

City of Palo Alto

Office of the City Auditor

April 20, 2004

Honorable City Council
Attn: Finance Committee
Palo Alto, California

As the current economic downturn unfolded, Palo Alto implemented budgetary cost reductions to balance the budget and avoid a projected structural deficit. Without ruling out layoffs, Palo Alto was able to reduce projected personnel costs by restructuring around vacancies. Through continuing efforts to restructure service delivery and personnel, Palo Alto can minimize the impact of budget reductions on services. Our report contains a total of 17 recommendations to improve controls and actively manage the City's organizational structure.

Increasing the City's supervisory spans of control could reduce costs. About 20 percent of the City's regular employees have some supervisory responsibilities, including some, but not all, of the City's Management/Professional staff. Experts advocate increasing supervisory spans of control to enhance organizational efficiency and effectiveness. We estimate the citywide supervisor to staff ratio is 1 to 4.73 if calculated on the basis of regular FTE, or 1 to 5.89 if calculated based on the number of individuals (including temporary hourly employees). Although there is no ideal ratio of supervisors to staff, we recommend the City Manager set departmental goals and targets for expanding the span of control. As part of our review, we compiled a listing of supervisors and Management/Professional staff with four or fewer direct reports and their job duties. This information is contained in Appendix B.

Reducing layers of management and flattening the organization would enhance the efficiency and effectiveness of operations. Experts recommend reducing the layers of management and flattening organizations to enhance organizational efficiency and effectiveness. Our analysis of the City's organizational charts and personnel data shows that several City departments are operating with five layers of management in the longest leg of their organization, and one division in Community Services had six layers. We recommend the City Manager establish goals and targets for reducing the layers of management. The complete set of organization charts we prepared during the audit is included in Appendix C.

Reducing the number of overfills and underfills would free up salary savings earlier. The City Council adopts the Table of Organization for regular employees. During our review, we noted that 89 employees were working in positions other than those assigned to their job codes. In recent years, the City has transferred net salary savings to the Infrastructure Reserve at the end of the fiscal year. Reclassifying positions during the budget process (to reduce the number of overfills and underfills) would allow the City to set aside those monies at the beginning of the fiscal year, rather than at the end. The SAP

computer system should be used to enhance controls over regular positions, and ensure staffing is in accordance with the positions listed in the adopted Table of Organization.

Improve budgetary and position controls over temporary hourly positions. In FY 2002-03, the City spent more than \$4.1 million in temporary salaries. Departments use temporary employees for seasonal work, projects, and less than part-time work (i.e. less than 1,000 hours per year). For a variety of reasons temporary salary expenditures increased 37 percent over five years. The new SAP system requires position control for temporary positions, and can provide better reporting on the total number of temporary employees and hours worked.

Continuing restructuring efforts. Although the City has reduced the number of employees to control personnel costs, additional reductions may be necessary. In our opinion, targets should be established for freezing and more actively managing vacancies. Restructuring efforts should focus on identifying work that can be streamlined, and consolidating duplicative processes and functions. Restructuring proposals should consider the full cost of staffing changes, and the potential for alternative service delivery through outsourcing and public-private partnerships.

I will present this report to the Finance Committee on April 20th. Staff has reviewed the information in this report and generally concurs with our recommendations. The City Manager's response is attached. We thank the City staff from every City department for their cooperation and assistance during our review.

Respectfully submitted,

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City Auditor

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Introduction

In accordance with the 2003-04 Annual Audit Plan, the City Auditor's Office has completed an assessment of the City of Palo Alto's Restructuring Efforts and Management Span of Control. The purpose of our review was to (1) conduct an independent review of General Fund and Internal Service Fund staffing changes and restructuring over the last two years, (2) assess the feasibility of additional reductions through attrition, (3) evaluate supervisory span of control, the ratio of managers to line staff, and the number of levels of management review, and (4) review the job duties of managers and supervisors with four or fewer direct reports

Our audit was conducted between November 2003 and April 2004 in accordance with generally accepted governmental auditing standards. The City Auditor's Office would like to thank the staff of the Human Resources Department, the Administrative Services Department, the City Manager's Office, and other participating departments for their cooperation and assistance during our review.

Background

The City of Palo Alto ("City") employs about 1,094 regular full time equivalent ("FTE") employees and over 380 temporary employees at a total cost of about \$110 million per year. Employee salary and benefit costs are assigned to several of the City's funds including the City's General Fund, Enterprise Funds, Internal Service Funds, the Community Development Block Grant Special Revenue Fund, and the Capital Fund.

Total employee salary and benefit expenses for FY 2002-03 are shown in Exhibit 1.¹

Exhibit 1: FY 2002-03 Citywide Salary/Wage and Benefit Expenditures

	General Fund	Enterprise Funds	Internal Service Funds	Total
Regular salaries	\$43,721,725	\$18,830,174	\$884,098	\$63,435,997
Temporary salaries	3,420,375	712,677	43,890	4,176,942
Overtime	3,011,081	1,253,688	29,696	4,294,465
Benefits allocation	24,883,676	10,113,214	477,310	35,474,200
Other	1,249,096	367,728	1,083,536	2,700,360
Total	\$76,285,953	\$31,277,481	\$2,518,530	\$110,081,964

Source: Administrative Services Department

¹ Unless specified otherwise, the analysis in this report does not include employees of temporary agencies (e.g. Manpower) who are typically paid through the contractual services line item in the budget. Neither does it include personnel (e.g. garbage collection personnel) who are hired by contractors to the City, but who are not employees of the City.

Organization

The City Council approves the City's Table of Organization as part of the annual operating budget. The Table of Organization lists authorized positions by Department. The City Manager and department heads are responsible for monitoring expenditures, and ensuring department operations do not exceed adopted operating budgets for salaries and staffing.

The Employment, Employee Relations and Compensation Division (Employment Division) in the Human Resources Department ("HR") monitors and controls employment and compensation. The division recruits and hires personnel, compiles data related to vacancies, processes requisitions for hiring staff, reviews and approves personnel actions, and monitors employment status. The Division assigns and ensures the accuracy of job codes (which determine the salary of the employee); and maintains personnel information in the Lawson human resources computer system. That system is currently being replaced with the SAP human resources system.

The Administrative Services Department ("ASD") prepares and monitors the operating budget adopted by the City Council. ASD uses a position control database to compile and monitor the City Council-adopted Table of Organization and personnel budgets.

Regular and temporary hourly employees

City employees fall into two major categories – regular and temporary hourly.²

Regular employees work full-time or part-time, and are either salaried (i.e. exempt employees) or non-salaried (i.e. non-exempt employees who are eligible for overtime). Regular employees receive employment benefits including health, dental, vision, long-term disability and life insurance, retirement benefits, and leave accruals. Part time regular employees receive full medical benefits; beginning July 2003 other benefits are pro-rated for new part-time employees. All regular positions (both full-time and part-time) are listed in the City's Table of Organization.

Temporary hourly employees include students, interns, summer hires, part-time and short-term employees. These employees are not eligible for the same benefits as regular employees. Temporary hourly positions are not listed in the City's Table of Organization.

² See additional definitions in Appendix A.

Audit Scope and Methodology

To address the audit objectives, we prepared organizational charts for each department; categorized each employee and counted the number of managers, supervisors, and professional staff; quantified the span of control for each manager; and counted the layers of management review. We reviewed management reports and databases; and interviewed staff to clarify job titles, positions, and direct reports (including temporary employees). Preparation of the organization charts required a significant investment of audit resources because up-to-date, reliable Citywide data was not previously available.

We reviewed City policies, procedures, and practices; checked for clear roles, responsibilities and authorities; and interviewed City staff and managers in the Human Resources, Administrative Services, and other departments about their role in those processes.

We reviewed reports issued by other governmental entities including Milwaukee County, Wisconsin; Seattle, Washington; King County, Washington; Des Moines, Iowa; Santa Barbara County, California; South Florida Water Management District, Florida; the U.S. General Accounting Office; and the federal government's National Performance Review. As appropriate, these reports and studies are discussed in the Audit Results section of this report.

We used vacancy and hiring reports from the Human Resources Department for the period January 2001 through December 2003. We extracted personnel data from the City's Lawson Personnel and Payroll System, the Budget Division's Position Control System, and the City's new SAP enterprise information system's human resources module that went live on December 15, 2003. We identified some inconsistencies in the data in these systems, but did not conduct detailed testing of these systems since the data is being transitioned from Lawson to SAP.

The audit results are based on existing operations. We audited the management review processes, but did not audit the validity of the personnel decisions. We reviewed the results of FY 2003-05 budget that was adopted in June 2003, but have not reviewed potential changes that may be proposed as part of the FY 2004-05 budget adoption in June 2004.

Audit Results

Summary

Although the City has reduced the number of employees and reduced General Fund expenses as mandated by the City Council, further reductions may be needed to offset continuing revenue shortfalls and anticipated increases in personnel costs. The City Manager's restructuring efforts to date have been able to minimize the impact on City services. While there appears to be sufficient turnover to allow additional reductions through attrition, further reductions may be possible by increasing the span of control and reducing the ratio of managers to line staff, and reducing the layers of management. In addition, budgetary controls can be improved by reducing the number of overfills and underfills, and implementing stricter controls over use of temporary staffing. In our opinion, achieving these objectives will require better position control (available through the City's new SAP system), updated and accurate organizational charts, and policies and strategies that clearly define and guide restructuring efforts.

Although the City has reduced the number of employees to control personnel costs, additional reductions may be necessary

In September 2001, facing a projected revenue shortfall of \$9.1 million in 2001-02, and \$10.0 million in 2002-03, the City Manager initiated a citywide effort to "strengthen the bottom line." In November 2001, he implemented an informal hiring freeze for all staff vacancies.

In March 2002, recognizing the extended duration and severity of the current economic downturn, and its effect on the City's revenues, the City Council directed the City Manager to reduce ongoing General Fund operating expenditures by another 5 percent or \$5.7 million, as measured from the 2002-03 operational base expenditures. The amount represented a long-term structural deficit between base revenues and base expenditures. The City Manager subsequently proposed a budget strategy for 2003-05 that reduced base budget expenditures by a total of 5 percent (3 percent in 2003-04 and an additional 2 percent in 2004-05) with a focus on reducing salary and benefit costs.

The strategy had several facets. With more than 60 percent of the General Fund expenditure budget represented by salaries and benefits, the budget strategy included reductions in staffing and services. A limited hiring freeze was imposed across all vacant General Fund positions except those tied to public safety. City departments were required to focus their salary expense reductions around 35 vacant positions, and to restructure their operations around current or pending vacancies and retirements. Vacant General Fund positions were to be eliminated from

the City's Table of Organization as a first step towards the mandated 5 percent goal. The City Manager warned that the staffing reductions could affect the delivery of City services, and asked departments to assess the feasibility of additional staffing reductions, cost containment measures, outsourcing opportunities, and potential entrepreneurial ventures.

Staffing reductions were incorporated into the 2003-05 Adopted Operating Budget

The FY 2003-05 Adopted Operating Budget eliminated 33.5 full time equivalent positions ("FTE") that were vacant or soon-to-be vacant as a result of the City's hiring freeze,³ and froze 4 other positions. The resulting General Fund savings included:

- €# 29.5 FTE eliminated in FY 2003-04 with an estimated salary and benefit savings of \$2,982,671;
- €# 4.0 FTE to be eliminated in FY 2004-05 with an estimated salary and benefit savings of \$342,452; and
- €# 4.0 FTE vacant positions frozen during FY 2003-04 saving \$379,496.⁴

Total savings due to eliminated and frozen positions was estimated to be \$3.7 million. This represented a reduction of approximately 3 percent in General Fund FTE and 4 percent in General Fund salaries and benefits costs.

The FY 2003-05 Adopted Budget also reassigned 52.4 General Fund FTE to the funds that actually performed or received the services delivered. This included reassigning 33.15 FTE from the General Fund to the Technology Fund, 12.7 FTE from the General Fund to the Capital Fund, 5.35 net FTE from the General Fund to Enterprise Funds, and 1.2 FTE from the General Fund to the CDBG Special Revenue Fund.

Offsetting these eliminations were the additions of 1.1 FTE in the General Fund,⁵ and 3.5 FTE in other funds. The net result was that total FTE declined in FY 2003-04 and is expected to decline again in FY 2004-05.

³ In November 2001, the City Manager implemented an informal hiring freeze for all staff vacancies with the exception of safety personnel and positions approved for hire by a special subcommittee of the Executive Staff.

⁴ The four General Fund positions that were frozen were included Manager-Information Technology, Library Director (6 months), Librarian, and Program Assistant (CSD).

⁵ These General Fund positions were added as part of departmental restructuring around vacancies, and included: 0.5 FTE Buyer to support Purchasing Operations, 0.10 Human Resource Assistant Confidential, 0.25 Library Specialist, and 0.25 Sr. Assistant City Attorney.

Exhibit 2: Regular Employee FTE (by Fund)

	FY 1999-00 Adopted Budget	FY 2000-01 Adopted Budget	FY 2001-02 Adopted Budget	FY 2002-03 Adopted Budget	FY 2003-04 Adopted Budget	FY 2004-05 Proposed Budget	Six-year change (FTE)
General Fund	707.02	729.83	748.15	758.15	676.35	673.35	-33.67
Enterprise Fund	323.08	338.02	344.95	345.95	350.80	350.80	+27.72
Internal Service Fund	19.15	19.15	19.15	19.15	53.30	53.30	+34.15
Special Revenue Fund	0.00	0.00	0.00	0.00	1.20	1.20	+1.20
Capital Fund	0.00	0.00	0.00	0.00	12.70	12.70	+12.70
TOTAL	1,049.25	1,087.00	1,112.25	1,123.25	1,094.35	1,091.35	+42.10
Change (FTE)		+37.75	+ 25.25	+11.00	-28.90	-3.00	

Source: Adopted Budgets

Midyear adjustments to the 2003-04 General Fund budget included several additional reclassifications and 1.0 FTE eliminated – the Deputy Director of Community Services.⁶

Further reductions may be needed to offset projected increases in benefit costs

Nonetheless, employee costs are expected to rise – due in large part to continuing health care and retirement cost increases from the California Public Employee Retirement System (“PERS”).⁷ Despite the reductions in FTE shown above, ASD estimates that the employee salary and benefit costs will rise from \$110 million in FY 2002-03, to \$126 million in FY 2004-05. This follows the pattern of the last five years, when General Fund salaries and wages went up by 23 percent, but employee benefits went up by 70 percent as shown in Exhibit 3.⁸

⁶ It should be noted that the full financial benefit of that reduction will not be realized until the previous Director of Community Services has exhausted all accrued leave time and is off the City’s payroll.

⁷ The City contracts with PERS for health care and retirement coverage.

⁸ It should be noted that during that five-year period, regular staffing went up 9 percent – from 1,033 to 1,123 FTE. The rate of inflation over the five-year period was 18.6 percent.

Exhibit 3: General Fund Salary and Benefit Expenditures Over the Last Five Years

	General Fund salaries and wages (in millions)	General Fund employee benefits (in millions)
FY 1998-99	\$46.5	\$11.2
FY 1999-00	48.5	12.4
FY 2000-01	54.2	15.0
FY 2001-02	58.9	13.5
FY 2002-03	57.3	\$19.0
Change over last 5 years	+23%	+70%

Source: Service Efforts and Accomplishments Report 2002-03

Despite the staffing reductions adopted as part of the FY 2003-05 Operating Budget, ASD staff estimates annual increases in personnel costs through FY 2012-13.⁹ Like other California employers, Palo Alto faces increasing pressure on health care and Workers' Compensation costs. And like other members of PERS, Palo Alto faces higher retirement contributions because of PERS' recent lower-than-expected investment returns.

Thus, although the City achieved a balanced budget for FY 2003-05 and mitigated a large part of the structural imbalance shown in its 10-year projections, continuing weakness in revenues and increasing costs may force the City to further reduce salary and benefit costs.

On-going review of all personnel requisitions by the City Manager's Executive Staff Approval Committee

In addition to the FY 2003-05 budget reductions, the City Manager formed the Executive Staff Approval Committee (ESAC) to review all employment requisitions and to approve or deny the filling of any vacancies – in keeping with the limited hiring freeze still in effect. ESAC membership includes the Assistant City Manager, the Human Resources Director, the Administrative Services Director, and the Police Chief. The City Auditor was invited to observe. Human Resources staff supports the ESAC by processing requisitions, compiling employment and vacancy data, and issuing vacancy and staffing reports to the ESAC.

Three of the four positions that were *frozen* as part of the adopted 2003-05 Operating Budget, remain *frozen* – a Manager Information Technology position in ASD, a Program Assistant position in CSD, and a Librarian position in the Library.¹⁰ Other vacancies are being filled where the ESAC agrees that City services would otherwise be affected. Between July and

⁹ The December 2003 update to the Long Range Financial Plan (CMR:534:03) estimated slower growth in personnel costs (4.5 percent annual rate) than previous estimates (in November 2002, the estimate had been 5.8 percent).

¹⁰ The Library Director position was filled in March 2004.

December 2003, the ESAC approved 68 of the 82 employment requisitions, or about 83 percent of requisitions submitted.

Additional staffing reductions, without layoffs, may be feasible through attrition

Experts recommend a thoughtful approach to downsizing. Palo Alto's approach to downsizing has been through hiring freezes, attrition, and redeployment of personnel. According to Human Resources Department vacancy reports for January 2003 through November 2003, the number of vacant positions varied from 45 to 51. In addition, Human Resources data shows that as many as 272 employees are currently eligible to retire.¹¹

In our opinion, employee turnover is sufficient that additional reductions may be possible without layoffs – depending, of course, on the type and extent of reductions. Under pressure to squeeze savings, one of the stated goals of the City's continuing restructuring efforts was to free up \$2 million in savings per year to invest in repairing existing infrastructure. If those savings were to come exclusively from staffing, this could require elimination of another 20 positions.¹²

Impact of personnel restructuring efforts to date

To date, the City Manager has been able to propose position eliminations that would have the least possible effect on City services. In many cases, Departments simply absorbed the work. Some departments reduced the frequency of service. Other departments proposed reducing costs by selectively outsourcing some internal services. For example, the Police Department is preparing to outsource the work of the Radio Repair Shop. Following is a summary of restructuring efforts to date that resulted in position eliminations.¹³

≠ *City Attorney*: The elimination in FY 2003-04 of 1.0 FTE Senior Assistant City Attorney and 1.0 FTE Paralegal. These positions had been added in 2001-02 to accommodate additional work associated with the PG&E bankruptcy and CityWorks contracts. Other staff absorbed the work.

≠ *City Manager*: The elimination in FY 2003-04 of 1.0 FTE Office Specialist. Other staff absorbed the work.

¹¹ It should be noted that a retirement incentive program would be ineffective unless the City eliminates a position for each person who retires.

¹² At an approximate cost of \$100,000 per position including benefits.

¹³ Neither the City Clerk nor the City Auditor eliminated positions. However the City Clerk's Office reclassified two positions saving about \$16,000, and the City Auditor's Office reclassified one position saving about \$20,000.

- €# *Administrative Services*: The elimination in FY 2003-04 of 1.0 FTE Manager Debt and Investments, 1.0 FTE Senior Financial Analyst, 1.0 FTE Executive Assistant, 1.0 FTE Senior Technologist, and 1.0 FTE Office Specialist. Other staff absorbed the work.
- €# *Community Services*: The elimination in FY 2003-04 of 1.0 FTE Golf Course Maintenance, 1.5 FTE Park Maintenance, and 1.0 FTE Coordinator of Recreation Programs; and the planned elimination in FY 2004-05 of 1.0 FTE Office Specialist position. As a result, some golf course infrastructure work was delayed, the frequency of mowing, litter pickup and tennis court cleaning was reduced, and other staff coordinated a reduced special events program.
- €# *Fire*: The elimination in FY 2003-04 of 1.0 FTE Battalion Chief, 1.0 FTE Office Specialist, and 2.0 FTE Fire Inspectors. The Office of Emergency Services was reorganized, and other staff was assigned to compensate for the elimination of two of the three positions that had been assigned to the program. Eliminating two of four fire inspector positions impacted the timeliness of reviews and inspections.
- €# *Human Resources*: The elimination in FY 2003-04 of 1.0 FTE Human Resources Assistant. Other staff absorbed the work.
- €# *Library*: The elimination in FY 2003-04 of 0.5 FTE Library Associate. To mitigate the impact, the department contracted for preparation of new library materials and increased the use of hourly staff.
- €# *Planning*: The elimination in FY 2003-04 of 1.0 FTE Senior Planner, a 1.0 FTE Building Tech, and 1.0 FTE Office Specialist position. Other staff absorbed the work.
- €# *Police*: The elimination in FY 2003-04 of 1.0 FTE Assistant Police Chief (resulting from the promotion of the Assistant to Police Chief), 0.5 FTE Office Specialist, and 1.0 FTE Staff Secretary. Other staff absorbed the work. The elimination of 2.0 FTE Police Officers and 1.0 FTE Police Captain affected assignments to some special details and regional task forces. The planned elimination in 2004-05 of 1.0 FTE Public Safety Dispatcher will be made possible by implementation of a schedule change at the Communications Dispatch Center. The department plans to contract out for Radio Shop services, resulting in the elimination of 1.0 FTE Chief Communication Technician position in FY 2003-04 and the planned elimination of 2.0 FTE Communication Technicians in 2004-05.
- €# *Public Works*: The elimination in FY 2003-04 of 1.0 FTE Senior Engineer, 0.5 FTE Program Assistant, and 1.0 FTE Facilities Mechanic (this position had been approved, but never filled). Other staff absorbed the work.

On-going restructuring efforts

Additional restructuring proposals are under consideration. For example, the Director of Community Services is reviewing options for reorganization around several projected retirements.

Continuing reviews of organization structure and staffing levels are important because

Effective program administration requires quality employees in the right numbers and with the right skills mix. If the government has more employees than it needs, the taxpayers do not receive full value from what they pay for government services. On the other hand, having too few employees can lead to inefficiencies as well, including program delays, expensive overtime and contracting costs, or simply not accomplishing the work required to achieve a program's objectives.¹⁴

The City Manager and department heads are considering potential outsourcing opportunities and alternative service delivery methods. The City already outsources some services – parks maintenance, real estate appraisals, parking citations processing, tree trimming, and sidewalk repairs. Staff is proposing to outsource the Police Department radio repair shop, and is investigating other outsourcing opportunities.

When confronted with the need to downsize government at the Federal level, the National Performance Review outlined four principal strategies for organizational change:

- €# Streamline structures – organize work around results that customers consider valuable. Work processes and streamlined structures should be cross-functional and team focused.
- €# Reengineer work processes – shift accountability from the use of rigid, centralized management to organizing around outcomes. Concentrate resources on ensuring high-quality results.
- €# Create boundary-crossing partnerships – find ways to coordinate and reengineer service delivery strategies.
- €# Create self-managing work teams – empower employees with the authority, skills, and information required to do the job and produce results.¹⁵

¹⁴ United States General Accounting Office, *Workforce Reductions: Downsizing Strategies Used in Selected Organizations* (March 1995).

¹⁵ *Transforming Organizational Structures: Accompanying Report of the National Performance Review* (September 1993). The National Performance Review was an effort of the Clinton administration to streamline the Federal government.

Recommendations

1. The City Manager should provide additional guidance to ESAC including targets for reducing personnel costs so that ESAC is better able to take full advantage of vacancies.
2. Restructuring efforts should focus on identifying work that could be streamlined, and consolidating duplicative processes and functions. Restructuring proposals should carefully consider the full cost of staffing changes that may be involved, and the potential for alternative service delivery through outsourcing and public-private partnerships.

Increasing the City’s supervisory spans of control could reduce costs

Experts advocate increasing the spans of control to enhance organizational efficiency and effectiveness. However, there is no consensus on the ideal ratio, with experts recommending spans of control ranging from 10 to 25 staff per manager. Exhibit 4 summarizes the recommendations of experts and other governmental entities.

Exhibit 4: Span of Control Recommendations from Management Experts

Management Expert	Span of Control & Manager/Staff Ratios Recommended	Comments
Edward Lawler	15+ staff per manager	Author of “The Ultimate Advantage”
Tom Peters	25+ workers per manager	Business author recommends that high-performance organizations should never have less than 15 staff per manager and should usually have more.
President Bill Clinton	14 staff per manager	Directed federal government to double spans of control to 14 staff per manager.
James O’Toole	10 staff per supervisor	University of Southern California professor whose study of spans of control showed an average of 10 staff per manager. He concluded that American workers are over-supervised.
Peter Drucker		Business author concludes that more staff per manager and fewer management layers lead to improved management and organizational performance.
National Commission on State and Local Public Service		Recommends decreasing the ratio of managers to staff and flattening the bureaucracy to increase accountability, save money, and shift personnel to the front line.

U.S. Government National Performance Review	15 staff per manager (goal)	Change outdated ratio of 7:1 to new span of control of 15:1. Guiding principles are organize work around results, shift accountability to quasi-market techniques, create partnerships within and between agencies to create flexible relationships that focus on serving customer needs, and empower employees to do their jobs.
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Source: City Auditor's Office

Other organizations have reduced costs by reducing management/staff ratios and expanding supervisory spans of control. For example, the City of Seattle reported saving \$3.1 million by reducing staffing and expanding its average ratio of staff to managers from 5.69 to 6.1.

