

CITY OF SAN BERNARDINO

STATUS UPDATE TO 2007 ORGANIZATIONAL REVIEW

March 2010



MANAGEMENT PARTNERS
INCORPORATED



MANAGEMENT PARTNERS

INCORPORATED

March 15, 2010

Mr. Charles McNeely
City Manager
City of San Bernardino
300 North "D" Street
San Bernardino, CA 92418

Dear Mr. McNeely:

Management Partners is pleased to provide this update to the 2007 Organizational and Management Review of the government of the City of San Bernardino. This work represents a status update regarding implementation of the 187 recommendations (192 with five sub-recommendations) outlined in that work.

After conducting interviews with City department directors and management staff, we can report that 34% of the recommendations have been implemented and 20% are in progress. This is significant, particularly considering this has occurred during a period of record fiscal constraint.

We found that 46% of the 2007 recommendations have not been implemented. There are many reasons, including a need for policy direction, a requirement for funding, the fact that implementation is programmed already into the FY2009-10 budget, and in other cases, department directors have concerns and/or disagreements with a recommendation. In addition, some recommendations were of a lower priority and therefore, placed after higher priority items.

In the original report, all recommendations were assigned a priority of A through E (the A items being the least costly and most easily implemented and the E items being most costly and most difficult). As would be expected, the most progress has been made in priority categories A and B, recommendations which did not require substantial policy changes. Of the priority C recommendations, approximately 6% of the actions have been implemented. This may reflect policy differences on the City Council or the fact that the City was without a permanent City Manager for a significant period of time. In any event, most of the remaining recommendations will require some policy change.

In this update report we have also addressed some of the key issues impacting the City, including organization structure and service consolidation. We hope the information provided is helpful.

It has been a pleasure to work with you and the staff of the City of San Bernardino on this update, and we appreciate the effort it took for City staff to support our analysis. It is obvious

from this update that there are many challenges and opportunities ahead. Of course Management Partners will be pleased to continue to provide assistance, as you desire.

Sincerely,

A handwritten signature in black ink, appearing to read "Gerald E. Newfarmer". The signature is fluid and cursive, with a long horizontal stroke at the end.

Gerald E. Newfarmer
President and CEO

TABLE OF CONTENTS

BACKGROUND AND PURPOSE	1
BACKGROUND AND PURPOSE	1
PEER COMPARISON UPDATES	3
ORGANIZATION CHARTS.....	3
LIMITATIONS AND USE OF BENCHMARKING DATA	10
DEMOGRAPHIC AND GENERAL FUND FINANCIAL DATA.....	10
CITY GOVERNMENT	14
CORPORATE PROCESS ISSUES.....	19
STATUS OF RECOMMENDATIONS FROM THE 2007 REPORT	23
COMPLETED RECOMMENDATIONS.....	26
RECOMMENDATIONS STILL IN PROGRESS	33
RECOMMENDATIONS YET TO BE COMPLETED.....	38
KEY ISSUES.....	51
ORGANIZATION STRUCTURE	51
SERVICE CONSOLIDATION	55
CONCLUSION	57

TABLES

Table 1: Peer Cities Economic Development Department Placement In Organization And Supervising Responsibility	8
Table 2: Percent Change In Personal Income, 2000-2007	12
Table 3: Priority Matrix.....	24
Table 4: Recommendation Completion By Priority.....	24
Table 5: Completed Recommendations.....	26
Table 6: Recommendations In Progress.....	33
Table 7: Recommendations Yet To Be Completed	39
Table 8: Service Consolidation Recommendations.....	56

FIGURES

Figure 1: San Bernardino Organizational Structure	4
Figure 2: Riverside Organizational Structure	5
Figure 3: Huntington Beach Organizational Structure	6
Figure 4: Long Beach Organizational Structure	7
Figure 5: Income Per Capita (2000 Census Data)	11
Figure 6: Income Per Capita (2007 Census Data)	11
Figure 7: Household Income (2000 Census Data)	12
Figure 8: Household Income (2007 Census Data)	13
Figure 9: Average Population Growth Rate, 2001-2004.....	13
Figure 10: Average Population Growth Rate, 2005-2008.....	14
Figure 11: City Employees Per 1,000 Population (2005)	15
Figure 12: City Employees Per 1,000 Population (2008)	15
Figure 13: City General Fund Per Capita (2005).....	16
Figure 14: City General Fund Per Capita (2008).....	16
Figure 15: Average Rate Of Sales Tax Growth, 2001-2004.....	17
Figure 16: Average Rate Of Sales Tax Growth, 2005-2009.....	18
Figure 17: Status Of Implementation Of Recommendations From 2007	23
Figure 18: Implementation Progress By Priority.....	25
Figure 19: Potential Streamlined Organization Structure	54

BACKGROUND AND PURPOSE

In June of 2006, the Mayor and Common Council of the City of San Bernardino commissioned Management Partners to conduct a structured review of the City's government. Their goal was for Management Partners to identify and recommend ways that the City could improve its operations, providing essential tools and research to help operate more efficiently and save money. The impetus for that study was the implementation, via a Charter change, to a modified city manager form of government, a move intended to improve management accountability. The review was considered a first step in improving operations the City, under the leadership of the Mayor and City Manager who were determined to obtain an overall evaluation of the functioning of the government at that time.

This report is an update in order to show progress made in implementing recommended changes from that review process. It will contribute to the ability to develop goals and a work plan for 2010.

Background and Purpose

As noted above, Management Partners reviewed the entire San Bernardino city organization. The review had two primary objectives:

- 1) To examine all operations of the government and identify opportunities for improvement, either in the way services are provided to residents or in the government's efficiency; and to
- 2) Generate savings in operating costs to pay for the review itself and make new resources available to the City in the future.

While the original review was planned to cover the entirety of the government, it was not designed to provide focused, detailed analysis of specific, individual government functions. Some of the recommendations, therefore, identified areas where additional analysis would be necessary in order to provide significant opportunity for improvement on a cost-effective basis.

The review was conducted during the six-month period from July through December 2006. The methodology included conducting interviews with elected and appointed officials, holding focus groups and individual interviews with employees, benchmarking comparisons with other jurisdictions, and reviewing pertinent documents that included the City

Charter, City Budget, City Comprehensive Financial Report (CAFR), various management studies that had been conducted previously, City ordinances, and other materials provided by staff as needed.

The final report, presented in March 2007, provided detailed analysis and observations. It included 187 recommendations for a collection of actions that, once implemented, would result in organizational efficiencies and cost savings throughout the City.

Primary observations and recommendations included:

- The need to streamline the organizational structure to align responsibility and authority. The report found that the City was hampered by outmoded systems that:
 - Limited strategic and business planning
 - Limited process integration and coordination
 - Led to inefficient/redundant operations, and
 - Created redundancies in support services, which are spread throughout individual agencies and departments.
- Inadequate support for internal services. In particular, a need to streamline the:
 - Purchasing process
 - Budget process
 - Hiring process, and
 - Council Agenda process.
- Below average revenues but a City charter requiring that Police and Fire salaries – which accounted for 75% of the General Fund salaries and benefits in 2007 -- be paid at market rates in comparison to peers. This has contributed to the structural imbalance.
- Public safety expenditures growing as a percent of budget and crowding out other services.

Many of the report's recommendations were far-reaching and had policy implications. For this reason, a staff report was provided to the City Council that prioritized items for completion prior to, and for incorporation into, the fiscal year 2007 budget.

As noted in the report's Executive Summary, implementation of the recommended changes was not planned as a short-term project. It was noted that it would take years of work to modernize operations so that the new approach could yield maximum benefits in improved effectiveness for the residents of San Bernardino.

This update report, requested by the new city manager, is intended to show progress made toward implementation of recommendations and serve as an update of the work yet to be done.

PEER COMPARISON UPDATES

The 2007 report presented data on cities similar to San Bernardino, based on publicly available information obtained from selected peer cities, as well as additional research. To ensure that the benchmarking work was of maximum utility, early in the project we defined the appropriate criteria for a peer agency, as well as national best practices. At that time Management Partners and San Bernardino staff identified five California cities for comparison. They were:

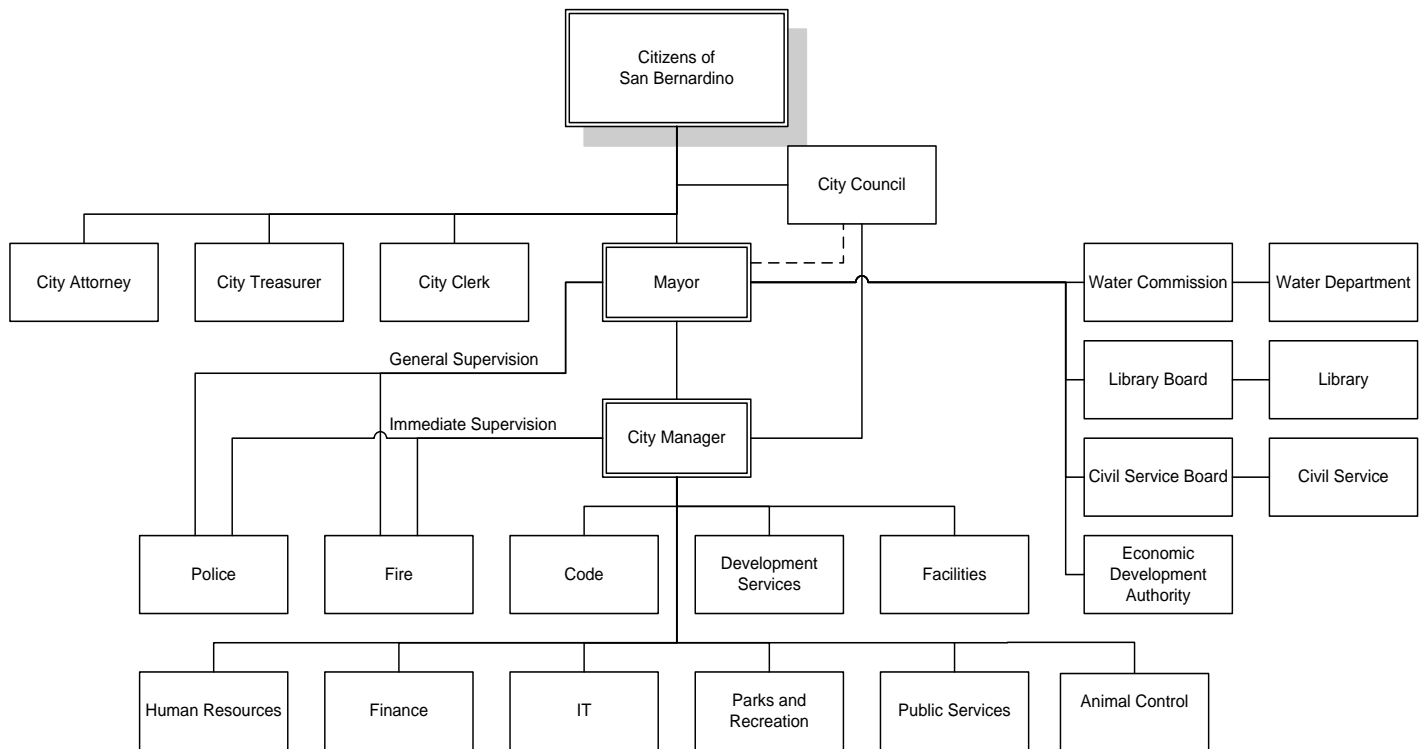
- Ontario
- Glendale
- Fontana
- Riverside
- Huntington Beach

The benchmarking study was initiated to determine how the City of San Bernardino compares in organizational structure, demographics and selected areas of service. The information provided valuable context to policy makers as to the City's situation. Updated information on organizational structure and benchmarking data are shown below.

Organization Charts

The organizational structure depicted below in Figure 1 was created by Management Partners to depict the existing reporting relationships in San Bernardino. This organizational chart shows the complexity that exists with the government's political and management superstructure. Beyond the ambiguity of supervision of the Police Department (and also Fire Department), it is clear that the City Manager has no direct reporting authority over the Water Department, the Library, the Civil Service Division and the EDA/RDA Department. Furthermore, there are three other elected officials who do not report directly to anyone within the government, in addition to the Mayor and Common Council.

FIGURE 1: SAN BERNARDINO ORGANIZATIONAL STRUCTURE



Note: The Mayor in San Bernardino appoints but cannot remove members of the Library, Water and Civil Service Boards.

By way of comparison, it is instructive to review the structure in some of San Bernardino's peer cities and to note how much clearer accountability is depicted. Figure 2 below shows the structure in Riverside, California.

