complexity of the conversion.

An integrated project team of both consultants and City staff who are fully dedicated to the conversion should be used. To the extent possible, knowledgeable City staff should be relieved of the day to day responsibilities of their regular jobs and if necessary back-filled.

This will probably require a complete freeze on current system enhancements and reporting needs during the conversion.

Most importantly if implementation is planned, it should be in phases rather than trying to bring the whole system up at once--such as, implementing payroll and the basic general ledger system at the same time. Successful implementation projects get one major system working before a second one is implement.

The biggest constraint to major system improvements or replacement is their high cost and the time commitment of staff. We believe, however, that the City is quickly approaching the time when these investments won't be able to be deferred any longer.

## BUDGETING

---

Comments from several interviews of department administrative staff described the 2010-11-budget process as one that lacked staff discussion and involvement. The new Finance Director should establish a more open process in preparing future operating budgets. At a minimum, meetings should be held by the City Manager with each department including department heads and key staff to discuss proposed changes. In addition, periodically surveying employees and residents on priorities and holding budget study sessions with the Council are useful feedback approaches that have been used in Salinas in the past and should continue.

## PURCHASING

---

After budget reductions, there remain just two purchasing positions for handling normal City purchasing tasks, thus streamlining processes is imperative. One frequent complaint heard is that the City has only two credit cards which are controlled by purchasing which departments can use for non-open purchase order (PO) items. This creates problems such as firefighters being unable to buy food for fire crews unless they pay with cash when they cannot reach purchasing staff and obtain a card. At a minimum the use of credit cards should be expanded to allow each department to keep control and reconcile at least one credit card. Purchasing staff should develop guidelines for usage and periodically spot-audit transactions to assure compliance. If departments abuse this privilege, then credit card usage could be reduced or eliminated. The City should also consider joining the Cal Card program:

Cal Card is a corporate credit card program established by the state with US Bank. Local agencies can participate and it offers some very attractive features:

- Individual employee credit cards are issued and individual card limits can be established for each card.
- Agencies can share in rebates from US Bank depending upon how promptly they pay the bill.

- Agencies can pre-establish types of stores or vendors from whom charges will not be allowed.
- Workflow processes are established to allow on line approvals and general ledger account allocations.

Purchasing is a function where a process improvement team of employees should work with the Administrative Services Department purchasing staff to improve processes and procedures.

## USER FEES AND CHARGES

---

According to the Finance Director, the last fees and charges study was done in the 1980s and no fee increases were made until the early 2000s when substantial increases were made. Since then fees have been raised on a CPI basis and compared to benchmark cities for reasonableness. However this process does not assure that fees and charges are based on the actual cost of delivering the service as required by State law. The one exception is the Permit Center where a fee study will be completed in the next several months. We recommend that a new citywide cost study be considered to validate the cost basis of other existing fees and charges, identify possible new fees and assure that all appropriate fees are levied to recover actual costs. A major deliverable of this study should be a fees and charges manual that establishes a methodology for future reviews of fees.

## INFORMATION SYSTEMS (IS)

---

This division is managed by an Information Systems Manager who reports to the Finance Director. Due to the loss of 1.5 positions in the current budget, IS has 8 positions remaining, two of which are fully dedicated to keeping the financial system running. Additionally, the City has outsourced the help desk which includes PC support at a cost of \$300,000 per year and computer maintenance at \$125,000.

In our discussions with departments, several expressed frustration over the non-standardized mix of PCs and of different PC operating systems that can't communicate with one another. In addition, frustrations were expressed over connectivity and no use of broadband cards.

The IS manager is aware of these issues and has identified "desktop virtualization, infrastructure upgrades and integrated communications" as his top priorities, along with improving citizen access to geographical information through a GIS internet application. He estimates that it would take \$75,000 to begin the desktop virtualization project, \$100,000 for the infrastructure upgrade and integrated communications project and \$75,000 for the GIS internet application. The estimated cost for these three projects would be \$250,000.

City Departments raised questions about Finance staff having too much control over IS decisions to the exclusion of departmental input. They view information systems as a critical resource that must be shared. In other local governments this concern is addressed through the use of user groups. They review entire City IS needs and recommend budget

priorities to the chief executive (city manager/county executive). In some cases the chief executive or their deputy actually chairs these committees.

We recommend that the City Manager form a users group (chaired by a designee of the City Manager and comprised of key department representatives) to recommend priority improvements to information systems throughout the City, including systems in the Administrative Services Department. This will offer a forum for dialogue among users and should result in a proposed plan and funding priorities for permanent information system improvements.

Lastly some organizations that we are familiar with have used unallocated fund balance closeouts for onetime capital and systems needs. In this regard, in the Budget Strategies section of this report, we proposed that the Council allocate \$150,000 for information system software and hardware upgrades as a vital aspect of improving workforce efficiency of a downsized organization.

## HUMAN RESOURCES

---

Human Resources is currently staffed with three positions plus an Interim Human Resources Officer. A survey of other jurisdictions revealed that most have HR dedicated staff and an Officer or Director in a separate HR Departments or as an office or division of the City Manager's Office and were staffed at higher levels than Salinas.

Given limited financial resources, we proposed in another section of this report that a current position be reclassified to a high level professional classification and that HR would be under the supervision of a deputy city manager which would be created through a transferred position from the Parks and Community Services Department. This function would remain a division of the City Manager's Office. Complex labor negotiations would continue to be done by contract.

We believe that HR and Finance are specialized areas with little overlap, and the needs of both functional areas are best addressed with focused attention by a top manager dedicated to each. This approach could be evaluated again in a year to confirm the value of maintaining HR as a separate division in the City Manager's Office.

## SUMMARY

---

There are many challenges facing the proposed Administrative Services Department. Considerable attention and additional resources will be needed to strengthen its core services, particularly as staff reductions have made it increasingly difficult to serve the City with outdated, inefficient systems and procedures. Addressing these problems in a timely, well-planned way will provide the entire organization with the tools and information it will need to successfully implement many of the recommendations in this report.

## CONTRACTING OF SERVICES, JPA'S AND CONSOLIDATION OF SERVICES

---

As discussed in the Budget Strategies section, contracting services is an option for helping to control costs if carefully evaluated on a case by case basis. A more detailed discussion of this approach is included in this section.

Reductions in local governmental services have been going on longer than the current national economic downturn. Before the current decline, many cities in California have had structural deficits in which revenues have not kept pace with operating expenses. The severity of the current economic downturn has made the need for cost reductions in the delivery of services more critical. As the Blue Ribbon Committee report stated, the primary goal is to position the City for long-term fiscal stability.

Even when the economy recovers there will probably be continued structural imbalances for many local California governments. Continued reduced funding from federal and state agencies, anemic local revenues and increased costs, for things like health benefits, retirement and energy will make it very difficult to maintain current service levels. In the short-term major revenue increases will be difficult to come by to mitigate these imbalances and this will continue to force local governments to change the way they do business. Accordingly, cities are continuing to contract out to private sector for-profit and non-profit firms, and joining consortiums such as joint powers authorities (JPAs) to share or consolidate services with other governmental units. This strategy can involve both contracting out and contracting in services with other local governments. According to the International City-County Management Association (ICMA) local governments on average contract out 17 percent of all services to for-profit businesses, 16 percent to other governments, 5 percent to non-profit organizations and less than 2 percent to volunteers.

The impact of budget reductions on Salinas service levels and general fund reserves are above the norm of comparative cities. At the same time, the City is dealing with some very complex community issues. We believe that certain departments cannot operate successfully with continued reductions unless they explore other service delivery strategies and other improvements to offset actions that may be necessary to resolve projected budget deficits.

## POLICY AND ADMINISTRATIVE GUIDING PRINCIPLES

---

As previously mentioned, the alternative service delivery options include contracting out to private sector firms, joining consortiums such as JPAs, sharing or consolidating services through agreements with other governmental units and, lastly, increased volunteer programs where possible.

While policy and administrative considerations can vary depending on what strategies are adopted, decisions to adopt new delivery models should generally incorporate the following to be successful:

- A business plan that reflects the full costs of services including contract administration, if applicable.
- A clear basis for comparing total current costs to those of alternative strategies.
- Performance measures to ensure services are maintained at expected levels.
- Known impacts on current employees consistent with current or amended labor agreements and personnel policies.
- A well thought out conversion and implementation plan.
- A responsive governance structure if a new public entity is used, like a JPA.
- A fair and balanced way to allocate costs or charges for services.
- Effective reporting, evaluation and auditing processes.
- Clear termination provisions that distribute all remaining assets and liabilities when the service relationship ends.

Non-traditional ways to deliver services require thoughtful planning for the financial and legal issues raised by new relationships with public or private organizations. If that planning is done well these new relationships may deliver desired services levels at lower cost than traditional approaches.

## FINDINGS FROM INTERVIEWS AND SURVEYS

Our surveys and interviews have identified both outsourcing trends and consolidation trends by local governments in other regions. Among the ten cities surveyed (Appendix 4):

- Four have no library department and contract with the county library system. However, Santa Clarita reports that in 2010 the City Council voted to take back its library from the county and “in-house with a private contract”.
- Four of eight contract out janitorial services.
- Three contract out landscaping maintenance and/or tree trimming and three use a combination of City staff and contracts.
- Some of the cities have reported contracting one of the following services; police and fire services (provided by county), legal services, some commercial plan reviews, parking enforcement, building inspections and animal licensing.