Exhibit 5: Span of Control in Contemporary Organizations

Entity	Average Span of Control and Manager/Staff Ratio	Comments
City of Seattle, Washington ¹⁶	1996: 5.9 (range: 4.4 to 11.7) 1997: 6.1 (range: 4.6 to 12.1)	Estimated savings of \$3.1 million generated from restructuring (as of 1997).
South Florida Water Management District ¹⁷	Existing: 4.2:1 Achieved: 5.7:1 (Range: 4.6:1 to 8.2:1)	Estimated savings of \$1.1 million if extra levels of management are reduced

Source: City of Seattle and South Florida Water Management District reports

The City of Seattle encouraged departments to broaden the average ratio of staff to managers and rewarded departments for downgrading positions. It designed classifications that allowed employees to receive competitive compensation without having to be promoted to supervisor.

Palo Alto's spans of control can probably be increased, although perhaps not in all areas

For purposes of this review, we calculated the City's span of control two ways: (1) the number of regular FTE per supervisor, and (2) the number of individual employees per supervisor including part-time regular employees and temporary hourly employees.

We estimate the citywide supervisor to staff ratio is **1 to 4.73** if calculated on the basis of regular FTE (shown in Exhibit 6), or **1 to 5.89** if calculated based on number of individuals including temporary hourly employees (shown in Exhibit 7).

Exhibit 6: Span of Control by Department in Regular FTE (FY 2003-04)

¹⁶ The City of Seattle has a budget of about \$2.6 billion, and more than 10,000 employees.

¹⁷ The District has a total budget of about \$764 million.

Department	Supervisors (Regular FTE) ¹⁸	Total Staff (Regular FTE) ¹⁹	Span of control (Regular FTE)
City Attorney	2.00	11.75	5.88
City Auditor	1.00	3.75	3.75
City Clerk	1.00	6.00	6.00
City Manager ²⁰	4.75	10.50	2.21
Administrative Services	18.00	98.00	5.44
Community Services	30.00	104.75	3.49
Fire	37.00	128.50	3.47
Human Resources	4.00	14.10	3.53
Library	7.00	43.00	6.14
Planning	9.00	56.00	6.22
Police	37.50	171.00	4.56
Public Works	42.00	213.25	5.08
Utilities	38.00	233.75	6.15
CITYWIDE	231.25	1,094.35	4.73

Source: Auditor's Office

Exhibit 7: Span of Control by Department Including Temporary Hourly Employees (FY 2003-04)

Department	Supervisors (Individuals) ²¹	Total Staff (Individuals)	Span of control (Individuals)
City Attorney	2	16	8.00
City Auditor	1	4	4.00
City Clerk	3	8	2.67
City Manager ²²	5	11	2.20
Administrative Services	18	115	6.39
Community Services	43	417	9.70
Fire	40	131	3.28
Human Resources	5	18	3.60
Library	17	99	5.82
Planning	9	65	7.22
Police	38	184	4.84
Public Works	42	227	5.40
Utilities	38	243	6.39
CITYWIDE	261	1,538	5.89

Source: Auditor's Office

These ratios are less than the ideal ratios of 1 to 15 or 1 to 25 advocated by contemporary governmental and management experts, but are not far out of line with the data from Seattle and South Florida in Exhibit 5. Nonetheless, as those organizations have found, improvements in span

¹⁸ The number of regular employees that supervise at least one regular employee (in FTE).

¹⁹ Regular FTE from 2003-05 Adopted Budget Table of Organization with Library shown separately.

²⁰ The City Manager also supervises the 9 department heads shown in their respective departments.

²¹ The number of regular employees who supervise at least one other employee, including both regular and temporary employees (counted as individuals).

²² The City Manager also supervises the 9 department heads shown in their respective departments.

of control should be considered because they can reduce personnel costs.

There is no ideal ratio of supervisors to staff

A number of factors influence span of control – there is no ideal ratio. If there were, it would differ by tasks and locations, by type of service, and by department. For example, because of location, apparatus, and other factors, a Utilities Supervisor may supervise 9 employees, while a Fire Captain may supervise two employees. In addition, some jobs may require more or less supervision than others depending on the experience level of employees and public safety concerns.

The number of Management and Professional staff is not a good indicator of the number of supervisors

We estimate about 20 percent of the City’s regular employees (231 out of 1,094 regular FTE) have supervisory responsibilities. This includes some, but not all, of the employees in the Management/Professional category.²³

Our review of positions in the Management/Professional staff group showed that 121.75 FTE out of 318.75 FTE, or 38.2 percent, are salaried *professional staff* who perform analytical and technical functions requiring a high degree of skill, and generally do not have supervisory responsibilities. This includes accountants, administrative assistants, analysts, attorneys, auditors, engineers, and technologists. Thirty-one percent of Management/Professional employees are salaried *professionals* who supervise one to four employees. For these professionals, supervision is only one of their job duties. In total, more than 69 percent of the Management and Professional group supervise four or fewer persons. The details are shown in Exhibit 8.

²³ Employees covered by the *City of Palo Alto Compensation Plan for Management and Professional Personnel and Council Appointees*.

Exhibit 8: Number of Employees and Span of Control – Management/ Professional Category Only (as of Dec-2003)

Span of Control (number of persons supervised)	Number of Management/ Professional employees in this category	Percent of total Management/ Professional employees
0	121.75	38.2%
1-4	99	31.1%
5-10	73	23%
11-15	18	5.6%
16-20	1	0.3%
21-30	3	0.9%
<u>31-78</u>	<u>3</u>	<u>0.9%</u>
TOTAL	318.75	100%

Source: City Auditor

Thus, the number of employees who are covered by the Management and Professional Compensation Plan is not, in our opinion, a good indicator of the number of supervisors in the City. Instead, we used organization reports and employee lists to count the number of supervisors. As stated previously, this resulted in our estimate of 231 supervisors – of whom many, but not all, are in the Management/Professional unit. In our opinion, establishing an identifier in SAP for employees with supervisory responsibilities would help to more accurately depict the organization’s performance against targeted spans of control.

Job descriptions and collateral duties of supervisors and managers with four or fewer direct reports

As requested by the City Council, we prepared a listing of the job duties of management and supervisory staff that supervise four or fewer employees as of April 2004. This list (attached in Appendix B) includes: 81 Management/Professional staff who supervise one to four regular employees; 44 supervisors who are not members of the Management/Professional unit and supervise 1 to 4 regular FTE; and 124 Management/Professional staff who have do not supervise any regular employees. We hope this information is useful in assessing the supervisory and professional job duties, and collateral responsibilities of these positions.

Recommendations

3. The City Manager should set clear definitions, guidelines, goals and targets that result in expanding the supervisory span of control and decreasing the ratio of supervisors to line staff.
4. The City Manager should establish an identifier in SAP for supervisors to improve its ability to monitor and analyze restructuring efforts, and track progress towards reducing supervisory spans of control.

Reducing layers of management and flattening the organization would enhance the efficiency and effectiveness of operations

Experts also advocate reducing the layers of management and flattening organizations to enhance organizational efficiency and effectiveness. By reducing the layers of supervision, organizations report savings and greater efficiency and effectiveness in their operations. Exhibit 9 includes several examples of organizations that established 5 to 6 layers as their goal for improving performance, customer service, ownership of problems, and quality of problem resolutions.

Exhibit 9: Layers of management in Contemporary Organizations

Entity	Average Layers of Management	Comments
King County, Washington	6 layers (ranges from 4 to 9 layers)	Report recommends reducing layers of management.
City of Seattle, Washington	In 1996, most employees had 5 to 6 layers (range is 1 to 8 layers)	Estimated \$3.1 million in savings generated from restructuring (as of 1997).
County of Milwaukee, Wisconsin		Report recommends restructuring by reducing reporting layers in the Public Works Department.
South Florida Water Mgt District	Existing was 7 layers; the goal was 5 layers. Achieved 3 to 8 layers, with some redundancy remaining.	If one layer of management was removed, the entity could save \$1.1 million.
U.S. Government National Performance Review	Study estimated that 1 in 3 employees provided management control, and that this could be reduced by half.	Guiding principles are organize work around results, shift accountability to quasi-market techniques, create partnerships within and between agencies to create flexible relationships that focus on serving customer needs, and empower employees to do their jobs.

Source: City Auditor

Current layers of management review

For purposes of this review, we defined the number of organizational layers as the maximum number of layers that any individual within a department would have to report including the City Manager (or other Council Appointed Official).

Our analysis of the City's organizational charts and personnel data show that most City departments are operating with five or fewer layers of management in the longest leg of their organizational chart, with fewer layers of management in other divisions. The Community Services department has six layers of management in one of its divisions.²⁴ Exhibit 10 summarizes the number of management layers by department.

Exhibit 10: Management Layers by City Department

Department	Layers of Management
Administrative Services	5
Attorney	2
Auditor	1
Clerk	2
Community Services	6
Fire	5
Human Resources	4
Library Services	5
Manager	3
Planning, Building, & Community Environment	2
Police	5
Public Works	5
Utilities	5

Source: City Auditor's Office

The number of layers is not excessive in comparison to the organizations listed in Exhibit 9. Nonetheless, if the City could remove a layer of management, it could realize additional savings in personnel costs and potentially enhance organizational effectiveness.

Up-to-date organizational charts would facilitate analysis

Organizational charts facilitate analysis of a manager's span of control, the ratio of managers to staff, and the layers of management in an organization. As part of this audit, we worked with departments to compile updated organization charts that reflected temporary hourly

²⁴ The elimination of the Deputy Director position at midyear 2003-04 did not affect this calculation. Neither will the planned elimination of the Cubberley manager position in the FY 2004-05 Operating Budget.

employees, as well as regular employees. This type of citywide organization chart had not been available.

These organization charts (which are included in Appendix C) illustrate the complexity of the City organization, and reveal that some departments are more hierarchical than others. They also reveal that employees with similar job titles may have differing spans of control. For example, a *Fire Captain* may supervise from 2 to 5 people depending on the assignment and duties.²⁵

Recommendations

5. The City Manager should establish guidelines, goals and targets for reducing the layers of management.
6. The City Manager should assign responsibility for maintaining and updating organizational charts.
7. The City Manager should use organization charts to actively manage the City's organizational structure, increase spans of control and reduce layers of management through on-going restructuring efforts.

Reducing the number of overfills and underfills could free up salary savings earlier

The City Council adopts the Table of Organization for regular employees. Salary budgets are based on the positions in the approved Table of Organization. We found 89 employees were working in positions other than those assigned to their job codes.

Although some of the 89 positions had been underfilled or overfilled for more than a year, departments had not reclassified these positions and were receiving budget allocations based on the budgeted position, rather than the actual job being performed.

Underfills: 66 positions were underfilled by employees of a lower job classification. Underfilling results in salary savings. These employees were paid according to their job code, which was lower than the budget for the positions to which they were assigned. This included, for example, an assistant power engineer who filled a senior electric project engineer position, and technologists who occupied higher-level senior technologist slots.

*Overfills:*²⁶ 7 positions were overfilled by employees of a higher job classification. These employees were paid according to their

²⁵ Appendix B lists some of the duties of supervisors and managers with four or fewer direct reports.

²⁶ For purposes of this report, we make a distinction between overfills (where a higher-rank employee is working in a lower-rank position) and overstrength (where an authorized position has more than one full-time employee).

job code, which was higher than the budget for the positions to which they were assigned. For example, a Building Inspector was assigned to an Office Specialist position; and a Water System Operator II was assigned to a Water Transmission Specialist position.

Working out of class: 16 employees were shown as working out-of-class.²⁷ These employees received working out of class pay for performing job duties at a higher level. For example, a Parking Enforcement Officer working out of class as a Community Services Officer, would go back to performing the duties of a Parking Enforcement Officer once the working out of class assignment ends.

Exhibit 11 shows some of the differences between budgeted salary/wages and the actual salary/wages. These differences occur when the job class of an employee is different than the position that was budgeted. Other salary savings result from vacancies and from employees under or over the control point or step for that position.²⁸

Exhibit 11: Salary/Wage Differences Resulting From Underfill, Overfill, and Working Out-of-Class Positions

Category	Number of employees	Budgeted salaries	Actual salaries	Net salary savings
Underfills	66	\$4,963,069	\$4,527,061	\$436,008
Overfills	7	625,703	601,411	24,292 ²⁹
Working out-of-class	16	1,338,907	1,141,094 ³⁰	197,813
TOTAL	89	\$6,927,679	\$6,269,566	\$658,113

Source: SAP employee database reports as of March 17, 2003

In our opinion, a position-by-position review is needed to determine which of the 66 underfilled positions could be reclassified to reflect the actual responsibilities and duties being performed. It should be noted that this would have no immediate effect on the status of the employees in those positions. In at least one case, we identified an employee assigned to an incorrect position. Furthermore, planned reorganization or promotions might necessitate keeping some of the 66 underfilled positions classified at a higher level.

²⁷ This does not include employees who work out of class for a few hours per day.

²⁸ See definitions in Appendix A.

²⁹ Total actual salaries for overfill category was less than budget because 8 employees worked less than full-time, or were assigned to the position for only part of the year.

³⁰ Includes working out of class pay.

Determinations should also be made as to how to handle overfill positions. The Federal government, for example, requires that overfill situations last no longer than 2 years, after which time the department must either upgrade the position, transfer the employee to another position commensurate with their job classification, or reduce the employee's salary.

The issue of overstrength positions also needs to be addressed. In the past, the Police and Fire Departments were allocated overstrength positions to mitigate the effect of vacancies on overtime usage. Although those positions have been eliminated, the practice has been to allow temporary overstrength positions in situations where retirees are running out their vacation time, or to cover for employees on long-term disability. The new SAP human resources module does not allow the Employment Division to process a new hire (either regular or temporary) or a promotion until the previous incumbent has been terminated from the system. Thus SAP provides a good control against overstrength positions. Because there are occasions where overstrength positions are desirable, we recommend staff prepare new written policies on overstrength positions.

In recent years, the City has transferred net salary savings (like the amounts shown above) to the Infrastructure Reserve at the end of the fiscal year. Reclassifying positions would free up those budget dollars at the beginning of the year, to help assure infrastructure funding and ensure staffing is in accordance with the City Council approved Table of Organization.

Recommendations

8. Human Resources should conduct a position-by-position review of SAP and Lawson data to verify that positions filled by lower and higher level job codes (i.e. overfills and underfills) are correctly identified.
9. Human Resources, in consultation with Administrative Services, should establish a policy regarding underfills, and should propose reclassifying all positions that have been underfilled for more than one year, unless the department can justify retaining the higher-level classification.
10. Human Resources, in consultation with Administrative Services, should establish formal policies that address the allowability of overfills and their term. The policy should require Budget Office approval for all future overfills, and should require departments to annually justify each overfill.
11. Human Resources, in consultation with Administrative Services, should recommend to the City Council a formal policy regarding the allowability of overstrength positions.

Improve position control over regular positions

During our review we identified a number of discrepancies between the positions listed in the Table of Organization and the actual number of FTE in those positions. During the conversion from Lawson to SAP, staff identified similar issues.

For example, at the time of our review, the Lawson personnel system listed 5 *recreation program coordinators* (job code #317). The table of organization in the operating budget only authorized 3 FTE for this job code. The information systems did not provide readily accessible data that would explain the difference. After discussions with staff in Administrative Services, Human Resources, and the Community Services departments, we learned that two recreation program coordinators were underfilling other slots in the Community Services Department.

Our confusion was compounded because of the large number of employees underfilling or overfilling or in the wrong position slot in the databases, and because many of the organization charts that we reviewed used titles that matched neither the employee's job code nor position code.

The newly implemented SAP personnel system is expected to enhance position control once duplications and inaccuracies are corrected. Previously, the City's position control relied on Human Resources staff to reconcile, by hand, an Access database in the Budget Office (containing the City Council approved Table of Organization) to the Lawson payroll system. This system was labor intensive, and prone to error and interpretation.

Recommendations

12. Human Resources and Administrative Services should conduct a comprehensive review of current positions to ensure they match the City Council approved Table of Organization.
13. Human Resources should reconcile and correct discrepancies in job titles between the SAP and Lawson computer systems and the employees' job descriptions, position titles, compensation plans, the employee directory, organization charts, and the working titles that employees actually use.

Improve budgetary and position controls over temporary hourly positions

In FY 2002-03, the City spent more than \$4.1 million in temporary salaries. The Community Services Department (including Library Services) was the largest user of temporary employees, accounting for

nearly \$2.4 million, or 61 percent of the total. Departments use temporary employees for seasonal work, projects, and less than part-time work (i.e. less than 1,000 hours per year). Because they do not receive benefits and often work irregular hours, temporary employees are generally less expensive than regular employees.

Temporary salary expenditures increased 37 percent over five years

As shown in Exhibit 12, temporary salary expenditures increased from about \$3.0 million in FY 1998-99 to \$4.1 million in FY 2002-03, or 37 percent.

Exhibit 12: Temporary Salaries FY 1998-99 through FY 2002-03

	Adopted Budget	Adjusted Budget	Actual	(Over)/Under Adjusted Budget
FY 1998-99	\$2,217,063	\$2,707,411	\$3,048,748	(\$341,337)
FY 1999-00	\$2,436,376	\$3,238,681	\$3,529,808	(\$291,127)
FY 2000-01	\$2,680,594	\$2,968,143	\$3,354,044	(\$385,901)
FY 2001-02	\$3,094,417	\$3,324,965	\$3,952,140	(\$627,175)
FY 2002-03	\$3,237,105	\$3,282,213	\$4,176,942	(\$894,729)

Source: IFAS expenditure reports

The increases had a variety of causes. For example, in FY 2002-03 Cubberley had more events than anticipated requiring more temporary staff. Human Services used temporary staff to backfill a vacant Office Specialist position. The Library used temporary staff dollars to cover the vacancy created by the retirement of the Library Director. Temporary staff in the Planning Department filled in at the counter, provided plan check services for major projects, and included a transportation intern. In Public Works, temporary staff replaced employees out on disability, and provided temporary inspection services. Furthermore, staff considered excess expenditures acceptable as long as the departments did not exceed their total budgets for salaries and benefits. In our opinion, tighter budgetary controls are warranted.

As a result, temporary employee FTE may have been understated

As required by Municipal Code section 2.28.400, the City’s budget document includes a summary of temporary FTE by department. ASD calculates the number of temporary employee FTE by taking the adopted budget for temporary salaries, divided by 2,080 hours per year, divided by an estimated average rate per hour. Because of the way temporary employee FTE is calculated, overages in temporary salary budgets mean that actual temporary employee FTE may have been understated in budget documents.

For example, budget documents showed an estimated total of 84.69 temporary staff FTE for FY 2002-03. This estimate was based on the

adopted budget for temporary salaries of \$3,237,105. Actual temporary salary spending totaled \$4,176,942 or 29 percent higher than the adopted budget. This would yield an estimate of 118.13 FTE temporary staff,³¹ instead of 84.69 FTE.

However, not all temporary employees are paid at the same rate. The published hourly rates for temporary employees range from \$7.06 per hour to \$26.37 per hour, with other rates “to be determined.” In a department where temporary employees are paid more than \$17 per hour, temporary FTE may be overstated.

Position controls over temporary employees should be improved

The new SAP Human Resources system requires position control for temporary positions, and can provide better reporting on the total number of temporary employees and hours worked. Instead of calculating temporary employee FTE on the basis of dollars and a fixed hourly rate, it would be more accurate to calculate temporary employee FTE on the basis of the number of hours that temporary employees worked (or are expected to work), divided by 2,080 hours per year.

This will be increasingly important when SB 2 “Health Care Coverage” becomes effective. SB 2 requires every employer in the State to provide health care benefits to their employees. The law defines an “employee” as a person who works at least 100 hours per month (23 hours per week) for a minimum of three months. As it stands, the law becomes effective in Palo Alto on January 1, 2006, however it is being challenged in the courts as an unfunded mandate.

Recommendations

14. Human Resources and ASD should establish policies regarding position controls for temporary employees using the SAP system to track the total number of temporary employees, and estimated and actual hours worked. Temporary FTE reported in the Operating Budget should be based on actual hours worked.
15. The Administrative Services Department should closely monitor temporary salary budgets and require departments to stay within those budgets.

Improved controls over limited hourly employees are necessary

Temporary hourly employees fall into several sub-categories:

³¹ For FY 2002-03, this calculation was \$4,176,942 divided by 2,080 hours per year divided by \$17.00 per hour = 118.13 temporary FTE.

€# *Temporary limited hourly employees* work full-time or part-time on a temporary or ongoing basis, but are limited to a maximum of 1,000 hours per fiscal year. Temporary limited hourly employees include management specialists, technicians, technician assistants, skilled laborers, project professionals, clerks, library aides, recreation trainees, lifeguards, and Police reserves.

€# *Temporary exempt hourly employees* (also called “PERS exempt hourlies”) work full-time or part-time **without** being limited to a maximum of 1,000 hours per fiscal year, but their employment cannot exceed 5 consecutive years. The temporary exempt hourly job classifications include project manager, project professional, project assistant, library page, project technician, project laborer, landscape maintenance trainee, recreation leader, pool manager, and water safety instructor/lifeguard.

€# *Temporary hourly employees who are retired from PERS* may not work more than 960 hours per calendar year.

The City of Palo Alto Compensation Plan for Hourly Employees states that *limited hourly employees* are not allowed to work more than 1,000 hours per fiscal year. However, as of February 2004, SAP showed 74 out of 348 *limited hourly employees*, or 21 percent, had exceeded the 1,000 hour maximum, and 59 temporary employees had surpassed the maximum hours by more than 100 hours. This may be the result of (1) the way that data was transferred from the Lawson to the SAP system, (2) the result of improper classifications of temporary employees as *limited hourly employees* instead of *exempt hourly employees*,³² or (3) the City not monitoring and controlling the hours worked by these employees. Regardless of the cause, human resource system controls need to be sufficient to detect and prevent possible non-compliance with City policies.

Recommendations

16. Human Resources should clarify City policies regarding the appropriate uses of hourly employees, and establish standard definitions and procedures for hiring and monitoring temporary employees.
17. The Human Resources Department should review the status of temporary hourly employees on a continuous basis to ensure that allowable terms of employment are not exceeded.

³² Exempt hourly employees are not subject to the 1,000-hour limit. Instead they work on a project-specific basis for no more than 5 years. City retirees, on the other hand, cannot work more than 960 hours in a calendar year.

Conclusion

The City Manager's restructuring efforts provide an opportunity to streamline and improve City services while reducing costs. Further cost reductions are possible by increasing the span of control, reducing layers of management, reducing the number of underfills and overfills, and implementing stricter controls over temporary salary budgets. In our opinion, additional restructuring is feasible through attrition, but targets should be established for freezing and actively managing vacancies. The SAP human resources module provides an opportunity to significantly improve position control.

List of audit recommendations

1. The City Manager should provide additional guidance to ESAC including targets for reducing personnel costs so that the ESAC is better able to take full advantage of vacancies.
2. Restructuring efforts should focus on identifying work that could be streamlined, and consolidating duplicative processes and functions. Restructuring proposals should carefully consider the full cost of staffing changes that may be involved, and the potential for alternative service delivery through outsourcing and public-private partnerships.
3. The City Manager should set clear definitions, guidelines, goals and targets that result in expanding the supervisory span of control and decreasing the ratio of supervisors to line staff.
4. The City Manager should establish an identifier in SAP for supervisors to improve its ability to monitor and analyze restructuring efforts, and track progress towards reducing supervisory spans of control.
5. The City Manager should establish guidelines, goals and targets for reducing the layers of management.
6. The City Manager should assign responsibility for maintaining and updating organizational charts.
7. The City Manager should use organization charts to actively manage the City's organizational structure, increase spans of control and reduce layers of management through on-going restructuring efforts.
8. Human Resources should conduct a position-by-position review of SAP and Lawson data to verify that positions filled by lower and higher level job codes (i.e. overfills and underfills) are correctly identified.
9. Human Resources, in consultation with Administrative Services, should establish a policy regarding underfills, and should propose reclassifying all positions that have been underfilled for more than one

year, unless the department can justify retaining the higher-level classification.

10. Human Resources, in consultation with Administrative Services, should establish formal policies that address the allowability of overfills and their term. The policy should require Budget Office approval for all future overfills, and should require departments to annually justify each overfill.
11. Human Resources, in consultation with Administrative Services, should recommend to the City Council a formal policy regarding the allowability of overstrength positions.
12. Human Resources and Administrative Services should conduct a comprehensive review of current positions to ensure they match the City Council approved Table of Organization.
13. Human Resources should reconcile and correct discrepancies in job titles between the SAP and Lawson computer systems and the employees' job descriptions, position titles, compensation plans, the employee directory, organization charts, and the working titles that employees actually use.
14. Human Resources and ASD should establish policies regarding position controls for temporary employees using the SAP system to track the total number of temporary employees, and estimated and actual hours worked. Temporary FTE reported in the Operating Budget should be based on actual hours worked.
15. The Administrative Services Department should closely monitor temporary salary budgets and require departments to stay within those budgets.
16. Human Resources should clarify City policies regarding the appropriate uses of hourly employees, and establish standard definitions and procedures for hiring and monitoring temporary employees.
17. The Human Resources Department should review the status of temporary hourly employees on a continuous basis to ensure that allowable terms of employment are not exceeded.