FIGURE 2: RIVERSIDE ORGANIZATIONAL STRUCTURE

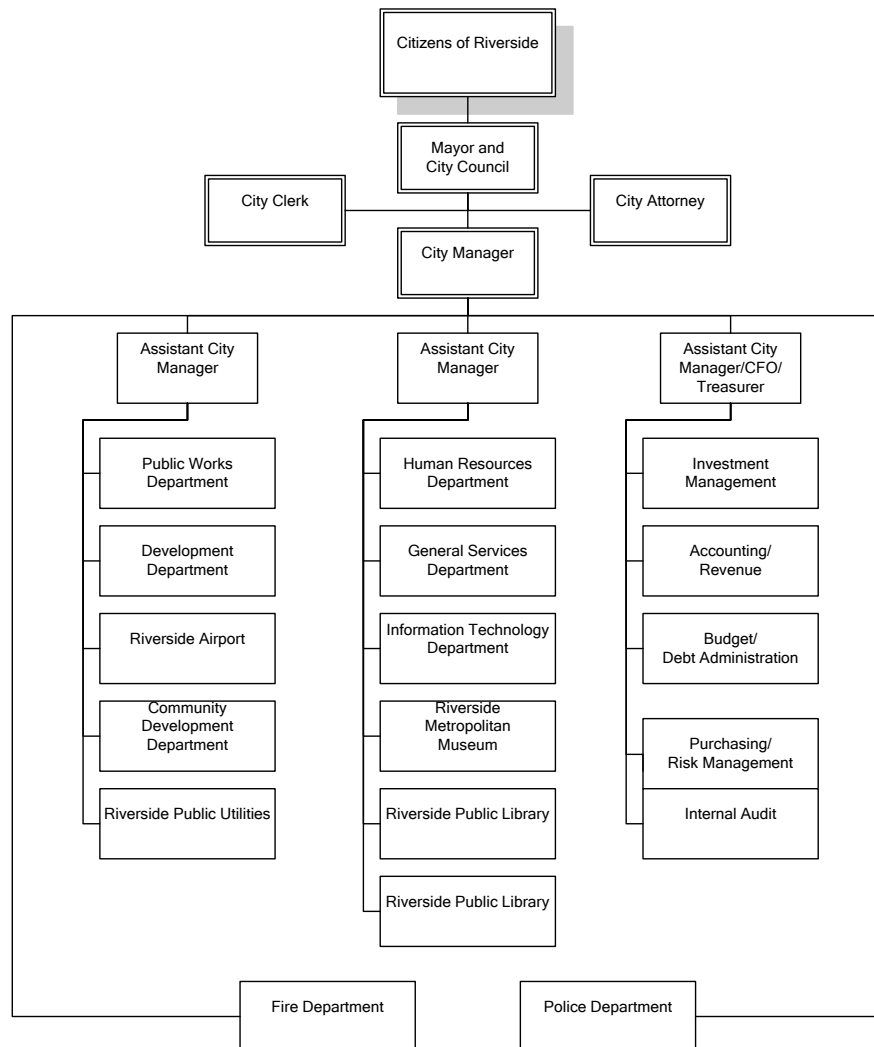
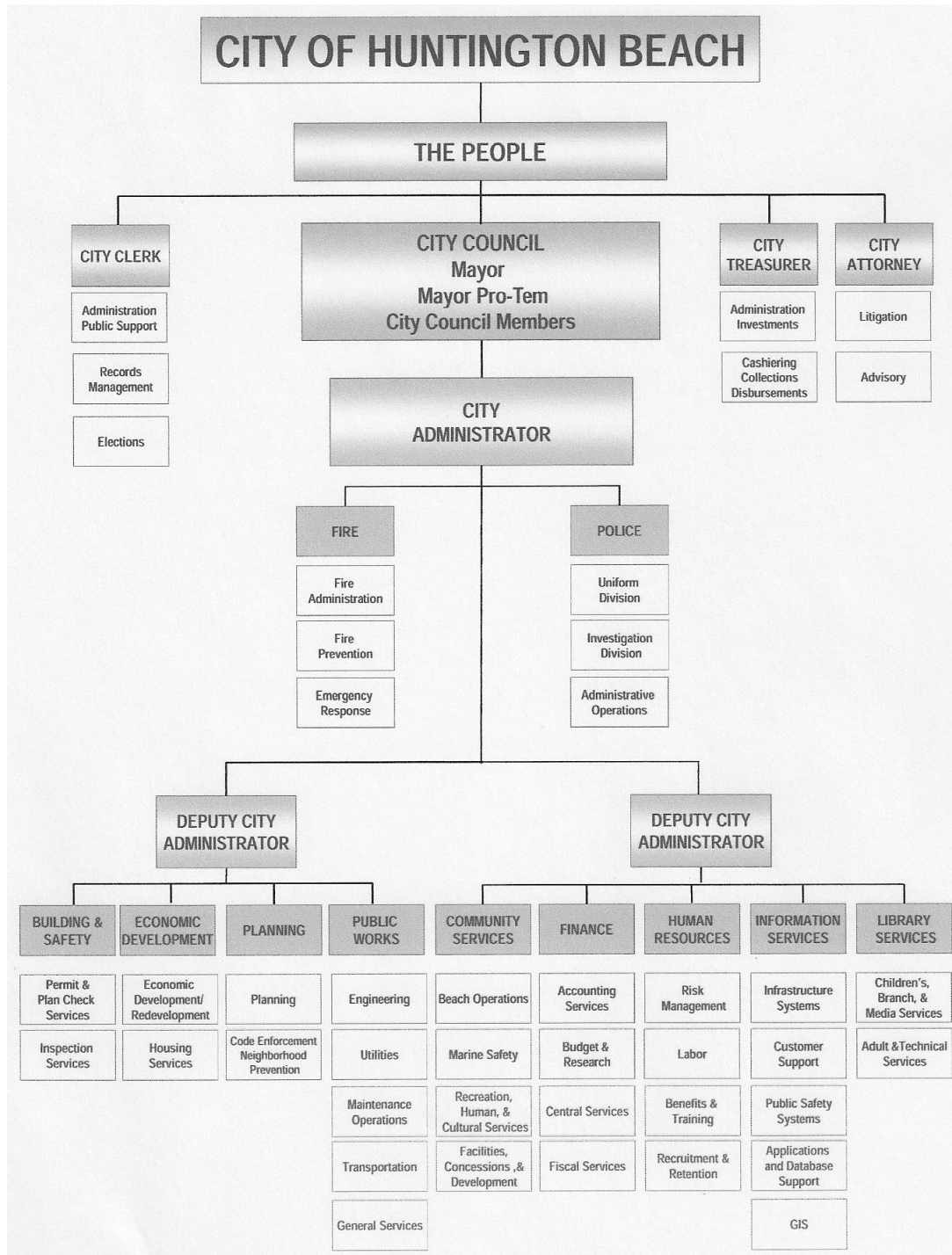


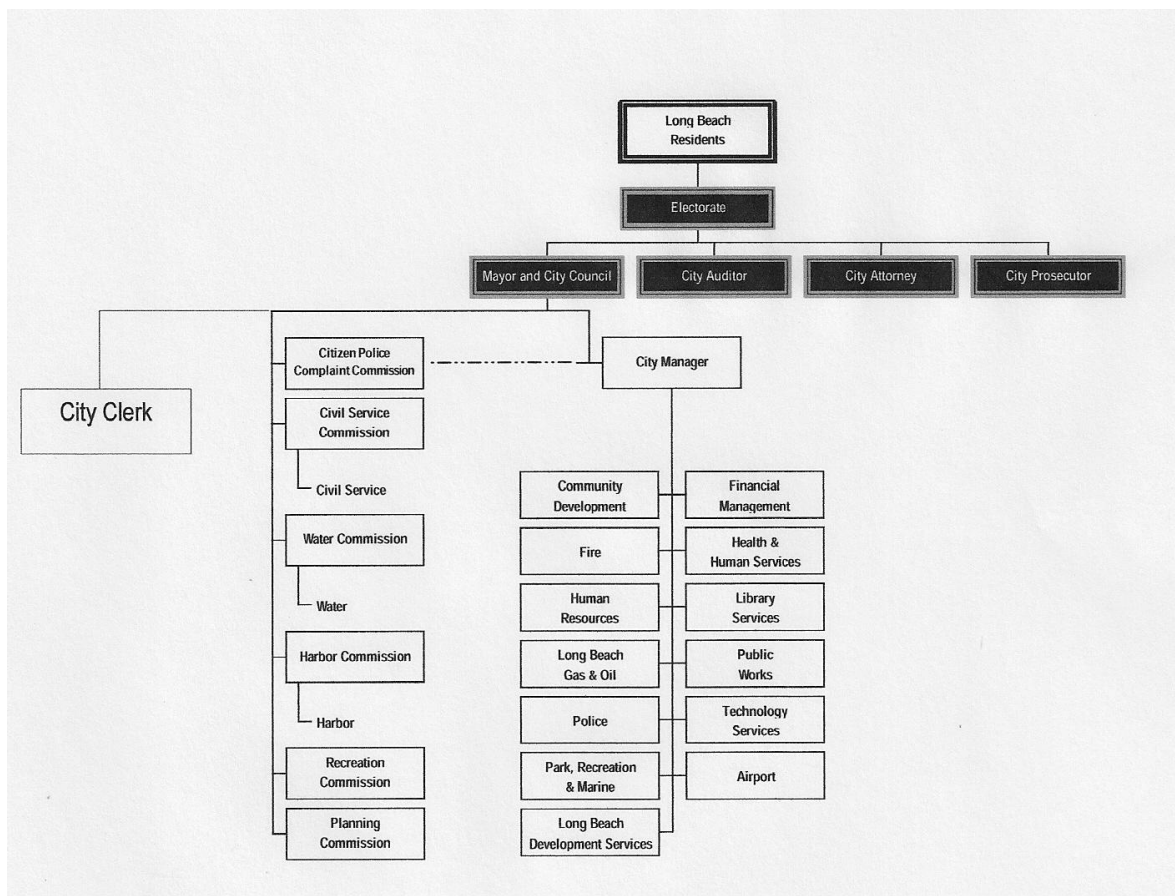
Figure 3 below shows the structure in Huntington Beach, another city with some directly elected department heads.

FIGURE 3: HUNTINGTON BEACH ORGANIZATIONAL STRUCTURE



Even in a much larger city, Long Beach, which has a population of more than 900,000, authority is clearer and the organization is better aligned:

FIGURE 4: LONG BEACH ORGANIZATIONAL STRUCTURE



Several agencies in San Bernardino – the Water Department, Library and Redevelopment Agency – operate largely independent from the City. The Water Department and Library boards are created by Charter and appointed by the Mayor, subject to confirmation of the Common Council. By way of example, the Water Commission is tasked to “perform the duties and responsibilities prescribed in this Charter and shall perform such other duties and responsibilities as are or may be prescribed or delegated by the Mayor and Common Council with the concurrence of the Board.” Directors of these departments are aligned to their boards rather than to the City, and do not report to the City Manager or the Mayor.

While it is common for cities to have boards to oversee management of key interests (utilities, for example), these entities remain City entities under the ultimate control of the Common Council. In most other cities, they are not allowed to, “stray from the fold” to a degree that results in costly inefficiencies, such as the purchase of software systems that do

not integrate with the remainder of the City as in the case of San Bernardino.

There is also concern of a lack of coordination on strategic goals. For example, should a land development issue have linkage with a water utility servicing issue? In San Bernardino it is unclear how the issue would ultimately be resolved given that the Water Board may feel justified to pursue one set of goals and the Common Council another. The same is true with respect to the separate Redevelopment/Economic Development Agency. Indeed, given the importance of economic development efforts in San Bernardino this separation and its potential for misalignment is of crucial importance. However, in peer cities with more modern organizational structures, departments with appointed staff report to the city manager rather than the city council.

Table 1 lists whether the economic development function in the peer cities is a department or a division. In addition, this table lists the position responsible for supervising the economic development function.

TABLE 1: PEER CITIES ECONOMIC DEVELOPMENT DEPARTMENT PLACEMENT IN ORGANIZATION AND SUPERVISING RESPONSIBILITY

City	Economic Development – Department or Division	Position Responsible for Supervising the Economic Development Function
Fontana	Division of Administrative Services Department	Deputy City Manager
Glendale	Division of Development Services Department	Development Services Director
Huntington Beach	Economic Development Department	Deputy City Administrator
Ontario	Economic Development Department	City Manager
Riverside	Division of Development Services Department	Development Services Director
San Bernardino	Economic Development Agency	Mayor and Common Council

Table 1 shows that the economic development function is a division in three of the peer agencies and in the others it is a separate department similar to the City of San Bernardino. The table also shows that in all of the peer agencies, the position responsible for supervising this function is either the city manager or a city official that reports to the city manager. However, in the City of San Bernardino the Director of the Economic Development Agency does not report to the City Manager and instead reports directly to the Mayor. As the table shows, the current structure in San Bernardino is unique. The more modern and efficient organization consists of centralize supports services under the direction of the city manager.

Though cities and counties come in all sizes and operate varied services, most have one thing in common – they rely upon a core of central

services that support the operating departments so the line departments can focus upon their primary objectives while avoiding the duplication of resources that would otherwise result. Common support services include finance, purchasing, legal services, building maintenance and technology services, among others. By using central support services in this way, “economies of scale” (efficiencies derived from larger-scale production) are achieved, and governments can ensure that their work is professional and meets overall standards. This model of support service organization is also common in the private sector among medium to large businesses.

The City of San Bernardino is at optimum size and complexity to take advantage of economies of scale in its overhead and management operations. Unfortunately, San Bernardino operates much differently from most other California cities, and this organizational structure frustrates potential efficiencies enjoyed by other organizations.

The most troublesome and by far largest contributor to this reality is the apparent creation of what are, in effect, several agencies with duplicated overhead. This structure works against the economy of scale advantage, and leads to inconsistency and frustration on many levels. Several City departments and agencies take on some of the functions that would otherwise be provided through central city support services. These redundancies are discussed in more detail in later sections of this report. It is important to note that these organizational arrangements are not random or done to undercut the City as a whole; it is just the natural result of a governance structure which emphasizes and allows quasi-independent operations. Organizational components that have such independence and the advantage of separate revenue sources understandably seek to differentiate themselves from the City as a whole, even if the end result is a weaker City than would otherwise exist.

Taken as a whole, solving this problem may seem insurmountable, especially since changes in some cases will take a vote of the people to amend the Charter. Nonetheless, if the City is committed to becoming an efficient, aligned organization, then it must make major changes to the overarching manner in which it is organized. The consequence of making little or no change in the structure of governance will be to side-step the most important issue that needs to be addressed to allow the City of San Bernardino to become a cost-effective, progressive and sustainable government.

Limitations and Use of Benchmarking Data

Benchmarking data in the original and this update report were gathered from the selected cities' websites where budget data was available. Budgets posted online were generally from fiscal year 2004-05 in the original study and are from 2008-09 in the update. The analysis was limited by data that were available from budget reviews and website information. The Comprehensive Annual Financial Reports also were reviewed for general fund information.

Whenever data are obtained from individual city budgets, some format and presentation differences may hamper an equal comparison. That is because there are no national standards for budgetary reporting, unlike the uniform collection of demographic information. Consequently, we used care in drawing firm conclusions from the data. The data are useful for illuminating major trends and averages, but further research would be necessary to make any definite findings between peer city "X" and the City of San Bernardino.

Demographic and General Fund Financial Data

It is important to begin any peer benchmarking review with an examination of the basic makeup of each community. With cities, there is no such thing as a perfect "apples to apples" comparison; each city's demographics and major issues will affect service decisions. It is, therefore, important to examine the foundation upon which city government is provided and to understand the community's particular issues.

In the 2007 report, census data from 2000 showed that income per capita and household income in San Bernardino was the lowest of all peer cities as shown in Figure 5.