Outsourcing, shared service and consolidation initiatives in San Mateo and Santa Clara counties include:

- Several San Mateo cities have consolidated emergency dispatch operations.

- A number of San Mateo cities have formed a JPA to provide employee training.
- The City of San Carlos has recently contracted police operations with the County Sheriff and previously consolidated its fire service with Belmont. However it has just voted to dissolve the current agreement and issued an RFP to get a new partner because it has taken on a higher portion of costs in the current arrangement with Belmont.
- Other cities in San Mateo County have formed a JPA for municipal waste collection.
- A variety of local governments have contracted with Palo Alto for regional water treatment, animal services and computer support.
- A number of cities in Santa Clara contract with the county for library services, fire services and police services through the Sheriff's Office.
- San Mateo County has an older payroll system and is working with Santa Clara County on a study to consider having Santa Clara provide payroll services and HR services through PeopleSoft. This arrangement would require that San Mateo secure its own software license but could save millions on software conversion costs. Upon completion of the study both counties will explore the possibility of Santa Clara providing its SAP Enterprise Resource Planning (ERP) System under a similar arrangement.
- A number of cities in both counties with utility operations contract either billing, remittance processing or both.
- Based on current market volatility, Santa Clara County has subscribed to several investor services to monitor and evaluate credit risk for its \$4 billion dollar treasury operation. As these services would be too costly for smaller cities and agencies, it is offering to provide treasury and investment services to cities and agencies at an approximate cost of 6 to 8 basis points (1 basis point equals 1/100's of 1%).

This information suggests that there are very few services that must be provided only by the City through traditional means. On the contrary, costs or other considerations might suggest a variety of other delivery strategies, many of which are already in use in other jurisdictions. The City should consider which services it believes would merit the time and effort necessary to fully explore the possible advantages of alternative delivery strategies.

## CURRENT CITY OF SALINAS CONTRACT SERVICES

---

The City currently contracts for over \$3 million in maintenance and professional services as shown in the following chart:

### Exhibit 5

City of Salinas Current Contracts General Fund & Measure V	Budget FY 2010- 11
HELP Desk/Equipment Maintenance/Software Licenses	\$535,392
Citywide Audit, Interpreting, Other Services Avery Contract	243,900
Auto Maintenance	221,989
Traffic Signal Maintenance	215,000
Contract Landscape Maintenance	195,100
Janitorial & Building Maintenance	158,500
Services for Recreation Programs (Fee Reimbursed)	110,600
Contract Tree Trimming	100,000
Contract Fire Marshall Services/Loss of Fire Marshall Position	95,000
Contract Planning/Loss of Planning Manager	91,400
Contract Garbage Franchise Administration	82,000
Building/Equipment/Radio Maintenance	80,000
Janitorial & Building/Radio Maintenance	70,000
Legal Services/Loss of Assistant City Attorney	60,000
Contract Engineering/Loss of Deputy City Engineer Position	57,000
Audit, Accounting & Appraisal Services	54,900
Legal Services	52,500
Street Light Maintenance	50,000
Various Maintenance contracts (under \$50K ea)	317,240
Various Professional Services contracts (under \$50K ea)	316,685
<b>TOTAL CONTRACTED SERVICES</b>	<b>\$3,107,205</b>

## CHALLENGES TO SALINAS FOR CONSOLIDATIONS WITH OTHER GOVERNMENTS

---

Salinas faces two major challenges in considering consolidations with other local cities. First with a population of approximately 151,000 it is by far the largest city in the county. The next largest city in the county is Seaside with a population of 31,696. Generally in consolidations, the larger public entity contracts in, i.e. takes over the service of the smaller entity. Consequently any local municipal consolidation would probably require Salinas to be the service provider in a service consolidation relationship.

The second major challenge is the fact that Salinas is somewhat geographically isolated from other cities in the county. This tends to limit if not preclude considerations of consolidating service in public safety and other areas with other local governments. However opportunities for shared services may not be impacted as much by these limitations.

The only existing regional government that could meet both the size requirement and the geographical proximity test would be the County of Monterey.

## COUNTY OF MONTEREY

---

We have had conversations with both City and County officials about possible consolidations and shared services and have identified a number of services that could be considered. However, issues such as loss of control, disparate pay and benefit packages, fairness to employees and basic trust could provide major challenges in any consolidation proposal. In addition, a key obstacle could be that cities and counties have historically encountered political and administrative obstacles that preclude a successful effort to consolidate or share services. Both the City and County would need to have the political and administrative “will” to define certain areas for possible consolidation and to pursue them in good faith. A good test case is underway now with animal control services and it should be evaluated in the context of the considerations noted above.

Potential opportunities for joint service arrangements include the following:

- **Animal Control** – Is already under discussions and a JPA is being considered between Salinas, the County and other jurisdictions.
- **Employee development and training** – At present due to budget cuts, neither organizations has an in-house training capacity. This is a program that could be shared county-wide by all organizations through a JPA like that being proposed in San Mateo County or the existing Leadership Academy in Santa Clara County which has ten participating government agencies.
- **Finance and payroll systems**- As discussed in the Administrative Services section, the City’s Finance Director should meet with the Auditor/Controller and preview the county’s new system for consideration as an option for the City.
- **Fire Services**- There is no county-wide fire district but several smaller independent districts and departments for larger cities. Cal Fire has responsibility for rural areas not covered by cities and independent districts. We believe that a fire district serving more or all of the County should be evaluated to determine if initial estimates of total protection costs would justify approaching other fire agencies in the County to gauge their interest in a more detailed analysis of the costs and services for a larger district. As the County has no current responsibility for fire service, Salinas as the largest fire department would have to become the champion of such an effort. Another strategy for Salinas could be to explore a contractual relationship with Cal Fire for City fire protection services.

- **Fleet Maintenance** – A consolidation may provide reduced administrative costs and economies of scale.
- **Library** – We understand this was considered after Salinas cut library budgets five years ago, but the subsequent passage of Measure V obviated the need for this consideration. Given the pride that the City takes in its library system and the proposed consolidation with the Parks and Community Services Department, we would recommend follow up consideration only if Measure V is not renewed when current funding sunsets in 2015-16.
- **Treasury and Investment Services**- The City currently uses the state's Local Agency investment Fund (LAIF) for its excess idle cash. While LAIF has been a secure investment option, there is a price for the liquidity that LAIF offers. For example in the month of June 2010 LAIF's end of month yield was .51% where as Monterey County was earning .57% and a neighboring county was earning 1.10%.

The new Finance Director should review these and consider issuing an RFI to determine if a safe higher yield alternative to LAIF can be found. We would however stress that following the principle of safety, liquidity and yield in that order, must be the basis of a change. If the director cannot be assured of safety in joining a county pool, in either Monterey or another county, then the City should stay with LAIF.

## CONCLUSION

---

Managers and employees are concerned with how they can maintain basic services as the organization is downsized. The City is getting to the point where it may make sense to consider eliminating or contracting out whole programs instead of reducing individual positions. However, as vacancies occur, we recommend the City Manager establish a written process approved by the Mayor and City Council for reviewing each vacancy for possible outsourcing, filling with temporary staff (youth, retirees), or eliminating it before a decision is made to replace it. Under current economic conditions such a review process is not so much a choice as a necessity.

## ECONOMIC DEVELOPMENT INITIATIVE (PROSPERITY)

---

We have evaluated effectiveness of the City's existing Salinas Valley Economic Development Strategic Vision (EDP). In addition, we selected elements from the broad menu of activities listed in the EDP that merit the City's particular focus given limited resources and the changing economic climate.

Most economic development literature is generally written with an assumption of expanding economies, growth opportunities, and projected success stories. This is not the current situation in most local economies. In this section of the report we have assessed specific opportunities and constraints unique to Salinas which are realistic in this current economic context.

### BACKGROUND

---

The EDP was published in May, 2009 based on the size, location, and traditional role of Salinas in the region. The Plan stresses regional cooperation and provides a broad framework of initiatives. The Plan is forward-looking and reflects thought, vision, leadership, and an effort to energize the County and neighboring cities in the economic development effort. The Plan envisioned formation of a 501(c)(6) with private funding and County participation to be filed in January, 2009. This has not yet occurred. In addition, the Plan promised many deliverables within the year, which given the level of staffing were probably unrealistic even at the time of adoption.