Date: April 20, 2004

From: Frank Benest, City Manager

By: Carl Yeats, Director of Administrative Services

Subject: Response to the Management Span of Control Audit

The City Auditor has provided a review of management span of control. Staff has reviewed the audit recommendations and, where possible, will implement these recommendations. There are other recommendations that require longer-term solutions and staff will continue to work on these in an effort to adjust the management span of control where appropriate to meet organizational goals and objectives.

The audit contains several key points:

- ⊘ Increasing the City's supervisory spans of control could reduce cost
- ⊘ Reducing layers of management and flattening the organization would enhance the efficiency and effectiveness of operations
- ⊘ Continuing restructuring efforts
- ⊘ Reducing the number of overfills and under fills would free up salary savings earlier
- ⊘ Improve budgetary and position control over temporary hourly positions

For the purpose of responding to these points, staff has placed them into two general groupings (1) management span of control and (2) temporary salary and position control issues.

Management Span of Control

As previously stated, staff has reviewed and in concept agrees with the audit recommendations; however, there are several key points that need to be made. The report recommends that increasing the City's supervisory spans of control could reduce costs and that reducing layers of management and flattening the organization would enhance the efficiency and effectiveness of operations. Exhibits 6 and 7 of the Auditor's report state that the citywide management spans of control without temporary employees is 4.8, and with temporary employees 5.9. It stands to reason that temporary employees are part of the city's workforce and requires supervision; therefore, our response will be focused on the 5.9 span of control.

In reviewing the available information on span of control, one invariably arrives at the same question, "How many direct reports is the correct number?" Is the best organizational structure "tall-thin" or "wide-flat"? Classic management and organizational theories (pre-1950) such as Luther Gulick's 1937 classic essay "Notes on the Theory of Organization" noted that there are

three key variables that are crucial determinates of span of control relationships in organizations: diversification of function, time/stability, and space and size.

- 1. Diversification of Function** – An organization that combines diverse functions will need to reduce the size of its spans of control simply because the supervisor must interact with more different types of individuals. If subordinates are all performing the same task with the same set of inputs, jobs can be routinized and span of control can increase.
- 2. Time/Stability** – The element of time in Gulick’s view focused essentially on stability. In stable organizations, managers do not have to train and oversee new workers; therefore, they need less supervision simply because they are more familiar with their jobs. Stability might not only include stability of workers but also stability of the organization’s other processes. A stable environment that provides similar inputs to an organization over a long period of time should permit great routinization and thus larger spans of control.
- 3. Size and Space** – The element of space for Gulick involved the number of buildings that housed the organization, the more buildings the less face-to-face contact and, in Gulick’s mind, the more closely individuals would need supervision, therefore increasing span of control.

Later, Lyndall Urwick provided a differing review of span of control. In his 1956 Harvard Business Review article “*The Manager’s Span of Control*”, Urwick discussed V. A. Graicunas “Relationships in Organization” which proposed that the span of control should be no more than four relationships and that mathematical proof existed for limiting the span of control.

“The number of relationships a superior must attend to rises exponentially after the fourth subordinate.” - V. A. Graicunas

This theory is really pretty simple. The supervisor in dealing with subordinates not only has a direct relationship between himself/herself and the individual, but also relationships with the different groupings of the subordinates and the cross relationships among all the subordinates. If A supervises two individuals, B and C, he/she can deal with the staff individually or as a pair. In addition, the behavior of B in the presence of C and C in the presence of B will differ from their behavior when each is alone with A. Finally, what B thinks of C and C thinks of B creates a cross relationship which A must keep in mind when delegating work that B and C must collaborate on in A’s absence. In total, this simple organizational structure has created six relationships that a supervisor must keep in mind.

When you add a third subordinate, D, A’s direct relationships with individuals increase by only 1 (A-D), but groupings he/she may deal with increases by 7, the cross relationships increase by 4, making the total 18. A fourth subordinate increases the total to 44, and a fifth increases the total to 100. (Table 1)

Table 1: Graicunas's formula applied to combinations of relationships

Kind of Relationship	Number of Relationships				
	2 People	3 People	5 People	7 People	9 People
Direct single relationship	2	3	5	7	9
Cross relationship	2	6	20	42	72
Direct group relationships	2	9	75	441	2,295
Total direct single and cross relationships	4	9	25	49	81
Total direct single and group relationships	4	12	80	448	2,304
Total direct and cross relationships	6	18	100	490	2,376

Moving forward in time, modern management theory proposes that knowledge and technology have changed the work environment and that the contemporary “command and control” structure is inefficient and inappropriate in the modern workplace. Peter Drucker, in 1988 held that “in the future, large businesses would be knowledge based and composed of people who direct and control their own performance through information obtained from peers, customers and on occasion, higher management.” In Drucker’s opinion, organizations would shift from manual and clerical workers to knowledgeable specialists who will resist the traditional command and control model. Based on this work, he suggested that the management span of control could be larger and organizations should have a flatter organizational structure. More recent studies, such as the South Florida Water Management District, *“Interim Study of Span of Control”* have suggested that the ideal ratio might be 1:5.7; the Federal study by the Clinton Administration, titled the “National Performance Review”, suggested that the span of control for federal governmental functions could be increased to 1:15.

Today, there is little agreement on the ideal ratio for management span of control and the Auditor’s report shows that management span of control varies considerably within the City. (Table 2)

Table 2: Span of Control by Department including temporary hourly employees

Department	Supervisor (Regular FTE)	Total Staff (Regular FTE)	Span of Control (Regular FTE)
City Attorney	2.0	16.0	8.0
City Auditor	1.0	4.0	4.0
City Clerk	3.0	8.0	2.7
City Manager	5.0	11.0	2.2
Administrative Services	18.0	115.0	6.4
Community Services (1)	43.0	417.0	9.7
Fire	40.0	131.0	3.3
Human Services	5.0	18.0	3.6
Library	17.0	99.0	-
Planning	9.0	65.0	7.2
Police	38.0	184.0	4.8
Public Works	42.0	227.0	5.4
Utilities	38.0	243.0	6.4
Citywide	261.0	1,538.0	5.9

However, a closer analysis of the City’s operating departments reveals that we have two organizational structures that must be applied and therefore, must maintain a mix of traditional vs. modern management theory.

When modern management theories were being developed and then applied in the 80’s to the changing business environment, no one assumed that pseudo-military type organizations such as our fire and police functions would suddenly migrate from the traditional “tall-thin” to a “wide-flat” organizational structure.

Why do we maintain this tall-thin organizational structure for public safety?

- ⚡ Workers need tighter supervision. This is necessary where mistakes can have serious consequences;
- ⚡ Workers will be under less stress as their supervisors will be able to give them more guidance and support;
- ⚡ There is more opportunity for the supervisor to provide direct supervision, as the work groups are smaller.

The average span of control ratio for fire and police is slightly above 4.0. Maintaining this “traditional” command and control structure is imperative. As stated altering this structure could in most cases, subject the City to increased risks, liability and operational costs.

If these two departments are removed from the citywide management span of control calculation, the remaining departments’ ratio increases from 5.9 to 6.7.

A review of other City departments shows that many factors from the “traditional” theory still apply. Due to the complexity of our organization, you find that most departments have: (1) very diverse functions reporting to the same supervisor; (2) rapidly changing and varying internal and external processes that create a high level of instability; and, (3) these functions are not always in the same physical location.

An example of this diversification of function, process and space would be the Administrative Services Department (ASD). This department currently has a span of control ratio of 6.4, slightly above the citywide ratio of 5.9. ASD has approximately 14 different functional areas ranging from Accounting (General Fund and Enterprise), Accounts Payable, Accounts Receivable, Payroll, Budget, Treasury, Revenue Collections and Utilities Risk Management, Real Estate, Information Technology, Purchasing, Central Warehousing and Stores, and Printing and Mailing. Not only are these very diverse which require a unique level of management experience, most of these functions are not located on the same floor in City Hall or even located at City Hall. Due to their differing locations (Size and Space), these functions must have an increased level supervisory control.

In addition, where it is possible and reasonable, similar functions are grouped under one manager. However, in all cases that manager is a working manager. They not only supervise staff, but also perform regular job functions. An example of this structure is the Accounting Division. The Manager of Accounting, who manages this division, supervising General Fund and Enterprise Accounting, Accounts Payable and Receivable, and Payroll.

Finally, changing the span of control from “tall-thin” to “wide-flat” would generally require changes to our Palo Alto decision-making process. Widening the span of control requires moving from *centralized decision-making* to a more *decentralized decision-making* process. While this may be a reachable goal in the Public Safety departments, and may save the city considerable expense, it needs careful thought and planning.

In some cases a “wide-flat” structure can create “bottlenecks” where the decision-making is at the top level, thereby forcing everything to be funneled from many to one. To avoid these “bottlenecking” phenomena, the city would need to review how and at what level decisions are made in the organization (Table 4). Doing this also requires elimination of some “over the shoulder supervision”, and would require that lower level decision makers not be completely subject to our sometimes extensive internal processes as well as the sometimes hyper-critical Palo Alto public process. Finally, an expanded structure means we would need to dramatically broaden organizational authority, again testing our ability to accept additional legal risk and liability.

Table 4: Centralized vs. Decentralized Decision Making

Centralized Authority	Decentralized Authority
<p>Exist where decision-making is retained by higher-level managers.</p> <p>Ensures less deviation from standards. Important when tight standards of performance are required.</p> <p>Allows for more information in final decision-making (information funnels into one place).</p> <p>General decisions take longer to make.</p>	<p>Exists where decision-making has been granted to middle and lower level positions in the organization.</p> <p>Decisions will tend to vary more and not adhere specifically to prescribed standards. They will generally reflect the individual situation or need.</p> <p>Decisions may not have benefit of all available information.</p> <p>Generally permits decisions to be made more rapidly.</p>

The City of Palo Alto is a very diverse organization when compared to other local governments. The Auditor’s Service Level and Accomplishments (SEA) report clearly establishes that not only is Palo Alto unique in terms of the types of services provided by City departments, but the service levels in Palo Alto are also uniquely high. These factors are key to what makes Palo Alto, well “Palo Alto”. We are a truly full service city, providing an extremely diverse array of functions. This diversity of functions, coupled with changing priorities and geographic spread will have an impact on our ability to establish organization-wide span of control guidelines, goals and targets. This must be done on a department-by-department, work group by work group basis. That said, staff does agree that an essential component of ongoing restructuring efforts should be to attempt to flatten the organization and increase the management span of control. Therefore, we concur with the spirit of the Audit recommendations.

Temporary Staffing and Position Control Issues

The audit contains several recommendations regarding temporary staffing levels and usage and recommendations related to position control. Again, staff generally concurs with the Auditor’s recommendations and will implement measures to address these concerns. However, there are a few points that should be made.

The report recommends that staff should improve budgetary and position control over temporary salaries. Under the Palo Alto Municipal Code (PAMC) 2.28.050, the level of budgetary control is at the category of expense level, which is Salaries and Benefits. Departments are directed to

monitor their budgets at this level and are not allowed to exceed the total amount appropriated. Therefore, departments are not required to adjust overages in temporary salaries. For fiscal year 2002-03, total Salaries and Benefits for all funds were under budget by approximately \$5.5 million (Table 5).

Table 5: Total Salaries and Benefits (All Funds fiscal year 2002-03)

Total All Funds 2002-03					
	<u>Adj Budget</u>	<u>% of Total</u>	<u>Actual</u>	<u>% of Total</u>	<u>Over/(Under) Budget</u>
Regular Salaries	68,382,128	59.2%	63,435,997	57.6%	(4,946,131)
Temporary Salaries	3,282,213	2.8%	4,176,942	3.8%	894,729
Overtime Salaries	4,453,937	3.9%	4,294,465	3.9%	(159,472)
Benefits allocation	36,970,429	32.0%	35,474,200	32.2%	(1,496,229)
Other	2,494,933	2.2%	2,700,360	2.5%	205,427
Totals Salaries & Benefits	115,583,640	100.0%	110,081,964	100.0%	(5,501,677)

General Fund salaries and benefits were under budget by \$2.8 million and this was one of the main reasons for the continued contribution to the City’s Infrastructure Reserve. General Fund expense for temporary salaries totaled approximately \$3.4 million; of that amount approximately 71% were in the Community Services Department and revenues cover this expense. In fact, once cost recovery and expenses related to temporary salaries are reconciled, only \$0.564 million of the \$3.4 million is a net General Fund expense and this is less than 0.7% of total salaries and benefits.

Other factors also impact the use of temporary salaries:

- ⌘ Their use is primarily seasonal (Recreation classes)
- ⌘ The cost of temporary salaries is much lower, which allows us to control the cost of programs
- ⌘ Temporary salaries are sometimes used for back filling during periods of long term excused absences, these are not always predictable
- ⌘ Primarily cost recovery

The Auditor’s report also recommends that staff reduce the number of overfills and under fills, and this action would free up salary savings earlier.

Staff agrees with the statement that number of overfills should be reduced, and in fact, recent policy changes and the implementation of the SAP HR/Payroll module, will add systemic controls that will no longer allow “overfilling “ a position. On the other hand, under filling a position generally creates savings,

while providing an opportunity for City staff to promote from within and create a growth and learning opportunity. This has also allowed staff to implement several restructuring plans that have saved additional funds.

Conclusions

Staff does agree generally with the audit recommendations and will incorporate these as part of ongoing restructuring planning. Finally, a summary of all audit recommendations is attached to facilitate discussion. Included in this table are staff's comments as it relates to each recommendation. Staff is supportive of the Auditor's findings and appreciates the work she and her staff have completed.

Attachment A: Summary of Recommendations

Recommendation	Dept	Response
1. City Manager should provide additional guidance to ESAC including targets for reducing personnel costs so ESAC is better able to take full advantage of vacancies.	City Manager	Staff concurs with this recommendation. More formal guidelines will be established to clearly provide the ESAC the authority to approve/disapprove positions to achieve organizational restructuring efforts.
2. Restructuring efforts should focus on identifying work that could be streamlined, and consolidating duplicative processes and functions. Restructuring proposals should carefully consider the full cost of staffing changes that may be involved, and the potential for alternative service delivery through outsourcing and public-private partnerships.	City Manager	Staff concurs with this recommendation. Restructuring efforts are focused on reviewing pending retirements/vacancies as well as, reviewing city processes and procedures that could be streamlined. In addition, staff will be reviewing city services by analyzing service delivery and service levels.
3. The City Manager should set clear definitions, guidelines, goals and targets that result in expanding the supervisory span of control and decreasing the ratio of supervisors to line staff.	City Manager	Staff concurs with the recommendation. However, there are several factors that must be considered when establishing definitions, guidelines, goals and targets for span of control. Consideration should be given to the type of function, safety, risk levels, and levels of authority. In certain positions, expanding the span of control may increase the risk of loss or liability that far exceed the savings generated by the reduced span of control.
4. The City Manager should establish an identifier in SAP for supervisors to improve its ability to monitor and analyze restructuring efforts, and track progress towards reducing supervisory spans of control.	HR/ASD	Staff concurs with this recommendation.

5. The City Manager should establish guidelines, goals and targets for reducing the layers of management.	City Manager	See response 3.
6. The City Manager should assign responsibility for maintaining and updating organizational charts.	Department Heads	Staff concurs with this recommendation. This task has been assigned and staff is working towards establishing a uniform methodology for developing and maintaining organizational charts.
7. The City Manager should use organization charts to actively manage the City's organizational structure, increasing spans of control and reducing layers of management through on-going restructuring efforts.	Department Heads	Staff concurs with this recommendation.
8. Human Resources should conduct a position-by-position review of SAP and Lawson data to verify that positions filled by lower and higher level job codes (i.e. overfills and under fills) are correctly identified.	HR/ASD	Staff concurs with this recommendation. As part of the SAP business process review, staff has begun developing detailed business procedures for this process.
9. Human Resources, in consultation with Administrative Services, should establish a policy regarding under fills, and should propose reclassifying all positions that have been under filled for more than one year, unless the department can justify retaining the higher-level classification.	HR/ASD	Staff concurs with this recommendation. As part of the budget process all under fills will be reviewed to determine if the job classification should be downgraded.

<p>10. Human Resources, in consultation with Administrative Services, should establish formal policies that address the allowability of overfills and their term. The policy should require approval for all future overfills, and should require departments to annually justify each overfill.</p>	<p>HR/ASD</p>	<p>Staff concurs with this recommendation. However, the ASD Director does not believe that the current position control and budgetary system allow for overfills. This policy will be reviewed as part of the new SAP business process to determine if overfilling a position is acceptable.</p>
<p>11. Human Resources, in consultation with Administrative Services, should recommend to the City Council a formal policy regarding the allowability of over strength positions.</p>	<p>HR/ASD</p>	<p>Staff concurs with this recommendation. Any over strength positions would need to be approved as part of the budget process. The positions would also need to be established in the table of organization and the position control file.</p>
<p>12. Human Resources and Administrative Services should conduct a comprehensive review of current positions to ensure they match the City Council approved Table of Organization.</p>	<p>HR/ASD</p>	<p>Staff concurs with this recommendation. This process is currently in progress.</p>
<p>13. Human Resources should reconcile and correct discrepancies in job titles between the SAP and Lawson computer systems and the employees' job descriptions, position titles, compensation plans, the employee directory, organization charts, and the working titles that employees actually use.</p>	<p>HR</p>	<p>See 12 above.</p>
<p>14. Human Resources and ASD should establish policies regarding position controls for temporary employees using the SAP system to track the total number of temporary employees, and estimated and actual hours worked. Temporary FTE reported in the Operating Budget should be based on actual hours worked.</p>	<p>HR/ASD</p>	<p>Charles can you respond to this item</p>

15. The Administrative Services Department should closely monitor temporary salary budgets and require departments to stay within those budgets.

ASD

Staff concurs with this recommendation. However, as per the PAMC 2.28.050, budgetary control has been established at the category or classification of expenditure level. This means that budget monitoring is at the Salaries and Benefits total, not at the individual budget line item. Palo Alto does not have a line item budget. As part of the SAP system, it is much easier for management staff to monitor and report on individual expenditure items.

16. Human Resources should clarify City policies regarding the appropriate uses of hourly employees, and establish standard definitions and procedures for hiring and monitoring temporary employees.

HR

Staff concurs with this recommendation. This review is currently in progress.

17. Human Resources should review the status of temporary hourly employees on a continuous basis to ensure that allowable terms of employment are not exceeded.

HR

Staff concurs with this recommendation. This review is currently in progress.

APPENDIX A

Standard Definitions

We used the following definitions for our audit fieldwork.

FULL-TIME EQUIVALENT STAFF: The full-time equivalent of any position calculated on 2,080 hours per year (40 hours per week, times 52 weeks per year).

REGULAR STAFF: Regular employees work full or part time, are salaried or non-salaried, are benefited, and are listed in the City's Table of Organization. Depending on their position, they are covered by the Management/Professional Compensation Plan, the Classified Personnel (SEIU) Compensation Plan, the Police Personnel Compensation Plan (PAPOA), the Fire Personnel Compensation Plan (IAFF), or the Fire Chief's Association Compensation Plan (PAFCA).

MANAGEMENT/PROFESSIONAL STAFF: Any position covered by the City's Management and Professional Compensation Plan. This includes nearly all the City's salaried employees.³³ Generally speaking, managers perform oversight, planning, administrative, and personnel functions. Professionals generally perform analytical and technical functions requiring a high degree of skill.

SUPERVISORS: Any position that is shown on the organization chart with at least one direct report. Generally, supervisors allocate work assignments, evaluate results, and supervise duties and functions. Supervisors may also serve as technical experts and in trouble-shooting roles. Depending on the circumstances, LEADS may be counted as supervisors.

LEADS: Employees who, in addition to their duties, have responsibility to assign, instruct and check the work of others as a significant part of their responsibilities, but who are not responsible for formally evaluating the performance of subordinates. Depending on the circumstances, leads may be counted as SUPERVISORS.

SPAN OF CONTROL: The number of persons supervised by one manager or supervisor. The span of control ratio is calculated by dividing the total positions by the total number of supervisors. Span of control may be calculated on the basis of number of persons, or on the number of full-time equivalent staff (FTE).

LAYERS OF MANAGEMENT REVIEW: The maximum number of supervisory or management layers in an organization, counted from the bottom up – beginning from the lowest supervisory position in the organization. The result is the number of layers through which an employee would have to report including the City Manager or other Council-appointed official.

TEMPORARY LIMITED HOURLY EMPLOYEE: An employee who works full or part time on a temporary basis, or an employee working a limited number of hours on an ongoing basis. The maximum employment term is 1,000 hours during any fiscal year. If the employee is a PERS retiree, the maximum employment term is 960 hours during any calendar year. Eligible positions are listed in the Hourly Compensation Plan (<http://www.city.palo-alto.ca.us/hr/pdf/hrly02.pdf>). These employees are not regular employees, are not listed in the City's table of organization, are not benefited, and are paid for out of departments' temporary salaries budgets.

TEMPORARY EXEMPT HOURLY EMPLOYEE (also called "temporary PERS exempt hourly"): An employee working full or part time with no established career path or promotional ladder, and the position is funded through capital improvement, one-time projects, or temporary accounts. Employment is expected to end at the conclusion of the project. The maximum term of employment is not to exceed five consecutive years. Eligible positions are listed in the latest

³³ Council Appointed Officials sign individual contracts with the City, but are also covered by the Management and Professional Compensation Plan.

Hourly Compensation Plan (<http://www.city.palo-alto.ca.us/hr/pdf/hrly02.pdf>). These employees are not considered regular positions, are not listed in the City's table of organization, are not benefited, and are paid for out of departments' temporary salaries budgets. If the employee is a PERS retiree, the maximum employment term is 960 hours during any calendar year.

OVERFILL: The situation where an employee of a higher job classification is working in a position designated for a lower job classification. For example, a Senior Librarian working in a Librarian slot would be paid at the Senior Librarian rate and perform the duties of a Senior Librarian, even though the position was budgeted at a lower level.

UNDERFILL: The situation where an employee of a lower job classification is working in a position designated for a higher job classification. For example, a Librarian working in a Senior Librarian slot would be paid at the Librarian rate and perform the duties of a Librarian, even though the position was budgeted at a higher level. Thus, an underfill results in budgetary salary savings.

WORKING OUT OF CLASSIFICATION: The situation where an employee of a lower job classification is temporarily performing the duties of a higher-level job classification, and is receiving working-out-of-class pay.

OVERSTRENGTH POSITIONS: The situation where additional positions, over and above the quantity approved in the Table of Organization, are authorized to cover temporary shortages in staffing (e.g. overstrength positions in public safety to backfill for disabilities or while trainees are in the academy).

CONTROL POINT: The budgeted salary for a position. Actual salary is determined by performance, but is no less than 25 percent below control point and no more than 20 percent above control point. The normal working range where most salaries fall is plus or minus 5 percent of the control point.

APPENDIX B

List of Supervisors and Management/Professional Staff With Four or Fewer Direct Reports

At the request of the Finance Committee, we are attaching a list of supervisors and Management/Professional staff with four or fewer direct reports. Vacant positions are included. For each position, we list job code, job title, job description and collateral duties, number of regular FTE that they supervise, and the total number of people (including temporary hourly employees) that they supervise. We did not include volunteers in this calculation.

The list includes:

- €# 81 supervisors in the Management/Professional unit who have 1 to 4 regular FTE reporting to them.
- €# 44 supervisors who are not members of the Management/Professional unit, and who have 1 to 4 regular FTE reporting to them. These supervisors are noted with an asterisk (“*”).
- €# 124 professional staff in the Management/Professional unit who have no regular FTE reporting to them.

