

Expense Control Task Force 2nd Interim Report - Approved

Submitted to the Board of Selectmen
April 6, 2009

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Expense Control Task Force



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Background



The objective of the ECTF is to enable more cost-efficient delivery of services or provide material expense reductions or provide a material reduction in the growth of Natick's municipal and school expenses as measured by recent, historical annual expense growth.

Approach

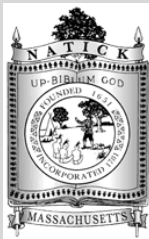
- The Expense Control Task Force has framed our approach in a manner to achieve structural change in how General Government and the School Department operate.
- We followed a process to learn as much as possible about the operations of key Town and School departments.
- Our approach is to define what are the core services to be delivered and to identify ways to provide those services more effectively and efficiently, meeting the needs of the citizens of Natick now and in the future.

Focus

- The Task Force focused first on operations so that redundancies and inefficiencies could be identified.
- Our efforts were to develop recommendations resulting in opportunities for cost savings and long term cost controls.
- We continue to look for ways to MANAGE the costs of providing services.
- We may recommend a changes to services to the respective Boards.
- We are actively seeking opportunities to achieve economies of scale while not necessarily increasing overall costs.

Current Direction

- We believe long term structural changes will result in long term financial health.
- The Task Force is identifying the means and the areas to control costs over time- seeking a mix of near term and longer term cost control approaches.
- Change starts with setting meaningful and measurable goals and expectations, engaging leaders to champion change, and holding all employees of General Government and School departments accountable for meeting or exceeding their goals.



Background

- The ECTF maintained a focus on qualitative analysis and assessment throughout 2008 and into 2009
 - The ECTF focused on developing its initial recommendations based on qualitative analysis and detailed evaluation of how various departments and teams worked.
 - We presented our initial recommendations prior to doing the detailed financial analyses to ensure that we had support of the Board Of Selectmen before moving forward.
 - Based on the collective experience of the Task Force members, as part of its analysis effort, we believe it is critical to seek savings over time to the level of 5-10% of the current Town budget.
 - Other cities and towns have recently begun similar Task Force type efforts. A sample of potential savings are shown

Brookline

- Solid and Yard Waste Collection – currently a \$1m+ budget. Based on Outsourcing bids there is a potential savings of \$750k over 7 years, plus pension costs and OPEB
- Fleet Maintenance – Currently a \$2+ million annual budget across 3 different facilities, and fleets in Brookline, Industry maintenance standards suggest number of mechanics could be reduced, Potential savings of \$300,000-\$700,000
- Libraries- Deploying RFID tags on books should allow staff reductions of one FTE in mid-FY10, potentially another in FY11 realizing a \$57,000 savings per FTE annually

Newton

- Consolidating the Parks functions of the current Parks and Recreation Department within the Department of Public Works (DPW). *Potential savings of at least \$100,000 - \$250,000*
- Improving payroll management efficiency by converting the City payroll from a weekly to a biweekly cycle and the school payroll from bimonthly to biweekly. *Potential savings of over \$140,000, primarily in equivalent administrative time*
- Eliminating the fire call box system. *Potential savings of \$200,000*
- Decreasing snow plowing standards. *Potential savings of \$125,000 to \$250,00.*

Wellesley

- Nine union contracts settled representing approximately 85% of all union employees town-wide; All incorporate the Town's principal objective of transitioning employees to the Rate Saver health insurance plan. As a result, total benefits expense increased only 2%, compared to an average annual increase of approximately 12% over the last five years, saving \$1.2 Million in FY2010

- Many of these are recommendations that Natick's ECTF identified, in our October 2008 recommendations, for the very same savings opportunities- bi-weekly checks and direct deposit, eliminating fire call boxes outside downtown, eliminating yard waste and bulk pick-ups.



Recommendations

- From April 2008 through February 2009 the Task Force:
 - Met 21 times in public meetings at an average of 2 ½ hours per session
 - Interviewed over 16 department heads or Director levels across Gen Gov and NSD
 - Benchmarked over 30 sources of surveys and data from within Massachusetts and across the U.S.

- Our evaluation efforts are based primarily on the interviews, leveraging prior studies and incorporating the learning from the benchmarking studies and applying leading practices for both municipal government and private industry.
 - The Task Force considered 45 potential areas or ideas for expense control
 - These were clustered into 12 groups and further prioritized
 - The Task Force then identified 9 long term and 5 short term opportunities for in-depth analysis
 - Some of the 9 long term opportunities became the initial recommendations in the first Interim Report of October 20, 2008
 - From November 2008 through February 2009 the Task Force continued to analyze data and conduct interviews from the remainder set of 9 long term and 5 short term opportunities
 - The Task Force continues to track and monitor a number of cost savings, cost control and improvement areas that were under review by various GenGov and/or School departments.