In addition to reviewing the EDP, we reviewed a number of other economic studies as shown in Appendix 3. We also interviewed a number of City staff, community members and policy makers and asked for their perspectives on current economic policies and programs and their overall opinion on the direction of the program. Some of the themes and questions expressed in these discussions include:

- *There needs to be greater clarity into what staff of the economic development program is trying to achieve and where the Economic Development Director spends his time.*
- *We need to clarify economic development priorities and stay focused on them.*
- *There is a lack of resources devoted to this critical City function.*
- *Is the EDP realistic in view of fiscal and staff resource constraints?*
- *There needs to be an emphasis on basics such as a structured business retention program and a much targeted effort to attract businesses.*
- *Additional resources need to be focused on this priority area once funds are available.*
- *The City should expand the commercial and industrial land base.*

- *Is too much time being spent by staff on committees and organizations that yields too little in tangible economic development projects with a payoff to the City?*
- *The City needs an oversight Council committee that addresses economic development programs and priorities and regularly reviews the economic development work plan.*
- *The City Manager needs to be more involved in economic development and there needs to be an interdepartmental team that helps to expedite projects and an organizational structure that focuses on this area.*
- *Economic development will improve once the -City effectively deals with public safety issues.*
- *The Permit Center staff and others in the City must recognize economic development as one of the key priorities of the City and provide processes that place a premium on proactive and expeditious permit processing for major economic development projects ("processing is time and time is money")*
- *Does Salinas have adequate infrastructure to retain its existing major employers?*
- *Given that cities in Silicon Valley have excess capacity, skilled labor, and incentives, can Salinas successfully compete for hi-tech business?*
- *Salinas talks about "branding" while we are being branded as the "violence Capital" in some of the media.*

We believe that some of the strategies suggested below address some of these issues by providing a more focused economic development effort now underway.

## ECONOMIC DEVELOPMENT PROGRAM INITIATIVES

---

The City's economic development efforts are generally recognized and supported by Council, staff and public. However, in the seventeen months that have passed since the City adopted the Plan, the City has seen: 1) a continuing downturn in the economy; 2) shrinking revenues with cutbacks in staffing; 3) lack of private funding necessary to support a regional program; and 4) a local and regional media focus on issues that detract from positive economic development opportunities, primarily, gang violence in the community.

The Mayor and Council need to focus the very limited resources on primary elements within the EDP that most directly and immediately affect the City. When the economy recovers -- which appears, based on widely accepted concepts like a "jobless recovery" and perhaps a double-dip recession to be many months down the road -- the Council can emphasize and underwrite the broader regional elements of the EDP.

The City must be precise in the allocation of limited resources and answer the following questions:

- What are the specific Council priorities within the broad menu of programs outlined?

- How much of available staff time is going to be directed toward each activity? How is success to be measured?
- Who is responsible for oversight of the program?

All of these questions must be answered in work plans that emphasize action, or else worthy goals expressed in the EDP will never be attained. The three key elements in the EDP—business retention, tourism and business attraction--- are described below:

## BUSINESS RETENTION

---

The EDP states:

*“The first and highest priority for economic development is to assist local businesses to remain healthy....Concurrent with the approval of this plan, a formal Business Retention and Expansion (BR&E) visitation will be initiated.”*

It was anticipated that this program would begin in August, 2009. We strongly agree with this approach which is confirmed by local government economic development literature:

"For many years, business retention as a strategy for job creation clearly has been superior to business attraction. If incentives are used at all, they should be made available to existing firms as well as to new prospects. When prioritizing economic development programs for funding, government should place business retention efforts ahead of business attraction....Business retention requires less speculation than firm attraction. The firm is already located in the community and, as a result, already has developed attachments and loyalties. Firms often will find staying and expanding easier than relocating operations....inducements designed to attract new firms may be perceived by existing firms as implicit signals that they are either taken for granted or perceived to have less value than newcomers." [From Economic Development, Strategies for State and Local Practice, 2nd Edition]

Business retention should address the two primary sectors of the Salinas economy – the agricultural and retail sectors. This is not to exclude other sectors of the economy but to recognize the economic drivers in the community that must be nurtured.

### ***Agriculture***

The EDP notes challenges that agriculture faces, but does not propose specific actions. Clearly, the City has to go the extra mile in these difficult times to support agriculture—one of its major employers. We recommend that the Mayor appoint a Task Force composed of leading players from the agricultural, industrial, and financial and development communities that would have two primary areas of interest: business retention and business attraction. The Task Force should have four priorities:

1. Review the adequacy of water, power, sanitation, access and land to serve current and future needs;

2. Identify any excess capacity that would support expansion of existing, or attraction of new agricultural businesses;
3. Identify other constraints on growth; and,
4. Evaluate and suggest ways to improve communications among private sector businesses, industries and customers and public sector staff who manage economic development processes in the City.

### ***Retail***

In the retail sector, the EDP states that Salinas “has long served the larger Salinas Valley area as the center for retail shopping...experience[ing] around \$2.5 billion in annual retail sales.” The recently completed Buxton Company report which provides “an analysis of the Salinas Market Area retail potential, indicates a shortfall of approximately \$250 million in annual retail sales primarily due to lack of desired retailers being located in the City.” It further notes that “it is imperative that a retail recovery effort be initiated as soon as possible.”

We recommend that staff devote significant time developing and implementing a retail retention work plan in the first quarter of 2011 and that it include the following elements:

1. Complete an inventory of existing retail businesses.
2. In cooperation with business associates, such as, the Chamber of Commerce, contact/visit these firms to assess needs/plans.
3. Initiate an effort to assist firms to overcome any development constraints and expand where appropriate.

This plan should be reviewed by the Mayor’s Task Force and the proposed Economic Development Committee of the City Council.

### ***Tourism***

After business retention, another key priority is tourism. In some communities this area is often overlooked as a real source of economic growth and employment. In the EDP it is noted:

“A significant challenge for all tourism based economies is the diminishment of travel, due to current poor economic conditions and the ever increasing cost of living, resulting in travel decisions focused on local areas. Additionally, even in the best of travel/tourism times, the Salinas Valley communities have not taken advantage of the hundreds of thousands of travelers driving through our communities annually on their way to the Monterey Peninsula area.”

It is as if tourism happens on the Coast, and not in the Valley. Evidence of this is the absence of signage welcoming visitors to Salinas and, in particular, the Historic Old Town on the major roads bisecting the community. Tourism is a principal economic development

strategy in many communities, and many of the communities lack the obvious assets of Salinas in attracting visitors, namely:

- A captive market – the many motorists traversing the City
- A good story – Steinbeck, Historic Old Town and agriculture
- Excellent facilities – the Steinbeck Center and Sherwood Hall
- Superior access and parking
- What is needed to fully realize the economic potential of tourism is:
  - Adequate core staff to program and market facilities; to facilitate visitors and to leverage City programs with outside public and private funding.
  - Adequate marketing, not only to increase visibility, but to change the story from gang violence.
  - Cosmetic updates of visitor facilities; furniture, lighting, and sound to increase attractiveness and variety of uses.

We believe that with a sufficient investment, the City and the cultural community would realize immediate and significant tourism gains and could establish the Downtown as a destination point. In that regard we recommend that the Mayor and City Council support a 3% increase (from 10% to 13%) in the Transient Occupancy Tax (“TOT”) on hotel rooms. While other cities are currently considering an increase in TOT at 12% (see Appendix 15) Salinas would be at the high end in Monterey County. However, this higher TOT tax would be consistent with Cities along the Freeway 101 Corridor between Salinas and San Francisco as shown on the chart on the next page.

### Exhibit 6

<b>Transient Occupancy Tax Rates – Cal. Cities</b>			
<b>City</b>	<b>County</b>	<b>Current</b>	<b>Pending Nov 2010 ballot measures</b>
San Francisco	San Francisco	14.0%	16.0%
Oakland	Alameda	14.0%	
Brisbane	San Mateo	12.0%	
Burlingame	San Mateo	12.0%	
Half Moon Bay	San Mateo	12.0%	
Milbrae	San Mateo	12.0%	
Pacifica	San Mateo	10.0%	12.0%
San Bruno	San Mateo	12.0%	
San Mateo	San Mateo	12.0%	
Cambell	Santa Clara	10.0%	12.0%
Palo Alto	Santa Clara	12.0%	
Milpitas	Santa Clara	10.0%	
Mountain View	Santa Clara	10.0%	
San Jose (1)	Santa Clara	14.0%	
Santa Clara	Santa Clara	9.5%	
Sunnyvale	Santa Clara	9.5%	
Gilroy	Santa Clara	9.0%	
Santa Cruz	Santa Cruz	10.0%	
Watsonville	Santa Cruz	10.0%	
Seaside	Monterey	12.0%	
Carmel	Monterey	10.0%	
Marina	Monterey	10.0%	12.0%
Monterey	Monterey	10.0%	
Pacific Grove	Monterey	10.0%	
Salinas	Monterey	10.0%	

Source: Computations by CaliforniaCityFinance.com from State Controller data 8/2009

(1) San Jose rate increase approved in 2010 with special Mello-Roos

Each percent of TOT in Salinas produces approximately \$150,000 annually for new revenue of \$450,000.

Some of the priority uses of the 3% increase could be: One percent for Sherwood Hall to provide core staffing for additional programming; one percent to the National Steinbeck Center to pay down its annual debt service of \$180,000 and allow it to operate “above water”; and, one percent for marketing of Historic Old Town . It is expected that these uses would generate additional room nights, especially weekends, and grow the TOT revenues for the City. These expanded activities would enrich the quality of life in the community and allow funds to leverage other desirable visitor-serving efforts such as the California Tourist Center.