Job code	Job title	Job description and collateral duties	Number of regular FTE supervised	Number of individuals (including temps) supervised
CITY ATTORNEY				
069	Legal Administrator	Professional legal staff	3.00	5
125	Claims Investigator/paralegal	Professional legal staff	0.00	0
152	Sr Asst City Attorney	Attorney	0.00	0
152	Sr Asst City Attorney	Attorney	0.00	0
152	Sr Asst City Attorney	Attorney	0.00	0
152	Sr Asst City Attorney	Attorney	0.00	0
152	Sr Asst City Attorney	Attorney	0.00	0
152	Sr Asst City Attorney	Attorney	0.00	0
903	Legal Secretary-Confidential	Professional legal staff	0.00	0
903	Legal Secretary-Confidential	Professional legal staff	0.00	0
903	Legal Secretary-Confidential	Professional legal staff	0.00	0
CITY AUDITOR				
004	City Auditor	Directs and supervises the City Auditor's Office	2.75	3
076	Administrative Assistant	Administrative support and revenue audit services	0.00	0
130	Sr Auditor	Professional audit staff	0.00	0
130	Sr Auditor	Professional audit staff	0.00	0
CITY CLERK				
109	Asst City Clerk	Professional staff	0.00	1
071	Deputy City Clerk	Professional staff	0.00	1
CITY MANAGER				
107	Asst City Manager	Assistant City Manager	3.00	3
138	Executive Assistant	Professional staff - economic resources program	0.00	0

030	Asst to City Manager	Professional staff - special projects and government relations	0.00	0
031	Deputy Public Communications Officer	Professional staff - public communications and complaint response	0.00	0
038	Public Communication Manager	Manages public communications and information	2.00	2
063	Mgr Economic Resources	Manages economic resources program	1.00	1
070	Staff Assistant to City Manager	Administrative support	0.00	1
076	Administrative Assistant	Administrative support	0.00	0

ADMINISTRATIVE SERVICES

021	Mgr Energy Risk	Professional staff - energy risk management	0.00	0
032	Mgr Information Technology	Manages cable and external services	4.00	4
033	Sr Technologist	Professional staff - application services	0.00	0
033	Sr Technologist	Professional staff - application services	0.00	0
033	Sr Technologist	Professional staff - application services	0.00	0
033	Sr Technologist	Professional staff - application services	0.00	0
033	Sr Technologist	Professional staff - application services	0.00	0
033	Sr Technologist	Professional staff - application services	0.00	0
033	Sr Technologist	Professional staff - infrastructure services	0.00	0
033	Sr Technologist	Professional staff - infrastructure services	0.00	0
033	Sr Technologist	Professional staff - infrastructure services	0.00	0
033	Sr Technologist	Professional staff - infrastructure services	0.00	0
033	Sr Technologist	Professional staff - infrastructure services	0.00	0
033	Sr Technologist	Professional staff - client services	0.00	0
033	Sr Technologist	Professional staff - client services	0.00	0
033	Sr Technologist	Professional staff - client services	0.00	0
046	Financial Analyst	Professional staff - real estate	0.00	0
046	Financial Analyst	Professional staff - real estate	0.00	0
052	Deputy Director Admin Services	Manages revenue and investments division, energy risk mgmt, special projects	4.00	4
056	Technologist	Professional staff - application services	0.00	0
056	Technologist	Professional staff - application services	0.00	0
056	Technologist	Professional staff - infrastructure services	0.00	0

056	Technologist	Professional staff - infrastructure services	0.00	0
056	Technologist	Professional staff - infrastructure services	0.00	0
056	Technologist	Professional staff - client services	0.00	0
056	Technologist	Professional staff - client services	0.00	0
056	Technologist	Professional staff - client services	0.00	0
056	Technologist	Professional staff - external services	0.00	0
056	Technologist	Professional staff - external services	0.00	0
056	Technologist	Professional staff - external services	0.00	0
056	Technologist	Professional staff - external services	0.00	0
073	Asst Director, Administrative Services	Manages purchasing and accounting divisions, SAP implementation	2.00	2
076	Administrative Assistant	Administrative support for department	0.00	0
079	Mgr Accounting	Manages accounting division including general ledger, accounts payable, payroll	3.00	3
089	Contracts Administrator	Contracts administrator - Public Works	0.00	0
089	Contracts Administrator	Contracts administrator - all other departments	0.00	0
089	Contracts Administrator	Contracts administrator - Utilities	0.00	0
091	Business Analyst	Business analyst for Administrative Services Dept	0.00	0
103	Mgr Real Property	Manages real estate division	2.00	3
117	Sr Accountant	Accounts payable supervisor	4.00	5
117	Sr Accountant	Payroll supervisor	3.00	3
124	Supervisor Reproduction and Mailing	Manages print shop and mail room	3.00	4
190	Staff Accountant	Professional staff - payroll	0.00	0
190	Staff Accountant	Professional accounting staff - general ledger	0.00	0
190	Staff Accountant	Professional accounting staff - enterprise funds	0.00	0
190	Staff Accountant	Professional accounting staff - general ledger	0.00	0
196	Payroll Analyst	Professional staff - payroll	0.00	0
196	Payroll Analyst	Professional staff - payroll	0.00	0
199	Sr Financial Analyst	Professional staff - special projects	0.00	0
199	Sr Financial Analyst	Professional staff - special projects	0.00	0
199	Sr Financial Analyst	Professional staff - special projects	0.00	0
199	Sr Financial Analyst	Professional staff - budget	0.00	0

199	Sr Financial Analyst	Professional staff - budget	0.00	0
199	Sr Financial Analyst	Professional staff - budget	0.00	0
199	Sr Financial Analyst	Professional staff - budget	0.00	0
199	Sr Financial Analyst	Professional staff - money management	0.00	0
199	Sr Financial Analyst	Professional staff - money management	0.00	0
200	Sr Financial Analyst	Supervisor revenue collections	0.00	0

COMMUNITY SERVICES

022	Supervisor Open Space	Manages ranger staff and coordinates volunteers	3.00	9
058	Supv Recreation Programs	Manages Mitchell Park facility, special events, and marketing	1.00	12
058	Supv Recreation Programs	Provides business, budget, and technical support for department	1.50	2
058	Supv Recreation Programs	Manages aquatics, therapeutic recreation, and summer camps	1.00	20
058	Supv Recreation Programs	Manager Lucie Stern Community Center	4.00	10
058	Supv Recreation Programs	Coordinates field and sports programs	1.00	4
076	Administrative Assistant	Administrative support for department	0.00	0
077	Project Manager	Manages half of CSD capital projects	1.00	1
080	Management Assistant	Manages HSRAP and Seasonal Employment Opportunity Program contracts	0.00	0
090	Park Planner	Manages half of CSD capital projects	0.00	0
123	Director Human Services	Manages Human Services Division	3.00	3
138	Executive Asst	Coordinates skate bowl facility and teen programs	1.00	2
141	Manager Children's Theatre	Director, Children's Theatre	4.00	4
153	Coordinator, Child Care	Manages child care and family resource contracts	1.00	1
154	Park Supervisor	Coordinates athletic field maintenance program	2.00	2
169	Supervisor Junior Museum	Manages Junior Museum and programs	4.00	8
172	Superintendent Open Space and Sciences	Manages Open Space programs and capital projects	3.00	3
173	Park Superintendent	Manages maintenance programs for parks, fields, school sites, and medians	2.00	2
183	Golf Superintendent	Manages golf course maintenance	3.00	3
194	Director, Parks and Golf Course	Manages the Parks and Golf Division	3.00	4
229	*Theatre Specialist	Assistant Director Childrens Theatre, works directly with program participants	1.00	43
265	*Program Assistant	Assistant Director Art Center	1.50	7
270	*Prod Arts/Sci Program	Costume Supervisor, works directly with program participants	1.00	1

270	*Prod Arts/Sci Program	Supervisor arts and sciences program	0.50	1
270	*Prod Arts/Sci Program	Asst Childrens Class	0.50	1
270	*Prod Arts/Sci Program	Supervisor arts and sciences program	1.00	2
270	*Prod Arts/Sci Program	Supervisor arts and sciences program	1.50	3
280	*Senior Ranger Lead	Supervises ranger staff	2.60	6
317	*Coordinator Recreation Programs	Coordinates adult sports and middle school athletics programs	0.00	49
371	*Building Serviceperson Lead	Cubberley maintenance crew lead AM	1.00	4
371	*Building Serviceperson Lead	Cubberley maintenance crew lead PM	1.00	6

FIRE

041	Environmental Coordinator	Manages hazardous materials and fire inspection programs	3.00	3
076	Administrative Assistant	Provides administrative support to the Fire Department	0.00	0
116E	*Battalion Chief	Manages EMS program	1.00	2
138	Executive Assistant	OES and support services	0.00	0
139	Fire Chief	Directs and supervises the Fire Department	4.00	4
640R	*Fire Captain Training	Supervises fire trainees	4.00	4
686	*Fire Apparatus Oper Haz Mat EMT	Fire Ops Rescue 2 "A" Staff	2.00	2
687	*Fire Captain EMT	Fire Ops Engine 3 "A" Staff	2.00	2
687	*Fire Captain EMT	Fire Ops Rescue 4 "A" Staff	2.00	2
687	*Fire Captain EMT	Fire Ops Rescue 5 "A" Staff	2.00	2
687	*Fire Captain EMT	Fire Ops Rescue 6 "A" Staff	3.00	3
687	*Fire Captain EMT	Fire Ops Rescue 7 "A" Staff	2.00	2
687	*Fire Captain EMT	Fire Ops Engine 2 "B" Staff	4.00	4
687	*Fire Cap Haz Mat EMT	Fire Ops Rescue 2 "B" Staff	2.00	2
687	*Fire Captain EMT	Fire Ops Engine 3 "B" Staff	2.00	2
687	*Fire Captain EMT	Fire Ops Rescue 4 "B" Staff	1.00	1
687	*Fire Captain EMT	Fire Ops Rescue 5 "B" Staff	2.00	2
687	*Fire Captain EMT	Fire Ops Rescue 6 "B" Staff	3.00	3
687	*Fire Captain EMT	Fire Ops Rescue 7 "B" Staff	2.00	2
687	*Fire Captain EMT	Fire Ops Engine 2 "C" Staff	4.00	4
688	*Fire Cap Haz Mat EMT	Fire Ops Rescue 2 "C" Staff	2.00	2

687	*Fire Captain EMT	Fire Ops Engine 3 "C" Staff	2.00	2
687	*Fire Captain EMT	Fire Ops Engine 4 "C" Staff	3.00	3
687	*Fire Captain EMT	Fire Ops Engine 5 "C" Staff	3.00	3
687	*Fire Captain EMT	Fire Ops Engine 6 "C" Staff	2.00	2
687	*Fire Captain EMT	Fire Ops Engine 7 "C" Staff	2.00	2
687	*Fire Captain EMT	Fire Operations Sta 6 Staff	2.00	2
688	*Fire Captain EMT	Fire Operations Sta 6 Staff	3.00	3
688	*Fire Captain EMT	Fire Operations Sta 6 Staff	2.00	2

HUMAN RESOURCES

76	Administrative Assistant	Administrative support for the HR department	0.00	0
91	Business Analyst	Analytical support for department	0.00	0
101	HR Representative	Professional staff - employee compensation	0.00	0
151	Mgr Human Resources and Development	Program manager - employee training and development	1.50	3
157	Administrator Human Resources	Professional staff - employment	0.00	0
157	Administrator Human Resources	Professional staff - employment	0.00	0
157	Administrator Human Resources	Professional staff - workers' compensaton and safety programs	0.00	1
157	Admin Human Res	Professional staff - employee benefits	0.00	0
198	Mgr Risk & Benefits	Program manager - risk management, benefits and safety	3.00	3
905	HR Assistant - confidential	Professional staff - employee compensation	0.00	0
905	HR Assistant - confidential	Professional staff - employee training and development	0.00	0
905	HR Assistant - confidential	Professional staff - employee training and development	0.00	0
905	HR Assistant - confidential	Professional staff - employee benefits	0.00	0

LIBRARY SERVICES

175	Mgr Library Services	Manages Main Library, neighborhood libraries, collections and central services	3.50	4
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PLANNING AND COMMUNITY ENVIRONMENT

23	Transportation Proj Manager	Professional staff - transportation projects	0.00	0
29	Coordinator Trans Sys Mgmt	Coordinates commute programs	0.00	0

40	City Traffic Engineer	Professional staff - traffic engineering	0.00	0
50	Administrator - Plan & Comm Envrn	Administrative support for the Planning Department, budget, fees, and analysis	0.00	0
51	Mgr Planning	Professional planning staff - special projects	2.50	4
76	Administrative Assistant	Provides administrative support for department	0.00	0
86	Managing Arborist	Professional staff - arborist	0.00	0
118	Chief Building Official	Directs and supervises building inspection programs	3.00	3

POLICE

59	Administrator Police	Budget and analytical support	0.00	0
76	Administrative Assistant	Administrative support	0.00	0
91	Business Analyst	Business analyst for technical services division	1.00	1
163	Parking Examiner	Hearing officer for all parking hearings and city code enforcement hearings	0.50	1
149	Police Lieut -ADV	Shift supervisor - Patrol A	3.00	3
149	Police Lieut -ADV	Shift supervisor - Patrol A	2.00	2
149	Police Lieut -ADV	Shift supervisor - Patrol B	3.00	3
149	Police Lieut -ADV	Shift supervisor - Patrol B	3.00	3
149	Police Lieut-ADV	Manages Police Department traffic programs	1.50	2
166	Supv Police Services	Supervises communications and dispatch	3.00	3
166	Supv Police Services	Supervises communications and dispatch	3.00	3
155	Supt Animal Servcies	Manages animal services program	2.00	2
184	Veterinarian	Professional veterinarian, conducts all surgeries at the animal shelter	2.00	2
633	*Police Sgt/ADV	Mge Pol Shift A Patrol Staff	4.00	4
633	*Police Sgt/ADV	Mgr Pol Shift A Patrol Staff	3.00	3
633	*Police Sgt/ADV	Mgr Pol Shift B Patrol	4.00	4
632	*Police Sgt/Inter	Mge Pol Shift A Patrol Staff	4.00	4
236	*Public Safety Dispatch	Pol Comm Services Staff	4.00	4
237	*Public Safety Dispatch-Chief	Pol Comm Services Staff	4.00	4
237	*Public Safety Dispatch-Chief	Pol Comm Services Staff	4.00	4
278	*Veterinarian Tech	Pol Veterinarian Staff	1.00	1

PUBLIC WORKS

28	Project Engineer	Professional engineer, AutoCAD drafting, capital project management	1.00	1
28	Project Engineer	Manages \$2 to \$4 million in IMP projects annually	1.00	1
39	Mgr Env Compliance	Manages wastewater and stormwater environmental compliance programs	3.00	4
76	Administrative Assistant	Provides administrative support for dept, manages CMRs	0.00	0
77	Project Manager	Oversees tree maintenance and stump removal contractors	0.00	0
77	Project Manager	Manages utility line clearing contractors	1.00	1
77	Project Manager	Manages renovation contracts and \$1.7 million in capital projects	2.00	2
93	Mgr Environmental Control Programs	Manages service contracts for household hazardous waste, landfill monitoring	3.00	3
93	Mgr Environ Control Programs	Manages wastewater and stormwater environmental control programs and contracts	6.00	7
113	Supv PW Insp/Surv	Manages survey and inspection crews (City depts and private devmt permits)	2.00	3
127	Fleet Manager	Manages city fleet and equipment valued at \$30-\$40 million	2.00	2
136	Cood Public Works Projects	Manages engineering CIP and budget, supervises support staff, special projects	2.00	2
138	Executive Assistant	Admin support operations division, refuse budget, banner and lighting contracts	3.50	4
138	Executive Assistant	Manages \$8.4 million PASCO agreement	0.00	0
160	Mgr Solid Waste	Program manager solid waste, manages \$4.2 million annual SMaRT station contract	3.00	3
171	Administrator, Public Works	Provides administrative support for dept, manages budget, SAP team lead	0.00	0
181	Supv WQC Operations	Shift supervisor WQC operations, ensure NPDES permit compliance	4.00	4
181	Supv WQC Operations	Shift supervisor WQC operations, ensure NPDES permit compliance	4.00	4
181	Supv WQC Operations	Shift supervisor WQC operations, ensure NPDES permit compliance	4.00	4
181	Supv WQC Operations	Shift supervisor WQC operations, ensure NPDES permit compliance	4.00	4
187	Sr Engineer	Professional engineer, capital project management	1.00	2
187	Sr Engineer	Manages \$1.8 million CIP sidewalk contracts annually	4.00	4
187	Sr Engineer	Manages \$3 to \$5 million in CIP/IMP projects annually	3.00	3
187	Senior Engineer	Manages storm drain CIP, liaison to SCVWD, FEMA, Urban Runoff Program	1.00	1
187	Sr Engineer	Professional engineer, manages \$3 to #5 million in CIP/IMP projects annually	3.00	3

UTILITIES

076	Administrative Assistant	Administrative support	1.00	1
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54	Administrator, Utilities	Administrative support, budget, contract administration, CMR coordination, SAP lead	1.00	3
84	Mgr Communications/Mgr Public Relations	Professional staff - public communications	1.50	2
24	Communications Specialist	Professional staff - public communications	0.00	0
36	Utl Key Account Rep	Professional staff - account representative	0.00	0
36	Utl Key Account Rep	Professional staff - account representative	0.00	0
36	Utl Key Account Rep	Professional staff - account representative	0.00	0
68	Mgr Utility Rates	Professional staff - rate analysis	1.00	1
33	Sr Technologist	Manages utility customer billing system	1.00	1
91	Business Analyst	Professional staff - utility customer billing system	0.00	0
19	Coordinator Utilities Safety & Security	Coordinates safety and security programs	0.00	0
27	Electric Project Engineer	Professional engineering staff	0.00	0
27	Electric Project Engineer	Professional engineering staff - electric	0.00	0
27	Electric Project Engineer	Professional engineering staff	0.00	0
27	Electric Project Engineer	Professional engineering staff	0.00	0
27	Electric Project Engineer	Professional engineering staff	0.00	0
188	Sr Electric Project	Senior engineer - electric projects	3.00	3
188	Sr Electric Project	Senior engineer - electric projects	3.00	3
188	Sr Electric Project	Senior engineer - electric projects	3.00	3
28	Project Engineer	Professional engineering staff - gas distribution	0.00	0
28	Project Engineer	Professional engineering staff - wastewater	0.00	0
28	Project Engineer	Professional engineering staff - water	0.00	0
26	Asst Engineer	Professional engineering staff - water	0.00	0
26	Sr Project Engineer	Senior project engineer - gas distribution	4.00	4
26	Sr Project Engineer	Senior project engineer - wastewater collection	3.00	3
26	Sr Project Engineer	Senior project engineer - water distribution	3.00	3
26	Sr Project Engineer	Senior project engineer - WGW customer services	3.00	3
94	Supv Utl Const Insp	Supervisor - utility construction inspections	3.00	3
34	Sr Market Analyst	Professional staff - utility resource management	0.00	0
34	Sr Market Analyst	Professional staff - utility resource management	0.00	0
25	Sr Resource Originator	Professional staff - utility resource management	0.00	0

64	Sr Resource Planner	Professional staff - utility resource management	0.00	0
64	Sr Resource Planner	Professional staff - utility resource management	0.00	0
64	Sr Resource Planner	Professional staff - utility resource management	0.00	0
122	Mgr Supply Resources	Professional staff - utility resource management	0.00	0
64	Sr Resource Planner	Professional staff - telecommunications program	0.00	0
61	Coord Utl Projects	Professional staff - telecommunications program	0.00	0
61	Coord Utl Project	Coordinates utility projects - engineering and operations division	0.00	0
Number of Management supervisors with 1-4 direct reports:			81	86
Number of other supervisors who have 1-4 direct reports:			44	44
SUBTOTAL:			125	130
Number of Management/Professionals who have no direct reports:			124	119
TOTAL:			249	249

Organization Charts

To complete our audit, we gathered existing organization charts from City departments. We updated those charts to compile a full set of organization charts, and used them to analyze span of control and layers of management.

We compiled these organization charts using the software program VISIO.

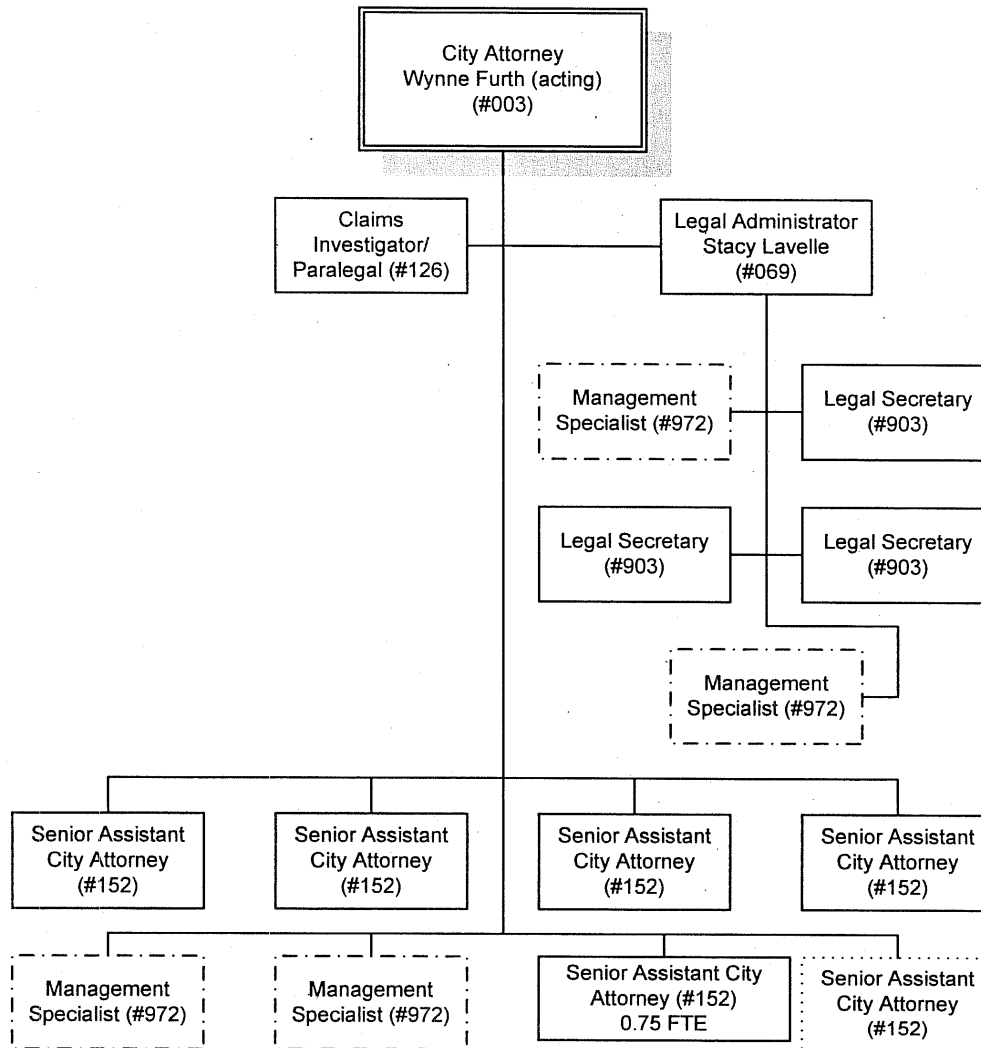
- ☒ A solid box connotes a **regular employee**.
- ☒ A dotted-line box connotes a **vacant regular position**.
- ☒ A dashed-line box connotes a **temporary hourly employee**.
- ☒ A shaded box connotes a program or, in some cases, a group of **volunteers**.
- ☒ A stacked box connotes that the organization chart is continued on another page.

