

Transforming Government Through **STRATEGIC OPERATIONAL REVIEWS**

| BY CHRISTINE ANDRYSIAK & DAVID ASKER |

Given the current state of the economy, local governments are feeling the pressure of significantly reduced budgets. We've seen cuts as high as 30 percent in the past few years. It's become clear that the current economy can no longer support the existing local governmental infrastructure.

Many communities have concluded that conducting business as usual is not an option, and a fundamental change is needed in order to survive and thrive. These communities are taking a holistic look at their entire organization and streamlining operations to create a leaner governmental structure.

Start With a Strategic Operational Review

This type of review involves strategically analyzing your operating practices to identify opportunity for cost reduction and efficiency gains.

The main objectives are to:

- Review overall department structure, supervisor and staffing levels, department scheduling, and overtime policies;
- Assess the efficiency and effectiveness of operations to eliminate redundancy within and between departments;
- Identify specific areas and operations where cost reductions and/or organizational structure changes are possible; and
- Develop a plan and a corresponding implementation strategy to guide the organization in achieving the outcomes of the assessment.

Methods of data collection often include staff surveys and in-person interviews with department heads and their staff. Where appropriate, benchmarking data is also utilized.

Hot Button Issues

Operations reviews often reveal opportunities for cost reduction and efficiency gains that can be challenging to implement. While staffing reductions may be a component of operational reviews, it's important to remember these suggestions are strategic reductions rather than across-the-board cuts, and that they sometimes go hand-in-hand with recommendations for technology improvements. For example, a city may determine that it can become more efficient by limiting the number of clerical staff and purchasing an updated enterprise resource planning system instead.

Another hot-button issue is consolidation. If financial challenges are so great that dramatic changes will be necessary in order to continue delivery of key services, a recommendation toward consolidation or shared services may be in order. See the sidebar on dispatch consolidation for examples of communities who have elected to go this route.



After conducting a five-year financial forecast, the city of Saginaw was concerned about its financial future. The city commissioned Plante & Moran to undertake a strategic operation review. Coined "The City-Wide Organization Development and Efficiency Study," the city engaged department heads, staff, and even union leaders in the restructuring. Pictured from left to right are reorganization team members Diane Snowden, executive assistant to the city manager; Beth Church, personnel generalist; Tim Morales, assistant city manager for administrative services; Yolanda Jones, budget administrator/assistant to the city manager; and Dennis Jordan, human resources director. Photo courtesy of the city of Saginaw.

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City of Saginaw: A Case Study

Recently, the city of Saginaw conducted an assessment of city-wide efficiency and effectiveness, strategic organizational restructuring, and proactive cost-reduction opportunities. The city had just conducted a five-year financial forecast and realized their fiscal position going

forward was concerning. The need to garner objective, outside advice became obvious. According to City Manager Darnell Earley, "As managers look for ways to retool their operations while maintaining consistently effective and efficient service delivery systems, objective and independent organizational reviews can provide a valuable blueprint for retrenching operations. Working with Plante & Moran, we developed such a blueprint for Saginaw, which considered our financial, operational, technical, and facility needs now and in the future."

It's worth noting that many city personnel were involved in the process. Earley initiated the request, obtained approval from city council, and oversaw the process. Department heads and staff were available for interviews and feedback. Even the union leaders got involved; Plante & Moran solicited their confidential input and gave them a number to call to voice their feedback.

Saginaw's operational review provided recommendations in five key areas:

- **Reorganization.** These included centralization of functions like information technology and global information systems, and creating a customer service call center. Recommendations also included expansion of duties for certain staff, the creation of new roles, and decentralizing specific department functions.
- **Staffing efficiency.** Opportunities included head-count reductions coupled with suggestions for increasing efficiency with remaining staff by cross-training personnel to perform multiple duties, combining walk-up service counters, and implementing a lock box for mail-in utility billing and income tax payments.



Saginaw City Hall. As a result of its strategic operation review, the city realized \$3 million in annual recurring cost savings the first year. Photo by Junko Kimura.

- **Outsourcing analysis.** Opportunities for outsourcing included several public services and technical services such as web development and the technology help desk.
- **Operational recommendations.** These included suggestions such as eliminating health benefits for part-time staff and eliminating mandatory overtime pay.
- **Investments.** Despite the economy, selective, strategic investments need to be made to yield improvements. Specific recommendations included investing in call-center implementation and ERP city-wide reengineering.

The city identified up to \$3 million in annual-recurring cost savings in the initial review, and implemented \$1.2 million in savings in the first year. The resulting return on investment was more than 12 times the cost of the study in year one. This does not take into consideration the recurring savings each year, which would greatly increase the return on investment.

"Through this approach we've avoided budget deficits and having to decimate departments with across-the-board percentage cuts in order to balance our budget. It was an excellent starting point for us. The small investment will pay huge dividends in the long-term as we continue to search for the surest and most cost-effective forms of economic and community service delivery and sustainability."

Special Note on Police and Fire


Due to the high cost of providing police and fire services, Saginaw is exploring the possibility of combining police and fire into a public safety department. The organization review showed that the two departments acting independently are not sustainable given the high cost of operation and other



Team members Diane Snowden, Yolanda Jones, and Tim Morales hard at work. Photo courtesy of the city of Saginaw.

issues such as retirement costs. Failing to take action now will only delay the inevitable. The city is starting slowly, doing as much research as possible; their initial step was to create a public safety manager position—someone on staff whose main responsibility is to oversee the exploration of combining the two departments. “We are continuing to downsize our operations in a proactive rather than reactive manner, and recognizing the need for change if these services are to be sustained over the long term” says Earley.

In Conclusion

Strategic organizational reviews are an effective tool to help organizations transform into leaner local government units that are well positioned for economic growth and prosperity for the 21st century. It’s a visionary, progressive, proactive step, and one of the best ways we’ve found to help organizations respond to today’s new economic reality. 

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911 Dispatch Consolidation in Action

Ten years ago, the communities within Livingston County combined to form one central county 911 dispatch. Today the communities are enjoying the benefits of cost savings, faster response time, top-notch dispatchers, and a state-of-the-art facility.

Three local communities are looking to join the pursuit of consolidated dispatch services. Roseville, St. Clair Shores, and Eastpointe are considering a turn-key, central dispatch operation that, if approved, could start in early 2011. They have been proactive in southeast Michigan by embracing the concept of consolidated dispatch operations for increased efficiency and cost effectiveness. They were even awarded a \$1 million grant to implement this progressive concept!

Consolidation can be a highly controversial topic. The fact remains, however, that it can work. Communities can combine their efforts and provide improved service at 20–40 percent less than they were spending while operating alone. Because of these successes, it’s an idea that should, over time, elicit greater adoption in this difficult economy.



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