We recommend that the Mayor appoint a study group with membership to include the hotel industry, Old Town, Chamber of Commerce, Steinbeck Center, and the City to advise the Council on at least three issues:

- Would they support the recommended increase of 3% in the TOT rate and how would the \$450,000 be best utilized?
- Should a measure be placed on the ballot in a form similar to Measure V?  
(Note: San Jose recently passed a Mello-Roos voluntary self-assessment by the hotels of a 4% increase in TOT to support visitor facilities which raised its total TOT rate to 14 %.)
- Does the City receive fair value for the \$150,000 it gives annually to the County for County-wide promotions, or would it be in the City’s interest to redirect this \$150,000 to promotion of the City’s Downtown and visitor attractions?

## BUSINESS ATTRACTION

---

The third priority area for the City is business attraction. According to a recent ICMA report cited above, studies appear to agree on two key points:

1. The important factors in business location decisions are transportation considerations, labor quality, and markets.
2. The best way for government to influence firm location is to create and sustain quality communities.

Salinas may be at a disadvantage in offering incentives to new firms that are “city shopping”. However, with few exceptions, incentives -- unless those include free land, direct public financing, or funding the costs of major infrastructure to support development -- will not effectively influence firm location decisions. On the other hand, the perception of pro-business, decisive Council leadership, and timely processes to approve entitlements, issue permits, and conduct on-site inspections, does have a significant impact on decisions for business expansion or location in a community.

Opportunities for future business attraction should be considered by the Mayor’s Task Force described under the Business Retention section. It would need to weigh new business opportunities/business attraction in the context of priorities for existing retail and agricultural business retention, strengthening tourism, adequacy of infrastructure and considerations of the capacity of the organization to focus on these priorities.. The Task Force may have many creative ideas for addressing any obstacles to new business attraction.

## ORGANIZATIONAL STRUCTURE

---

To help overcome organizational issues, the City has to strengthen its Permit Center operations and it is making excellent progress in that regard. In the Community Development Department section of this report we say the following:

“Among the most important recommendations of the Blue Ribbon Committee was the need to plan for a thriving community by ‘proactively conducting the entitlement work necessary to attract new businesses, as other cities have done.’ While this recommendation deals mainly with the need to identify and ready new sites for retail and industrial development, it also means the City should review and approve entitlement and permit applications as quickly as possible to facilitate the timely construction, inspection and completion of these projects. Delivering these services well is among the most powerful tools the City has to successfully stimulate economic development and improve its fiscal condition”.

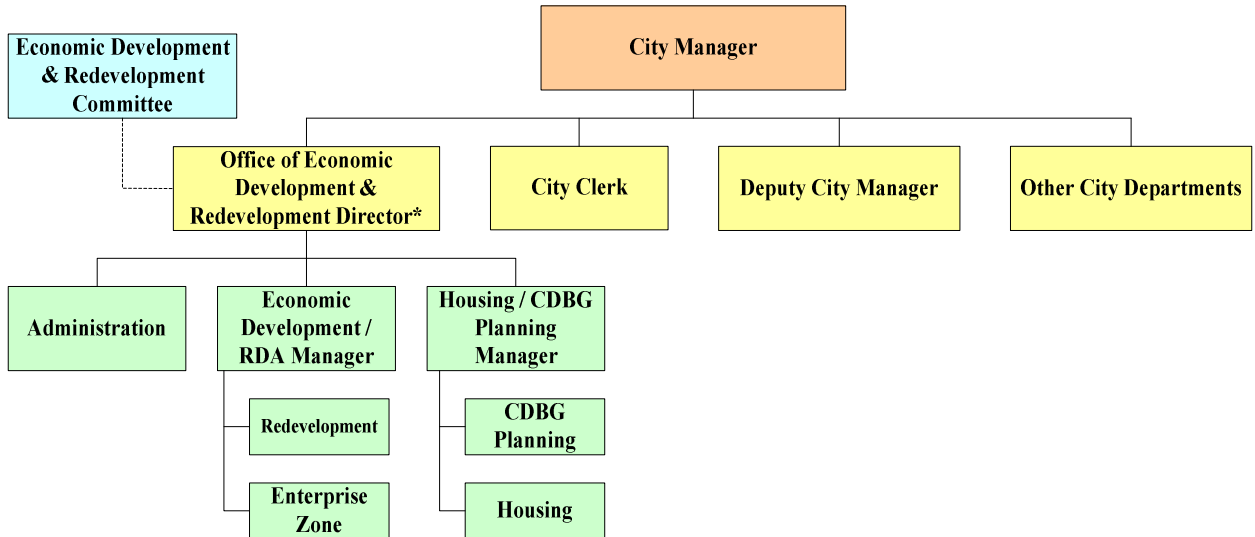
The importance of permit processing on economic development was reinforced in a study by Price Waterhouse Cooper. Their conclusions were that, 1)reducing permitting times encouraged economic development and increased revenues, 2) delays raise tenant costs, 3) streamlined permitting processes can actually help attract businesses, and, 4) the impact of permitting efficiency on financing and investments in structures is significant.

We believe by consolidating planning services with other Permit Center functions it offers an opportunity to further strengthen the capacity of the organization to help foster a “can do” economic development operation.

Strengthening the Permit Center should be coupled with a reorganization of the economic development (Prosperity) function by creating an Office of Economic Development/Redevelopment directly under the City Manager. (See Exhibit 7 on next page.)

## Exhibit 7

### New Office of Economic Development & Redevelopment



\* The City Manager will need to decide which of the current positions – Director of Economic Development or Director of the current Community Development Department will be the Director of this new office under the City Manager. The other position would be either eliminated or a position of Economic Development and Redevelopment Manager created as shown in the above chart. Titles would have to be reviewed for other positions.

This brings focus and attention to this critical City priority just as the Community Safety Division does to the youth/gang violence prevention initiative (Peace). This new Office is recommended for the following reasons:

- In our interviews it was repeatedly noted that these functions are interrelated and need to work effectively together.
- The survey of other cities did not reveal any clear trends in how economic development, housing, CDBG and redevelopment are organized other than these functions are frequently located in the same office or department.
- Funding for economic development often originated from redevelopment and CDBG funds.
- Combining these functions may offer opportunities to better utilize staff and to provide more emphasis on economic development.
- Redevelopment and some CDBG and housing programs are, in many respects, economic drivers in the City and should be planned in an integrated manner.

- Funding for economic development can be increased in future years from redevelopment and CDBG funding sources.
- For more effective oversight, the current Economic Development Committee should be expanded and made a standing Council Committee (see Appendix 11) to be staffed by the Director of the Office of Economic Development and Redevelopment. There may also be an opportunity to strengthen the staffing of this function depending on a final determination by the City Manager about managerial positions between this new office and the previous Community Development Department. We recommend that under any circumstance, short of budget necessity, any available management positions and incumbents in those positions be allocated to a high level role in the Office of Economic Development and Redevelopment so as to strengthen the capacity of this office to manage complex projects.

## FISCAL STRUCTURE

---

Two fiscally related points are mention here.

First, is the recommendation for the City to “reinvest” in four priority areas, one of which is economic development. This recommendation is provided above in the Budget Strategies section of this report. In that section, we recommend that \$250,000 of one time 2009-2010, yearend General Fund/MeasureV fund balance be earmarked for economic development. These funds would be available to address some of those project opportunities that occur throughout the year.

Second, in the Budget Strategies section, we also recommend a five-year forecast to help understand where the City is fiscally headed in General Fund and Measure V. We would also recommend that a five year forecast of redevelopment funds be prepared so the City projects its redevelopment debt obligations, operating costs and funds available for projects. With recent State “takes” of local redevelopment money and the plight of some redevelopment agencies in the State bordering on becoming an obligation of their cities’ general funds for bailout assistance, it is imperative to ensure solid fiscal planning in this area.

## SUMMARY

---

Many activities have been undertaken, and projects assisted, since the adoption of the EDP. However, given fiscal constraints, any ongoing economic development program needs to have limited goals, be based on specific priorities, be embodied in a revised and down scoped Plan, and be evaluated on an ongoing basis. With this in mind, we believe the City's program should be focused on the following three priorities:

- Agriculture and other business retention: Appoint a Mayor's Task Force to focus on business retention with particular emphasis on agriculture retention and expansion. The major element of its work would be evaluating infrastructure capacity and needs and ways to strengthen business retention efforts. Secondly, it would consider other business attraction opportunities that fit the Salinas region.
- Retail retention and expansion: Prepare and adopt a retail retention and expansion work plan incorporating the elements described above with specific performance measures and periodic review by the Council Economic Development Committee and/or full City Council.
- Tourism: As it relates to tourism, appoint a study group identified above and which would report to the Council Economic Development Redevelopment Committee and/or the full Council on uses of the recommended 3% TOT increase and the feasibility of redirecting the \$150,000 payment to County-wide promotion efforts to promoting Salinas' Downtown and its visitor attractions.