FIGURE 5: INCOME PER CAPITA (2000 CENSUS DATA)

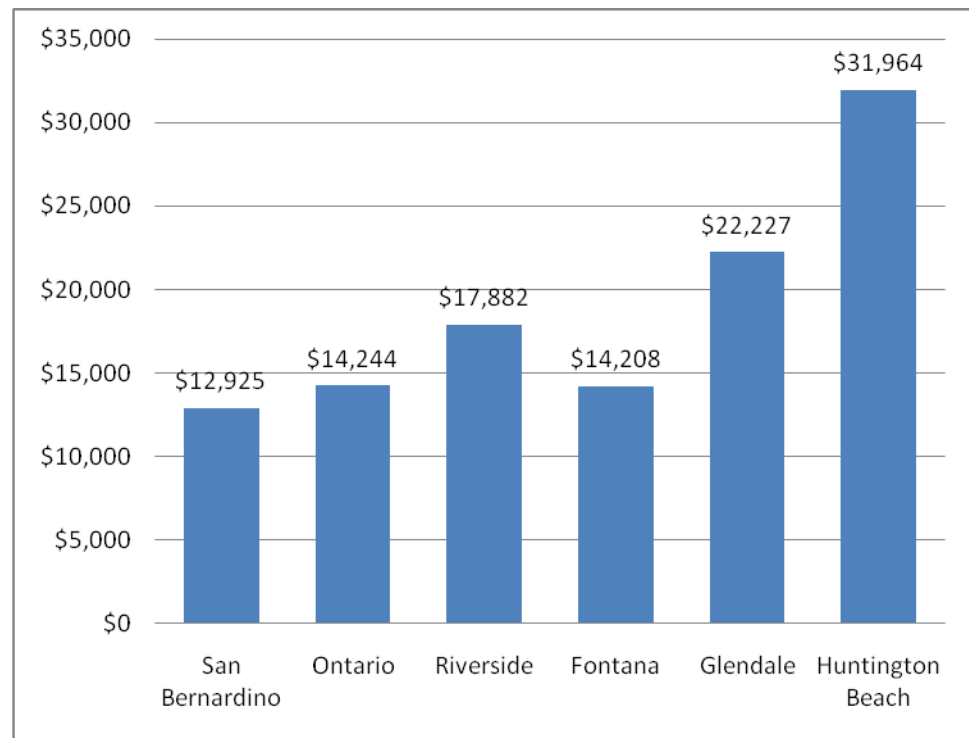
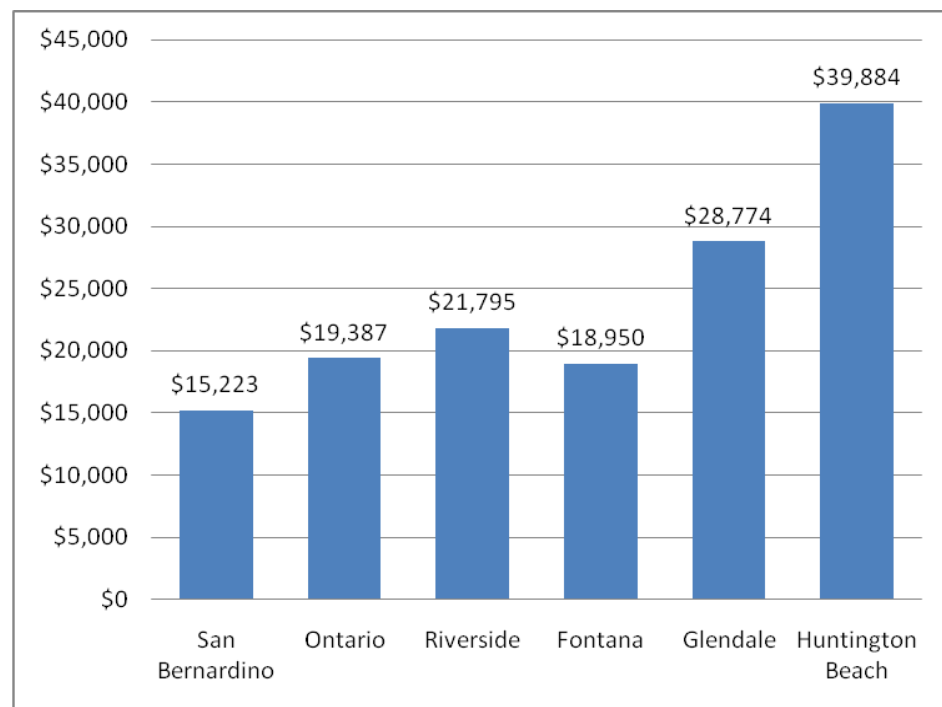


Figure 6 shows updated information from 2007 Census data.

FIGURE 6: INCOME PER CAPITA (2007 CENSUS DATA)



As the update shows, while San Bernardino's income per capita increased, it remained the lowest among peer cities. All peers saw an increase in income per capita and the relationship among the peers remained basically the same. In fact a closer examination of the personal income data shows that San Bernardino fell further behind the other cities with respect to this metric.

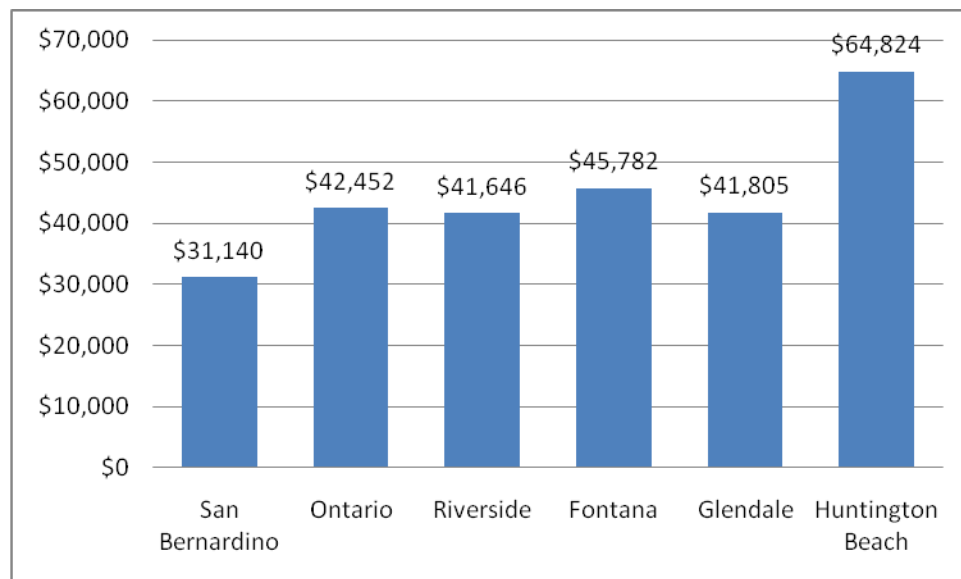
San Bernardino's increase since 2000 was the least of any of the peer jurisdictions, as is shown in Table 2 below.

TABLE 2: PERCENT CHANGE IN PERSONAL INCOME, 2000-2007

San Bernardino	17.8%
Ontario	36.1%
Riverside	21.9%
Fontana	33.4%
Glendale	29.5%
Huntington Beach	24.8%

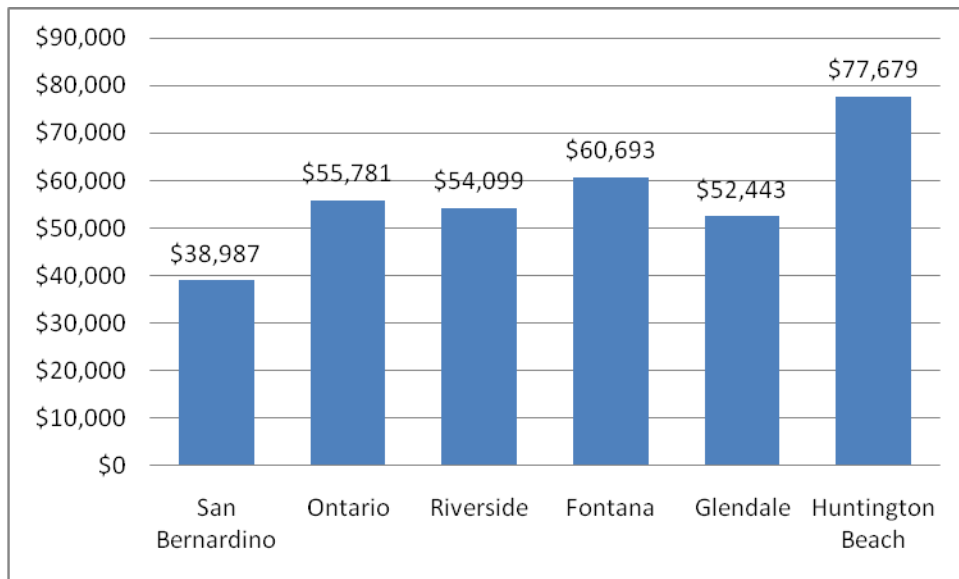
Similarly, the 2007 report stated that San Bernardino had the lowest household income among peers according to the 2000 census (Figure 7).

FIGURE 7: HOUSEHOLD INCOME (2000 CENSUS DATA)



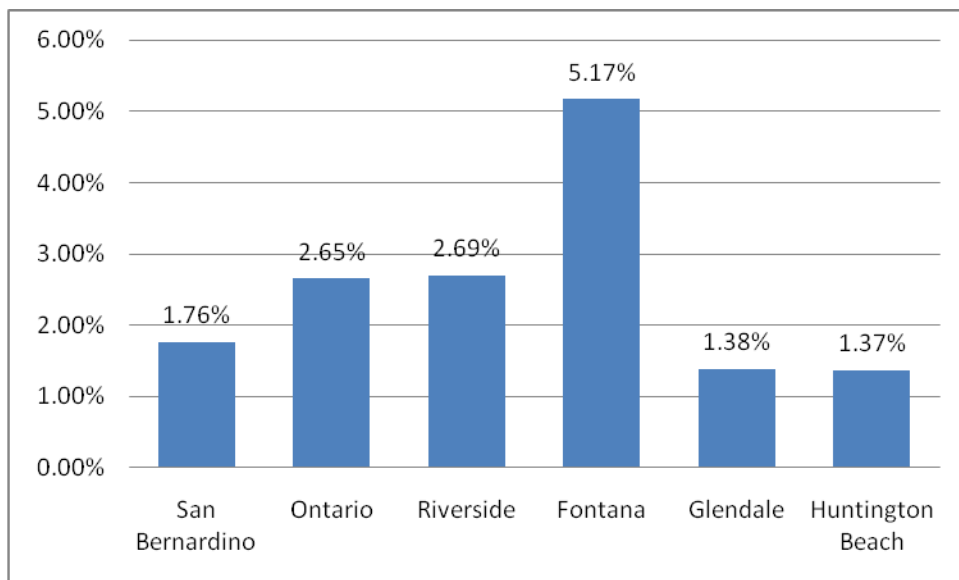
As the update shows (Figure 8), San Bernardino remains lowest among peers despite an increase of 25.2%. This was more than was the case in Huntington Beach and about the same as in Riverside and Glendale.

FIGURE 8: HOUSEHOLD INCOME (2007 CENSUS DATA)



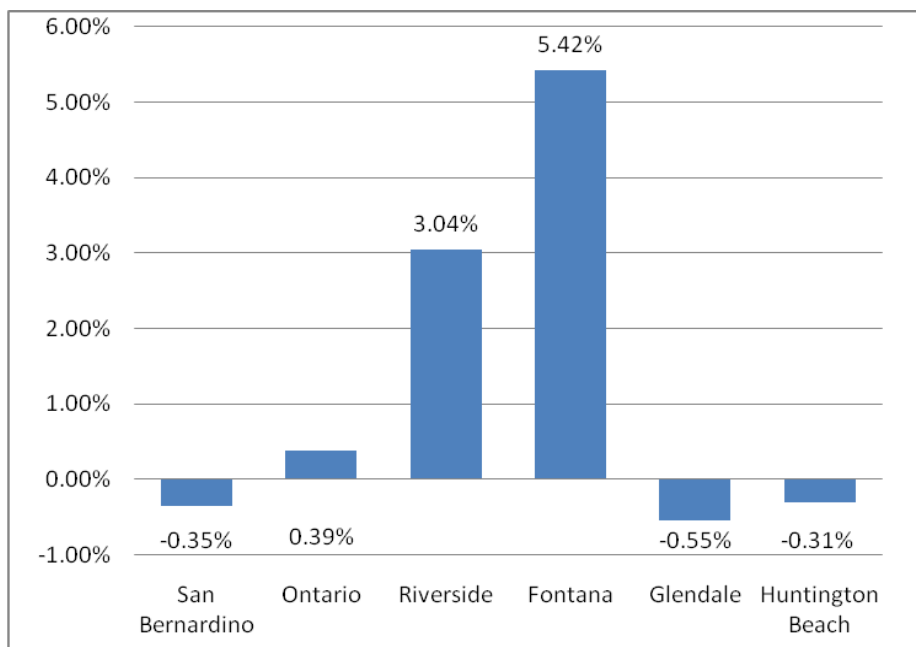
In the early 2000s, population growth in San Bernardino had lagged behind other peer cities in the Inland Empire. Growth restrictions and land availability contributed to slower growth in some of the other cities shown, factors not present to such a degree in San Bernardino. Figure 9 shows the original data.

FIGURE 9: AVERAGE POPULATION GROWTH RATE, 2001-2004



The impact of the national economic recession is evident in the updated Figure 10 below. Three of the six peers (San Bernardino, Glendale, and Huntington Beach) saw negative population growth, while Riverside and Fontana continued to see positive growth rates. Ontario's population was essentially unchanged.