Recommendations

On October 20, 2008, the ECTF presented the first four recommendations to the Board of Selectmen and School Committee. These recommendations are expected to provide sustainable and meaningful cost savings, improved policy management oversight, and support delivery of efficient and effective services to Natick.

Facilities Management Shared Service Transformation

Recommend the consolidation of the General Government and School Department Facilities Management (Building Maintenance) groups into a single Shared Service serving all Town and School buildings with strong leadership, excellent operational and financial practices, adequate funding, and appropriate service levels and exceed expectations of all constituents around quality of work, building management, employee and child safety. This recommendation is possible to execute in the near-term time-frame.

Human Resources Shared Service Transformation

Recommend operational consolidation of the General Government and School Department Human Resource (HR) departments. The Shared Service model is possible to execute in the near-term. Such a consolidation is anticipated to result in more formal collaboration and consistency of processes for labor relations, contract management, recruitment/retention functions, administrative functions, performance evaluation/measurement, and benefits administration.

Information Technology Shared Service Transformation

Recommend the operational consolidation of the General Government and School Department Information Technology departments into a cohesive and responsive town-wide Information Services and Technology Shared Service model. This recommendation will improve cost management, increase efficiency of IT services, improve service delivery effectiveness and improve the integration of computing technologies, communications platforms, applications and productivity tools.

Procurement & Purchasing Shared Service Transformation

Recommend the consolidation, integration and implementation of shared procurement procedures between the General Government and School Department Purchasing/procurement functions. This recommendation will improve overall cost management through volume buying, increase overall efficiency, improve controls through centralized purchasing functions and allow the system to take advantage of economies of scale.



Recommendations

Further investigation, analysis, and discussion have already been initiated on some of our initial recommendations. For example:

▪ **Human Resources Shared Service Analysis**

- Data has been sought and visits have been made to towns, such as Andover, where HR consolidations or Shared Service models have been implemented. The benchmarking has not yet proven an opportunity for savings, but the investigation is still open.
- A review of current professionals and their contracted relationships with the Town revealed potential contractual impediments to near-term HR consolidation. Nevertheless increased communication and sharing of best practices is being pursued in the near-term.

▪ **Information Technology Shared Services**

- The alignment of IT resources to department support has been accomplished, moving two resources to the school IT department. This netted the intended one FTE reduction* (estimated to be approximately \$65,000 in annual savings).

▪ **Purchasing and Procurement**

- The GenGov and NSD purchasing teams have been collaborating to develop and distribute Requests For Proposals (RFP) for a new food service contract. The new RFP encourages a more aggressive outsourced approach. Several highly qualified interested parties, have or are expected to submit proposals that are more favorable to the School Department than the current contract.
- The two purchasing teams have also been collaborating on developing a new RFP for the shared Copy Center/mail room located in the Town Hall.

▪ **Near-Term Initiatives**

- The Memorial School kitchen project has been put on hold pending further review. (Currently estimated to be a deferral or a potential savings of \$235,000)
- Some capital maintenance/replacements projects that were based on a standard projected lifetime have been delayed based on the observed condition of the facilities involved. Specifically, a new roof for Memorial School has been delayed as the current roof, while at its projected life, still serves fully functionally.

Note: * This savings has been deferred in connection with the Federal ARRA "stimulus". The result of this deferral will be quicker and more complete adoption of efficiencies through automation



Recommendations

Over 67% of operating costs for the Town come from direct and indirect compensation costs for employees. To manage long term costs that are embedded in collective bargaining agreements the Task Force supports significant changes to contract language.

Contract Recommendations

Synchronize Contract

- Ensure all contracts follow the same fiscal year schedule to be co-terminus with the Town's annual budget schedule and expire simultaneously. This would include having any annual salary, COLA or benefits adjustments take effect at the start of the new fiscal year rather than at the start of a calendar year.

Enabling Lowest Cost Benefits Plan Provider

- Participate in any and all benefit programs that allow the Town to manage to the lowest cost providers on a year to year basis during the contract period, while maintaining continuity of benefits during the contract period.
 - The intent is to provide appropriate coverage to Town employees while allowing the broadest possible range of cost management and cost mitigation options to the Town in order for the Town to maximize flexibility in which plans to consider and offer on an annual basis.
 - This approach is a best practice that has become well-accepted in the private sector and helps to manage long term costs.

Capping Town Contributions

- Cap the health care contributions from the GenGov and SC/NSD side, even if that means employees' share or annual premiums or co-pays increases yearly. Consider including Health Savings Accounts as an integral part of the health benefits plan.

