Report Type: Meeting Date: 5/10/2011

Summary Title: Proposed Staffing and Funding Flexibility Changes

Title: Recommendation to Approve Increase in the Number of “Flex” Positions in the Fiscal Year 2012 Proposed Budget and Adopt Ordinance Amending Chapter 2.28 of the Palo Alto Municipal Code to Give the City Manager the Authority to Transfer Funds Between Departments in the General Fund.

From: City Manager

Lead Department: Human Resources

RECOMMENDATION

Staff recommends that the Council:

1) Increase the number of flex positions (over-strength positions) in the Table of Organization in the Fiscal Year 2012 Proposed Budget, from seven to twenty positions.

2) Adopt an ordinance amending section 2.28.080 (Amendments After Adoption) of Chapter 2.28 (Fiscal Procedures) of the Palo Alto Municipal Code to give the City Manager the authority to transfer funds between departments in the General Fund.

BACKGROUND

Due to the increase in retirements and other operational impacts occurring over the last two years, there is an increased need to have flexibility in assigning
staffing resources to accomplish key projects and priorities. Under the Charter and the Code, the City Manager already has the authority to assign or reassign employees to departments as he deems appropriate. However, additional budgetary requirements significantly restrict the Manager’s ability to actually make such changes because the code requires that (1) staffing comply with the budgeted positions listed in the table of organization in the budget and (2) that the Council must approve in advance any transfers of funds between departments.

The City currently has had two methods to add temporary staffing at the management level: first, it can hire an hourly Management Specialist under the provisions in the Hourly Compensation Plan limited to 1000 hours.

The second method was approved on April 4, 2011, when the City Council approved the management compensation plan which included a revision to add terms for “provisional employment.” A provisional employee hired under this section would be any management position filled on an “at will” basis for up to two years. This change gives staff the flexibility to hire positions to assist with special projects, and/or cover responsibilities while a department considers organizational structure changes and develops plans to more effectively meet the City’s needs.

The changes discussed in this report are needed to address the process and funding necessary to hire a provisional employee when the need arises.

DISCUSSION

*Open Flex Positions*

At the present time, the City has seven budgeted “flex” positions, that may be filled on a temporary basis to facilitate organizational transitions and succession planning. They are commonly used in cases of long-term disabilities or temporarily filling critical vacancies created by retirements or other employee departures. The existing seven flex positions are regularly fully utilized limiting the City’s ability to hire provisional employees when needed, and therefore staff
recommends increasing the number of flex positions by thirteen, for a total of twenty flex positions. These thirteen additional flex positions would be used to accommodate the newly approved provisional employment program and would comply with the City's procedural rules because the positions would be identified in the Table of Organization. The salary will be determined in accordance with an appropriate classification as provided in the Council-approved management compensation plan which will comply with Article III, section 12 of the Charter which requires that the Council set all salary scales. Staff plans to utilize existing position titles in the Table of Organization or another “working title” when needed, that closely matches the job description when filling these provisional employment positions. This will allow the City to more effectively recruit talent that matches the City's needs.

If it is determined that there is a need to fill a flex position on a permanent basis beyond the term of the temporary contract appointment, City Council approval would be necessary for the permanent addition of a full time equivalent position (FTE).

*Available Funding*

To address funding resources as needed, staff recommends amending the budget provisions of Chapter 2.28 to give the City Manager the authority to transfer funds (salary and non-salary) between departments in the General Fund. This authority would require a change to section 2.28.080 of the Municipal Code, which currently requires Council approval for any transfers of funds between City departments and offices, even when there is no net change to the overall City budget. Although it is possible under the current rules to make changes, the process to bring the change to Council for approval can prevent staff from being able to act swiftly to initiate a new program, address shifting priorities, enhance service delivery, or address a pressing community need that was not anticipated at the time the annual budget was prepared. The proposed change would allow the movement of funds associated with a position in one department to be transferred to a different department if the need arises, giving staff the flexibility...
to pay for provisional employees when funding is not available in the department the provisional employee is assigned to.

At the present time, when staff transfers a position between departments, the expenditures are not properly booked (the costs continue to accumulate in the department in which the position was originally budgeted). As an example, suppose a position is transferred from the Administrative Services Department (ASD) to the City Manager's Office to work on environmental sustainability initiatives. The expenditures for this effort will continue to accrue in ASD, even though the employee is working on a City Manager assignment, and will not be accurately recorded in the City Manager's Office towards this Council Priority. This can be corrected at mid-year but our current policy requires work and tracking and accountability to be out of sync for some period of time.