City of Palo Alto Department Organizational Charts may be accessed by selecting the following link:

[March 2004 City of Palo Alto Organizational Charts](#)

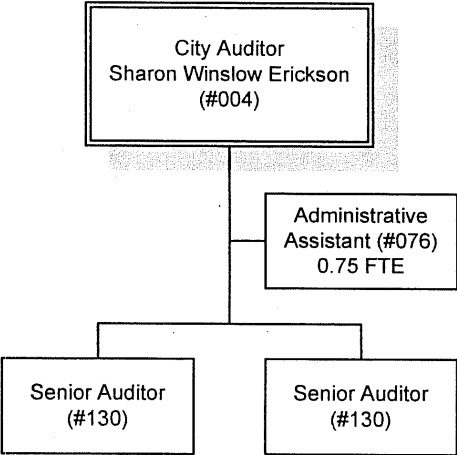
City Attorney's Office

4/13/2004



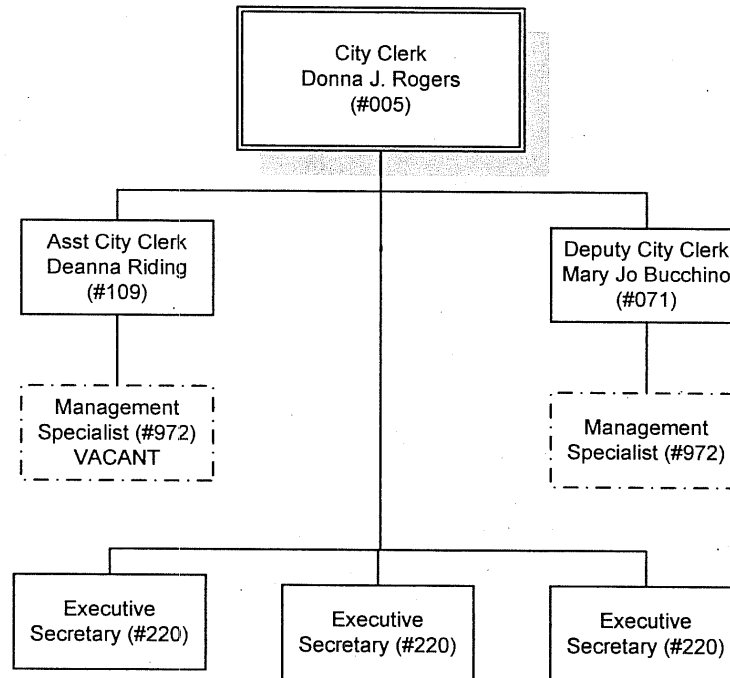
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4/13/2004



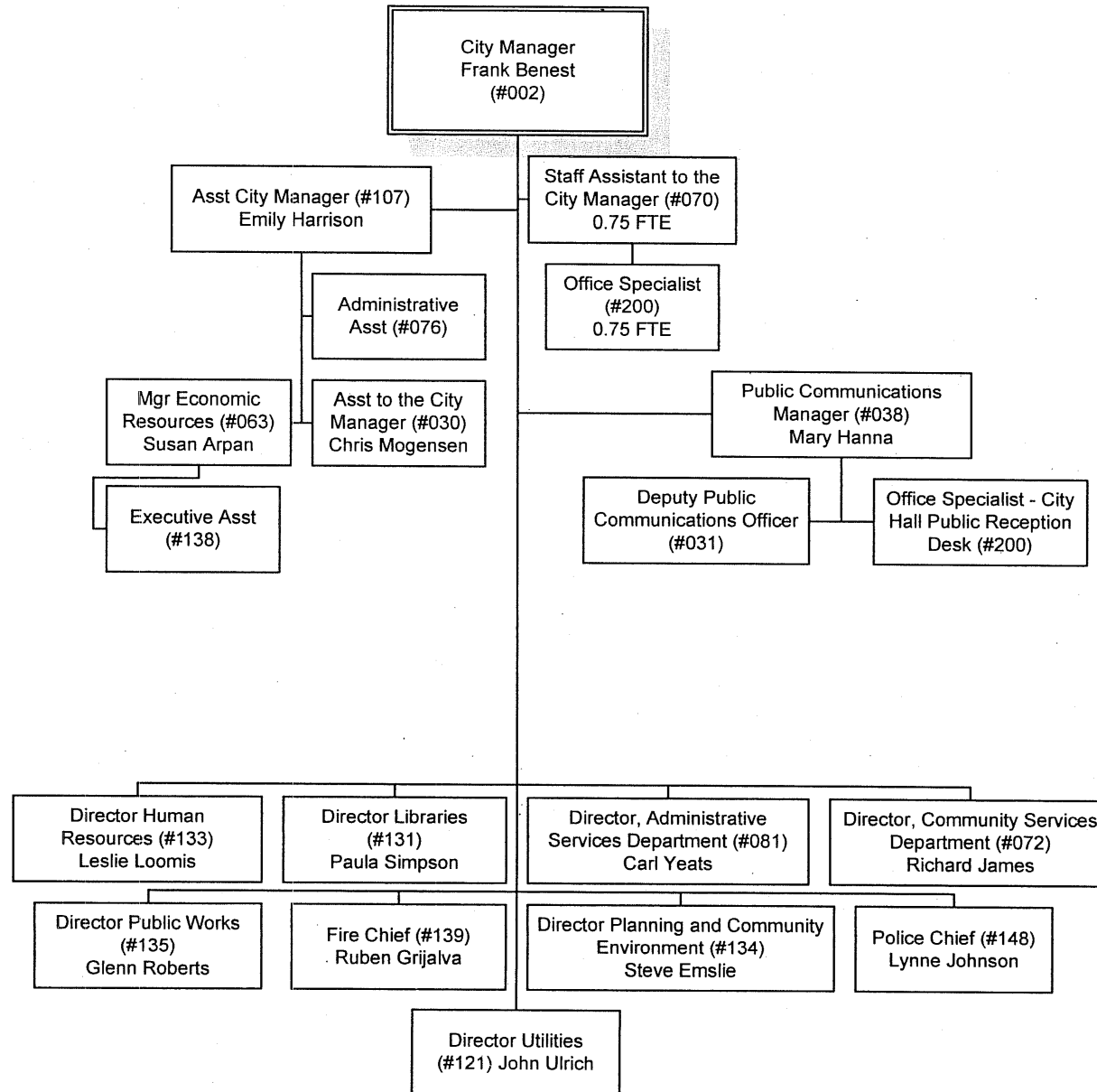
City Clerk's Office

4/13/2004



City Manager's Office

4/13/2004



Administrative Services Department

4/13/2004

Director, Administrative Services Department (#081)
Carl Yeats

Business Analyst (#091)

Administrative Assistant (#076)

Senior Financial Analyst (#199)

Senior Financial Analyst (#199)
0.5 FTE

Senior Financial Analyst (#199)
0.5 FTE

Chief Information Officer (#128)
Glenn Loo

Deputy Director Administrative Services (#052)
Joe Saccio

Budget Manager (#049)
Charles Perl

Manager Real Property (#103)
Bill Fellman

Assistant Director, Administrative Services Department (#073)
Lalo Perez

Senior Financial Analyst (#199)

Senior Financial Analyst (#199)

Senior Financial Analyst - Supervisor Revenue Collections (#176)

Manager Energy Risk (#021)

Graphic Artist (#283)

Staff Secretary (#221)

Manager Purchasing and Contract Administration (#095)
Johnella Walker

Accounting Manager (#079)
Trudy Eikenberry

Lead Accounting Specialist (#207)

Lead Accounting Specialist (#207)

Accounting Specialist (#204)

Accounting Specialist (#204)

Accounting Specialist (#204)

Accounting Specialist (#204)

Accounting Specialist (#204)

Accounting Specialist (#204)

Accounting Specialist (#204)

Senior Financial Analyst (#199)

Financial Analyst (#046) 0.5 FTE

Senior Financial Analyst (#199)

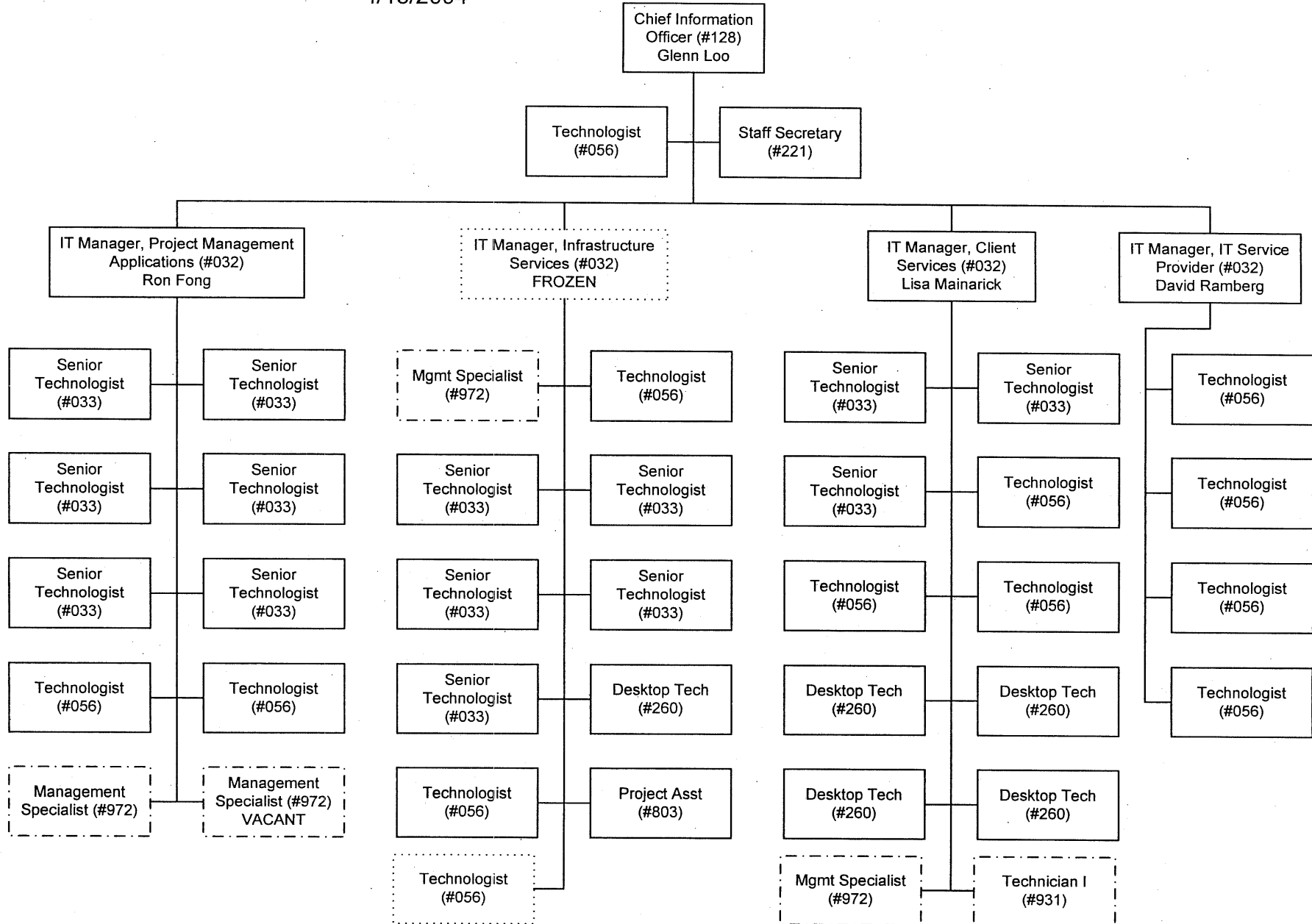
Financial Analyst (#046) 0.5 FTE

Senior Financial Analyst (#199)

Senior Financial Analyst (#199)

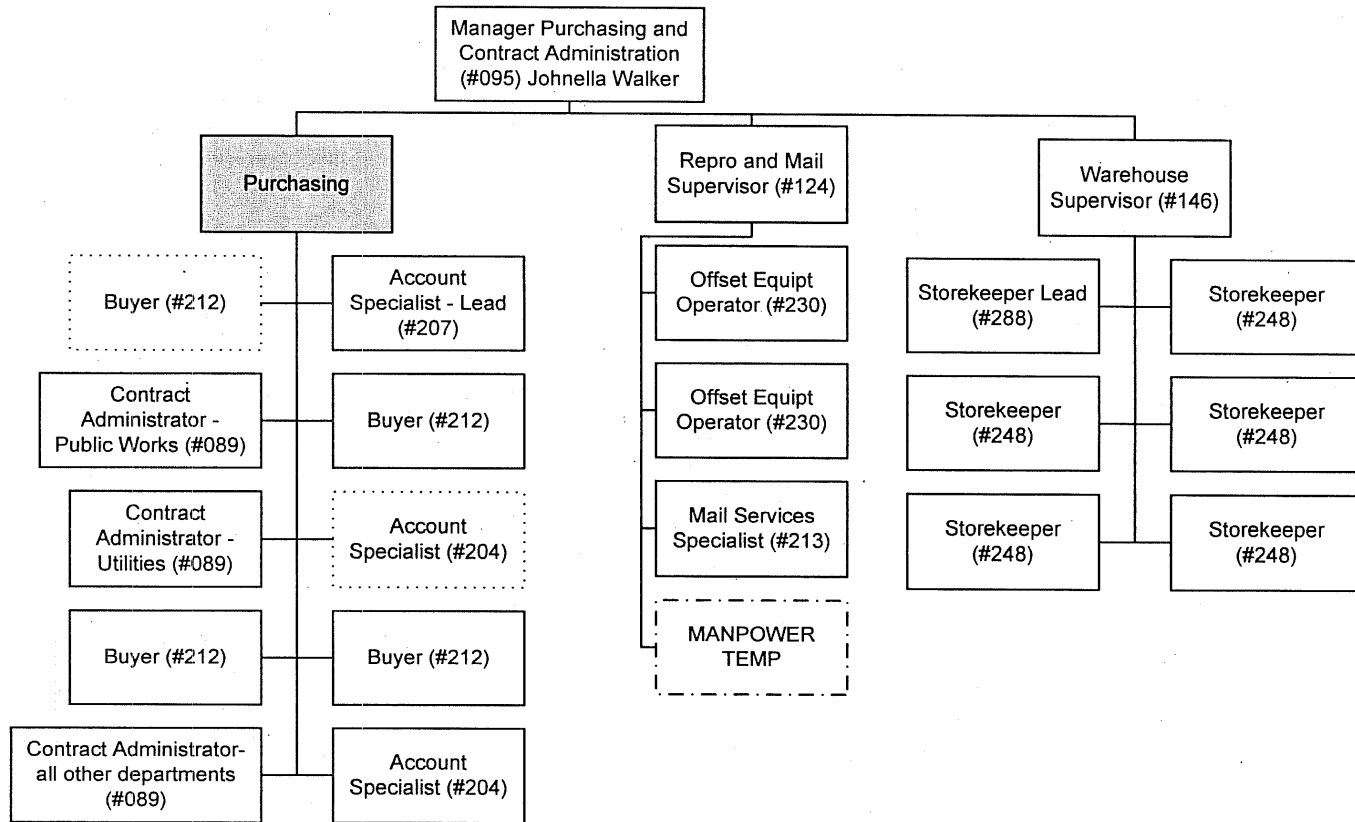
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4/13/2004



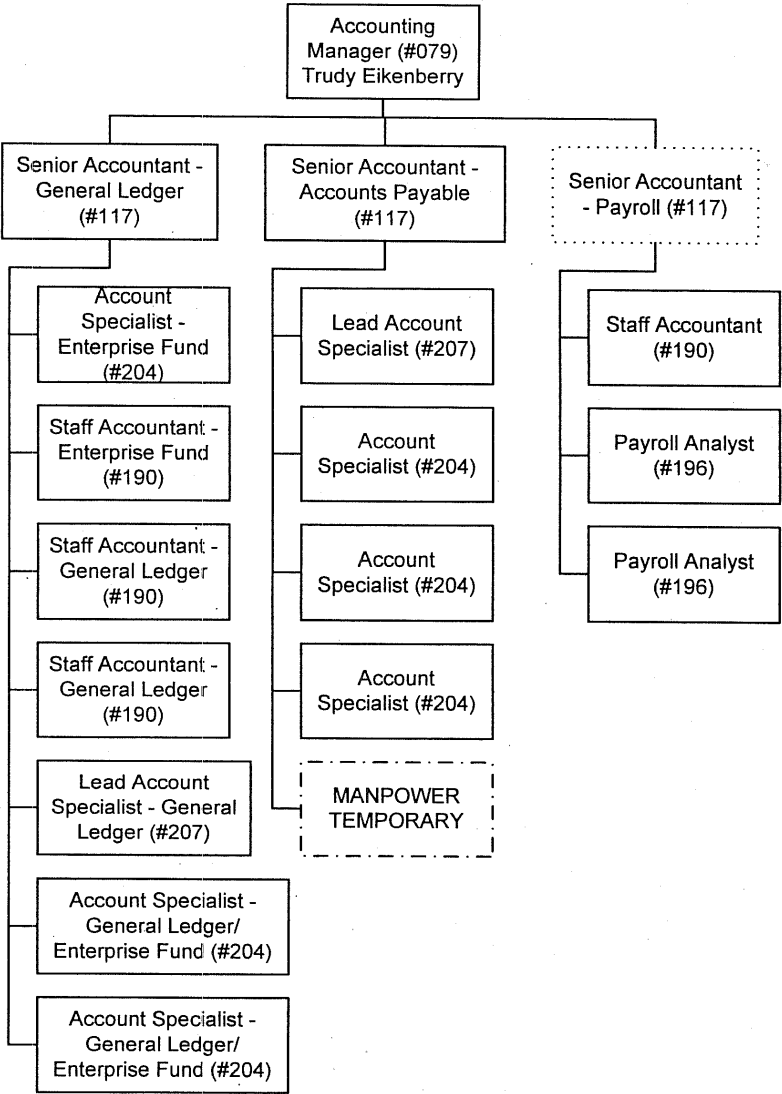
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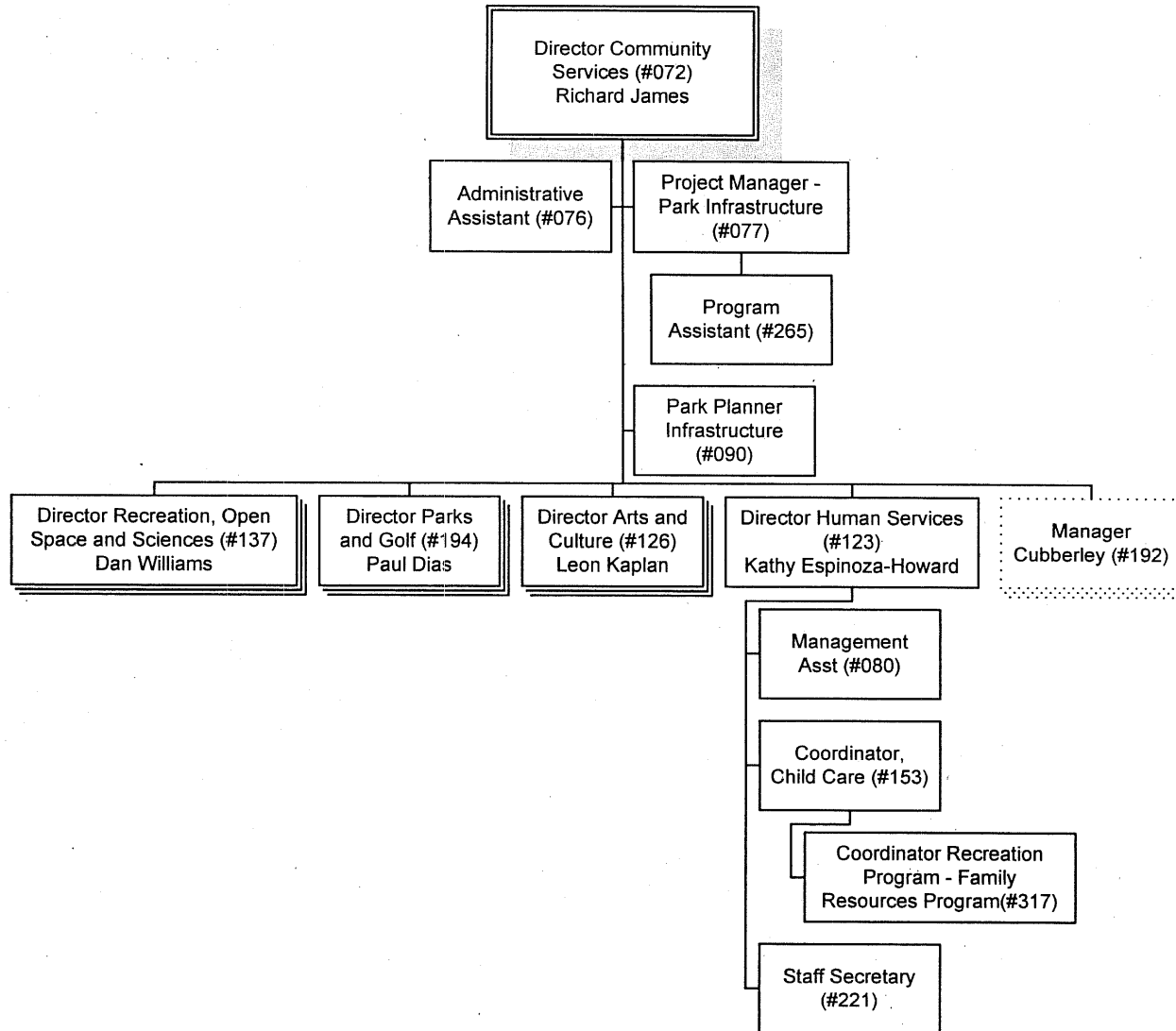
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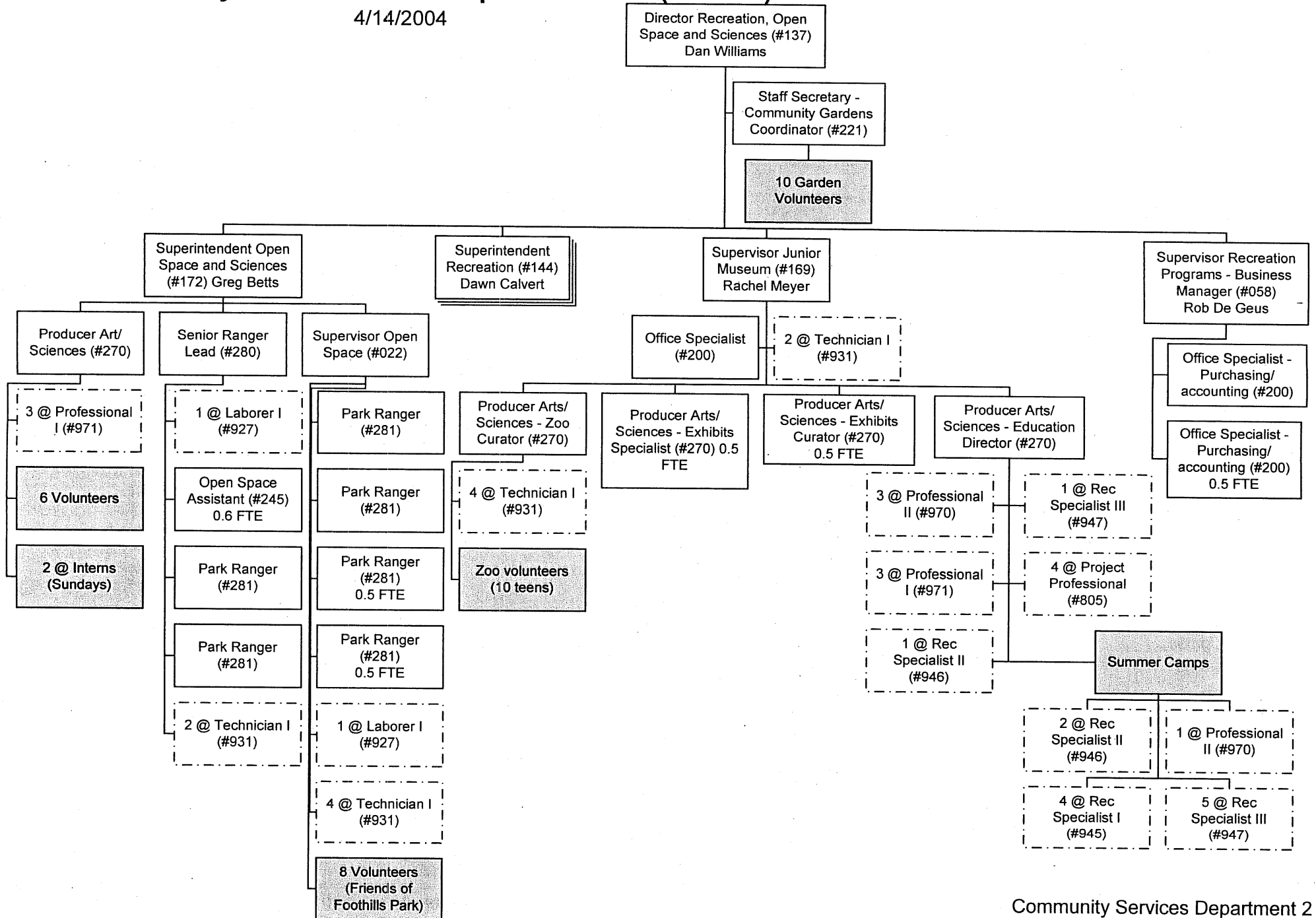
Community Services Department