FIGURE 10: AVERAGE POPULATION GROWTH RATE, 2005-2008

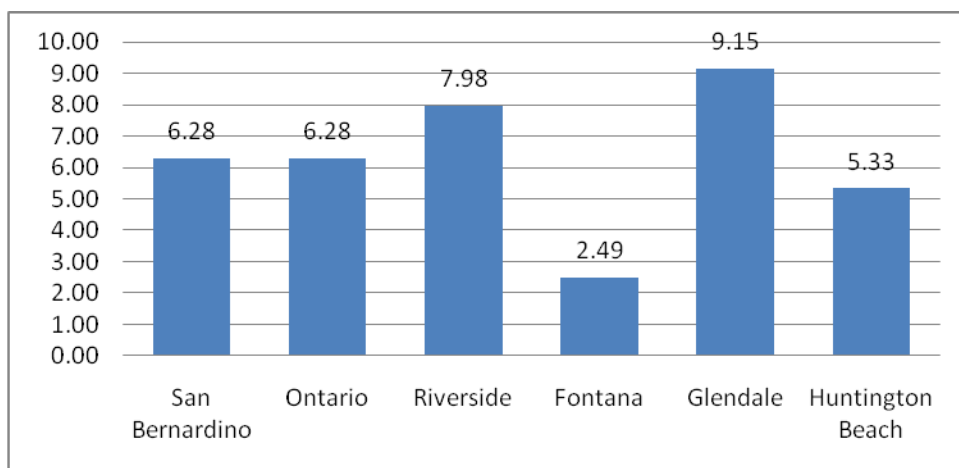


These comparisons indicate that San Bernardino has lost ground in terms of population growth, especially to neighboring cities in the Inland Empire. Since 2001 San Bernardino's population has grown by approximately 2,819 while the total population increase in Fontana, Ontario and Riverside has been more than 40,000.

City Government

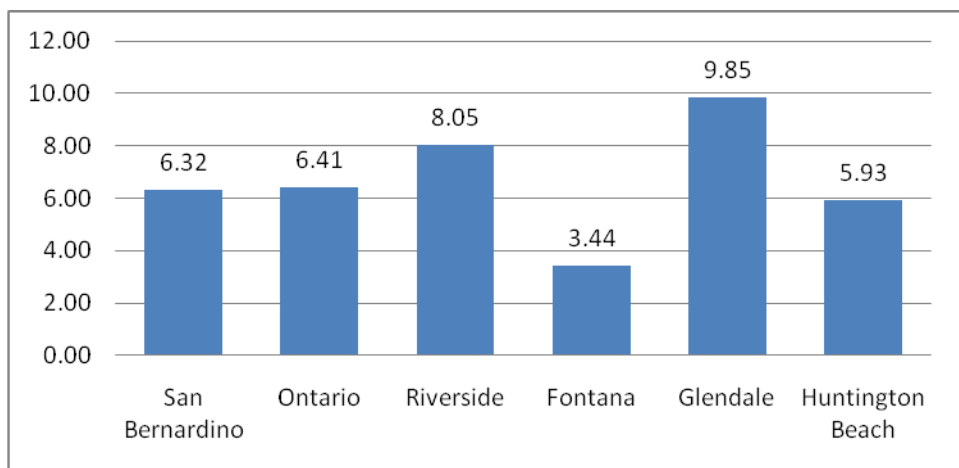
Turning from general demographic information, a review of the city governments is useful as well. As shown in Figure 11, in 2005 San Bernardino was in the middle of peers when the number of employees per 1,000 population was examined. Glendale and Riverside both had more staff, while San Bernardino and Ontario had the same number of staff. Both Huntington Beach and Fontana had fewer staff.

FIGURE 11: CITY EMPLOYEES PER 1,000 POPULATION (2005)



In 2008, as shown in Figure 12, three cities, Ontario, Riverside, and Glendale, had more employees per 1,000 population than San Bernardino. Fontana and Huntington Beach continued to have fewer employees per 1,000 population than San Bernardino.

FIGURE 12: CITY EMPLOYEES PER 1,000 POPULATION (2008)

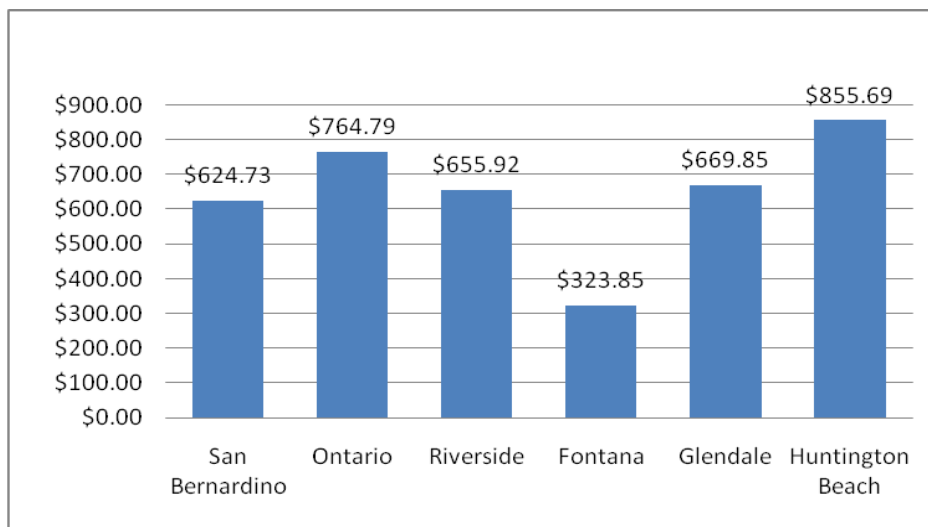


Fontana is mainly a “contract city,” contracting out many of its services to private providers or other local government agencies, and is therefore not comparable. Riverside and Glendale both have electric utility operations not present in San Bernardino, which probably contributes to the differential. Staffing in San Bernardino appears to be comparable with that in Ontario and Huntington Beach, and from a service delivery standpoint these are indeed comparable jurisdictions.

While San Bernardino appears about average in staffing overall, as will be discussed in more detail later, public safety staffing is above average, indicating that other services in the City may be understaffed relative to other peer jurisdictions.

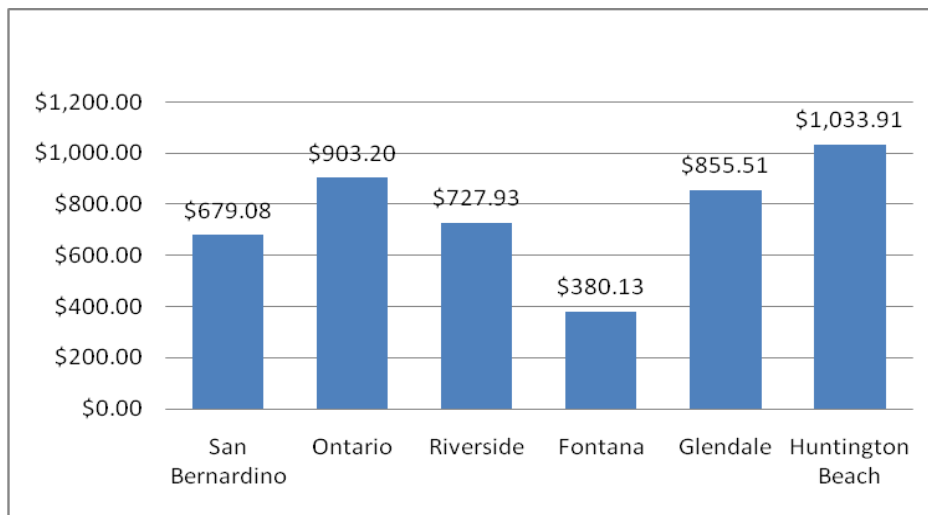
Figure 13 below shows each city's General Fund per capita, which illustrates the relative size of local government (in terms of finances). As can be seen, Huntington Beach is higher than the other peers. San Bernardino has the second-lowest General Fund per capita, an indicator of limited resources. As noted earlier, Fontana is a contract city with a substantial redevelopment agency.

FIGURE 13: CITY GENERAL FUND PER CAPITA (2005)



The relative position among peers remains unchanged into 2008, as shown in Figure 14. Again, San Bernardino has the second-lowest General Fund per capita, next only to Fontana. Huntington Beach continues to lead with the most general fund spending per capita among peers.

FIGURE 14: CITY GENERAL FUND PER CAPITA (2008)



The metric that shows General Fund revenues per capita is important because the services cities provide are related to population. Growth in such revenues is key to keeping pace with the increasing costs of delivering services, most notably personnel expenses. The comparison of the earlier report with the current situation is instructive because it shows that San Bernardino, which was already low compared with others, has fallen further behind. Specifically General Fund revenues per capita grew by only 9% in San Bernardino since the last report was completed, while Ontario's, Riverside's and Fontana's grew by 18%, 11% and 17%, respectively. If San Bernardino's revenues per capita had grown at a similar rate, for example by a 15% growth rate, the City would have about \$7.8 million in additional General Fund resources.

One of the most important indicators of General Fund resources and the health of a city's financial condition is sales tax revenues. In the early 2000s, San Bernardino lagged behind most peers in sales tax growth, as shown in Figure 15. San Bernardino's average sales tax growth from 2001 to 2004 was 6.92%, as compared with 12.88% in Fontana. Only Huntington Beach had a lower growth rate at 0.41%. This may have been due to a one-time contraction or accounting adjustment applicable to only this jurisdiction.

FIGURE 15: AVERAGE RATE OF SALES TAX GROWTH, 2001-2004

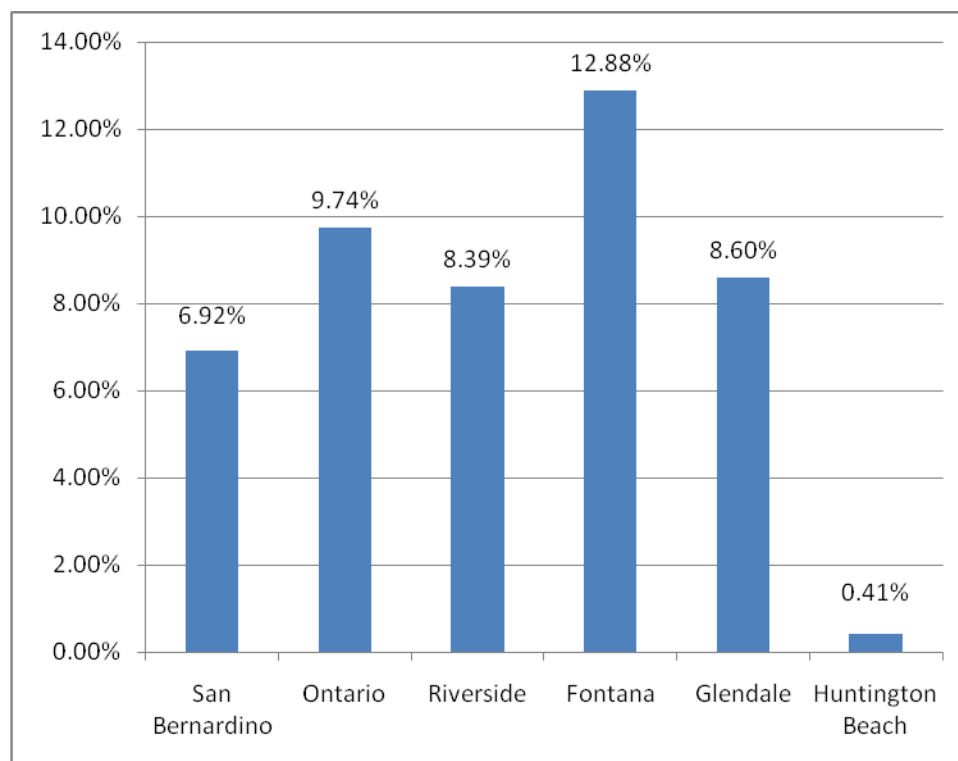
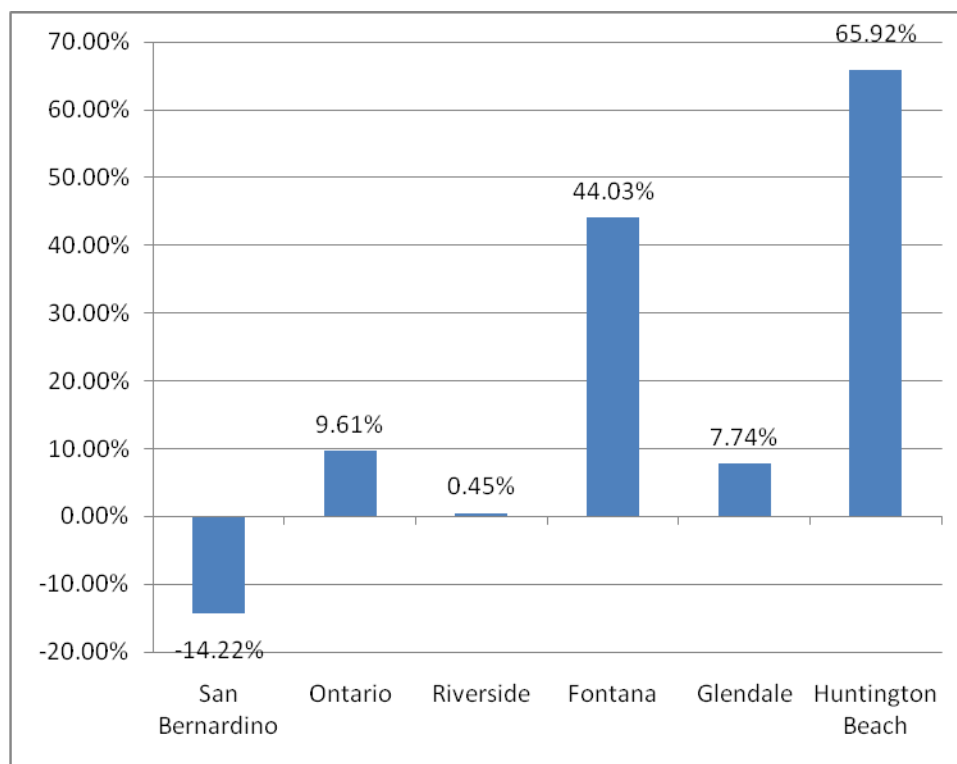


Figure 16 provides an update for the past five fiscal years.

FIGURE 16: AVERAGE RATE OF SALES TAX GROWTH, 2005-2009



The impact of the national recession has had an extremely detrimental impact on San Bernardino's sales tax growth, as shown. Not only didn't San Bernardino's sales tax revenues grow, they were negative. San Bernardino was the only comparative agency in which this occurred.

The benchmarking updates and comparisons as a whole show that San Bernardino, which has long had to cope with a lower level of resources than other cities, finds this dynamic getting worse. The level of income that City residents receive has grown more slowly than in the comparison jurisdictions as has the City's growth in resources.

At the same time, San Bernardino must deal with higher than average service demands from a relatively lower-income resident population base, with lower than average resources. These already low resource levels in 2007 have been even further negatively impacted by the national economic recession.