In all of these scenarios, the total General Fund budget authority and the total number of authorized positions approved with the adoption of the budget would remain the same. The change would allow the City manager to approve transfer available funds to departments where work is critical and necessary. Staff will also be accountable for tracking and reporting all fund transfers between departments, and the City Manager will report at midyear and year-end on all funds transfers that occurred during the year.

The benefits associated with the recommended changes include:

- Ability to effectively match staff positions to needs of the organization
- Ability to expeditiously line-up needed resources to effectively manage workload
- Ability to enable those with the most expert knowledge of the City's current needs and requirements to get ordinary and extraordinary work done
- Ability to allocate funding to those departments that need the funding and associated staffing to do the work
• Ability to align resources (both staff and funding) with the services to be provided; better alignment of resources with the City's dynamic workload requirements
• Ability to match funding and staffing levels in departments to comply with generally accepted accounting standards and reimbursements from partners or other governmental agencies.
• Ability to leverage existing financial resources; ability to use savings generated in one department for another department where there is a need

In this demanding economic environment, the ability to efficiently respond to shifting priorities and workloads is critical. The proposed changes give staff the flexibility to improve its responsiveness to the community.

Next steps would include amending the budget provisions of Chapter 2.28 of the Municipal Code to give the City Manager the authority to approve transfer of funds (salary and non-salary) between departments in the General Fund when there is no net change to the overall City budget. Attachment A is the draft amendment. In addition, the Management Compensation Plan will need to be revised to clarify the process management will follow to hire a flex position.

Attachments:
• Attachment A ORD 2.28.080 (DOC)

Prepared By: Elizabeth Egli, Administrative Assistant
Department Head: Sandra Blanch, Interim Director, Human Resources
City Manager Approval: James Keene, City Manager

May 10, 2011 (ID # 1701)
ATTACHMENT – A  
* NOT YET APPROVED *

Ordinance No.  
Ordinance of the Council of the City of Palo Alto Amending  
Section 2.28.080 (Amendments After Budget Adoption) of  
the Palo Alto Municipal Code  

The Council of the City of Palo Alto does ORDAIN as follows:  

SECTION 1. Section 2.28.080 of the Palo Alto Municipal Code is hereby amended to read as follows:  

2.28.080 Amendments after adoption.  

During the fiscal year, the city manager shall amend the budgetary accounts of the city to reflect the following:  

(a) Additional Appropriations. By a two-thirds vote, the council may make by ordinance additional appropriations of receipts that are in excess of the total estimated receipts and appropriations contained in the adopted budget.  

(b) Additional Positions. By a majority vote, the council may add by ordinance positions to the table of organization.  

(c) Transfer of Appropriations.  

(1) By a majority vote, the council may transfer by ordinance part or all of the unencumbered balance of any appropriation from one fund, or capital project to another;  

(2) By written authorization, the city manager may direct the redistribution, within any department or office or between any department or office, of the unencumbered balance of appropriations within the departments or offices, provided that he or she shall not make transfers from the classification of utilities purchased for resale to any other object or make transfers between funds without the affirmative vote of a majority of the council;  

(3) By written authorization, the city manager may authorize a transfer of appropriation from the unallocated balance of the contingent account to any department, office or capital project. Funds shall not be transferred between the general fund and the enterprise funds, nor between operating and capital funds.  

(d) Transfer of Positions. By written authorization, the city manager may transfer positions or assign personnel from any department or office under the control of the city manager to another in accordance with Article IV, Section 6(n) of the Charter.  

(e) Inter-fund Transactions. In the event that appropriations and equivalent offsetting credits for allocated inter-fund services or transfers are affected by amendments to appropriations for direct expenditures or estimated revenue, the city manager may make corresponding adjustments to the inter-fund accounts so affected.
(f) Salaries and Benefits. Amendments to the Employee Classification and Compensation Plan adopted by the council pursuant to Article III, Sections 12, 18 and 21 of the Charter.

(g) Prior year Encumbrances. Appropriations that were encumbered by properly executed, but uncompleted, purchase orders or contracts at the close of the previous fiscal year may be carried forward and incorporated with appropriations of the current year.

(h) Municipal Fee Schedule. By a majority vote, the council may, by ordinance, add or change fees in the municipal fee schedule.

SECTION 2. This ordinance shall be effective on the thirty-first day after the date of its adoption.

SECTION 3. This amendment is not a project subject to review under the California Environmental Quality Act.

INTRODUCED:

PASSED:

AYES:

NOES:

ABSENT:

ABSTENTIONS:

ATTEST:

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City Clerk

__________________________
Mayo

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Sr. Deputy City Attorney

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City Manager

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Director of Human Resources

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Director of Administrative Services