4/14/2004



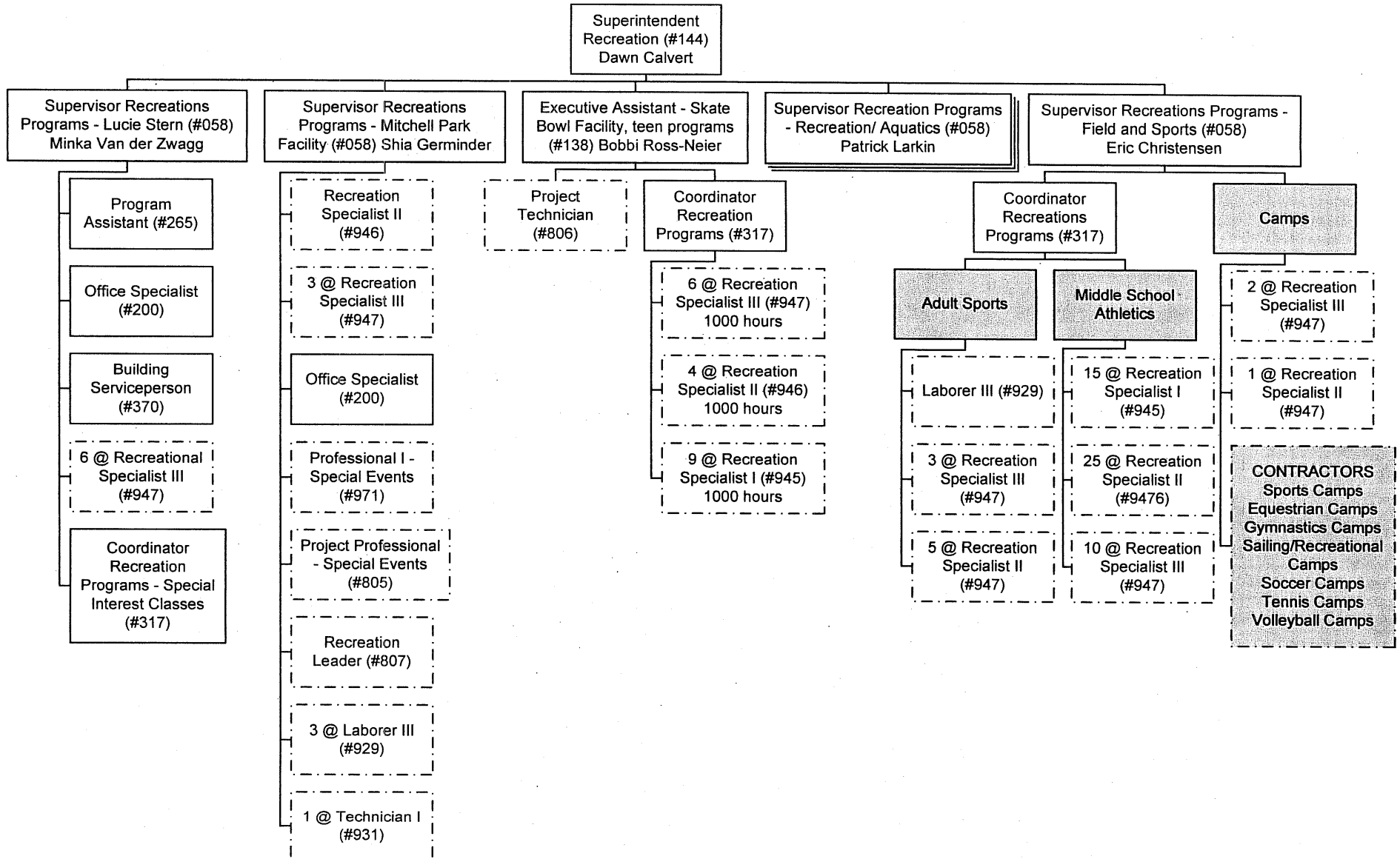
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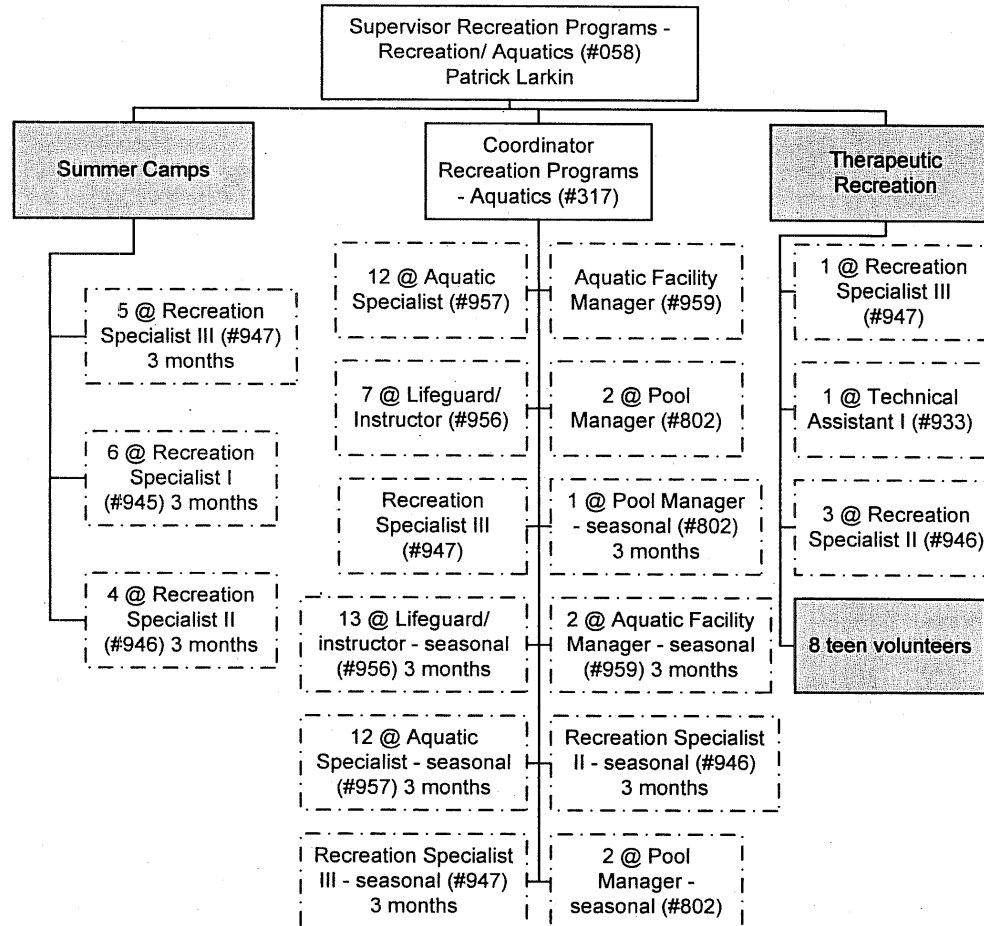
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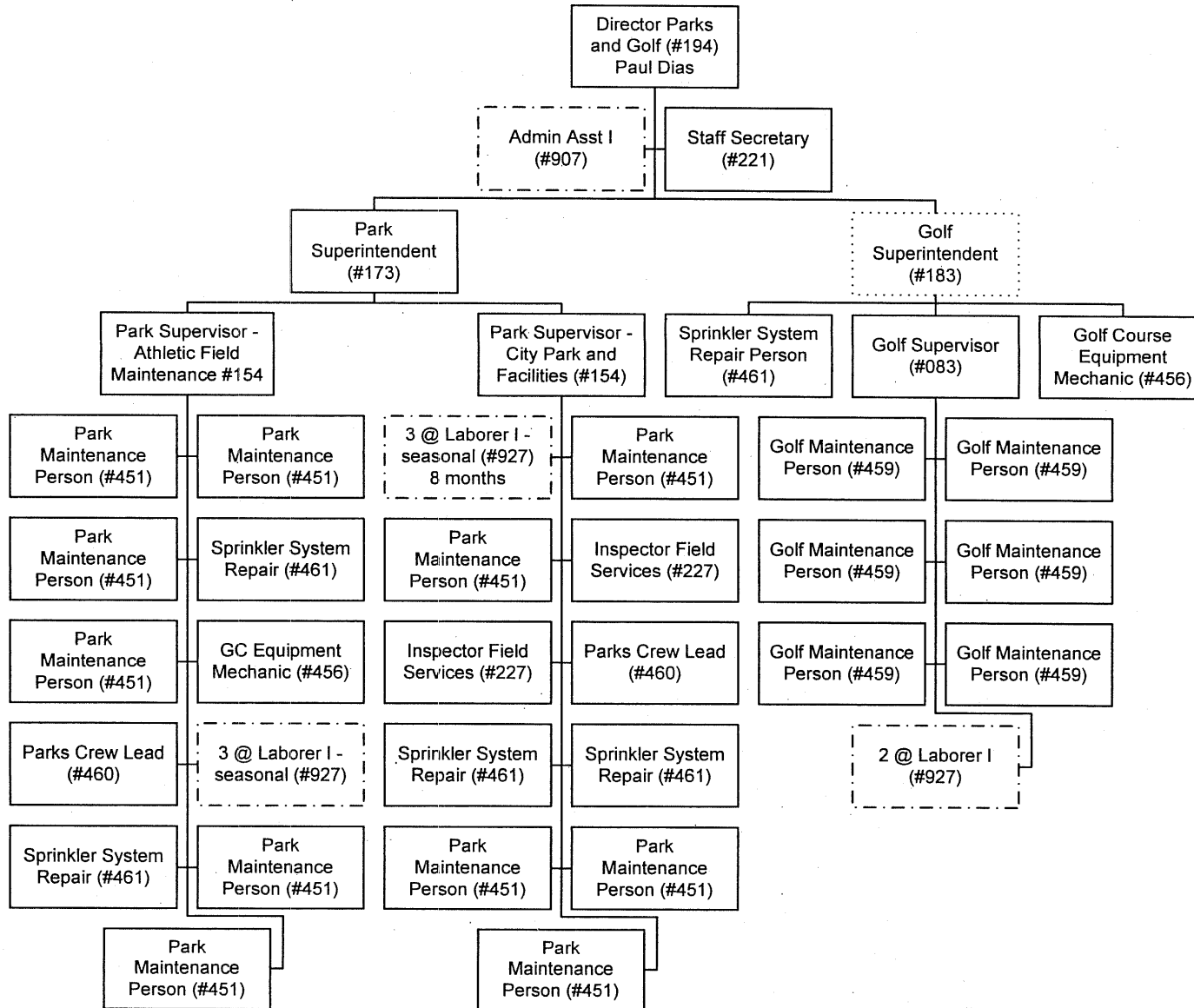
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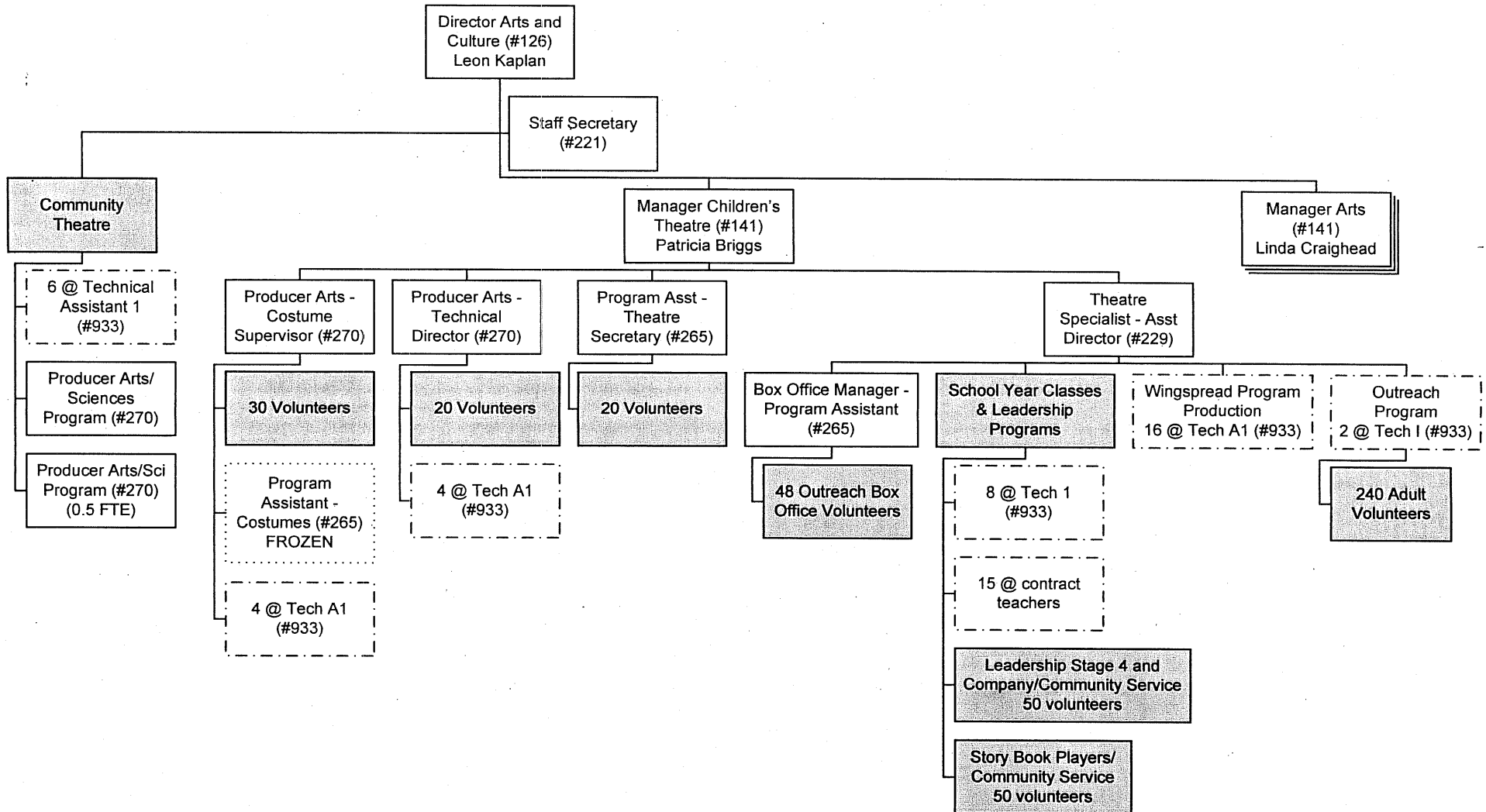
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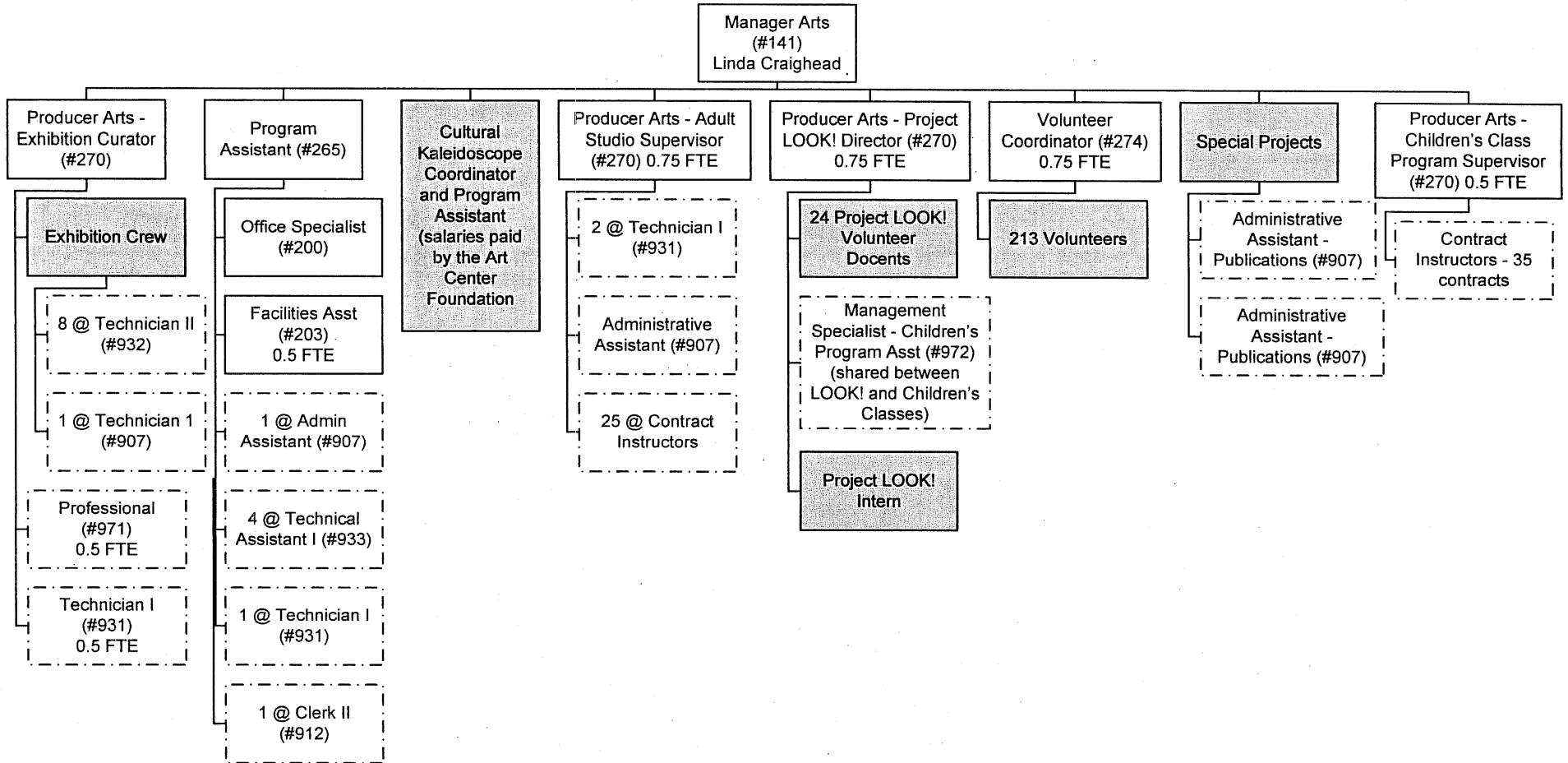
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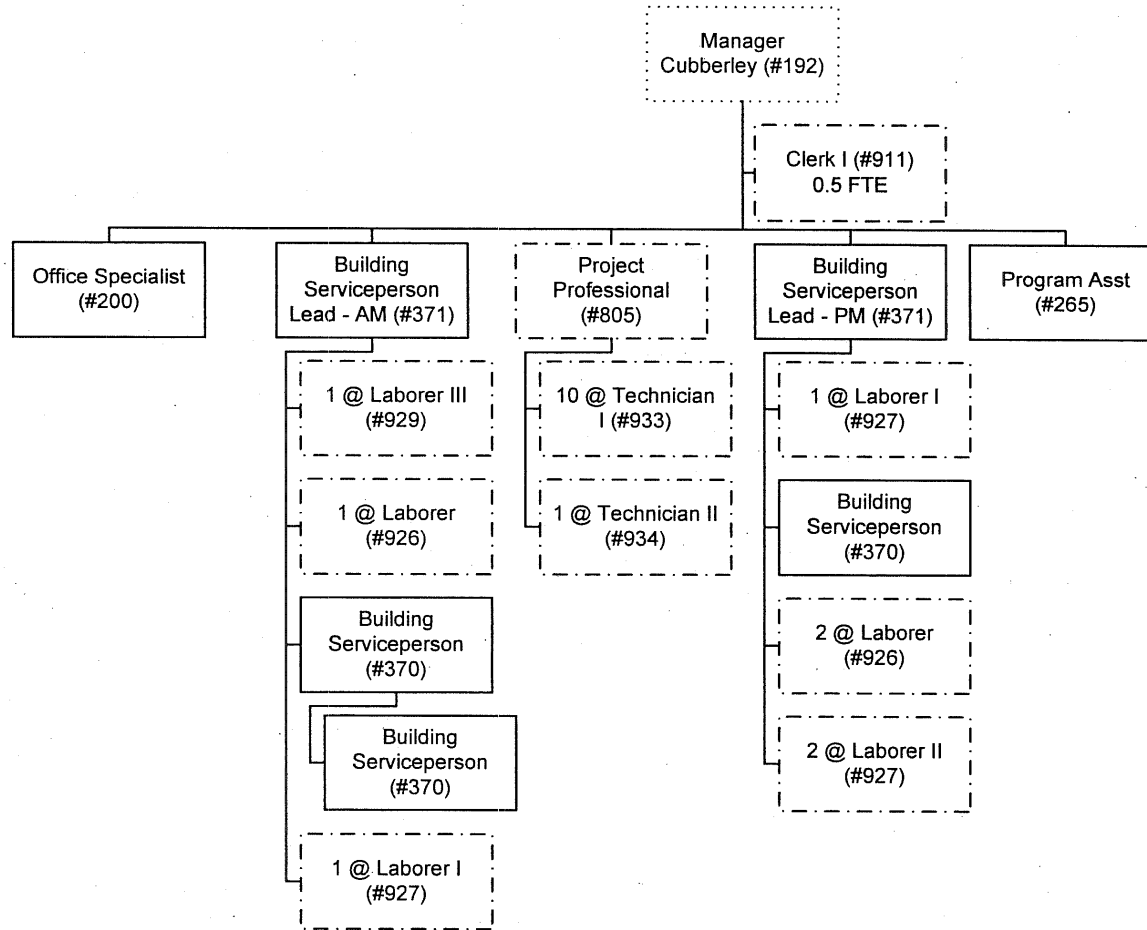
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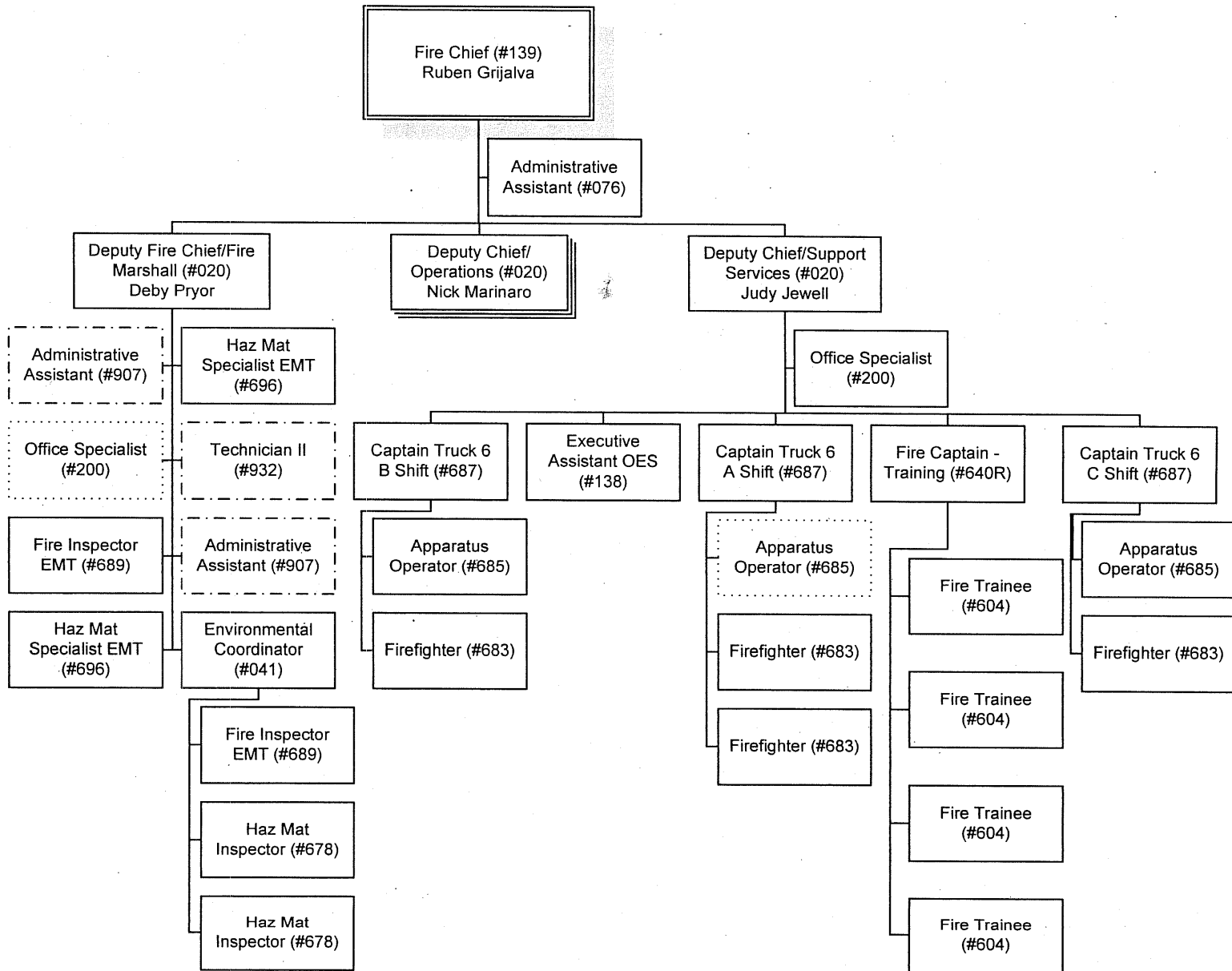
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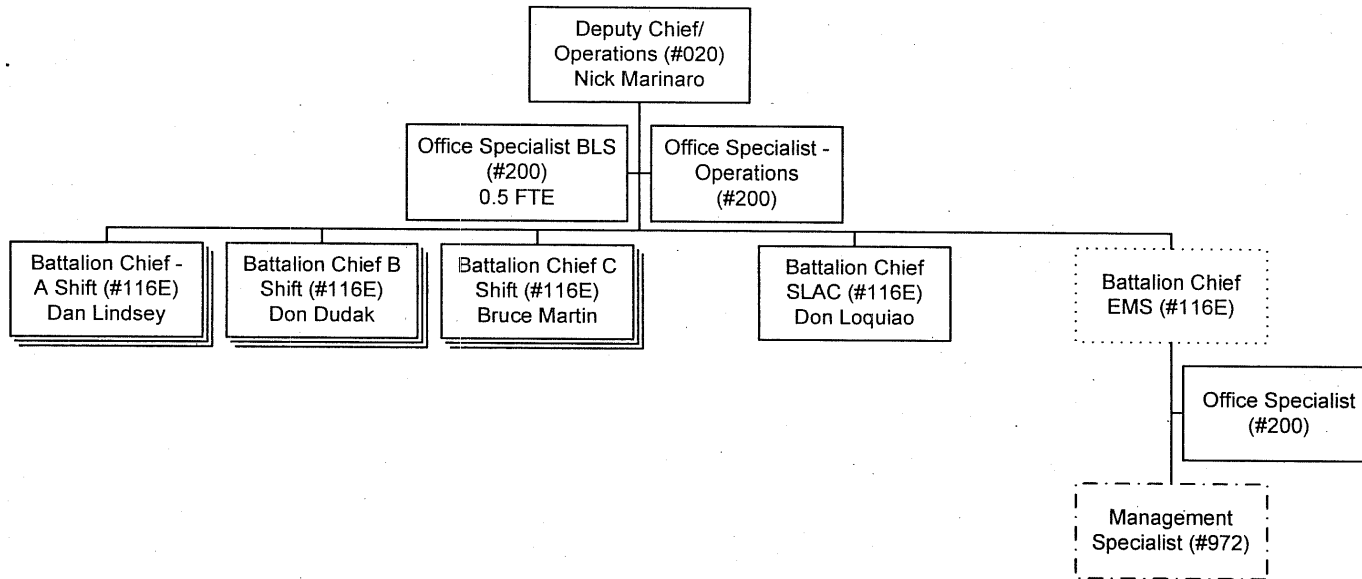
Fire Department