One bit of good news is that crime within the City has decreased, from approximately 0.011 violent crimes per capita in 2005 to 0.010 in 2008. While this decrease is consistent with national trends and San Bernardino still has a higher violent crime rate than any of the peer jurisdictions, it is still notable that crime decreased at a time in which San Bernardino,

already a relatively poor jurisdiction, became even more impoverished relative to nearby cities.

What does this comparison update mean with respect to the 2007 Management Partners' analysis and recommendations? The data tend to reinforce the need for the City to address the central theme of that report: the organization should be modernized. The earlier report noted that:

The City must evolve from a jurisdiction rooted in old bureaucratic systems to one re-seeded with modern public sector management practices . . . The political and management superstructure needs to be streamlined. Its internal organizational infrastructure needs to be allocated so that sufficient resources are available to maintain City assets and provide adequate support for workers who serve residents. The financial systems of the City need to be robust enough to promote sound, sustainable fiscal management. This report discusses this issue in more detail . . . Management Partners believes that modernizing business practices is far and away the most critical change that the City needs to make if it is to become a progressive, efficient and sustainable government.

The update of the benchmarking information above indicates that this need is even more acute as we close 2009 than it was in late 2006 when the report was developed.

Corporate Process Issues

In reviewing City operations from a corporate perspective, four key processes were repeatedly identified by managers and employees during our interviews as needing improvement. These four processes were considered to result in a considerable loss of productivity among staff, and an investment in process improvement was deemed likely to yield real savings both in labor and time savings. The four processes singled out for improvement in the earlier report were:

- Purchasing Process
- Budget Process
- Hiring Process
- Council Agenda Process

In each of these four cases, San Bernardino's system was considered by managers and employees to be more complex than typical in other cities, generally in an effort by the City to minimize risk. For example, while it is good to be watchful in the purchasing process to ensure waste is minimized, but if the review process costs more than the potential waste, the City has served only to make it more difficult for staff to do the City's

business. The City must find an acceptable balance between risk aversion and efficiency. This is difficult in a City with many elected officials who are concerned about the political fallout of having just one errant employee's misdeeds hit the newspapers.

Purchasing: In general, the purchasing process was considered slow and cumbersome by managers and employees we interviewed, and seen as a roadblock to performing the City's work. At that time, the Finance Department had two employees devoted to purchasing for the entire City, and the City's process was time and paper-intensive.

Unlike in other cities, strong centralized financial control and concern about misappropriation of funds had resulted in a strict and formalized purchasing process requiring formal purchase orders and low approval limits. This resulted in the need for a few employees to process a lot of paper on too many items. Other cities had higher approval authorities, and allowed supervisors and managers to spend money in their assigned budgets, using credit or "Cal" cards for quick and easy purchasing.

Budgeting: San Bernardino also could benefit by moving to a biennial (once every two years) budget, as cities such as Glendale do, and by using the intervening year for financial planning. As a first step toward developing a two-year budget process, the City of San Bernardino is in the process of developing a program budget. A traditional line-item budget focuses on what is being purchased in each department and division in the city. A program budget focuses on the results of the services and activities carried out by the agency. Thus, in a program budget revenues and expenditures are linked to the services provided by the City that meet the goals and objectives of the agency.

Hiring: The City's hiring process also was universally viewed as an impediment to the effective provision of service. Managers and employees said that the process was frustrating, involving too many players and taking too long. Managers noted that the separation of Human Resources and Civil Service Commission resulted in the need to justify positions to not one, but two, departments and those procedures were unclear. Employees expressed frustration that it took so long to fill a position. By the time a position was approved for a hire, good candidates had already found work elsewhere.

The recruitment and hiring process was flowcharted and reviewed by Management Partners. The review showed that in some places there were redundancies, and in some places there were dead ends that would slow down or stop an existing recruitment until the Department calls to find out what is taking so long. Both a lack of accountability and communication exacerbated the slowness of the process.

In addition, in the City of San Bernardino the Mayor and Common Council approve the appointment of all employees which adds another layer of bureaucracy to the recruitment process. In a traditional council/manager

form of government the City Manager has the authority to appoint city staff which increases the efficiency of the process.

Common Council Agendas: Finally, the City's process to prepare each Common Council agenda was consistently viewed as time intensive and inefficient. The City Clerk's Office is responsible for preparing the Common Council agenda and dissemination of the agenda packet. The City Clerk's Office was receiving complaints from the press and public about late access to the agenda packet. The public and press do not get access to agenda packets until copies have been distributed to the Mayor and Common Council.

Staff must submit agenda items more than two weeks before a pre-established Common Council agenda date so that the item can be reviewed by the City Manager's Office, transmitted to other departments such as Finance and/or the City Attorney, corrected of errors, and re-submitted. In the City Attorney's Office alone, agenda items are touched by no less than four individuals as part of that office's internal review process, which is a subset of the overall City process. A legal review is performed on every agenda item, which may not be necessary for routine matters. Having a legal review on agenda items is important prior to the item being presented to the Mayor and Common Council; however, traditionally in other agencies a legal review is not required on routine agenda items and is reserved for those staff reports involving public hearings, contracts and items involving legal issues. The City Manager's Office may want to enact more stringent requirements to enforce high quality staff reports from departments and strict adherence to Council agenda schedules.

Summary: On an overall basis, if the City invested time in eliminating low-value process steps in just these four processes, it could save small amounts of time per individual transaction. The total volume of these transactions, however, and savings that could result from streamlining is substantial. By taking all these steps – revising purchasing authority limits, allowing the use of purchase cards for smaller authorized purchase levels, moving to a two-year budget preparation cycle, eliminating line item budget control, reducing the steps required in the hiring and agenda process, and reducing the number of items that must be approved by Council – the City can save a substantial amount of time. In the original report, Management Partners recommended a thorough analysis be done of each process.

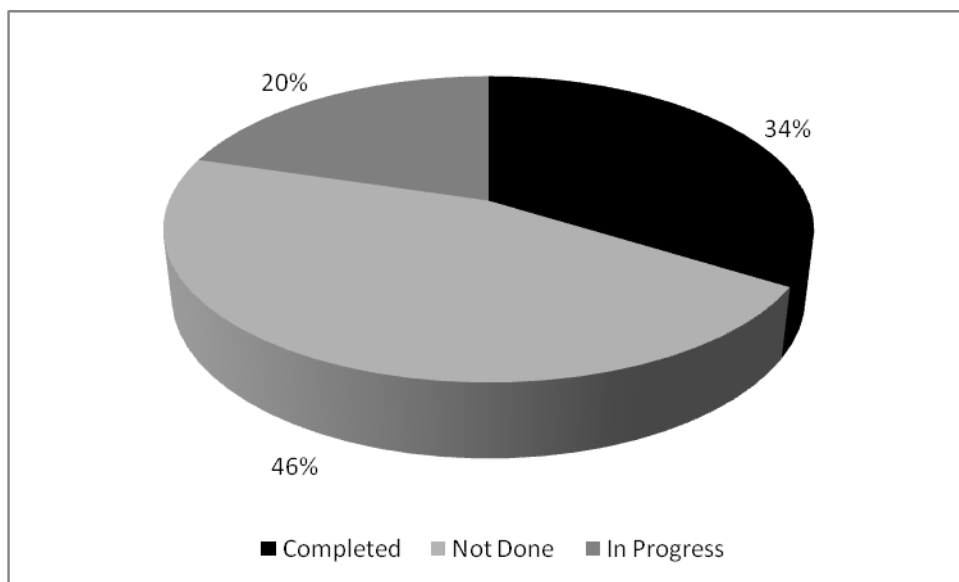
STATUS OF RECOMMENDATIONS FROM THE 2007 REPORT

In 2007, Management Partners provided 187 recommendations to the City of San Bernardino to enhance the efficiency and effectiveness of the organization (192 including five sub-recommendations). These recommendations cover areas such as organizational changes, financial management, management improvements and customer service.

To determine the current status of the recommendations, Management Partners met with staff in the City Manager's Office and most department directors to inquire about progress made, changes since the original report, and/or concerns regarding the feasibility of specific recommendations.

As of March 2010, approximately 34% of the 192 recommendations had been implemented, 20% were in progress and 46% had not yet been completed, as shown in Figure 17 below.

FIGURE 17: STATUS OF IMPLEMENTATION OF RECOMMENDATIONS FROM 2007



While significant work remains, City staff should be commended for the work that has been completed or initiated in just over two years, particularly during a period of record fiscal constraint.

It should also be noted that the initial report in 2007 acknowledged that it would take several years to fully complete the recommendations. It is also important to remember that some of the recommendations required additional analysis prior to implementation and in some cases, the further analysis has resulted in the City dropping the idea. In addition, some recommendations will require a charter change which will require voter approval. In these circumstances our update notes the reason cited.

The 2007 report categorized recommendations on a scale of A through E, according to the matrix shown in Table 3 below.

TABLE 3: PRIORITY MATRIX

Key to Nature of Change Index	Can be implemented by management with little or no policy change	Requires significant policy changes	Requires significant policy and Charter changes
High dollar savings	A	C	E
Low dollar savings	B	D	

Recommendations in the A category were identified to be of most value because they had relatively high positive financial impact and relatively low implementation difficulty (requiring little or no policy changes). Priority C recommendations were the next in value, but require policy changes. Table 4 below shows the status of completed recommendation in each priority category.

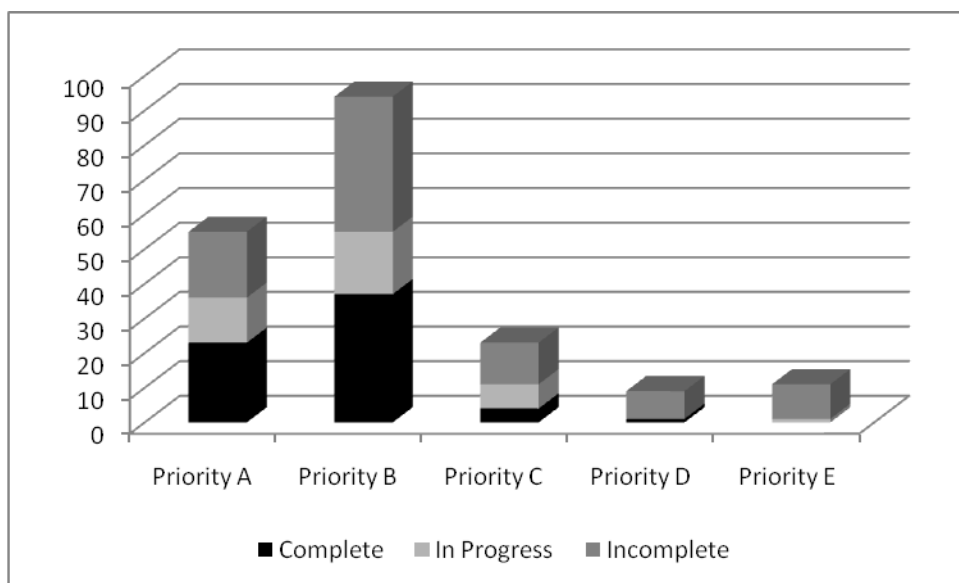
TABLE 4: RECOMMENDATION COMPLETION BY PRIORITY

	Complete	Percentage of Category Complete
Priority A	23	35%
Priority B	37	57%
Priority C	4	6%
Priority D	1	2%
Priority E	0	0%

Of the Priority C recommendations approximately 6% of the actions have been implemented. This may reflect policy differences on the City Council or the fact that there were Interim and Acting City Managers in place for periods of time. In any event, most of the significant remaining recommendations will require some policy change. As would be expected the greatest progress has been made in Priority A and B, recommendations which did not require substantial policy changes.

The status of each priority category is further shown in Figure 18 below.

FIGURE 18: IMPLEMENTATION PROGRESS BY PRIORITY



The 2007 report broadly estimated the fiscal impact of the recommendations when it was possible to do so. Our update analysis shows that the implemented recommendations have a value to the City of between \$2.3 and \$2.7 million annually.

With respect to recommendations still to be implemented, based on the original analysis, we project a positive fiscal impact of between \$5.9 million to \$6.4 million. However it should be noted that the basic economic situation and particularly the housing market, has deteriorated significantly since these estimates were made, so the amounts should be viewed cautiously. From the City's perspective the economic recession probably provides more opportunity to restrain labor cost increases since the employment market is much weaker than in 2006, but makes it more difficult to generate additional revenues linked to new development.

The status of all the recommendations is provided in the next section of this report.

Completed Recommendations

Table 5 below shows the 65 recommendations that have been completed by the City to date.