## YOUTH/GANG VIOLENCE PREVENTION INITIATIVE (PEACE)

---

*".....I asked Salinas to imagine a City without gangs and I could see in the eyes of many of you what that really meant. A City where we could feel safe in our homes where our children could play on our neighborhood streets. I also witnessed your careful thought as you wondered if "Peace" in our City is even a possibility. I stand here tonight and say that, it may be hard, it may take generations, but it is the City we wish to live in. So let us try. In fact let's go beyond the elimination of just youth violence and let's seek to become a **City at Peace.**"*

Mayor Dennis Donohue  
Excerpt from 2007 State of the City Address

## BACKGROUND

---

The excerpt above taken from Mayor Donohue's inaugural 2007 State of the City speech served as a clarion call to action in response to a longstanding gang violence problem plaguing the City of Salinas. According to the Salinas Police Department all 29 homicides in 2009 were classified as "gang related." The federal government has designated Salinas as a "High Intensity Gang Area" (HIGA) under the Gang Deterrence and Community Protection Act of 2005. An estimated 3000 active gang members and associates reside in the City of Salinas. The presence of excessive gang violence in the City hinders economic development initiatives because businesses are often reluctant to locate in a City perceived to be unsafe. Unlike other cities which tend to deal with multi-ethnic gangs, Salinas gangs are predominantly Hispanic. Gang members tend to align with one of two rival factions: "Norteño's" who identify with the color red or "Sureño's" who identify with the color blue. Northern gang members primarily associate with the "Nuestra Familia" whereas Southern gang members align with the "Mexican Mafia" both of which have their origins and are based within the prison system. One of the greatest challenges facing the City of Salinas is the negative influence these two organized gang structures have on the City's youth and neighborhoods in general. Gang affiliations in either of these groups tend to be familial and multi-generational and, as a result, make it more difficult to break the cycle of gang and youth violence.

Breaking gang strongholds and curtailing youth violence is no easy task. In recent years the City of Salinas has embarked on a number of anti-violence efforts. These Initiatives have experienced various "start" and "stops" creating a general sense of pessimism, and dissatisfaction among some of the key community stakeholders. In addition there have been challenges service coordination and intra-agency collaboration, especially between the City and County. Correspondingly, several "grass-roots" neighborhood groups and community serving non-profits have struggled to find their place within these anti-violence initiatives. There also appears to be a disconnection between the vision set forth to become a "City at Peace" and the City's ability to staff and adequately fund services to achieve that goal. These challenges are not uncommon as a City positions itself to confront a deep-rooted and multi-faceted problem such as gang violence.

## CURRENT STATUS

---

Over the past year, however, Salinas has still made significant strides and gained considerable momentum in its anti-gang efforts. The City has confronted these organizational challenges with resourcefulness, creativity and a commitment to engage the community in unprecedented ways. The Mayor, Police Chief, Deputy Chief, and the Community Safety Director have provided commendable leadership. Collectively they have forged an inspiring vision, convened various stakeholders and forged strategic partnerships that have resulted in greater community engagement and community support for making Salinas safe. In addition to City staff, numerous partners representing various County departments, non-profits, faith based organizations and school districts are to be acknowledged for their willingness to collaborate and coordinate resources that help the community as a whole achieve peace not only in the City but throughout the County..

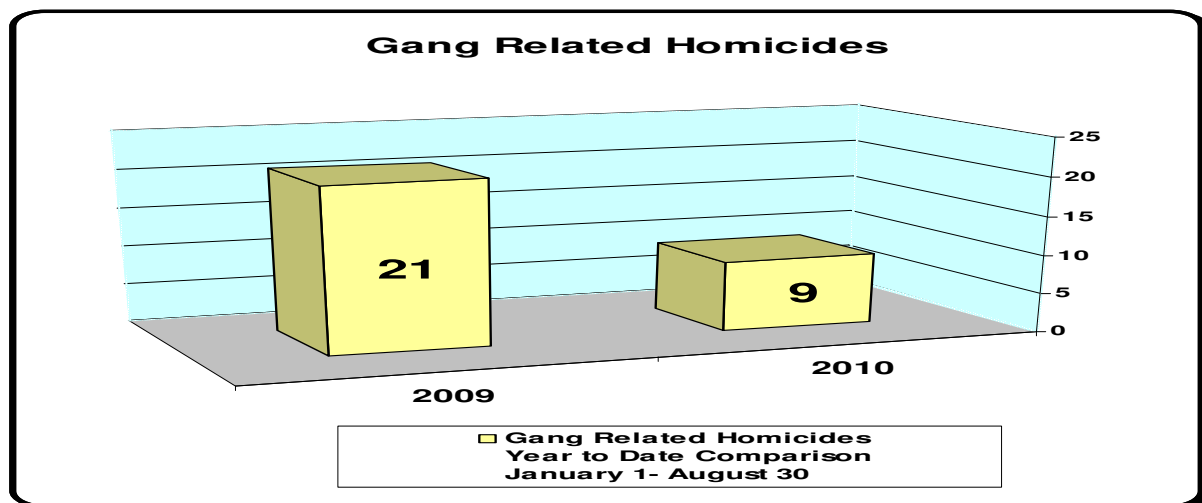
Some recent accomplishments under the present leadership include:

- City of Salinas awarded a \$382,639 two-year, CalGRIP (California Gang Reduction, Intervention and Prevention) grant from State of California. Funds will be used to hire a full-time coordinator for the Community Alliance on Safety and Peace, and fund gang prevention services to be provided by three non-profits
- Salinas Police Department in coordination with local community serving agencies and various county, state and federal law enforcement partners launched the Salinas Cease Fire Program. This approach modeled after Boston's Operation Cease Fire conducts "call ins" which consist of convening probationers, parolees, two-strikers and very high risk individuals with the aim of providing them alternatives to lifestyles of violence
- City of Salinas continues to serve on California Cities Gang Prevention Network to identify strategies for reducing gang and youth violence and victimization
- City of Salinas selected by Department of Justice as one of six cities to help launch a National Youth Forum on Youth Violence Prevention

The most notable accomplishment is a 57% decrease in gang related homicides.

There were 21 gang related homicides from Jan 1 –Aug 30, 2009. This number dropped to 9 during the same time period one year later as shown on Exhibit on next page.

## Exhibit 8



Another significant milestone in reducing gang and youth violence was the recent creation of the Community Alliance for Safety and Peace (CASP). This collaborative was forged to reduce violence caused by gang activity and to reverse the culture of violence that afflicts families, neighborhoods and communities in Salinas and Monterey County.. CASP evolved from a merger between two organizations, The City of Salinas' Community Safety Alliance and the Violence Prevention Sub-Committee of the Monterey County Children's Council. CASP is chaired by Mayor Donohue and retired Monterey County Juvenile Court Judge Jonathan Price. This coalition of more than 30 community serving organizations representing the City, County, business, health, probation, neighborhoods, education, faith, law enforcement, foundations, judiciary, and local non-profits is positioned to align like minded missions, goals and objectives under one common vision. This group has agreed to develop a single strategic action plan that will guide and direct City and County wide violence reduction efforts.

### SCOPE OF WORK

---

The work of CASP is influenced by nationally recognized anti-gang "best practices" as highlighted in a document published by the National League of Cities, titled "Preventing Gang Violence and Building Communities Where Young People Thrive."<sup>2</sup> This document recommends a six prong framework for cities to follow while conducting gang prevention work: They are:

---

<sup>2</sup> National League of Cities, Institute for Youth, Education and Families, "Preventing Gang Violence and building Communities Where Young People Thrive.", 2009

1. The Mayor, City Council and Chief of police must lead together. This leadership approach sets forth a moral direction, “Gang violence will not be tolerated,” as well as a pragmatic direction, “ We will develop a plan” and “City business will be done in a different way.”
2. Law enforcement and social services must not be seen as antithetical concepts. We must convey a certainty of “consequences” as well as a certainty of “help”.
3. A comprehensive, Citywide strategy or strategic plan must be developed.
4. An entity must be designated or created to track the work once the plan is developed, to hold people accountable for implementation and to alter the plan as needed. Progress should be tracked.
5. Municipal officials must forge an effective working and policy relationship with the county. The City and County must share and leverage resources and develop joint policies to curtail community violence.
6. Anti-violence efforts and the people conducting them must get close to young people in the community. Gang members are lured into gangs by those who seem to engage in their lives, care about them and tell them, “I got your back.” The community, especially police and social services agencies, must get close enough to know the names of and reclaim gang-involved youth and those at risk of gang affiliation.

We conducted interviews with key City, County and Community stakeholders and completed an assessment of current anti-violence efforts. It was determined that the City was well underway towards solidifying a City-wide/regional approach to reducing youth violence and making Salinas safer. With this in mind, we narrowed our focus to providing on-going assistance to the Community Safety Director through support, coaching and guidance in the areas of: 1) Strategic Plan Development; 2) Community Engagement of Key Stakeholders in Strategic Planning Process; 3) Creating a Two-Tier Leadership Structure within the CASP that will facilitate intra-agency coordination, clarification of roles, and effective decision making and action.

## STRATEGIC PLAN DEVELOPMENT

---

We worked with the City’s Community Safety Director and assisted in the preparation of a project management schedule aimed at guiding the strategic plan development process. The Community Alliance for Safety and Peace (CASP) embraced the recommendation to develop a unifying strategic plan and formed a Strategic Work Plan Sub-Committee. This sub-committee is made up of representatives from the City of Salinas (City Attorney’s office, Parks & Community Services, Police, and Code Enforcement), Monterey County Health Department, County Behavioral Health Division, Monterey County Probation, County Office of Education, Salinas School District, as well as representatives from community based organizations, faith based community, the judiciary and the Monterey County Board of

Supervisors. This Committee is charged with the responsibility to: 1) schedule and set community meeting and focus group agenda's, 2) secure community meeting locations, 3) plan and conduct community outreach, 4) prepare presentation materials and reports, and 5) review data, prepare recommendations to the CASP Executive Committee, draft and subsequently oversee implementation of a new comprehensive strategic plan.

