TO: HONORABLE CITY COUNCIL

FROM: CITY MANAGER DEPARTMENT:CITY MANAGER’S OFFICE

DATE: DECEMBER 12, 2005 CMR:453:05

SUBJECT: POLICY AND SERVICES COMMITTEE RECOMMENDATION REGARDING COUNCIL REVIEW OF RESPONSES TO AUDIT REPORT RECOMMENDATIONS ON RESTRUCTURING EFFORTS AND MANAGEMENT SPAN OF CONTROL

RECOMMENDATION
The Policy and Services Committee recommends that staff return to the full Council prior to the 2006 budget process with Restructuring Efforts and Management Span of Control, Items 2, 3 and 5.

Staff recommends that the Council review the City Manager’s response to the aforementioned audit recommendations, contained in this report, and provide comments as appropriate.

COMMITTEE REVIEW AND RECOMMENDATIONS
On September 13, 2005, the Policy and Services Committee reviewed and discussed the Auditor’s Report on the Status of Audit Recommendations. The report summarized the status of recommendations from 13 separate audits, two of which were reviewed by the Policy and Services Committee and 11 by the Finance Committee.

There was some discussion among the Policy and Services Committee members about whether the Audit of Restructuring Efforts and Management Span of Control should be reviewed by the Policy and Services Committee as opposed to the Finance Committee. After further discussion, the Committee recommended that staff bring portions of that audit before the entire Council. The Committee expressed a specific interest in Items 2, 3 and 5 from the Audit of Restructuring Efforts and Management Span of Control.

The text of the audit recommendations is as follows:

Item 2: Restructuring efforts should focus on identifying work that could be streamlined, and consolidating duplicative processes and functions. Restructuring proposals should carefully consider the full cost of staffing changes that may be involved, and the potential for alternative service delivery through outsourcing and public-private partnerships.

Item 3: The City Manager should set clear definitions, guidelines, goals and targets that result in expanding the supervisory span of control and decreasing the ratio of supervisors to line staff.
Item 5: The City Manager should establish guidelines, goals and targets for reducing the layers of management.

The City Manager’s response to this recommendation is part of a proactive, ongoing internal effort to address restructuring and management span of control issues within the organization. In the 2005-06 budget, this effort resulted in the elimination of 30 positions from the General Fund table of organization. This followed an earlier round of cuts where 40 positions had been eliminated since 2001-02. The elimination of 70 total positions has brought General Fund staffing levels down to 1998-99 levels. This represents nearly ten percent of General Fund staffing being eliminated in this period with the majority of those positions coming from management and administrative support. As a result, staff has restructured reporting relationships resulting in an increased span of control in the organization. Staff estimates that 130 direct reporting relationships have been restructured around eliminated positions. In the Community Services Department, for instance, seven key management positions have been eliminated in the past two years, representing the restructuring of an estimated 60 reporting relationships and the expansion of span of control.

**DISCUSSION**

With its ongoing efforts to focus on management span of control, staff plans to address the 17 recommendations in the management span of control audit. Staff will address the recommendations through a number of adjustments to business processes and will report to Council on the results of this effort during the 2006-07 budget process (Spring 2006) as well as with the annual report on the status of audit recommendations (Fall 2006).

For the purposes of this report to Council the following discussion pertains to the approach staff will take to address audit recommendations 2, 3, and 5 specifically. Individual steps of the approach outlined below will also be used, in some form, to address the remainder of the 17 span of control audit recommendations.

During the 2006-07 budget process, to address recommendation 2, each department will be asked to review their departmental organizational charts and business operations. Departments will analyze short-term, medium-term and long-term opportunities to expand the span of control and reduce layers of management through restructuring. This review will also look at streamlining processes and functions as they relate to the departments restructuring objectives. In addition, potential alternative service delivery means will be considered such as outsourcing and public-private partnerships.

To address recommendations 3 and 5, staff will establish guidelines along with a process through which department span of control is reviewed on a regular basis to identify opportunities to expand the span of control and to establish a baseline target for the ratio of supervisors to line staff and layers of management. A part of this process will include the ongoing review and
updating of department organizational charts showing reporting relationships. Review of organization charts will be incorporated into the 2006-07 budget process and will also occur when staff is replaced.

POLICY IMPLICATIONS
This recommendation is consistent with existing City policy.

PREPARED BY

David Ramberg, Budget Manager

Chris Mogensen, Assistant to the City Manager

CITY MANAGER APPROVAL

Emily Harrison, Assistant City Manager