TABLE 5: COMPLETED RECOMMENDATIONS

Rec. No.	Recommendation	Completed?	Notes	Responsible Department
5	Create a directory of City services and contact phone numbers and e-mail addresses for all City services.	Yes	On intranet and department contact numbers are on web page	IT
7	Review the cost/benefit of investing in customer inquiry tracking software.	Yes	SB Access Online has been implemented. Recently this process has updated to allow access through the use of iPhones.	City Manager
15	Implement a formal system to log and track requests for legal service.	Yes		City Attorney
18	Collect workload data in a manner which can be shared publicly on all assignments to determine if the office workload justifies requests for more professional or paraprofessional staffing.	Yes		City Attorney
20	Implement a simple time tracking procedure for attorney staff to measure and charge for time spent on private development projects.	Yes		City Attorney
21	Invest in a software package for management of the City Attorney Office workload.	Yes		City Attorney
30	Obtain an actuarial analysis of the City's other post employment benefit liabilities in accordance with GASB 45.	Yes		Finance
33	Review all City properties to identify surplus property that can be disposed of.	Yes		Development Services
39	Implement online business registration process.	Yes	This was implemented in July 2009.	City Clerk; IT
46	Draft a plan to integrate all city records into a single document management system.	Yes	All non-safety departments use laser fiche.	City Clerk; IT

Rec. No.	Recommendation	Completed?	Notes	Responsible Department
54	Form a Vehicle and Equipment Committee or Fleet Advisory Board.	Yes		PS/Fleet
56	Designate a parking area for customers who bring their units in for service and a separate area for vehicles that have been serviced and are ready to be picked up.	Yes		PS/Fleet
59	Analyze and document the advantages of performing most of the preventative maintenance (PM) work on a swing shift.	Yes	Most PM work is accomplished during the swing shift	PS/Fleet
60	Reduce the City's fleet by 35 identified units and reassign 10 units as proposed.	Yes		Fleet
61	Verify the take home mileage for each standby unit and number of callouts.	Yes		PS/Fleet
63	Encourage use of personal vehicles.	Yes		PS/Fleet/City Manager
64	Develop employee guidelines and policy that support the most economical means of transportation.	Yes		PS/Fleet
65	Eliminate the Central Motor Pool and replace with rental cars.	Yes	Completed; however, rental agreements cancelled due to budget constraints	PS/Fleet
66	Eliminate five sedans (units 387, 355-96, 355, 356, 345C) from the shop loaner pool, and replace with two compact pickups and one cargo van (unit 1200 from library, unit 363 from finance, unit 588 from city clerk). Transfer the flat bed truck (unit 393) to the heavy equipment pool.	Yes		CM/PS
67	Negotiate rental agreements with local rental car agencies for vehicles to be used to augment the fleet management pool when units are out of service due to extensive repair work or for peak needs.	Yes	Completed; however, rental agreements cancelled due to budget constraints	PS/Fleet

Rec. No.	Recommendation	Completed?	Notes	Responsible Department
68	Monitor the use of the shop loaner pool units during the next year to determine the best mix and number of units to offer.	Yes		PS/Fleet
70	Monitor the use of the central heavy equipment pool units during the next year to determine the type and number of units required.	Yes		PS/Fleet
72	Develop a parts markup that reflects the true cost of providing this service.	Yes		PS/Fleet
73	Transfer all parts supervision duties from the Administrative Operations Supervisor to the Equipment Maintenance Supervisor.	Yes		PS/Fleet
74	Levy a service charge on fuel transactions in which more than one vehicle is fueled from one key.	Yes		PS/Fleet
75	Develop a sublet markup that reflects the true cost of providing sublet service.	Yes		PS/Fleet
79	Develop a methodology to support the replacement of vehicles and equipment based on the optimum economic life of a unit.	Yes		PS/Fleet
82	Hold a meeting between the City of San Bernardino Fleet Services Division and San Bernardino Water Department Fleet Services to explore ways in which to piggyback with the City on commercial contract fleet services.	Yes	Meeting was held	PS/Fleet; Water
91	Develop a shop labor rate along with markups for parts and sublet services.	Yes		PS/Fleet
101	Establish a procedure for Departmental review and sign off on matters affecting job design and the hiring process.	Yes		HR/ Civil Service
102	Establish a procedure to keep the City's Position Control Register updated.	Yes		HR

Rec. No.	Recommendation	Completed?	Notes	Responsible Department
106	Establish a procedure to assure that every person appointed to a supervising position is appropriately trained.	Yes		HR
108	Institutionalize the new Citywide safety program to include an annual work plan with identified priorities and a designated City Safety Officer to establish accountability for the program.	Yes		HR
109	Institutionalize the new City Safety Committee to guide the City safety program and to review workplace accidents and injuries.	Yes		HR
113	Modify the labor negotiation process to communicate more with department management regarding specific terms throughout the process, from beginning to end.	Yes	Structure is in place for upcoming negotiations	HR
115	Research and implement procedures and obtain state-of-the-art systems to accept employment applications electronically.	Yes	Applications are now accepted online.	HR; Civil Service
117	Review salaries for civilian personnel	Yes		HR
119	Purchase seven new police vehicles to ensure full coverage.	Yes		PD; Fleet
124	Update the City's false alarm ordinance on both free false alarm responses and fees.	Yes	Policy changes were made. Additional review recommended.	PD
129	Conduct a review and modify the Base Rate for AMR services.	Yes		Fire
130	Increase the ALS fee at least to that level levied in 2003 to grow revenues by approximately \$207,000 per year, or consider a new agreement with AMR for collection of a similar fee.	Yes		Fire

Rec. No.	Recommendation	Completed?	Notes	Responsible Department
133	Study the feasibility of implementing a false alarm fee for false fire calls for service.	Yes	Fire analyzed and determined that the fiscal impact was insignificant.	Fire
134	Review and clarify EOC activation policies and procedures.	Yes	Ongoing; new Disaster Preparedness Coordinator to pursue	Fire
136	Institute a Redevelopment Agency program to improve and rehabilitate structures in redevelopment project areas.	Yes		EDA; Code
137	Establish a repayment agreement between the EDA/RDA and the City in order to recover the City's startup costs and investments in the startup area.	Yes		EDA; City Manager
139	Update the City's existing fees for service and internal service charges to fully recover applicable costs for the provision of plan check services and landscape assessment district administration.	Yes	Annual updates of fees	Development Services
141	Clarify and strengthen the City's policy on the use of development agreements to gain dedications of land for park sites and open space in new development areas, and to gain funds for the expansion of the City's open space in already developed areas.	Yes		PRCS; Development Services
143	Require new residential developments form CFD's for neighborhood parks maintenance	Yes	Ongoing. The City is using LMAD's to address maintenance costs. The new LMAD's have cost escalators.	Development Services, Parks
144	Conduct a user fee study to analyze the actual cost of park and recreation services (including related overhead) and evaluate the appropriate level of cost recovery for each service.	Yes	Completed as part of Park Master Plan process	PRCS
147	Recover full cost – including overhead -- when a developer is allowed to use a contract professional.	Yes	Current practice	Development Services

Rec. No.	Recommendation	Completed?	Notes	Responsible Department
149	Calculate appropriate fees and add them to fee resolution policies to fix under-collection and non-collection of Parks fees issues.	Yes	Ongoing	Development Services
150	Establish procedures to ensure that services provided to Parks Division for special district functions are fully accounted for in the budget of the new districts and costs are recovered to offset expenditures.	Yes		Development Services; Parks
152	Establish procedures to ensure that fees for new special districts formed are based upon sound cost estimates and verified annually.	Yes	Ongoing process improved during LMD shift (Parks); requires annual fiscal analysis to ensure fees cover real costs	Development Services; PRCS
153	Establish procedures to ensure that each of the new special districts has an adequate financial reserve for future capital replacement.	Yes		Development Services
155	Adopt a policy ensuring lighting and medians are included in a special district whenever feasible.	Yes		Development Services
162	Complete an analysis of the actual cost of development services so that fees can be established to recover costs.	Yes	Ongoing on annual basis	Development Services
164	Adopt a policy to update the fees on an annual basis.	Yes		City Manager
165	Prepare a model to guide the efforts to estimate fees and document the rationale for the estimates.	Yes	Better cost estimates will be available upon the completion of the new cost allocation plan	City Manager; Finance
166	Insure that permit fees include the cost of technology and advance planning.	Yes	Technology fee in place; advance planning fee not appropriate at this time. .	Development Services; City Manager

Rec. No.	Recommendation	Completed?	Notes	Responsible Department
167	Prepare the CIP in conjunction with or prior to the operating budget.	Yes	Current practice	Development Services
179	Prepare a detailed business plan and rate study outlining financial requirements in order to bring the City's refuse operation to competitive levels, identifying enterprise costs.	Yes	Consultant retained to assist in implementation of strategic business plan	Public Services; City Manager's Office; consultant
182	Designate restricted parking days for street sweeping operations and ticket offenders.	Yes	Pilot implemented and successful; stopped by Council Committee	Public Services, Dev. Services, Facilities
184	Contract for traffic signal maintenance.	Yes	Completed for Preventive Maintenance service. Repairs are less expensive when provided by City staff.	Public Services; City Manager's Office; consultant
185	Contract out streetlight repair and maintenance.	Yes		Public Services; City Manager's Office; consultant
186	Implement an effective Computerized Maintenance Management System in Public Services.	Yes		Public Services; IT

Recommendations Still In Progress

Table 6 shows the 39 recommendations for which City staff is currently in the process of analyzing or implementing.

TABLE 6: RECOMMENDATIONS IN PROGRESS

Rec. No.	Recommendation	Completed?	Notes	Responsible Department
4	Prepare and adopt a strategic plan for the government.	In progress	A strategic plan is in progress. The goals, objectives and strategic vision will be discussed during the retreat. The City has engaged a consultant to train staff how to develop strategic goals for each program.	City Manager, Mayor, and Council
8	Develop customer service protocols and provide customer service training for all employees	In progress	A Customer Service Task Force has been created and is meeting regularly. The goal of the task force is to bring forward administrative changes that will be implemented and a series of recommendations for the consideration of the Mayor and Common Council.	City Manager; HR
9	Implement a formal management system for the government in which work plans are prepared annually, and processes are established for regular performance reporting between departments and the City Manager's Office.	In progress	As part of the strategic planning process, the City has engaged a consultant to train staff on the development of strategic goals for the FY 2010-11 program-based budget. Thus, a formal work plan will be developed for each department as part of this process.	City Manager, Department Directors
10	Implement a system of basic performance measures for each program.	In progress	This will be a component of the program based budget for FY 2010/11	City Manager; Department Directors
11	Institute regular, periodic customer surveys for all City services.	In progress	City's current CRM system takes customer surveys. Being developed by the Customer Service Team.	City Manager
12	Complete a thorough analysis of the City's hiring processes, and implement the resulting improvement programs.	In progress	The process has been documented in writing. The implementation of portions of the process improvements are pending	HR, Civil Service

Rec. No.	Recommendation	Completed?	Notes	Responsible Department
12A	Complete a thorough analysis of the City's budget process and implement the resulting improvement programs.	In progress	Program based budget process in development	Finance
12B	Complete a thorough analysis of the City's purchasing processes and implement the resulting improvement programs	In progress	Staff is conducting a thorough analysis of possible changes for the City's purchasing process and will be presenting them to the Mayor and Common Council for approval.	Finance
12C	Complete a thorough analysis of the City's council agenda processes, and implement the resulting improvement programs.	In progress	An interdepartmental team has been meeting and has compiled a list of changes to enhance the agenda process. Administrative changes will be implemented. Those changes which involve policy changes will be presented to the Mayor and Common Council. Staff is also researching purchasing agenda management software through grant funds.	City Manager, City Clerks, all Depts.
26	Establish and staff a single City centralized bad debt collections operation.	In progress	The Finance Department has met with departments to discuss their methods of collecting amounts owed. Currently, the Finance Dept. is in the process of creating a plan to centralize the "bad-debt" collections that will be presented to the Mayor and Common Council for approval. In addition, the Integrated Waste Management process (Recommendation #187) will be discussed at a City Council meeting in 2010.	Finance
27	Update the cost allocation plan every two years.	In progress	A draft of the cost allocation report for FY 2009-10 is currently being reviewed by the Finance Dept.	Finance, City Manager
34	Establish a policy for purchasing approvals that is consistent with best practices and prudent management; raise the threshold for the requirement of Council approval.	In progress	Staff has completed a thorough analysis of possible changes to the City's purchasing process and will be bringing them forward to the Mayor and Common Council for discussion.	Finance

Rec. No.	Recommendation	Completed?	Notes	Responsible Department
38	Outsource the preparation of changes, updates and supplements to the City's Municipal Code and bring both the City Charter and Municipal Code to current best practices for local government.	In progress	City Clerk's office is in the process of updating the cost estimates. Funding is needed for implementation	City Clerk
48	Implement an electronic index of key documents on file.	In progress	Internal indexing has been done and documents scanned through 1980	City Clerk; IT
57	Implement a multi-level preventative maintenance program that is unique to each class in the fleet.	In progress		PS/Fleet
62	Re-evaluate the use of daily take home units and develop policy and guidelines that reflect standards for take home units.	In progress	Proposed changes are subject to the meet and confer process.	City Manager; Fleet Committee
76	Develop a charge-back system that incorporates fleet replacement, overhead and all operational costs.	In progress	Completed for the operational costs but not for the replacement costs	Fleet/Finance
78	Include in the Fleet Management Information System Request for Proposals for the capability to track performance measures, effectively monitor and manage the Fleet Management function, and design reports that will capture information that supports those measures.	In progress	Estimated completion FY 2010/11; an RFP for the software program is in the process of being completed	PS/Fleet
90	Hold a meeting between the City of San Bernardino Fleet Services Division and the Fire Department Fleet to explore ways in which to piggyback with the City on commercial contract fleet services.	In progress		Fleet; Fire

Rec. No.	Recommendation	Completed?	Notes	Responsible Department
95	Create an IT governance committee.	In progress	A committee was established in November 2009 and is meeting regularly. The goal of the committee is to work with the IT Department to develop a 5 year strategic plan that addressed the current and future needs of each department and identified funding opportunities	IT
97	Create a long-range IT capital plan.	In progress	Work began in November 2009	IT
99	Consolidate the duties, responsibilities, and resources (including funding and staff) of the current Civil Service Administration and Human Resources Department into a single Human Resources Department.	In progress		City Manager, HR, City Attorney, Civil Service Board
104	Update the City's existing <i>internal service charges</i> to fully recover applicable costs incurred in providing employee training.	In progress	HR Administration charges will be implemented with budget modifications. Complete for Risk Management and Workers' Compensation; working with agencies to recover costs	HR
107	Determine core competencies of management and establish a professional development plan on an annual basis as part of the employee's performance plan.	In progress		HR
112	Identify the impact of Charter or other institutional provisions that limit the ability of the Mayor and Council to manage and prioritize spending.	In progress		City Manager; Finance; Mayor and Council
116	Update the City's existing fees for service and internal service charges to fully recover applicable costs for the new technology.	In progress	Currently have technology fee in PRCS and DS.	IT; Finance; City Manager
118	Increase capacity of existing sworn personnel by hiring additional Community Service Officers (CSOs).	In progress	Hiring plan has been developed pending lifting of hiring freeze. (COPS and JAG monies). However, PD recommends hiring cadets instead of CSOs which can be paid with JAG funds.	PD

Rec. No.	Recommendation	Completed?	Notes	Responsible Department
120	Create a staffing plan to enhance internal civilian support in the Police Department.	In progress	In conjunction with recommendation number 118.	PD
128	Lead the effort to build a regional animal control facility with participation from the County and local cities.	In progress	In early 2010 the City will hire a consultant to begin work on a potential JPA. The Mayor and Common Council approved the funding for this work in November 2009.	Animal Control
138	Establish and implement clear guidelines requiring special events to either cover their costs, including staffing, or be subsidized at a rate determined as a matter of policy.	In progress	Analysis in progress. Estimated completion date is March 2010.	PRCS
142	Establish clear guidelines that define the level of maintenance services that will be provided to the City's parks and open spaces.	In progress		PRCS
146	Adopt a policy that encourages hiring contract services in development services to augment baseline staffing.	In progress	Ongoing; Analysis is in process. Estimated completion is March 2010.	Development Services
148	Establish future budget plans for development services activities that are sensitive to economic changes with a conservative baseline of staffing to address a reasonably sustainable workload.	In progress	Analysis is in process. Estimated completion is March 2010.	Development Services
151	Complete a process analysis of the role of Parks in private development plan checks and inspections to eliminate duplication of effort and inefficiency.	In progress	Parks estimates completion in 18-24 months	Development Services, Parks
163	Update the city's cost allocation plan to account for the fact that certain significant costs, including depreciation, may not be included within the overhead costs.	In progress	A draft of the report is currently being reviewed by the Finance Dept.	Finance, City Manager

Rec. No.	Recommendation	Completed?	Notes	Responsible Department
169	Complete process improvements and/or outsourcing to increase CIP project delivery by at least 10%.	In progress		Development Services
177	Establish formal, collaborative relationships between the Library Department - and its Literacy Center - and compatible City departments for crime prevention, economic development, and workforce development efforts.	In progress	The library has at least a dozen current partnerships with other literacy agencies and they are developing relationships with other City departments. This will be a priority for the new Library Director.	Library staff; Police; EDA; SBETA
183	Complete a condition assessment for the City's sewer lines.	In progress	Underway, master plan to be bid in FY 2009-10	Public Services
187	Provide support for the Refuse section of Public Services to implement its new delinquent billing process.	In progress		Public Services

As can be seen, departments at work in implementing recommendations include primarily the City Clerk, Fleet, Public Services, Police Department, and Information Technology. Many of these recommendations require collaborative efforts between City departments and/or with outside contractors and, thus, have required time to implement. In some cases, funding for implementation is included in the FY2010/11 budget.