Total Cost of Contracts

- Fully understand the costs of contracts, salary, direct benefits, and indirect benefits, as well as incremental pay treatments such as step-ups, longevity bonus, training bonus, sick day buy-backs, etc.
 - Consistent with that analysis review all work rules that impact costs on an annual and longer-term basis (e.g. minimum shift requirements for Fire Department, using FF for Smoke Detector certifications, etc.).
 - Establish a mechanism so salary and other direct compensation payments move up or down based on a percent of total town revenues; or, have COLA adjustments both upward and downward using indices that correlate to revenues.



Continuing Analysis

The Task Force has begun to go into deeper analysis in some new areas that have the potential for continuing to drag on the operating budgets of several departments

- Sassamon Trace Golf Course
 - Recommend **the Board of Selectmen charge the Town Administrator conduct monthly status reviews** on the revenues and forecasts for the Golf Course during the 2009 season. The STGC should **provide a detailed cost mitigation plan to the Expense Control Task Force and the Board of Selectmen** that provides details as to what steps will be taken to close shortfalls as the season progresses
 - We would like Mr. Bois to move forward with meetings with interested alternative energy companies to assess the Landfill's viability for solar, wind and other green energy options. **We expect Mr. Bois to provide a report back to the Task Force in the May time period.**
 - The Task Force is concerned about the true potential savings that the golf course will realize from the private well system if there are undocumented costs to the Town. As well, it is unknown whether there would be incremental costs to the town to dismantle the well water system if it should ever be shut down. **We believe this requires review by Town Council and further public discussion.**
 - The Task Force has concerns regarding new contracts being entered into by the Town with private parties, who will benefit from the well-water system by building/using a drip irrigation system for a commercial business in Sherborn, especially when the Town of Natick is currently encumbered with potentially unfavorable contracts with these same parties. **We believe this requires review by Town Council and further public discussion.**
- Workforce Scheduling/Shift Management & Overtime Budgets
 - The Task Force will **analyze how the municipal departments do scheduling-** software, spreadsheets or manual approaches. We will consider the critical factors that might benefit from optimization such as applying Union Work Rules, Skill Levels, Compliance, Certification, Vacation, Training, Step-Ups, Short term Emergencies (Flood, Snowstorm), Short Term Schedule Optimization due to sickness, MIA, etc.
- Ambulance Services
 - The Task Force would like to be integrated into the current study sponsored by the Town Administrator and under the direction of the Deputy Town Administrator. We anticipate that **as an independent Task Force we can support a rigorous and detailed analysis** of the total costs, potential revenues, operating approaches and service delivery options and provide strong support and guidance in the final deliverable.
- Financial Management
 - We will continue to analyze how to move to quarterly book closing, financial reporting and 12, 24 and 36 month revenue and expense forecasting in order to be well-equipped to understand the financial health and fiscal outlook of the Town.
 - The Task Force believes it is imperative to move to bi-weekly payroll checks and direct deposit for all checks (payroll, red checks, etc.) without further delay. This is overdue for implementation and realizing the savings.



Continuing Analysis

The Task Force, in submitting this 2nd Interim Report to the Board of Selectmen, is providing status on its efforts and direction. The Task Force members are committed to supporting the needs of the Town through the Board of Selectmen.

- The Expense Control Task Force recommends, as its next steps, and with affirmation by the Board of Selectmen, to engage in a detailed analysis of the total costs of all contracts (direct, indirect, annual and long-term), planned versus necessary staffing levels and any and all forecast of staffing costs.
- The outcome of this analysis will be a set of recommended actions, with detailed financial implications, on how to manage future personnel costs.
- This analysis requires access to electronic copies of current and future budget books, spreadsheets, forecasts, staffing models and plans, any and all benchmarking data which the Town might have access to, and continued access to Department Heads and key managers for interviews.
- The Expense Control Task Force would commence this study upon acceptance of this recommendation by the Board of Selectmen, with an anticipated deliverable in June, 2009.



Task Force Members

Following are the present and past members of the Expense Control Task Force

- Ms. Kristine Van Amsterdam – Chairperson, Board Of Selectmen liaison
- Mr. Tony Lista – Vice Chair, Citizen At Large
- Mr. Patrick Hayes – Clerk, Citizen At Large
- Ms. Mari Barrera, Finance Committee liaison (effective February 2009)
- Mr. Dirk Coburn, School Committee liaison
- Ms. Barbara Honthumb, Citizen At Large
- Mr. Bill Idzal, Citizen At large (effective December 2008)
- Mr. Andres Rochwerger, Citizen At Large (effective December 2008)
- Mr. Jeffrey Silverstein, Citizen At Large

Past Members

- Ms. Lori Andrews, Citizen At Large (through June 2008)
- Ms. Lori Rosen, Citizen At Large (through October 2008)