The strategic plan that emerges from this process will:

- Define the Challenge (current landscape of youth/gang violence)
- Forge a bold vision to guide and direct multi-agency and community efforts
- Formalize an organizational structure that will enable action
- Clearly delineate strategic goal areas and outcomes to be achieved
- Identify staffing and financial resources required for implementation

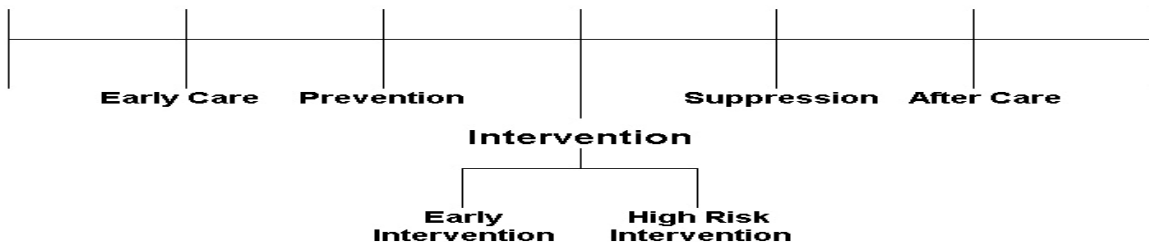
The CASP is currently on track to present their proposed strategic plan by Spring 2011. We believe the plan should at a minimum contain the following features:

**Recommendation #1:** The proposed strategic plan once reviewed and approved by the Mayor and City Council should be adopted as the City's official public policy direction against gangs and youth violence. The plan should guide the deployment of City resources and service delivery approaches.

**Recommendation #2:** The service delivery approach recommended by the proposed strategic plan should neither be solely "suppression" nor solely "prevention" but rather a balanced combination of prevention, intervention, suppression and after-care based services.

### Exhibit 9

## Service Delivery Continuum of Care



**Recommendation #3:** The proposed strategic plan should be leveraged and coordinated with similar local, state and national initiatives in order to maximize resources and prevent duplication of services (For example, the Building Healthy Communities collaborative and the CASP can coordinate efforts and share resources).

**Recommendation #4:** The proposed strategic plan should include a “Crisis Response Protocol” that is activated within 24-48 hours of a gang related homicide or serious act of violence. This protocol should serve the purpose of: 1) Immediately deploying police and community serving agencies into impacted neighborhoods with the aim of minimizing retaliation; and 2) Convening a community meeting and informing them of the “facts of the incident” and coordinated actions being taken. It is essential to restore a sense of safety in the impacted neighborhood.

**Recommendation #5:** Each strategic goal area in the proposed Strategic Plan should have corresponding performance measures in order to track and assess progress and advancement.

## COMMUNITY ENGAGEMENT OF KEY STAKEHOLDERS IN STRATEGIC PLANNING PROCESS

---

Combating gang and youth violence is a “community issue” that requires a “community response.” To this end, all stakeholders in the community must be engaged throughout the entire strategic planning process. Often times, cities neglect to fully engage the community only to blame them later for their apathy and lack of involvement and support. The CASP has launched an extraordinarily effective community engagement approach that has resulted in securing input from all segments of the community. The CASP has utilized two key approaches:

**Listening Sessions:** The CASP has facilitated 23 “listening sessions.” These focus groups were held throughout Salinas and targeted over 200 stakeholders such as youth, neighborhood groups, and seniors who would not ordinarily attend community meetings. These sessions gathered recommendations on how to create a peaceful city.

**Town Hall Meetings:** The CASP has already conducted two “Community Dialogue for Change” town hall meetings. Hundreds of residents have participated and are helping to identify the top six critical areas to be addressed in the strategic plan. The meetings are action oriented and have successfully engaged a diverse cross section of the community.

Recent community engagement efforts are ensuring that the “community’s voice” is not only heard but translated into action in the form of the proposed strategic plan. We have interviewed town hall meeting participants and there is an overwhelming satisfaction with both the process as well as a renewed sense that Salinas will achieve its vision of becoming a “City at Peace”

The CASP should continue to place a high priority on community engagement even beyond the adoption of the proposed strategic plan. We recommend the CASP sponsor an annual community summit aimed at informing the community of both progress made as well as emerging challenges that require additional community dialogue and action. It is essential

to allow the “community’s voice” to drive the CASP agenda especially since some of the best and most practical anti-violence strategies emerge from the very residents that experience or witness violence first hand.

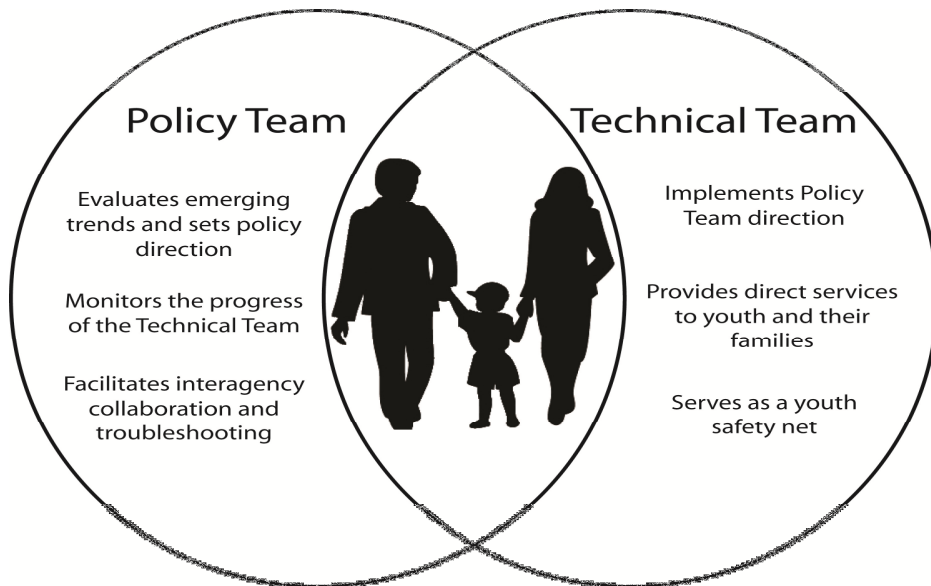
**Creating a Two-Tier Leadership Structure within the CASP that will facilitate intra-agency coordination, clarification of roles, and effective decision making and action**

The Community Alliance for Safety and Peace (CASP) which is comprised of key representatives from throughout the community is an impressive and committed coalition of leaders. This collaborative currently conducts its work via implementation teams. Current work teams include: Leisure/Recreation; Employment; Education; Community Mobilization; and Safety. This current structure however does not maximize the leveraging of resources, effective policy level decision making and intra-agency problem solving and decision making. Typical agenda items range from intra agency policy level issues to “front-line” service delivery coordination matters.

The City of Salinas’ Community Safety Director who serves as project manager for CASP recently proposed a new leadership structure for the CASP (the “Interagency Joint Governance Structure Committee”). The new structure would create a policy team and a technical team. The Policy Team would: 1) Evaluate emerging trends; 2) Set Policy Direction; and 3) Facilitate Intra-Agency Collaboration and Troubleshooting

The Technical Team would: 1) Implement Policy Team Direction; 2) Provide Direct Services to Youth and Community; and 3) Community Service Providers will form an anti-violence “Safety Net.”

**Exhibit 10**



The proposed leadership structure is not “top down” or “bottom up” but rather “Community Centric” with each team playing an equally important role and placing the needs of youth and their families at the center of their work. This structure will help clarify the roles of respective members and increase the efficiency and effectiveness of the group which will result in action and advancement of strategic plan.

**Next Steps: Developing the City’s Organizational Capacity to Facilitate Action**

The proposed strategic plan once adopted will serve as a community “blueprint” to break the cycle of violence and restore Peace in Salinas. However it takes more than a plan to achieve this, it will take concerted action, and appropriate staffing placed in the proper organizational structure. The planned Neighborhood Services Unit within the proposed Community Services Department should serve as the primary liaison bridging the community, the City and CASP.

The following recommendations are designed to accomplish this:

**Recommendation #1:** Key personnel from the proposed Neighborhood Services Unit should serve on the CASP Technical Team. In this capacity, City staff would 1) recruit and organize community volunteers and link them to anti-violence efforts, 2) inform CASP partners and Community residents about City services and how to access them, and 3) provide guidance and support to all City neighborhoods interested in neighborhood revitalization and enhancing quality of life efforts.

**Recommendation #2:** The Community Safety Director and the Director of the proposed Community Services Department should coordinate closely to build staff capacity within the City that would enable implementation of anti-violence and neighborhood development goals.

**Recommendation #3:** The proposed Community Services Department should develop a Volunteer Recruitment Strategy aimed at enlisting, empowering and mobilizing neighborhood residents to participate in neighborhood improvement efforts.