Recommendations Yet To Be Completed

While the City has made progress in the last two years implementing many of the recommendations in the 2007 report from Management Partners, there are still a number of recommendations that can be implemented that will enhance the efficiency and effectiveness of this organization.

Table 7 shows the 88 recommendations that have yet to be completed.

TABLE 7: RECOMMENDATIONS YET TO BE COMPLETED

Rec. No.	Recommendation	Complete?	Notes	Responsible Dept.
1	Develop a plan to modernize the current government organization by clarifying lines of authority and encouraging efficiency.	No		Mayor and Council
1A	Amend the Charter to transfer the hiring/firing responsibility of appointed department heads to the City Manager.	No		Mayor and Council
1B	Centralize City support services such as finance, human resources, and purchasing for all City functions - including those currently maintaining separate, duplicate functions - to create new fiscal, efficiency and employee economies of scale.	No		Mayor, City Manager, EDA Director
2	Consolidate all City financial functions under a single Chief Financial Officer.	No		Mayor, City Manager, EDA Director
3	Raise the real property transfer tax to the average level for charter cities in California.	No	Staff is updating a previous analysis on a possible property transfer tax measure	Mayor and Council
6	Explore the feasibility of centralizing City ombudsman/Reception functions in the City Manager's Office	No		
13	Combine and share support staff in the Common Council and Mayor's Offices.	No	To be discussed as part of the possible reorganization, consolidation, and streamlining of City services during the department head and Mayor and Common Council workshops.	Mayor and Council

Rec. No.	Recommendation	Complete?	Notes	Responsible Dept.
14	Explore the feasibility of transferring/consolidating three support staff FTEs from the Mayor's Office to serve in the City Manager's Office, and evaluate the transfer of other professional staff.	No		City Manager; Council; Mayor
16	Prepare legal opinions on key issues in writing to departments, and provide all written legal advice (both in informal memo and formal memo form) on the City's intranet to provide access to all City staff.	No		City Attorney
17	Increase professional resources devoted to land use and development law by reallocating resources or adding staff within the City Attorney's Office.	No		City Attorney
19	Prepare an annual Litigation Report that comprehensively analyzes and reviews outside counsel referrals and compares results to in-house options.	No		City Attorney
22	Offer annual training on key topics and City Attorney's Office processes to user departments.	No		City Attorney
23	Establish published turnaround time goals for City Attorney key processes.	No		City Attorney
24	Develop contractual language to be signed by at-will employees upon hiring which clarifies that performance evaluations will not change employment status.	No		City Attorney
25	Implement a two-year budget.	No	Will be considered after the program budget format change is completed.	Finance; City Manager

Rec. No.	Recommendation	Complete?	Notes	Responsible Dept.
28	Establish a policy and procedure to ensure that special revenue funds are self-sufficient.	No	Most funds already are self-sufficient but will be reviewed as part of the budget process. A program budget may address many of the issues with special revenue funds such as baseball, soccer, and the cemetery.	Finance, City Manager
29	Adopt a policy establishing a reserve target.	No	In previous years the MCC has strived to obtain a 10% General Fund Reserve. A formal policy is being developed and will be presented to the Mayor and Common Council for consideration.	City Manager, Finance
31	Create an Internal Service Fund for Facilities and establish charges to put the fund on a self-sustaining basis.	No		Finance, Facilities
32	Prepare a five-year maintenance plan, and a five-year capital replacement plan for City facilities.	No	Initially could be based on the capital expenditure list. Full plan is expected by FY 2011-12.	Facilities
35	Implement the use of Cal Cards or credit cards for authorized purchasers.	No	The City currently has credit cards for selected employees/departments. Research was presented to Ways and Means in 2008 and no action was taken. This issue will be discussed as part of the purchasing process review.	Finance
36	Adopt the best management practice of charging depreciation for facilities and equipment to city program budgets.	No	Accounting change would require thorough evaluation of all sites. Lack of funding for review.	Finance; Facilities
37	Explore shared financial systems for the Water Department and Finance Department when either has its next software upgrade.	No	City has joint agreements with both entities for a variety of reasons. Charter status does not prohibit service agreements.	Finance
40	Transfer responsibility for business registration and inspection, and the associated staff, to the Finance Department.	No		City Clerk, Finance

Rec. No.	Recommendation	Complete?	Notes	Responsible Dept.
41	Reallocate some business registration staff to other Finance Department duties.	No		City Clerk, Finance
42	Determine the actual cost per business for the business registration and Inspection program and complete an analysis of full cost recovery from each type and size of business.	No	Implemented a \$10 processing fee. However, that fee was eliminated because of a court order in a San Diego case. Now SB is refunding the \$10 fee. Thus, the implementation of this recommendation is not appropriate at this time.	City Clerk
43	Amend the Charter to allow the municipal election cycle to consolidate with state and other elections.	No	Even though SB is on a consolidated election schedule they are the only City left on the odd year schedule. All other agencies have changed to even year schedules. Thus, there is no cost savings until the change is made to even years.	Mayor and Council
44	Utilize a portion of the savings from consolidating the municipal election cycle for marketing purposes for "get out the vote" efforts.	No		City Clerk; Mayor and Council
45	Amend the Charter to consolidate municipal primary and run-off elections into one election for all City officers.	No	This is important for the modernization of the organizational structure.	Mayor and Council
47	Develop a plan to make scanned public records accessible on both the City's internal intranet and external internet website within an established timeframe.	No	In process of being analyzed; investigating different systems.	City Clerk; IT
49	Implement an internal service fund to manage costs for facilities including depreciation and maintenance.	No	Duplicate of #31.	Finance; Facilities
50	Establish full-cost market facilities fees for City facilities.	No	Using BOMA guidelines would attain full costs, but this has not yet been approved.	Facilities; Finance
51	Establish facility budgets to include a funded depreciation schedule and funding for cyclical repairs, including necessary administrative costs for managing the services.	No	Benchmark guidelines for costs are available.	Facilities

Rec. No.	Recommendation	Complete?	Notes	Responsible Dept.
52	Contract out all custodial/janitorial services.	No	Not applicable.	Facilities
53	Implement an asset management program.	No		Facilities
55	Develop Service Level Agreements between Fleet Services and each of its largest customer departments.	No		PS/Fleet
58	Develop a pilot program that offers "fast lube" services (for "A" level preventative maintenance service) for customers who must travel significant distances to the shop facility.	No	Additional staff needed	PS/Fleet
69	Negotiate rental agreements with local heavy equipment rental agencies for equipment to be used to augment the heavy equipment pool.	No	Heavy equipment needs are being coordinated with all City departments through a "central heavy equipment pool." Thus, there is no need to rent equipment from outside vendors.	PS/Fleet
71	Add one (1) FTE Storekeeper (Fleet Part Specialist).	No	This is needed but there is currently no funding for this position.	PS/Fleet
77	Perform an activity-based costing analysis of the fleet operation.	No	Consultant assistance will be needed to complete the analysis.	PS/Fleet
80	Develop an accounting methodology that credits the Vehicle Replacement Fund with salvage revenues and interest earnings and that incorporates auction fees and make-ready costs.	No		Finance / Fleet
81	Reinstate the process of City Departments setting aside funds on a regular basis for replacing their vehicles and equipment.	No	FY 2011/12: Due to the economic downturn these set - aside / replacement funds have been used to pay for General Fund expenditures.	City Manager
83	Develop a shop labor rate at the Water Department Fleet Services, along with markups for parts, sublet and fueling services.	No		Water

Rec. No.	Recommendation	Complete?	Notes	Responsible Dept.
84	Develop a chargeback system that incorporates fleet replacement, overhead and operational costs.	No		Water
85	Develop an overall comprehensive and clearly defined fleet maintenance policy in the Water Department.	No		Water
86	Form a Vehicle and Equipment Committee or Fleet Advisory Board for Water Department Fleet Services.	No		Water
87	Develop Service Level Agreements between Water Department Fleet Services and each of its largest customers.	No		Water
88	Establish a vehicle/equipment replacement fund in which customers contribute to the replacement cost of their units over time.	No		Water
89	Conduct a utilization study of the Water Department fleet in which the need for each vehicle is assessed.	No		Water
92	Develop a comprehensive and clearly defined fleet maintenance policy.	No		Fire
93	Incorporate heavy equipment into the City's vehicle/equipment replacement fund.	No	Funding limitations will not allow implementation at this time.	Fire
94	Centralize the fleet management function by merging the Fleet Services, Water, and Fire fleets.	No		Fleet; Water; Fire
96	Establish IT enterprise standards.	No	Need to develop scope for how this would work.	IT

Rec. No.	Recommendation	Complete?	Notes	Responsible Dept.
98	Explore the feasibility of establishing an entrepreneurial fund for loaning start-up capital to IT and line departments for use in automation projects that deliver staffing or other cost reductions.	No	Need to develop scope for how this would work.	IT
100	Evaluate the potential outcomes of consolidating human resources duties, responsibilities, and resources (both funding and staff) of the Library, Water, and EDA/RDA Departments into the consolidated HR Department.	No	HR providing services for Library and EDA.	EDA, Water
103	Complete a citywide training needs assessment and training development plan. Develop programs to meet the assessed training needs of the City government.	No	Will begin work on this in early 2010	HR
105	Develop and implement a plan for training the trainers.	No		HR
110	Complete an analysis of the requirements to reduce City liability as a result of defective infrastructure.	No		HR; Public Services; Development Services
111	Obtain competitive bids on administering the City's workers' compensation program to determine the most cost-effective service - in-house or otherwise.	No	Not done but department is interested in exploring.	HR
114	Obtain a state-of-the-art management information system for the human resource application.	No	Pending and HR is supportive. Being reviewed through the IT strategic plan process	HR
121	Place district operations sergeants in control of each district command and move the lieutenant district commanders elsewhere.	No	New Chief is evaluating the organizational structure of the department.	PD

Rec. No.	Recommendation	Complete?	Notes	Responsible Dept.
122	Move the Crime Analysis Unit from Investigations to the Executive Staff and focus its work solely on provision of crime maps and trend analysis in the prevention of crime.	No	Chief would like to explore reorganizing the Crime Analysis Unit.	PD
123	Reorganize the Special Enforcement Bureau into its own Division headed by a Captain.	No	Currently under review. Chief is looking into possible restructuring and possible span of control issues.	PD
125	Complete implementation of Tiburon Automated Report System in the Police Department.	No		PD
126	Undertake discussions with the SB County Sheriff and County Fire about consolidation of City police and fire dispatch operations, respectively.	No	Not recommended (Police and Fire)	Fire, Police
127	Review current dispatch procedures as an interim measure, and improve coordination and cross-training between the City's Fire and Police dispatchers.	No		Fire/Police
131	Establish and charge a fee for City Fire response to non-residents involved in incidents on the freeway (study feasibility of this concept).	No	Fire analysis shows that revenues would be minor. Fire is in the process of implementing a hazardous materials fee instead.	Fire
132	Implement a light duty program for fire-fighters.	No	Fire support, requires assistance from HR, City Attorney, and labor organization	Fire; HR; City Attorney
135	Institute a cost-recovering Inspection on Sale Program.	No	Code Enforcement does not support this program; adds another layer of bureaucracy. Have already implemented an annual single family inspection program for rentals (3 or fewer units) for a fee. Fire prevention pays for 2 code officers to complete these inspections. Program for multi-family (4 or more units) has been in place since 1998.	Code Compliance

Rec. No.	Recommendation	Complete?	Notes	Responsible Dept.
140	Complete the agency self-assessment developed by the National Committee on Accreditation for Park and Recreation Agencies.	No	Department director does not agree with this recommendation. Only two cities in California and two in Nevada have this accreditation. Director believes that there is no cost benefit to going through this process.	PRCS
145	Adopt an appropriate revenue recovery policy for San Bernardino recreation programs and services.	No	To occur within 12 months w/formal adoption of Parks Master Plan. Department has made fee adjustments during the last two years. However, the revenue generated has been small. Department is unsure where the \$500K revenue estimate came from in the original report.	PRCS
154	Reorganize the special district program and outsource assessment district management.	No		Development Services
156	Conduct Prop 218 elections to increase assessment district fees to recover actual costs.	No	Being reviewed by staff and under review by the City Council Committee.	Development Services; consultant
157	Authorize the hiring of an additional Deputy City Manager or Assistant City Manager whose primary role will be to manage development services.	No		Mayor and Council; City Manager
158	Initiate pilot program for City customer satisfaction surveying in Development Services.	No		Development Services
159	Reclassify the Senior Engineer position that manages the Traffic Engineering function to a Traffic Engineer position.	No		Development Services
160	Reclassify the Field Engineer position that manages the Land Development/Plan Check Division to Principal Engineer position.	No		Development Services

