

**Breakthrough Change Initiative:  
Phase II: Opportunities and Recommendations  
Team: Organizational Restructuring/Consolidation**

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Functional Alignment Subcommittee Recommendations

A. High Potential Opportunities	B. Recommendations/Alternatives	Analysis	Short-Term Outcomes	Projected Longer Term Outcomes	
			2005-2006	2007-2008	2009-2010
<p><b>#1 Consolidation of Similar Functions</b> Using data from other local governments, such as Long Beach, CA, efficiencies and cost savings are likely available from consolidation of functions that have similar customers and provide similar functions; have the same equipment needs; require similar job skills for employees performing the functions; and have similar service location requirements.</p> <p>The BCI Team used criteria from ICMA studies and other cities to identify opportunities for further review. Specific weighted criteria (with weights assigned) included:</p> <ul style="list-style-type: none"> <li>• Potential for Cost Savings (10)</li> <li>• Potential to Improve Service Quality (10)</li> <li>• Similarity of Functions Proposed for Consolidation (6)</li> <li>• Fit with the Other Department's Mission (4)</li> <li>• Minimal Impact on Labor Agreements (3)</li> </ul> <p>Additional analysis needs to be completed before the consolidation opportunities are implemented.</p>	<p><b>Option #1:</b> Combine the Historically Underutilized Business program (HUB) with the Local Employment and Apprenticeship Program (LEAP) – both in Finance.</p> <ul style="list-style-type: none"> <li>• Savings are based on reducing two supervisors to one and making one supervisor a staff level position.</li> <li>• The savings will depend on how this change is implemented: The position could be demoted or the pay could be frozen at the current rate.</li> </ul>	<p>Pros:</p> <ul style="list-style-type: none"> <li>• Both programs serve similar functions and customers.</li> <li>• Each program has an administrator and clerical support – potential for savings by having one supervisor for both programs.</li> <li>• No bargaining unit requirements to negotiate.</li> </ul> <p>Cons:</p> <ul style="list-style-type: none"> <li>• Although customers are similar the programs specific clients may be different.</li> <li>• May be difficult to hire/develop scope of expertise required for both programs.</li> <li>• May be a broader policy question about City role in these programs.</li> <li>• Financial savings likely to be small in short term.</li> </ul>	Cost Savings:	Cost Savings:	Cost Savings:
			GF:	GF:	GF:
			Other: \$21,000/year	Other: \$42,000	Other: \$42,000
			Non-financial Outcomes:  • Provides functional alignment	Non-financial Outcomes:	Non-financial Outcomes:

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#1 Consolidation of Similar Functions (cont.)	<b>Option #2:</b> Explore transferring the management and/or ownership of the Tacoma Airport to the Port of Tacoma.	Pros: <ul style="list-style-type: none"> <li>• Many Ports operate airports – consolidation is not uncommon.</li> <li>• The airport provides a regional service and the Port has a regional mission.</li> <li>• The Airport is operated as an enterprise fund, however, it has a \$2.85 million loan which would become a General Fund obligation if the Airport operation does not have the ability to repay. Eliminates the risk that the airport will not be able to repay the loan.</li> <li>• No bargaining unit requirements to negotiate.</li> <li>• Eliminates the drain on overhead resources to oversee and support the airport organization.</li> </ul> Cons: <ul style="list-style-type: none"> <li>• Any transfer requires FAA approval.</li> <li>• No short term cost savings for Tacoma General Fund.</li> <li>• Discussed by The Port of Tacoma and City of Tacoma in 2002, but no interest was generated.</li> </ul>	Cost Savings: GF: \$0	Cost Savings: GF: Reduce potential liability by \$2.85 million	Cost Savings: GF:
			Other:	Other:	Other:
			Non-financial Outcomes: <ul style="list-style-type: none"> <li>• Better alignment with regional transportation mission and revenue collection.</li> </ul>	Non-financial Outcomes:	Non-financial Outcomes:



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#1 Consolidation of Similar Functions (cont.)	<p><b>Option #3:</b> Combine the City's Retirement System Administration functions under one department/division.</p> <ul style="list-style-type: none"> <li>In the Human Resources Department's Risk Management Division there are two positions: an administrative assistant (1.0 FTE) and an office assistant (.5FTE) handling LEOFF I pension plans.</li> <li>Potential reduction of the .5 FTE Office Assistant position estimated at \$18,884 annual savings based on wages, longevity pay and benefits.</li> <li>Some additional savings provided through reduction in administrative costs such as phone, office furniture and equipment, office space and other similarly related expenses. Assumed at 5% of a full time positions salary may result in an approximate \$1,900 annual savings.</li> <li>Reclassification, if warranted, of Human Resources Division Manager position due to decrease in size of staff and functional responsibilities. Financial impact to be determined.</li> <li>Other retirement plans, including deferred compensation, health savings plan, and VEBA plan could also be included in this consolidation.</li> </ul>	<p>Pros:</p> <ul style="list-style-type: none"> <li>Potential cost savings if administration and support staff have excess capacity.</li> <li>Technical synergies possible – similar functions and skills.</li> <li>Centralizing functions could help focus staff on responsibilities and improve performance (ex: meeting deadlines, compliance).</li> <li>No bargaining unit requirements to negotiate.</li> </ul> <p>Cons:</p> <ul style="list-style-type: none"> <li>Each system is distinct and has its own set of regulations (ex: LEOFF I not part of City systems).</li> <li>No crossover of investment and other decisions.</li> <li>Boards would remain separate</li> <li>Not likely to be source of significant cost savings.</li> <li>May mean re-allocation of some General Funds to cover the additional administrative costs of consolidation</li> </ul>	<p>Cost Savings: GF: \$20,000</p> <p>Other:</p> <p>Non- financial Outcomes:</p> <ul style="list-style-type: none"> <li>Also considered a high-potential opportunity for re-sourcing or contracting out.</li> <li>Provides opportunities for economies of scale, cross-training and back-up resources.</li> </ul>	<p>Cost Savings: GF: \$40,000</p> <p>Other:</p> <p>Non-financial Outcomes:</p>	<p>Cost Savings GF: \$40,000</p> <p>Other:</p> <p>Non-financial Outcomes:</p>			

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<p><b>#1 Consolidation of Similar Functions (cont.)</b></p>	<p><b>Option #4:</b> Move the risk management function from the Human Resources Department to the Finance Department.</p> <ul style="list-style-type: none"> <li>• Reclassification, if warranted, of division manager position due to decrease in the size of staff and functional responsibilities. The reclassification would determine the savings rate, depending on classification most appropriate.</li> <li>• Other groups are studying this topic and it may need a more systemic review.</li> </ul> <p>Notes: According to 2003 ICMA Center for Performance Measurement data, for cities between 100,000 and 500,000, risk management functions:</p> <ul style="list-style-type: none"> <li>• 25 percent in finance</li> <li>• 29 percent in human resources</li> <li>• 38 percent in other administration</li> <li>• 8 percent in attorney/legal</li> </ul>	<p>Pros:</p> <ul style="list-style-type: none"> <li>• Potential for reducing staff if Risk and Retirement Administration both moved.</li> <li>• Align financial element of risk management (e.g., reserve fund management), which is partly housed in OMBA, with program management function – if OMBA also moved to Finance.</li> <li>• No bargaining unit requirements to negotiate.</li> </ul> <p>Cons:</p> <ul style="list-style-type: none"> <li>• May not be a source of significant cost savings, given that there does not appear to be excess capacity.</li> </ul>	Cost Savings: Not known	Cost Savings: Not known	Cost Savings: Not known
			GF:	GF: Same	GF: Same
			Other:	Other:	Other:
			Non-financial Outcomes:  • Potential for efficiencies	Non-financial Outcomes:	Non-financial Outcomes:

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#1 Consolidation of Similar Functions (cont.)	<p><b>Option #5:</b> Consolidate the Electric Maintenance function in the Fire Department and the Street Light and Traffic Signals function in Public Works.</p> <p>Need additional analysis to determine if functions are truly compatible.</p> <p>Fire Department: \$1,085,245 budget, of which \$812,485 is personnel — 4 FTE (2005-2006 budget).</p> <p>Consolidating could demote one supervisory position and achieve savings of approximately \$10 per hour, for an annual savings of \$28,800, including benefits.</p>	<p>Pros:</p> <ul style="list-style-type: none"> <li>• Similar employee skills and similar equipment.</li> <li>• Potential to have more people trained on critical systems for priority situations.</li> <li>• No bargaining unit requirements to negotiate, members of the same union.</li> </ul> <p>Cons:</p> <ul style="list-style-type: none"> <li>• Functions support specialized assets with specialized training – may be limited overlap.</li> <li>• Different department missions, customers and priorities.</li> <li>• Potential to decrease control of function by each department and decrease responsiveness to departmental needs.</li> <li>• May be minimal cost savings.</li> </ul>	Cost Savings:	Cost Savings:	Cost Savings:
			GF: \$28,800	GF: \$57,600	GF: \$57,600
			Other:	Other:	Other:
			Non-financial Outcomes:	Non-financial Outcomes:	Non-financial Outcomes:

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<p><b>#1 Consolidation of Similar Functions (cont.)</b></p>	<p><b>Option #6:</b> Eliminate the Office of Management and Budget (OMBA) as a separate department and consolidate its budget function and personnel under the Finance Department.</p> <p>For example,</p> <ul style="list-style-type: none"> <li>Assumes assistant director position is created in Finance Dept. for budget</li> <li>Assumes director position is eliminated and a new position is created, either:                             <ul style="list-style-type: none"> <li>financial supervisor (\$78,100 difference) OR</li> <li>financial analyst (\$90,400 difference)</li> </ul> </li> <li>\$170,500 if eliminated director position completely</li> <li>Percentage of General Fund savings is calculated at 27/73 ratio, actual ratio may vary slightly.</li> </ul> <p>Notes: Approximately 27 percent of local governments with a population of 100,000 to 500,000 have freestanding budget offices. The larger the jurisdiction, the more likely the budget office is to be a separate department. 67 percent of local governments (aggregating all sizes) locate the budget function in a unit containing other fiscal or administrative activities. (GFOA 2002 report)</p>	<p>Pros:</p> <ul style="list-style-type: none"> <li>Both departments have director and assistant director positions and consolidation could downgrade, but not eliminate a position.</li> <li>Staff perform similar functions.</li> <li>OMBA was recently created—budget function was previously located in Finance Department.</li> <li>Consolidating these functions is a national trend and may create synergies.</li> <li>No bargaining unit requirements to negotiate.</li> </ul> <p>Cons:</p> <ul style="list-style-type: none"> <li>May lose talented people in OMBA if demoted/moved under another director.</li> <li>May not be able to retain current OMBA Director in Finance Department due to policy not allowing supervision of family members.</li> </ul>	<p>Cost Savings: \$78,100; or \$90,400; or \$170,500 depending on classification of positions</p> <p>GF: \$21,087 or \$24,408 or \$46,035, depending on classification of positions.</p> <p>Other: \$57,013 or \$65,992 or \$124,465, depending on classification of positions.</p>	<p>Cost Savings: \$156,200-\$180,800 or \$341,000 depending on classification of positions.</p> <p>GF: \$42,174 or \$48,816 or \$92,070, depending on classification of positions.</p> <p>Other: \$114,026 or \$131,984 or \$248,930, depending on classification of positions.</p>	<p>Cost Savings: \$156,200-\$180,800 or \$341,000 depending on classification of positions.</p> <p>GF: \$42,174 or \$48,816 or \$92,070, depending on classification of positions.</p> <p>Other: \$114,026 or \$131,984 or \$248,930, depending on classification of positions.</p>	<p>Non-financial Outcomes:</p>	<p>Non-financial Outcomes:</p>	<p>Non-financial Outcomes:</p>

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#1 Consolidation of Similar Functions (cont.)	Option #6: (cont.)	<ul style="list-style-type: none"> <li>• May need to re-assign functions and positions that exist in OMBA besides budget, including long-range planning, 6 year General Fund forecast, strategic planning focus, performance audit, and other functions.</li> <li>• Budget negotiations require a high level or equal degree of management authority to work through the budget process with departments.</li> <li>• Reducing staff and level of staff might reduce the level of service.</li> </ul>			



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<p><b>#2 Re-Sourcing Options for Service Delivery (cont.)</b></p> <p>Includes outsourcing, in-sourcing, and alternate staffing models.</p>	<p><b>Option #2:</b> Contract out grounds maintenance function to a private firm.</p> <p>This could be used to pilot managed competition where the City and private contractors submit bids for specific services.</p> <p>Estimate based on 5% savings through partial outsource.</p>	<p>Pros:</p> <ul style="list-style-type: none"> <li>Private sector is highly capable of performing function.</li> <li>Potential for cost savings.</li> </ul> <p>Cons:</p> <ul style="list-style-type: none"> <li>Quality of grounds maintenance may not be as high.</li> <li>Responsiveness to City needs may not be as good.</li> <li>Labor issues will need to be worked out.</li> </ul>	<p>Cost Savings: GF: \$87,793 (1,755,862 x 5%)</p> <p>Other:</p>	<p>GF: \$175,586</p> <p>Other:</p>	<p>GF: \$175,586</p> <p>Other:</p>
			<p>Non-financial Outcomes:</p>	<p>Non-financial Outcomes:</p>	<p>Non-financial Outcomes:</p>