**Recommendation #4:** The Neighborhood Services Unit should link residents to: 1) City services such as police, code enforcement, recreation, housing and library functions and activities; (2) to related City, Countywide and neighborhood efforts such as CASP, Building Healthy Communities, Eagle Drive Bison Way Neighborhood Association and Monterey Park Neighborhood Watch and other neighborhood organizations; and, (3) Public Safety and Blight Community Awareness efforts.

## ORGANIZATIONAL EFFECTIVENESS INITIATIVE

---

Throughout this report, there are a variety of proposals for improving organizational effectiveness. This section will highlight some of the priority areas discussed in the preceding pages.

We believe that completing a five year budget forecast, increasing reserves, investing in four key areas (economic development, neighborhood and volunteer services, information systems upgrades and restoring an effective training program) and moving forward on labor negotiations to reduce personal services costs (which comprise over 75% of operating budget expenditures) will result in near term savings, improve the budget process and provide a clearer picture for planning future budget balancing strategies.

Ideas from employees, community members, managers and the Mayor and City Council reaffirm the need for changes in governance policies and approaches. Some of the key ones we identified are:

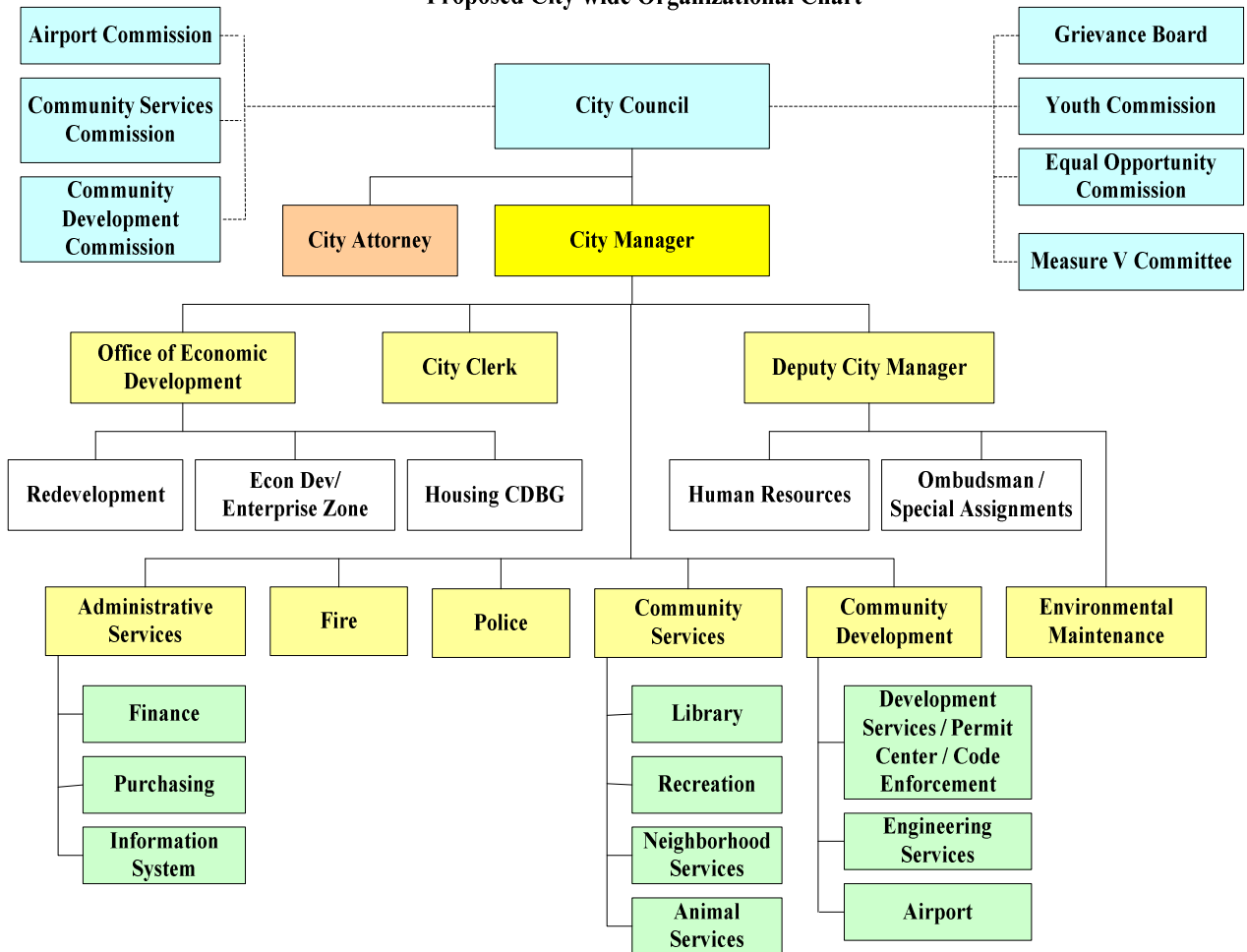
- Keep an annual schedule for the Mayor and Council to review goals and priorities for the organization in the context of ever changing community needs, organizational capacity and previously adopted priorities. Policy makers and top managers sometimes add new ideas/priorities and lose track of what is already on the organization's "plate".
- Improve the work plan process to track key projects to ensure they are moving on time and within budget and that responsibilities for managing those projects are clearly assigned.
- Define a Council referral process that is focused and disciplined requiring the Council as a whole to approve and weighs requests against existing work priorities.
- Streamlining committees, boards, and commissions and requiring the major standing committees/commissions to do annual work plans can minimize staff time, maximize constructive citizen input, and keep citizen bodies focused on Council goals and priorities
- While performance measures are important in gauging how well the City is achieving its goals, it is more important to have feedback from residents and businesses on what they believe are important services and the City's performance of those services. The City should do a bi-annual customer service survey of resident and business attitudes. And, in keeping with the commitment to effective performance, the organization needs to ensure that timely, clear and constructive performance evaluations of top managers and all employees are occurring.
- The reorganization recommendations for Community Services, Community Development, the Office of Economic Development and Redevelopment, the creation of a Deputy City Manager position and focusing Administrative Services on process

and system improvements should sharpen the ability of the City to cope with staff reductions, improve its customer service, and help problem solve interdepartmental issues.

Our proposal of changes in restructuring is reflected in a the recommended City-wide Organizational Chart.

### Exhibit 11

City of Salinas  
Proposed City-wide Organizational Chart



- While the City has done a commendable job of moving in the direction of contractual services wherever viable, it should review each full-time position vacancy for consolidation and contracting out opportunities as well as use of volunteers, (youth, seniors), subject, of course, to current employee labor agreements.
- Creating a neighborhood services unit in the Community Services Department will foster more effective coordination and delivery of City services to neighborhoods and help to foster and develop volunteers to augment City staff as key “eyes, ears and hands” of the community.
- The City should continue the positive direction of local and regional efforts to cope with gang/youth violence. This will help create a safer community and a positive atmosphere for economic development and revenue generation in the City.
- This report focuses on a doable economic development program within City resource constraints and acknowledges obstacles (permit review processes, youth/gang violence prevention) to achieving this major initiative.
- Training and staff development is so critical at any time in effective organizations but even more so when an organization is being downsized. We have proposed training funding and key training areas, such as, customer service training, a user group helping to develop a training plan, employee recognition programs and attention to the morale of the work force

We have attempted in this report to make operational the term “organizational effectiveness” by recommending ways to stretch resources to build capacity for change and to ensure that the organization is more than just reacting to day to day crises. Setting priorities through goal setting sessions, work plans and Council referral processes: training of staff, maintaining a cadre of good managers, and engaging employees through teambuilding and participation, melding organizational structures together, creating interdepartmental teams to work on new processes and systems , and tapping volunteers to improve neighborhoods are all ways of rising above those day to day situations and being a proactive, forward moving organization even in the most difficult of economic times.

There is considerable consistency between these strategies and the seven organizational themes identified by employees during the workshops conducted by Dr. Frank Benest and discussed earlier in this report.



## LIST OF RECOMMENDATIONS

---

### BUDGET STRATEGIES

---

- 1) Develop a five-year forecast for operating budget General Fund and Measure V revenues and expenditures.
- 2) Rebuild the 5% General Fund reserves and allocate at least 50% of any year-end unallocated fund balance to those reserves and allocate the balance to four areas: training \$20,000, neighborhood services/volunteerism \$80,000, Information systems hardware and software \$150,000, and economic development \$250,000.
- 3) Revenue enhancements should continue to be part of any budget strategy to resolve short-term and long-term budget deficits.

### GOVERNANCE

---

- 4) Restore a training budget in the Human Resources Division (\$20,000) and create a staff steering committee of management and non-management employees to help define important training needs in an annually updated training plan.
- 5) Continue to conduct a facilitated Council/senior staff goal setting session each year to confirm the City's mission, goals, and major work plan items for the year.
- 6) Develop, retrain and cross train staff, and refine communication processes through techniques used by the City in the past and new approaches:
  - a) Departmental staff meetings that involve at least monthly discussion of major organizational issues and initiatives that address the future of the organization.
  - b) Continue and expand the use of Council study sessions to focus on major City services and programs.
  - c) Conduct off-site department head meetings, preferably at a major company's site in the City to promote business retention/ economic development, while at the same time discussing substantive city issues (major projects, programs, or organizational improvements).
- 7) Develop an effective process for setting priorities. It is in this context that the City should refine its work plan process so the Council can review projects that represent its priorities and evaluate additional requests.
- 8) Develop a simplified administrative project tracking system indicating assignments (studies, plans, audits, and process improvements), timelines and project descriptions.
- 9) Develop a council referral process to help manage Council requests for new projects and staff assignments.