Rec. No.	Recommendation	Complete?	Notes	Responsible Dept.
161	Divide the responsibilities in the Real Property division so that the Assessment District functions are lifted out, and a new division to oversee and administer assessment districts is created.	No		Development Services
168	Provide a fiscal staff person to either finance or PW to assist with the development of the CIP.	No	Not completed because of financial reasons; requires assistance from Finance	Development Services
170	Amend the Charter to authorize design-build contracting.	No		Mayor and Council
171	Enact a Charter amendment to place the Library Department under supervision of the City Manager.	No		Mayor and Council
172	Adopt a clear policy regarding the future growth of Library services, including a policy statement addressing an adopted level of service for existing Library services vs. the addition of new Library services.	No	The Library agrees that this needs to be done. However, financial limitations have prohibited new services now and in the immediate future. The Board is hopeful that this will be addressed when a permanent Library Director is hired.	Library Board; Mayor and Council
173	Create a Library Master Plan that addresses future funding for both capital and operational expenses for any new library facilities.	No	No funding to complete a Master Plan and no plan for any new facilities in the near future given the fiscal situation.	Library Board; Mayor and Council
174	Dedicate any state of California library monies received by the City for purchase of materials and/or inventory scanners and RFID tags.	No	The Library already uses state funding for books and maintenance for the integrated library system. State Library funding has been significantly reduced statewide.	Library Board; Mayor and Council
175	Explore facility-sharing opportunities with the School District.	No	The City did not participate in previous facility sharing bond measures. However, after a new director is hired the Board will explore facility sharing, stand-alone facilities, reopening previously closed facilities and below market value commercial space.	Mayor, City Manager, Library

Rec. No.	Recommendation	Complete?	Notes	Responsible Dept.
176	Reduce the number of stand-alone library branches once the number of shared facilities has increased to serve the population.	No	When funding is available, the Library Board would like to increase the number of standalone branches.	Mayor, City Manager, Library
178	Reorganize to place responsibility for sewer line maintenance under the Water Department.	No		City Manager; Water Department, Public Services
180	Prepare bid specifications for residential and commercial refuse services and go out to bid under managed competition, identifying potential cost savings of contracting out.	No	Business plan should be implemented before this is considered. Consultant has been retained to look into this issue. Draft report is not complete.	Public Services; City Manager's Office; consultant
181	Establish procedures to link refuse billing to water department service.	No	Will be addressed in Integrated Waste Management software changeover.	Refuse; Water

The nation has gone into a severe recession. The State of California has been especially hard hit with the sub-prime housing crisis and high unemployment rates. These issues have resulted in a fiscal crisis for the country as a whole as well as for state and local governments as well. The City of San Bernardino, like other local governments, has been faced with decreasing revenues and increasing expenditures over the last several years. Since FY 2007-08 the City has eliminated 173 FTE's.

One of the main reasons for some of the recommendations not being implemented to date is a lack of available funding. Several recommendations require implementation by the City Manager, policy changes by the City Council or changes to the charter. These take time and require a phased approach to implementation. In some cases recommendations required further analysis; in other cases department directors expressed reservations regarding the validity/feasibility of specific recommendations.

KEY ISSUES

Since the original report in 2007, many changes have occurred. The loss of state revenues, combined with declining property values and, thus, property tax revenues, as well as declining sales tax, is a “triple whammy” economically for San Bernardino. The City has had to run a lean operation while continuing to provide services to residents.

It is estimated by City staff that the fiscal impact of the real property transfer tax increase is \$2.5 million. In addition, the fiscal impact of implementing a light duty program for firefighters is between \$500,000 to \$1 million. Other high value recommendations include combining human resources and finance functions of the EDA, Water and rest of the City and consolidating municipal elections with the county and state. Thus, there is potential for the City to further reduce expenditures with the recommendations that have yet to be implemented. As decisions are made to proceed with the implementation of the remaining recommendations the fiscal impact can be calculated at that time.

As part of this update, we would like to refocus on the most important issues raised in the 2007 report.

Organization Structure

Organization structure was a primary issue in the 2007 report. A comparison of San Bernardino's organization structure in comparison with peers showed that it was somewhat unique in the number of reporting relationships and, in some cases, lack of clear accountability. The 2007 report stated:

While this report identifies specific, practical ways the City can become more efficient and save money, the overall theme of this report is that the City government needs to be modernized. The political and management super-structure needs to be streamlined. Its internal organizational infrastructure needs to be allocated so that sufficient resources are available to maintain City assets and provide adequate support for workers who serve residents. The financial systems of the City need to be robust enough to promote sound, sustainable fiscal management.

A review of San Bernardino's organizational structure is informative as it visually illustrates the lack of clarity in authority and accountability across the City government. The City's organizational structure is reflective of the City's Charter, interpretation of Charter requirements and existing practices.

In spring 2006, the City Charter was amended and the voters decided to change the City to a modified City Manager form of government. This is a recent development and the City remains in transition. The former City Administrator has been converted in title to a City Manager. But the remainder of the City organization has not been converted to a council/manager form of government, with a unified reporting structure under a city manager serving as chief executive appointed by the City Council. This report may be used as a roadmap for more fully implementing the management systems typically associated with a city manager form of government.

The management system of the City does not follow the traditional organizational model of modern city government. San Bernardino's organization structure resembles neither a strong mayor nor a council/manager form of government because several department heads are appointed by, and report to, boards appointed by the city council. Thus, the transition from strong mayor to council/manager form of government is incomplete and not yet structured properly to ensure the optimum coordination and alignment of the organization. The roots of this confusion stem from the literal wording of the City Charter, from interpretations of the Charter, and from past practice.

The Charter's designation of who hires and fires employees and certain officials results in confusion about the roles of city leaders, especially the City Manager. It creates a system of government that more closely resembles a county than a city.

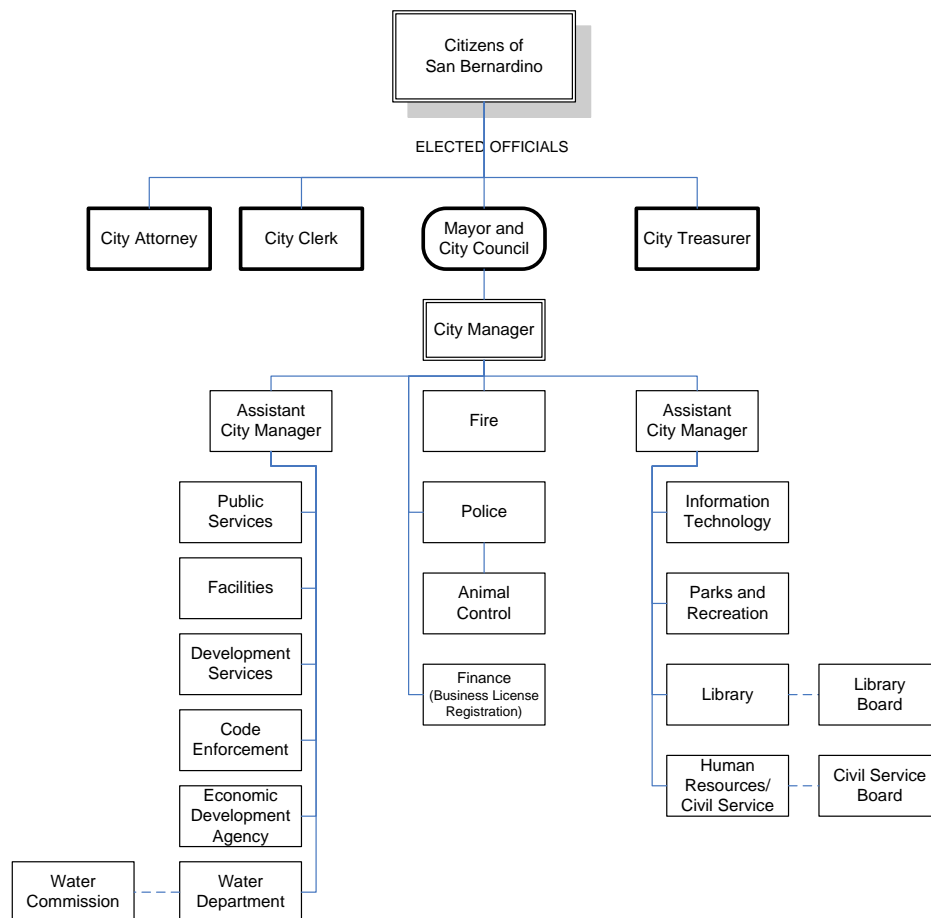
The first recommendation in the 2007 report was to “Develop a plan to modernize the current government organization by clarifying lines of authority and encouraging efficiency.” This was intended to streamline the organization chart. This was followed by two specific sub-recommendations:

- 1) to transfer hiring/firing responsibility of appointed department heads to the City Manager, and
- 2) to centralize City support services in order to achieve economies of scale.

While many of the recommendations from Management Partners’ 2007 report have been implemented or are in the process of being implemented, full transition from a Strong Mayor to a Council/Manager form of government has not been completed. In San Bernardino, the numbers of support staff positions in the Mayor and Council offices are higher than in peer cities; while the number of San Bernardino’s support staff positions in the City Manager’s Office is lower than average. For example, the original report recommended a transfer of three Mayor’s Office staff to the City Manager’s Office.

Management Partners believes diffused responsibility and lack of accountability, along with outmoded bureaucratic systems and procedures continue to impede the government’s ability to respond and deliver services in a uniform and efficient manner. An initial streamlined organization structure for the City might appear something like that shown below in Figure 19:

FIGURE 19: POTENTIAL STREAMLINED ORGANIZATION STRUCTURE



This is an example of a possible organizational chart showing how the City's structure can be streamlined by having all operating departments report to the City Manager which is appropriate in a council-manager form of government. Further streamlining should include combining departments to lessen the number of direct reports to the City Manager. The organizational chart in Figure 19 is similar to the organizational structures of the peer cities' discussed earlier in this report.

As stated in the last evaluation, it is time for San Bernardino to modernize its organizational structure to increase its level of efficiency and effectiveness. As we explained in the 2007 report and we emphasize in this update, the systems and process in the City of San Bernardino are outdated and do not allow the organization to function at an optimum level. However, through full implementation of the 2007 Management Partners recommendations San Bernardino will be able to achieve this goal.

Service Consolidation

In conjunction with the discussion about organization structure as noted above, several recommendations were aimed at consolidating similar programs (finance, fleet) that were operated separately in different departments. The concept was that economies of scale, and thus cost savings, would be realized by consolidating similar operations. This remains a viable goal.

An overall theme in the original report was that the City's support services have been under-funded and under-supported, resulting in a deterioration of service levels. Because of the inability of internal service departments to perform (due to lack of budget and, more importantly, lack of staff), the direct service departments no longer choose to use most central support services and have created alternative means to get the job done. In most cases, this includes decentralizing the function by starting up their own independent (and redundant) support services. This is highly inefficient and goes against the concept of economies of scale.

Besides the lack of resources, support services also have been taxed because of the City Manager's and Common Council's high demand for centralized control over items that would be handled at the department level in other cities. Some examples of this include low approval authority for purchases, line item budget control and already budgeted new hires for staff positions.

In reviewing City operations from a corporate perspective, four key processes were repeatedly identified by managers and employees during our interviews as needing improvement: 1) the purchasing process, 2) the budget process, 3) the hiring process, and 4) the Council agenda process. Since the report, staff has begun work to improve and streamline these areas.

Aside from the City's own internal services, service consolidation was recommended with external partners as well. Several report recommendations noted the need to collaborate with other local cities, regional agencies, and/or the school district. Table 8 lists the recommendations related to service consolidation and/or collaboration with internal or external agencies.

TABLE 8: SERVICE CONSOLIDATION RECOMMENDATIONS

Rec. No.	Recommendation
1B	Centralize City support services such as finance, human resources, and purchasing for all City functions - including those currently maintaining separate, duplicate functions - to create new fiscal, efficiency and employee economies of scale.
2	Consolidate all City financial functions under a single Chief Financial Officer.
6	Explore the feasibility of centralizing City ombudsman/Reception functions in the City Manager's Office.
13	Combine and share support staff in the Common Council and Mayor's Offices.
94	Centralize the fleet management function by merging the Fleet Services, Water, and Fire fleets.
99	Consolidate the duties, responsibilities, and resources (including funding and staff) of the current Civil Service Administration and Human Resources Department into a single Human Resources Department.
100	Evaluate the potential outcomes of consolidating human resources duties, responsibilities, and resources (both funding and staff) of the Library, Water, and EDA/RDA Departments into the consolidated HR Department.
126	Undertake discussions with the SB County Sheriff and County Fire about consolidation of City police and fire dispatch operations, respectively.
128	Lead the effort to build a regional animal control facility with participation from the County and local cities.
175	Explore facility-sharing opportunities with the School District.
177	Establish formal, collaborative relationships between the Library Department - and its Literacy Center - and compatible City departments for crime prevention, economic development, and workforce development efforts.

Given the current fiscal environment, the need to collaborate and consolidate is critically important in order to achieve cost savings.

CONCLUSION

During the past two years, the City has implemented over one-half of the 187 recommendations (192 with five sub-recommendations) in Management Partners' 2007 organization review. This achievement, accomplished during a period of fiscal difficulty, is due to the hard work of management and staff. They deserve recognition for this accomplishment.

Nevertheless, many recommendations remain to be implemented, including one of the most important: to streamline the organizational structure to bring about greater accountability and consolidation of similar operations. The streamlining of the organization coupled with transferring the hiring/firing responsibility of appointed department heads to the City Manager will enhance the City's level of efficiency and effectiveness. An efficient and modernized government will be able to more effectively implement the remaining recommendations which will further create a local government that is serving the San Bernardino community at an optimum level. Making these complex changes in a city like San Bernardino will require involvement and support from the Mayor, City Council, and City Manager. Peer cities have already done so, proving that while it is difficult it is not an impossible feat.

Opportunities remain for organizational streamlining and service consolidation, particularly for support services among departments and agencies but also with external partners such as the School District and other municipalities in the region. Service consolidation is a best practice trend nationally and San Bernardino could be a regional leader in pursuing such opportunities.

The City has taken steps to improve communication with residents, increase fees and cost recovery rates, improve its internal processes and budget document, and streamline fleet operations, among other actions. Many other recommendations remain as opportunities in the future.