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<p><b>#3 Regionalization of Services</b></p> <p>Experience by other local governments indicates that cost savings can result from regionalizing services that require specially trained and equipped personnel and that can reasonably be provided by a single entity within the selected service delivery area.</p> <p>The BCI Team used criteria from ICMA studies and other cities to identify opportunities for further review. Specific criteria included (with weights assigned by the Team in parentheses):</p> <ul style="list-style-type: none"> <li>• Potential for Cost Savings (11)</li> <li>• Combines Similar Services, Operations and/or Systems (6)</li> <li>• Executive and Legislative Support (5)</li> <li>• Potential to Improve Service Quality (5)</li> </ul> <p>Additional analysis needs to be completed before the consolidation opportunities are implemented.</p>	<p><b>Option #1:</b>                      With the agreement of Pierce County Library District (PCLD), citizens of the City of Tacoma could vote to annex the City's library services to Pierce County Library District (Junior Taxing district).</p> <p>Note: The library district would be solely responsible for delivering library services to Tacoma residents. The Pierce County Library District is governed by a Board of Trustees. This Board would be responsible for determining levels of service and policies for all libraries in the district, including Tacoma libraries.</p> <p>Savings is based on difference between funding for Tacoma Public libraries if they were part of PCLD versus the funding subsidy for Tacoma Public libraries currently provided by City of Tacoma's General Fund.</p>	<p>Pros</p> <ol style="list-style-type: none"> <li>1. There would be a substantial savings for the City's General Fund.</li> <li>2. There would be a reduction in the demand for support services from BIS, HR, Finance and Legal.</li> <li>3. All capital assets would belong to the City of Tacoma.</li> </ol> <p>Cons</p> <ol style="list-style-type: none"> <li>1. State law regarding the governance of Class A municipal libraries would need to be changed at the State Legislature level.</li> <li>2. The library community has historically been adverse to such a change and has successfully contested it.</li> <li>3. The annexation to Tacoma's library services would require agreement by PCLD and be voted on by the citizens of Tacoma.</li> </ol>	<p>Cost Savings: GF: \$0</p> <p>Other:</p>	<p>Cost Savings: GF: \$4,500,000</p> <p>Other:</p>	<p>Cost Savings: GF: \$9,000,000</p> <p>Other:</p>	<p>Long-term cost savings would likely be in the millions annually, but it will take several years and significant political will to make the legislative changes and also a vote of the people.</p>		

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#3 Regionalization of Services (cont.)	Option #1: (cont.)	<p>4. Because the total revenue the PCLD would collect from City residents is significantly less than the current operating budget for Tacoma Public Library, there would be a change in the level of service that Pierce County Library District could provide to the City of Tacoma.</p> <p>5. The governance of library services for the City of Tacoma would be moved to the Board of the Pierce County Library District.</p> <p>6. Although there would be a reduction of the need for support services from SAP, HR, Finance and Legal, the fixed costs for those services would be re-allocated to the remaining General Fund services and decrease the savings realized by the annexation.</p> <p>7. There would be some significant one-time costs to replace the entire computer infrastructure to be compatible with PCLD</p> <p>8. Potential labor issues.</p>				

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<b>#3 Regionalization of Services (cont.)</b>	<p><b>Option #2:</b> Share regional animal control with adjacent urban municipalities.</p> <p>Notes:</p> <ul style="list-style-type: none"> <li>Estimate cost for animal control to be \$1.1 million for 2006</li> <li>RFP will go out in June to see if anyone is interested in providing animal control service. partnering with adjacent cities idea is where a team working on finding an alternative is headed.</li> </ul>	<p>Pros:</p> <ul style="list-style-type: none"> <li>The City needs to find an alternative to the current situation effective 2006.</li> <li>Most expensive animal control problems exist outside cities.</li> </ul> <p>Cons:</p>	<p>Cost Savings: Unknown GF:</p>	<p>Cost Savings: Unknown GF:</p>	<p>Cost Savings: Unknown GF:</p>
			<p>Other:</p>	<p>Other:</p>	<p>Other:</p>
	<p><b>Option #3</b> Create regional organization for arts support (organizational and financial support)</p> <p>Issue could be explored by the City of Tacoma Arts Commission.</p>	<p>Pros:</p> <ul style="list-style-type: none"> <li>Many of the venues in the city benefit the entire area and could benefit from broader support.</li> <li>Could eliminate competition.</li> <li>Reduce administrative overhead.</li> <li>Eliminate duplication of various arts commissions, committees.</li> </ul> <p>Cons:</p> <ul style="list-style-type: none"> <li>A joint structure a number of years ago (at least 10) didn't work. The City took the work back.</li> <li>The City's control and focus on City-related activities may be diluted.</li> </ul>	<p>Cost Savings: Unknown GF:</p>	<p>Cost Savings: Unknown GF:</p>	<p>Cost Savings: Unknown GF:</p>
			<p>Other:</p>	<p>Other:</p>	<p>Other:</p>
			<p>Non-financial Outcomes:</p>	<p>Non-financial Outcomes:</p>	<p>Non-financial Outcomes:</p>