4/13/2004



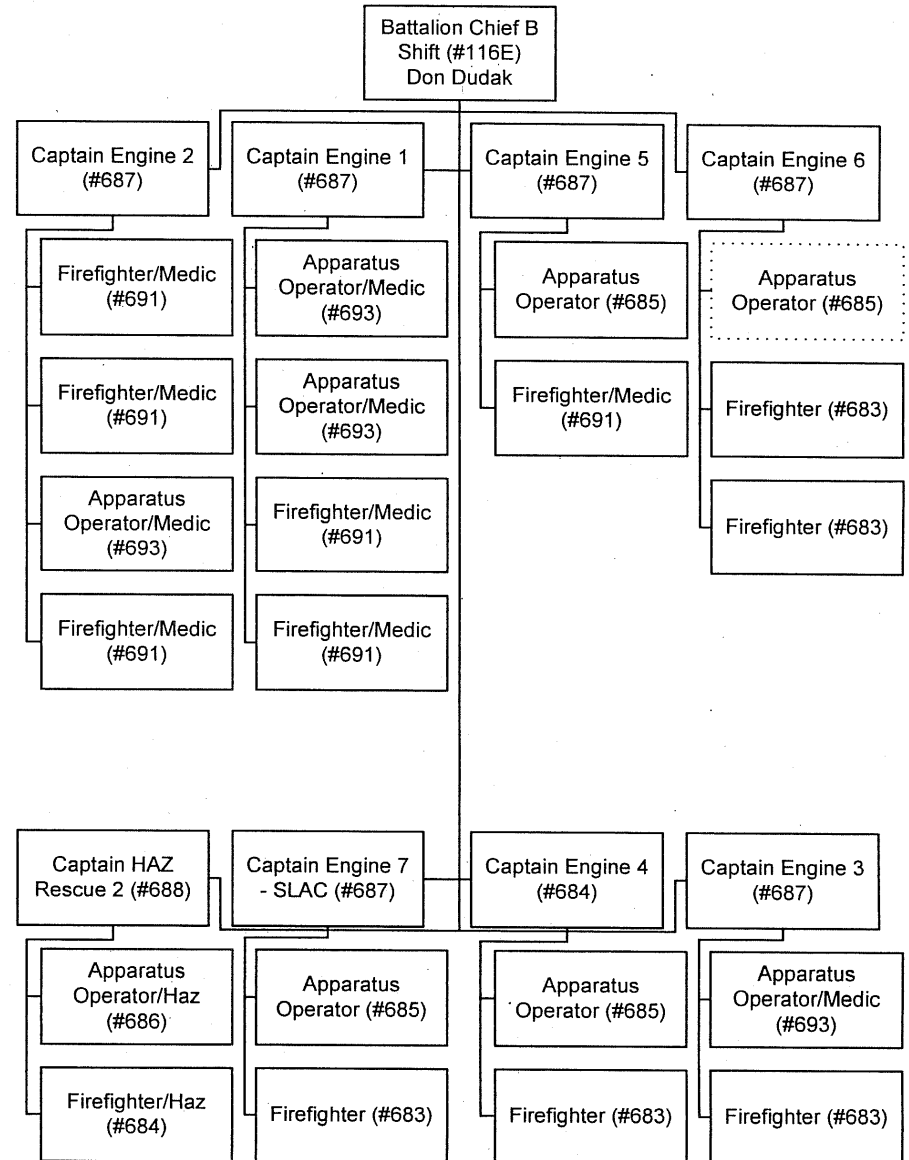
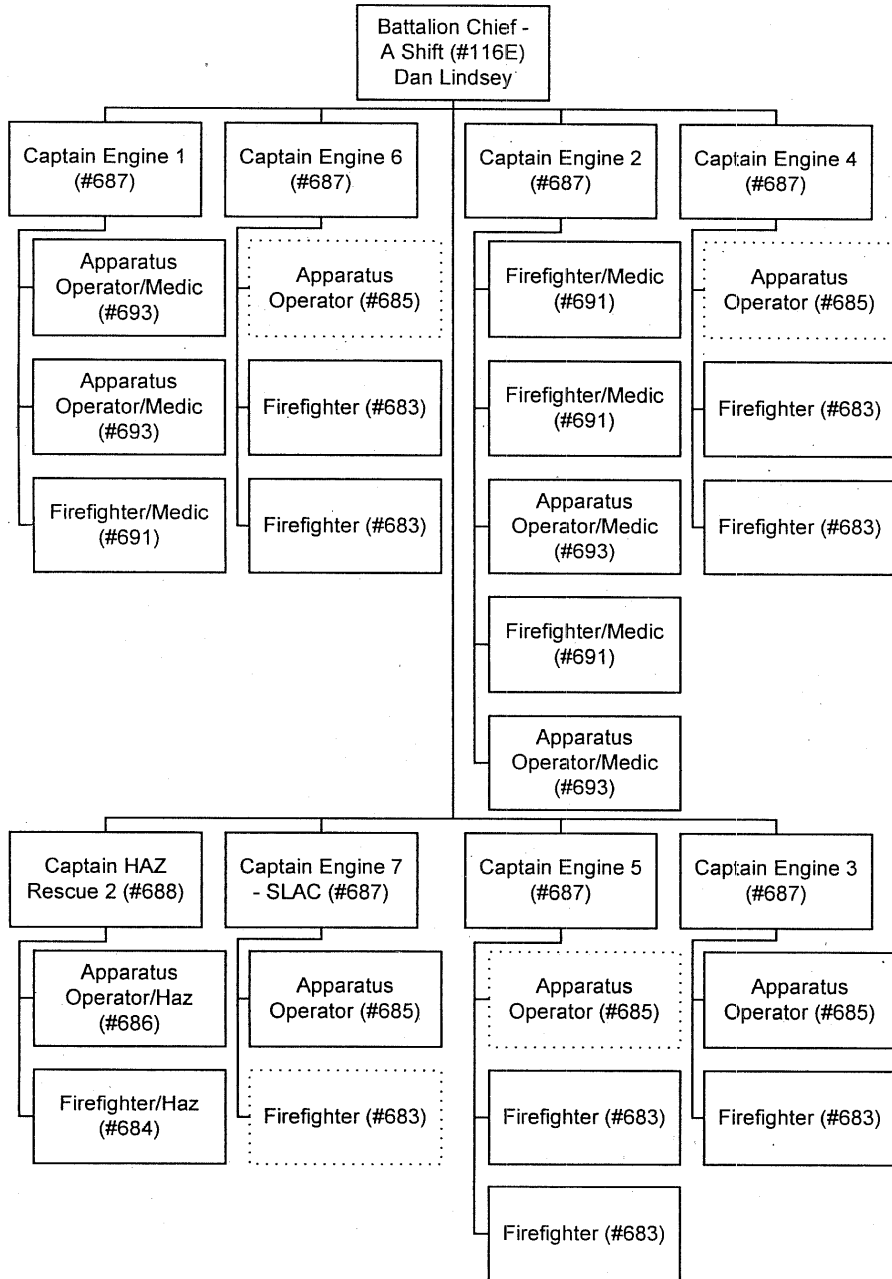
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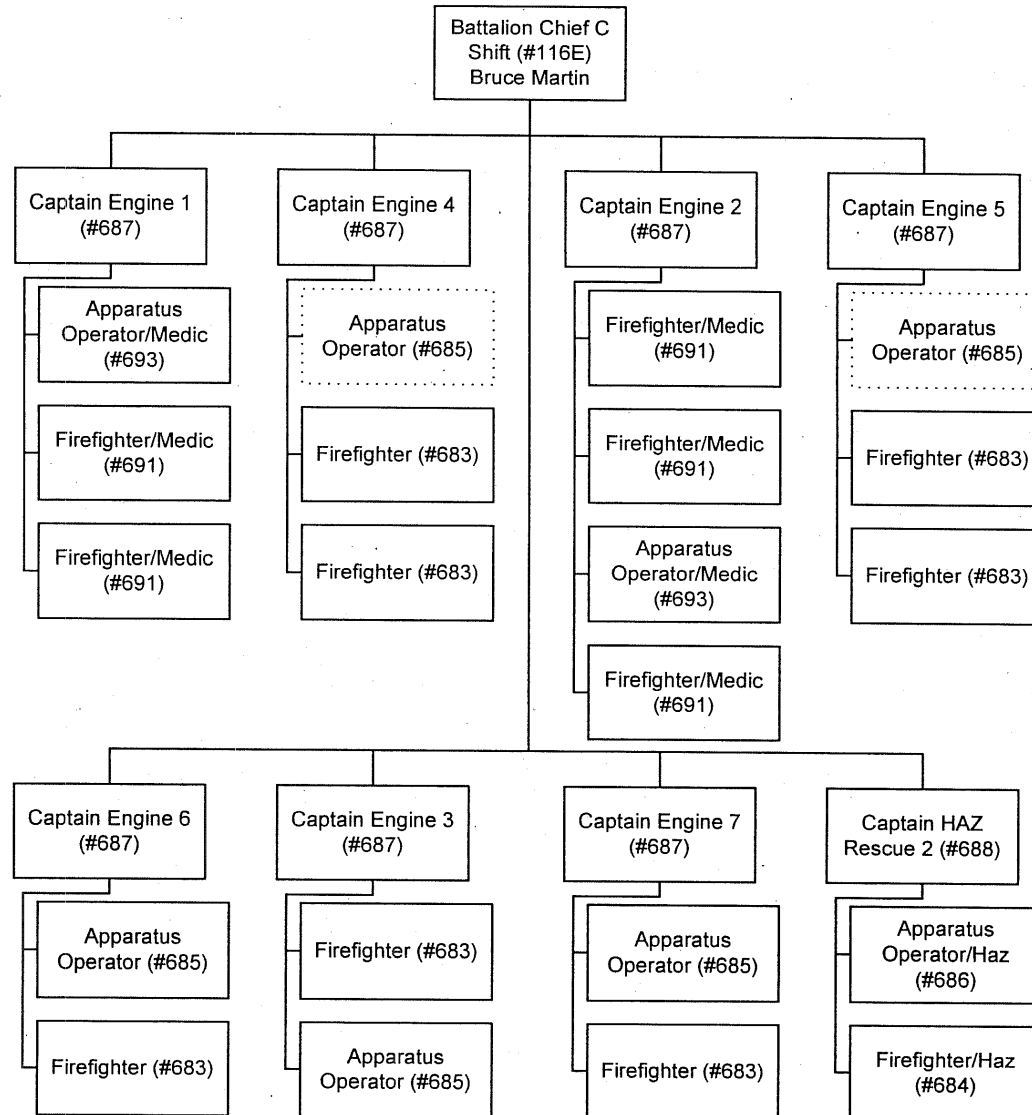
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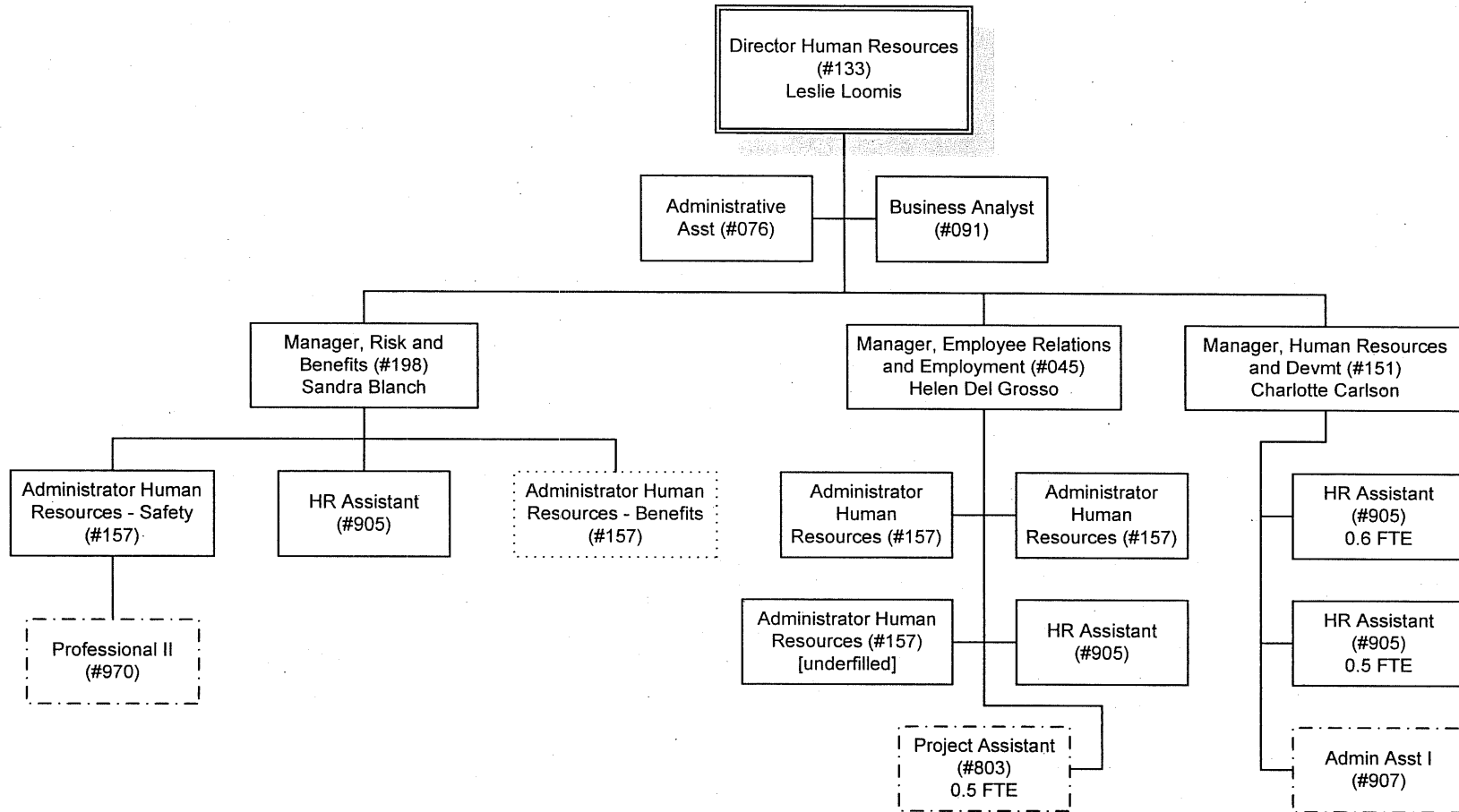
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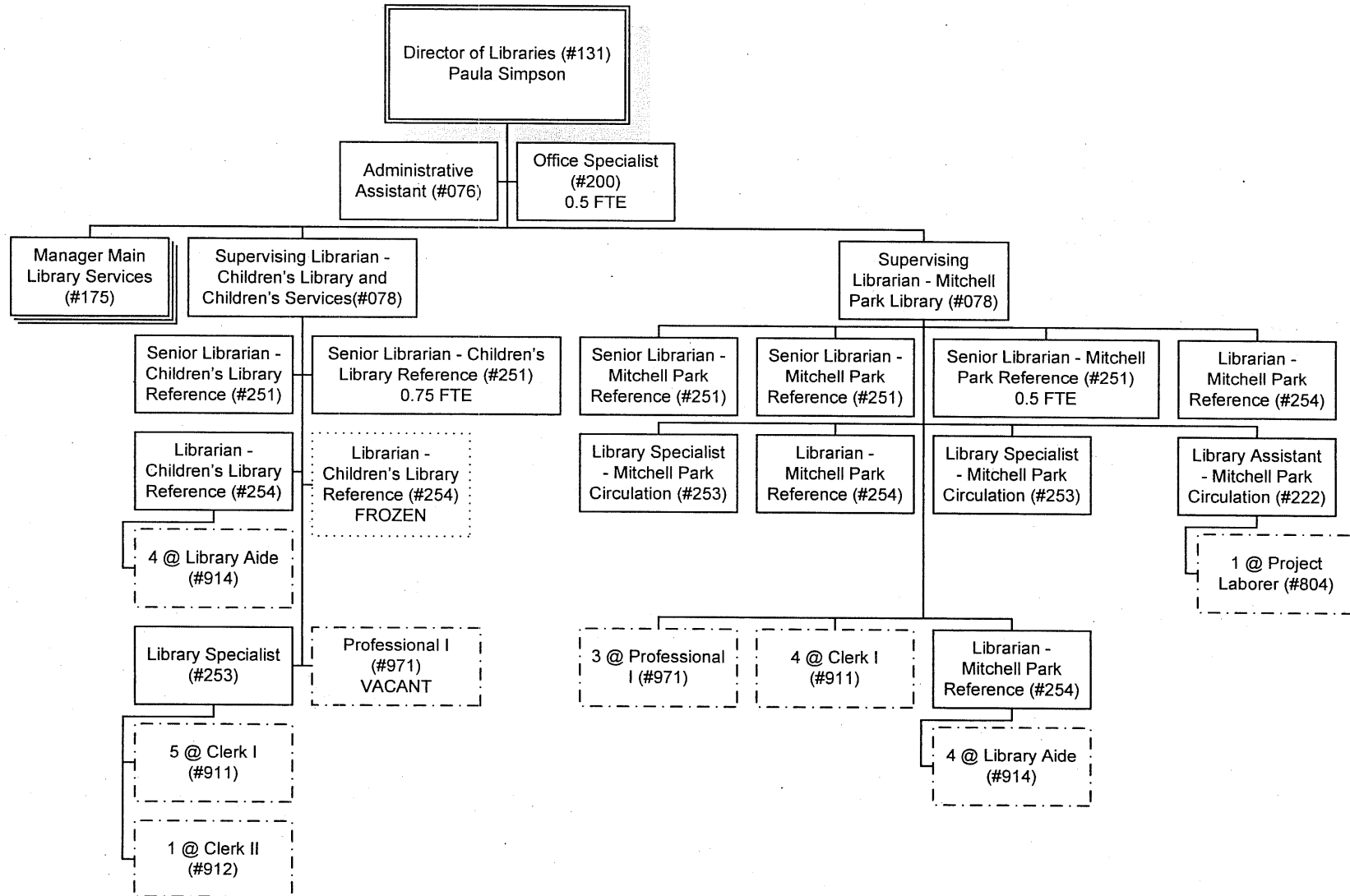
Human Resources

4/13/2004



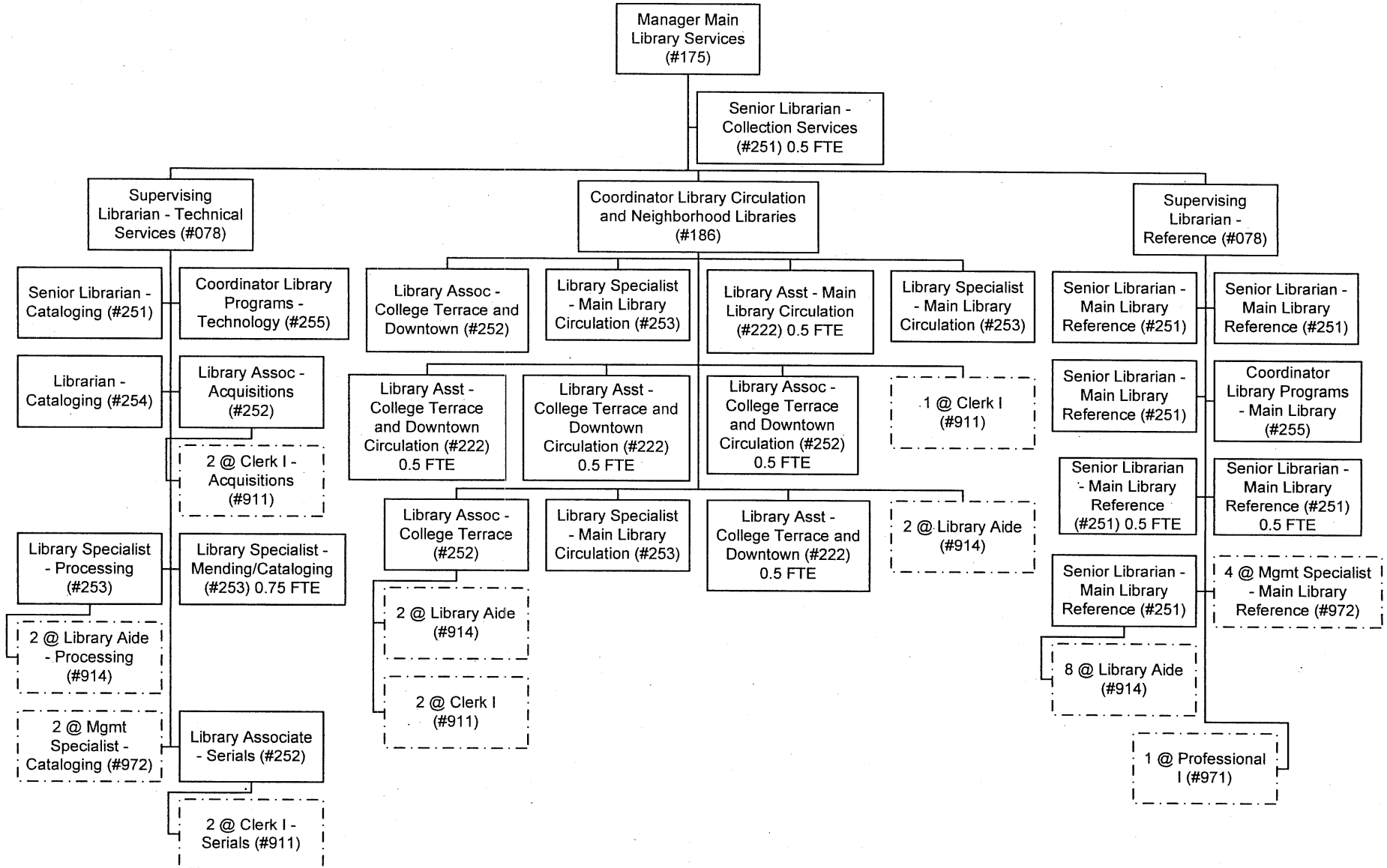
Library Services

4/13/2004



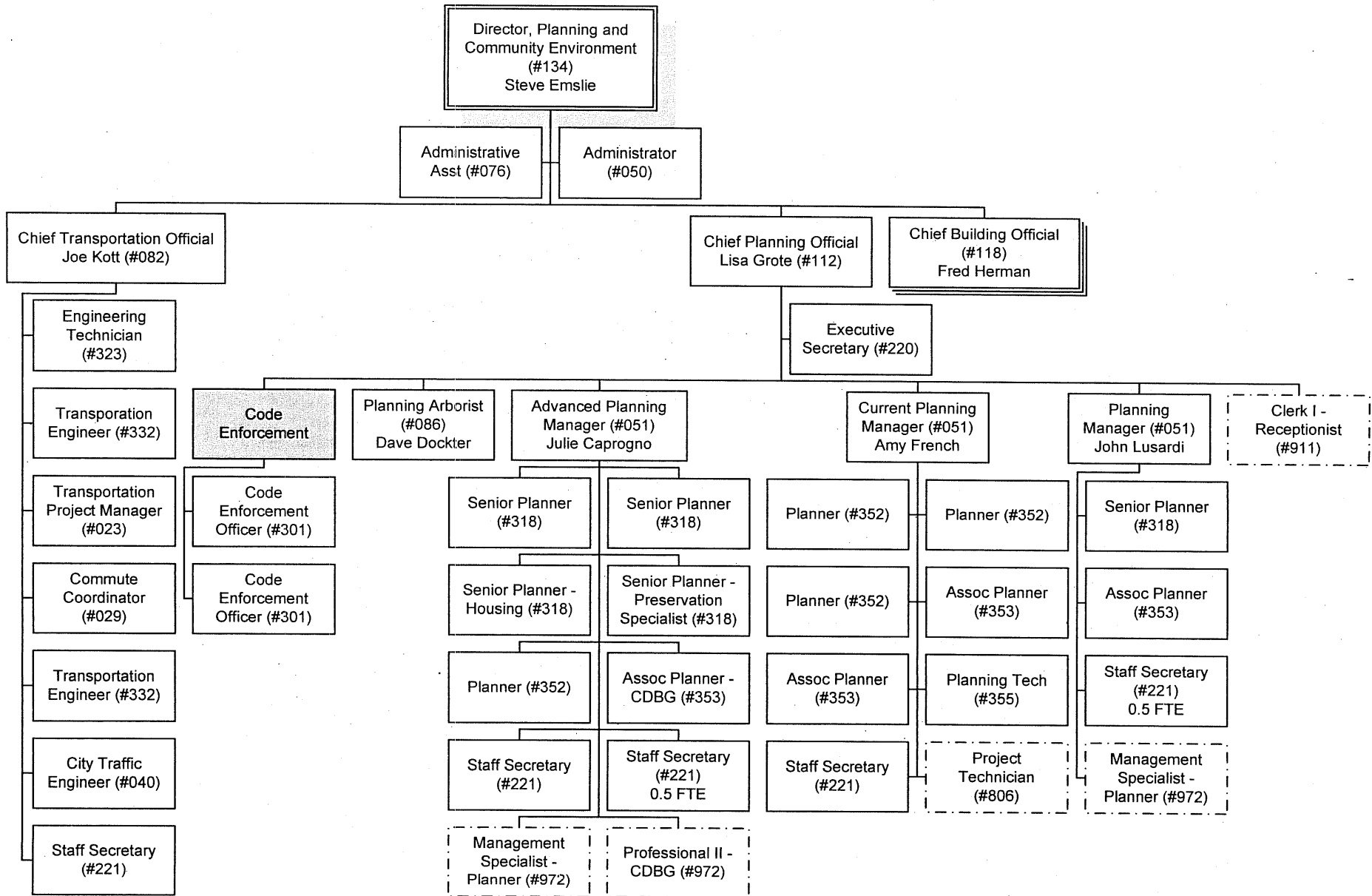
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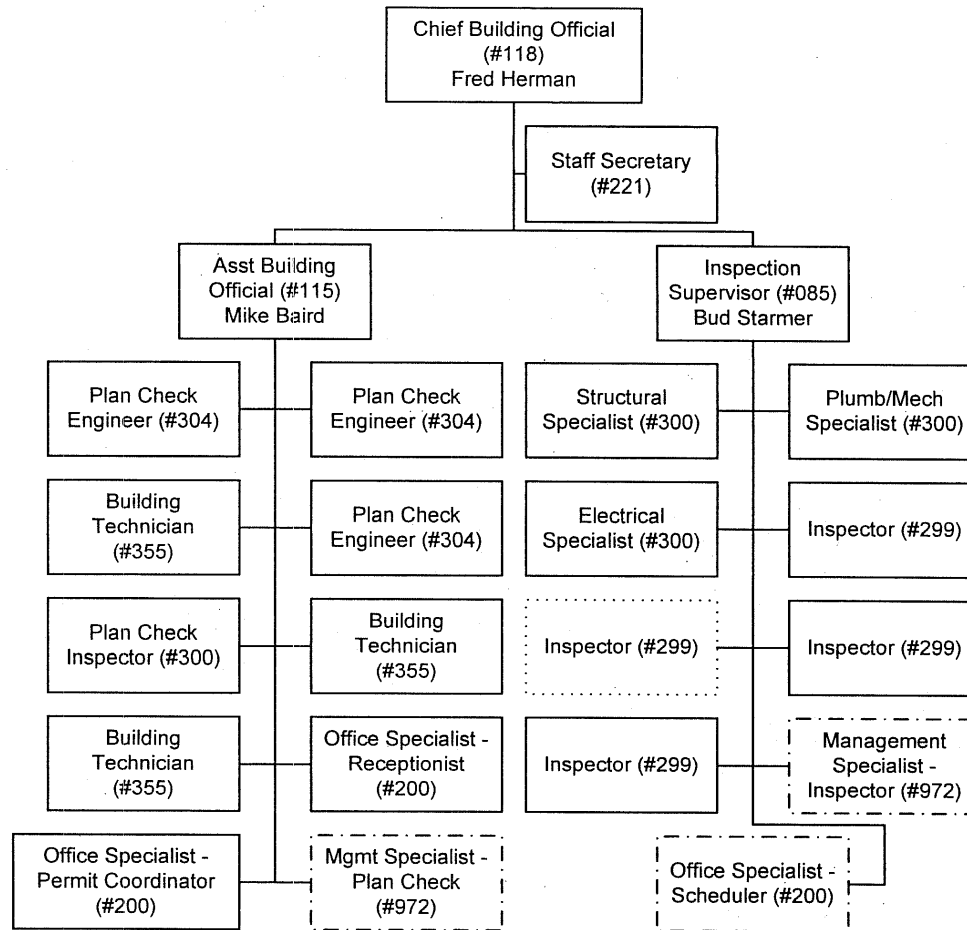
Planning and Community Environment