- 10) Explore additional ways to effectively communicate information about the City to its diverse publics such as website improvements for citizens to post comments, quarterly Council meeting locations outside City Hall, City Hall meetings in the neighborhoods/ Council Districts and improvements to newsletters, city branding and logos.
- 11) Reduce and combine Council committees, boards and commissions and include the use of annual work plans for those committees to be reviewed by the Council.
- 12) Adopt a values statement for City employees and policy makers as part of a mission/goals setting session of the Council.
- 13) Approve performance measures and obtain regular feedback from the community primarily through an annual or bi-annual citizen survey.

## COMMUNITY DEVELOPMENT DEPARTMENT

---

- 14) Consolidate development services by transferring planning staff to the Permit Center in Engineering and Transportation, and transfer the remaining functions and staff of the current Community Development Department to the proposed Office of Economic Development and Redevelopment in the City Manager's Office.
- 15) Engineering & Transportation would be renamed Community Development to more clearly reflects the range of services it provides.
- 16) Transfer transportation planning with 2.0 FTE positions from the development/traffic & transportation division of E&T to the Permit Center under the Sr. Civil Engineer
- 17) Transfer the remaining staff and functions in the current Community Development Department, including housing CDBG administration and redevelopment, to a new office, entitled the Office of Economic Development and Redevelopment in the City Manager's Office.
- 18) Transfer the environmental resources planning position in the Environmental Maintenance Services Department to the Planning Division in the Permit Center
- 19) The position of Deputy City Engineer in E&T is now vacant and is being filled on an interim basis by a Sr. Civil Engineer. That individual should be appointed to the position if his performance warrants and his vacated Sr. Civil Engineer position should be deleted.
- 20) As vacancies occur in design services, contracting for these services should be fully explored to better manage staff resources with the ebb and flow of capital dollars as the economy expands and contracts.
- 21) Initiate a fee study of development services within the next two months to ensure it's completed before the budget is prepared for FY 2011-12. The study should comprehensively review the costs, including salaries, benefits, non-personal costs and overhead, to deliver individual permit, entitlement and other fee-based services.

- 22) Council should consider combining the Planning Commission and the Transportation Commission into a Community Development Commission.
- 23) Permit Center web site should be redesigned and expanded to provide a broader range of information and tools to assist the public in understanding the permitting and development process in Salinas.

## COMMUNITY SERVICE DEPARTMENT

---

- 24) Create a new Community Services Department by combining Parks and Community Services and Library Departments .
- 25) Transfer the current Parks and Community Services Director transfer to the City Manager's Office into a newly created position of Deputy City Manager and the current Library Director assume the role of the Director of Community Services of the new department.

## ADMINISTRATIVE SERVICE DEPARTMENT

---

- 26) Rename the Finance Department the Administrative Services Department because it better reflects its broad mix of support service functions: finance, purchasing, budget management and information systems.
- 27) Increased involvement of the Human Resources Division in the budget preparation cycle is critical because salaries and benefits comprise over 75% of the cost of city operation.
- 28) Administrative Services should conduct an annual user survey with all city offices and departments to determine customers' view of their services and to develop benchmarks that will allow staff to quantify improved service satisfaction and outcomes.
- 29) When a new accounting system is selected, consider the issuance of technology bonds to finance a system and amortize the costs and payments over a 10-year period. Consider joining a pool such as CSCDA or ABAG to reduce issuance costs.
- 30) Establish a more open process to develop the recommended budget. At a minimum, meetings should be held by the City Manager with each department including department heads and key staff to discuss budget changes.
- 31) Expand the use of credit cards to allow each department to more expeditiously make purchases. The City should also consider joining the Cal card program.
- 32) Complete a citywide cost study of existing fees and charges, identify possible new ones and prepare a manual of fees and charges including the methodology for doing future reviews.
- 33) City Manager forms a users advisory group to develop a master plan for information system improvements with priorities.

- 34) Maintain a separate Human Resources Division in the City Manager's Office.
- 35) The City's Finance Director should meet with the County Auditor/Controller to assess the feasibility of using the county's new payroll/accounting system.
- 36) Review consolidation of fleet maintenance services with the County but at a minimum consolidate fleet maintenance within the City.
- 37) Explore further opportunities to contract out maintenance services such as tree trimming, street maintenance as vacancies occur.

## ECONOMIC DEVELOPMENT

---

- 38) Mayor appoint a Task Force composed of leading players from the agricultural, industrial, financial and development communities that would focus on two primary areas of interest: business retention and business attraction.
- 39) Devote significant staff time developing and implementing a retail retention work plan in the first quarter of 2011, including the following elements:
  - a) Complete an inventory of existing retail businesses.
  - b) In cooperation with business associates such as the Chamber of Commerce, contact/visit these firms to assess needs/plans.
  - c) Initiate an effort to assist firms to overcome any City development obstacles and expand where appropriate.
- 40) A 3% increase (from 10% to 13%) in the Transient Occupancy Tax ("TOT") on hotel rooms is recommended. Some of the priority uses of the 3% increase could be: One percent could go to Sherwood Hall to provide core staffing for additional programming; one percent to the National Steinbeck Center to pay down its annual debt service of \$180,000 and allow it to operate "above water"; and, one percent for marketing of Historic Old Town .
- 41) A study group should be appointed with membership to include the hotel industry, Old Town, Chamber of Commerce, Steinbeck Center, and the City to advise the Council on at least three issues:
  - a) Would they support the 3% TOT increase and how should the new revenue be used?
  - b) Should the TOT increase be placed on the ballot in a form similar to Measure V? (Note: San Jose recently passed a Mello-Roos voluntary self-assessment by the hotels of a 4% increase in TOT to support visitor facilities which raised its total TOT rate to 14 %.)
  - c) Does the City receive fair value for the \$150,000 it gives annually to the County for County-wide promotions, or would it be in the City's interest to redirect this \$150,000 to Downtown promotion?

- 42) City should review and approve entitlement and permit applications as quickly as possible to facilitate the timely construction, inspection and completion of these projects.
- 43) Reorganize of the economic development (Prosperity) function by creating an Office of Economic Development/Redevelopment directly under the City Manager.
- 44) Complete a five-year forecast of redevelopment funds so the City estimates its future debt obligations, operating costs and funds available for projects.

## YOUTH/GANG VIOLENCE PREVENTION INITIATIVE

---

The proposed strategic plan, once reviewed and approved by the Mayor and City Council, should be adopted as the City's official public policy direction against gangs and youth violence. The plan should guide the deployment of city resources and service delivery approaches.

- 45) The Service Delivery approach recommended by the proposed strategic plan should neither be solely "suppression" nor solely "prevention" based but rather a balanced combination of prevention, intervention, suppression and after-care based services.
- 46) The proposed Strategic Plan should be leveraged and coordinated with similar local, state and national initiatives in order to maximize resources and prevent duplication of services. (For example, the Building Healthy Communities collaborative and the CASP can coordinate efforts and share resources.)
- 47) The proposed Strategic Plan should include a "Crisis Response Protocol" that is activated within 24-48 hours of a gang related homicide or serious act of violence. This protocol should serve the purpose of: 1) Immediately deploying police and community serving agencies into impacted neighborhoods with the aim of minimizing retaliation; and 2) Convening a community meeting and informing them of the "facts of the incident" and coordinated actions being taken. It is essential to restore a sense of safety in the impacted neighborhood.
- 48) Each goal in the proposed Strategic Plan should have corresponding performance measures in order to track and assess progress and advancement.
- 49) Reorganize the Leadership structure of the CASP and deploy members into a Policy and Technical Team. Provide bi-annual briefings for members of the Salinas City Council and Monterey County Board of Supervisors with the aim of keeping them apprised of progress, emerging trends, and areas in need of mutual coordination.
- 50) Key personnel from the proposed Neighborhood Services Unit should serve on the CASP Technical Team. In this capacity, City staff would 1) Recruit and organize community volunteers and link them to anti-violence efforts; 2) Inform CASP partners and Community residents of available city services and how to access them; and 3) Provide guidance and support to all city neighborhoods interested in neighborhood revitalization and enhancing quality of life efforts.

- 51) The Community Safety Director and the Director of the proposed Community Services Department should coordinate closely to build staff capacity within the City that would enable implementation of anti-violence and neighborhood development goals.
- 52) The proposed Community Services Department should develop a Volunteer Recruitment Strategy aimed at enlisting, empowering and mobilizing neighborhood residents to participate in neighborhood improvement efforts.
- 53) The Neighborhood Services Unit within the proposed Community Services Department should link residents to: 1) City services such as police, code enforcement, recreation, housing and library functions and activities; (2) to related city, countywide and neighborhood efforts such as CASP, Building Healthy Communities, Eagle Drive Bison Way Neighborhood Association and Monterey Park Neighborhood Watch and other neighborhood organizations; and, (3) Public Safety and Blight Community Awareness efforts.
-