4/13/2004



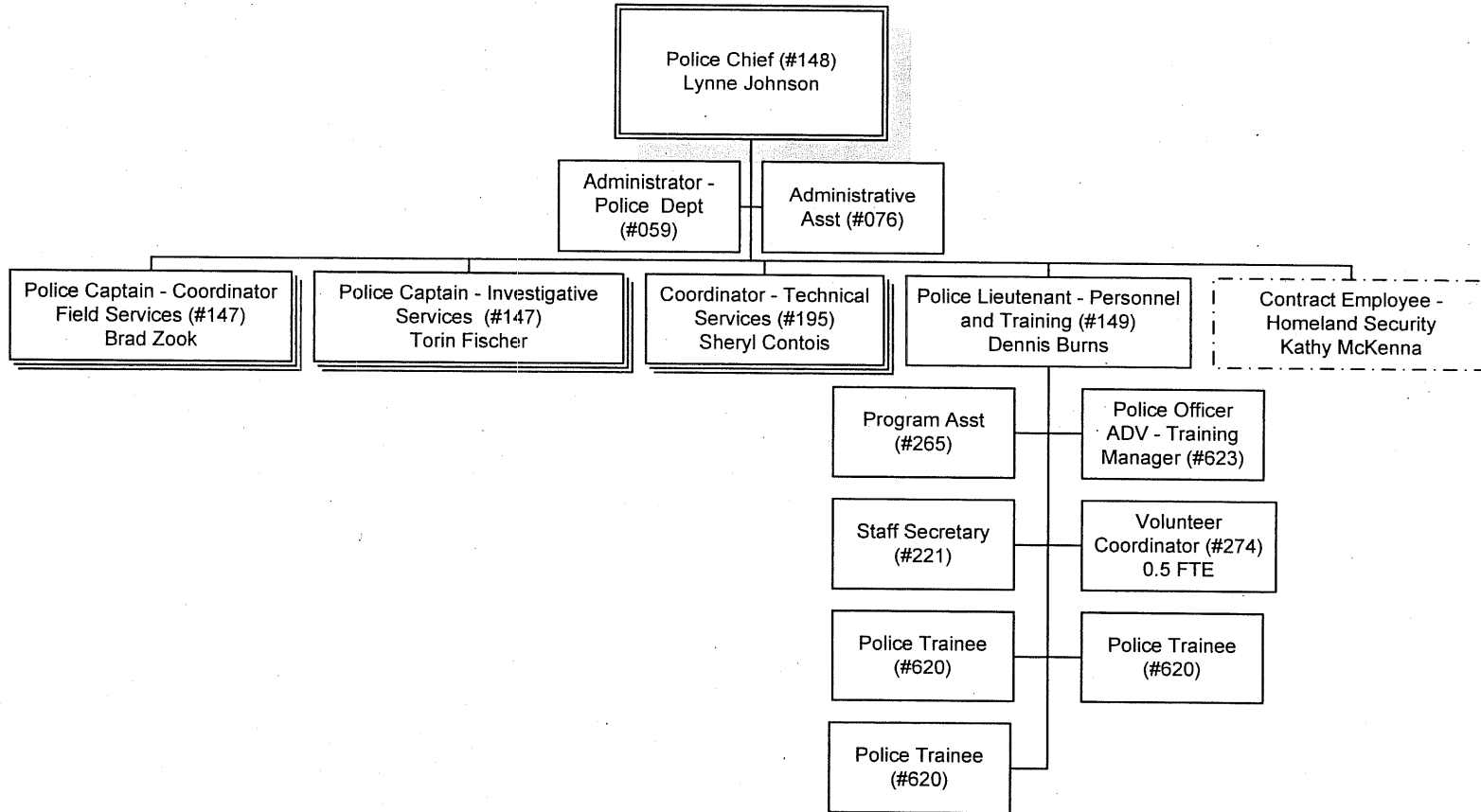
Planning and Community Environment (cont.)

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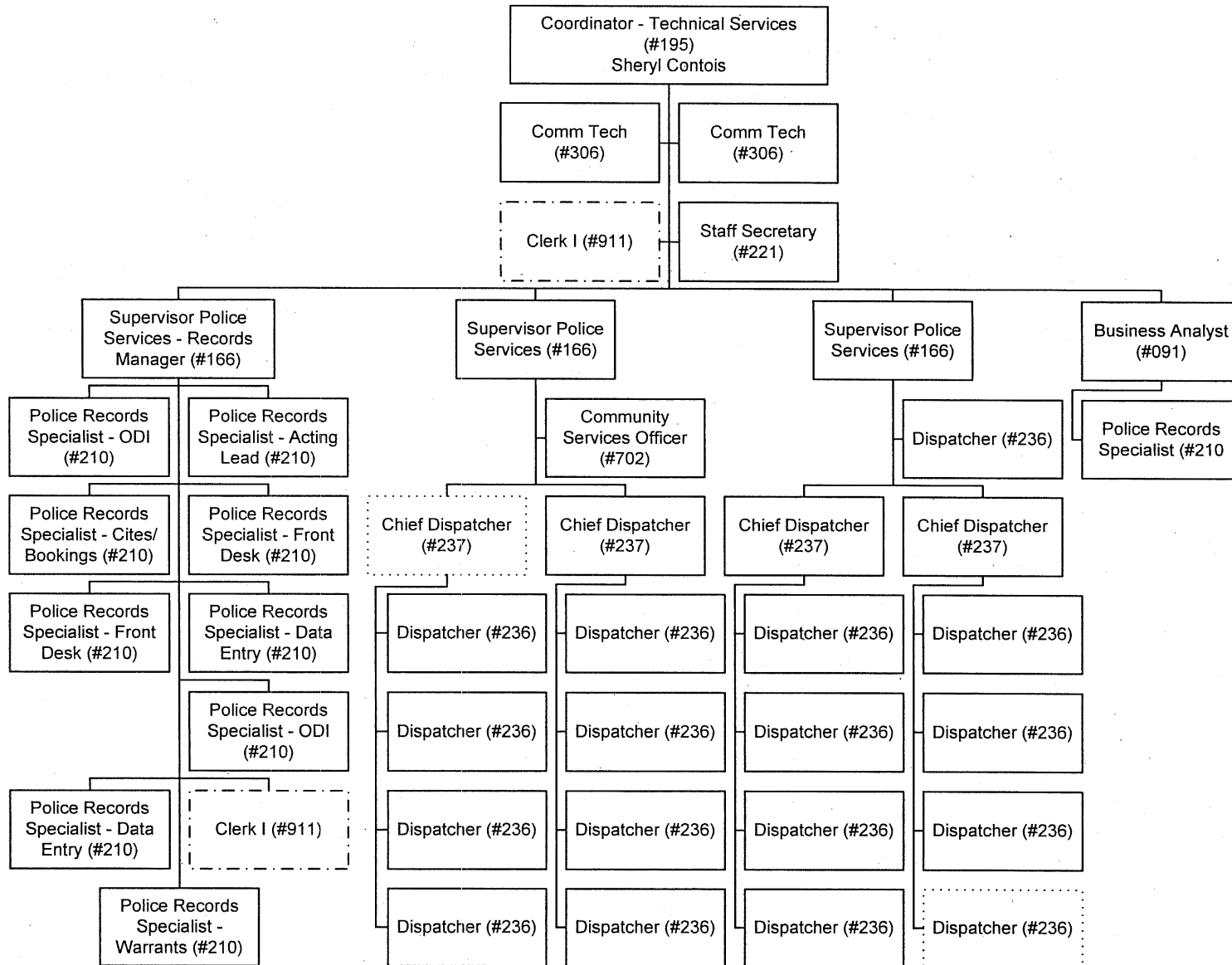
Police Department

4/13/2004



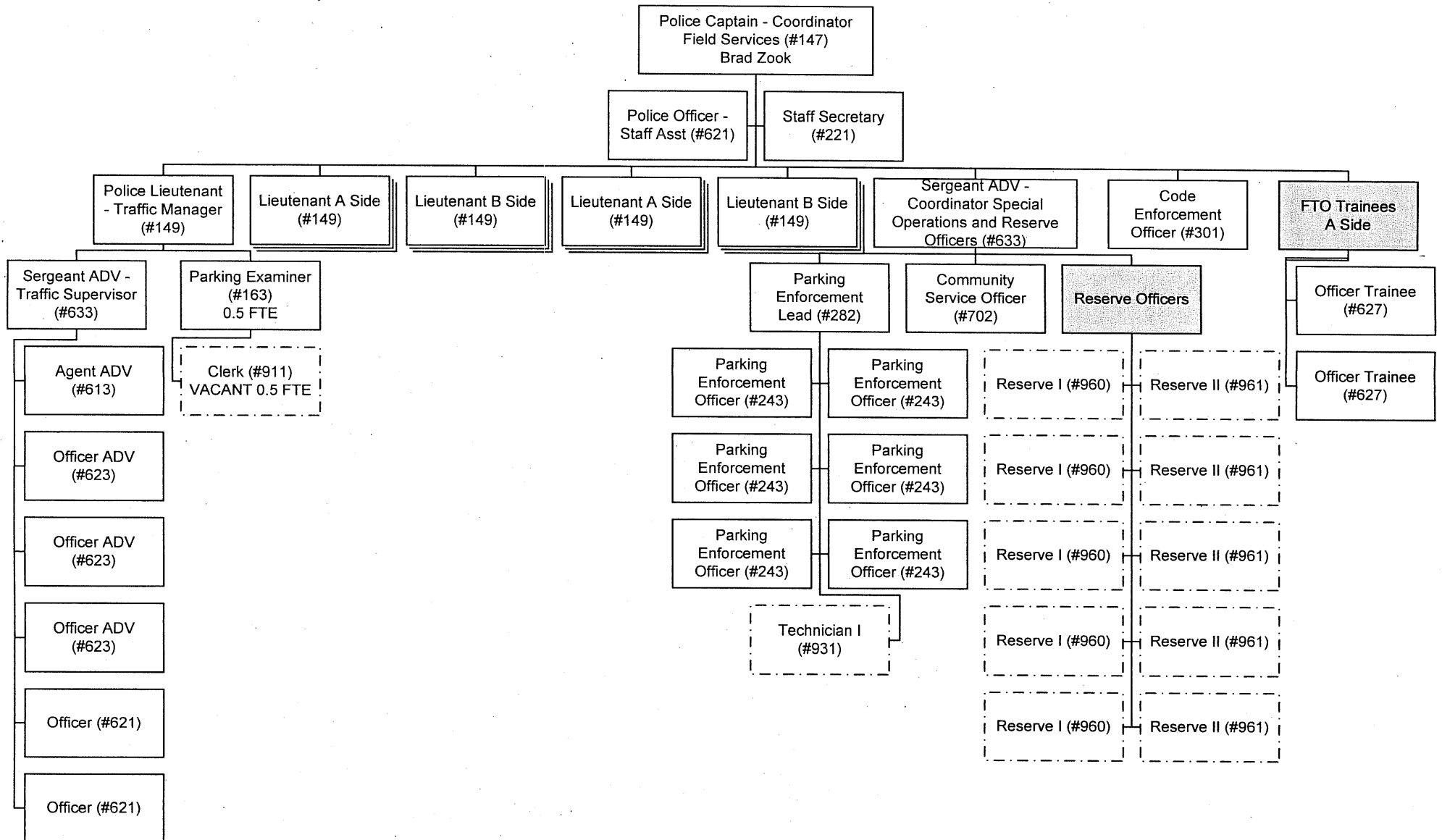
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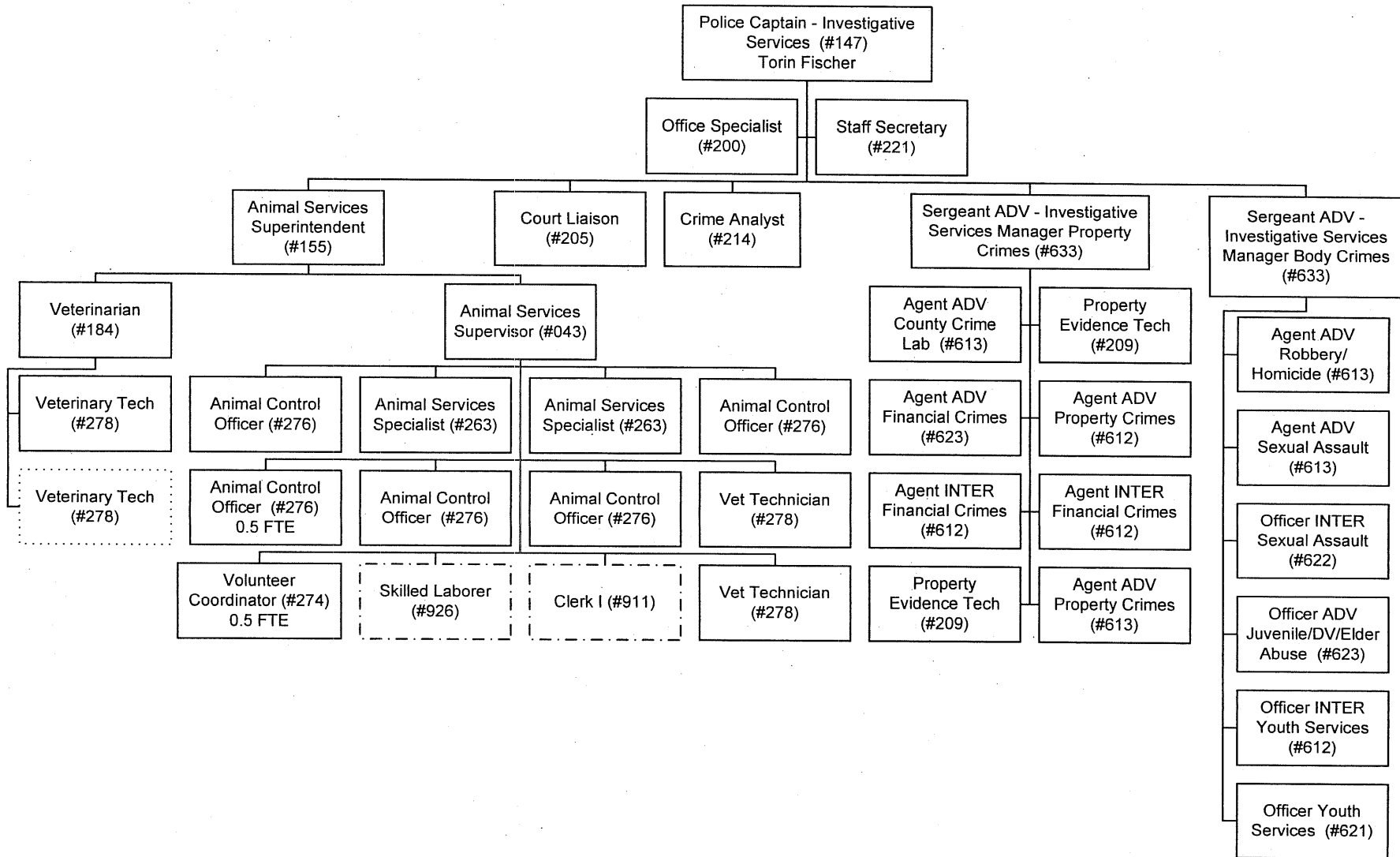
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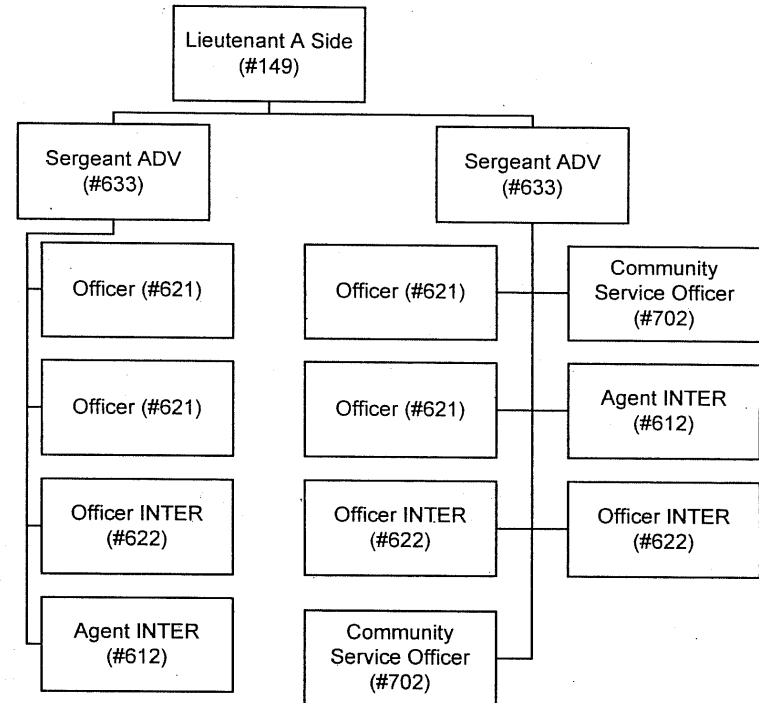
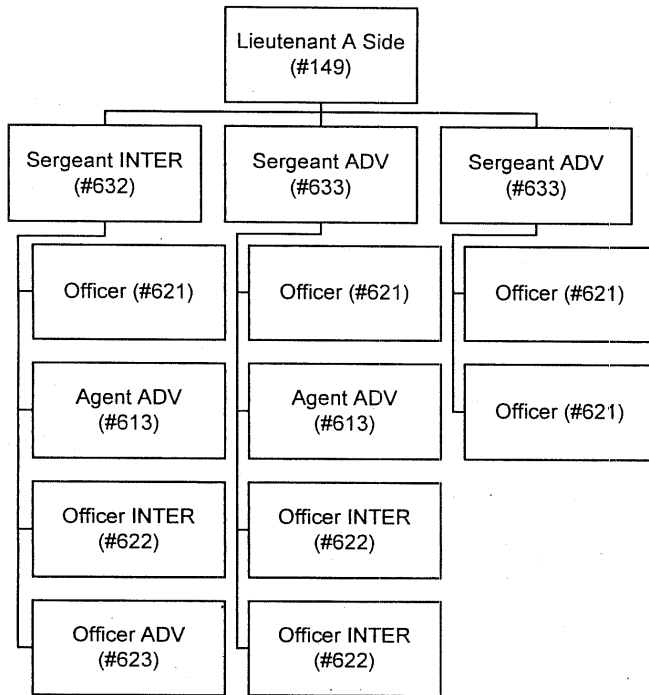
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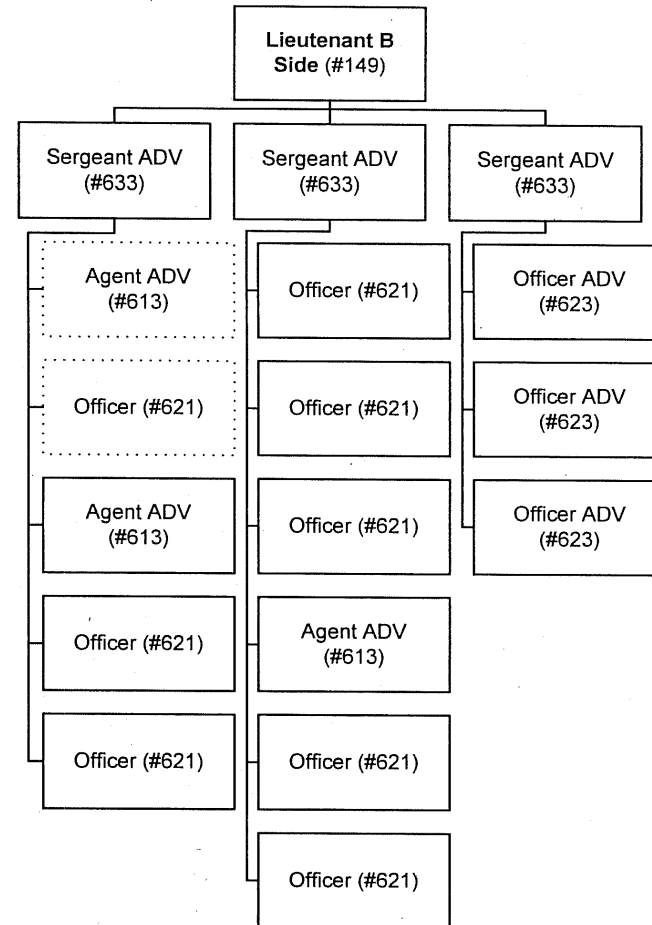
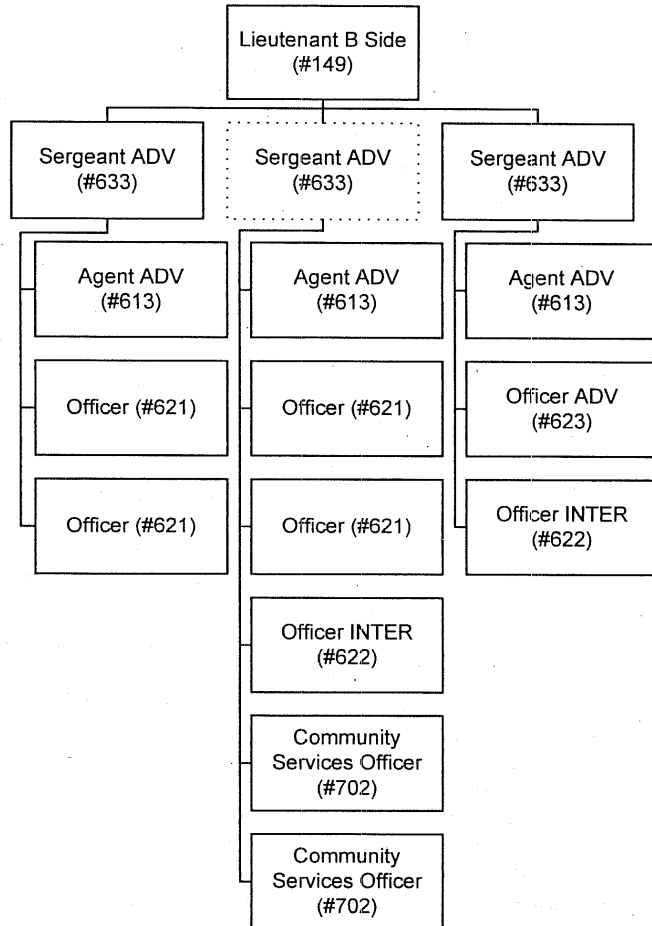
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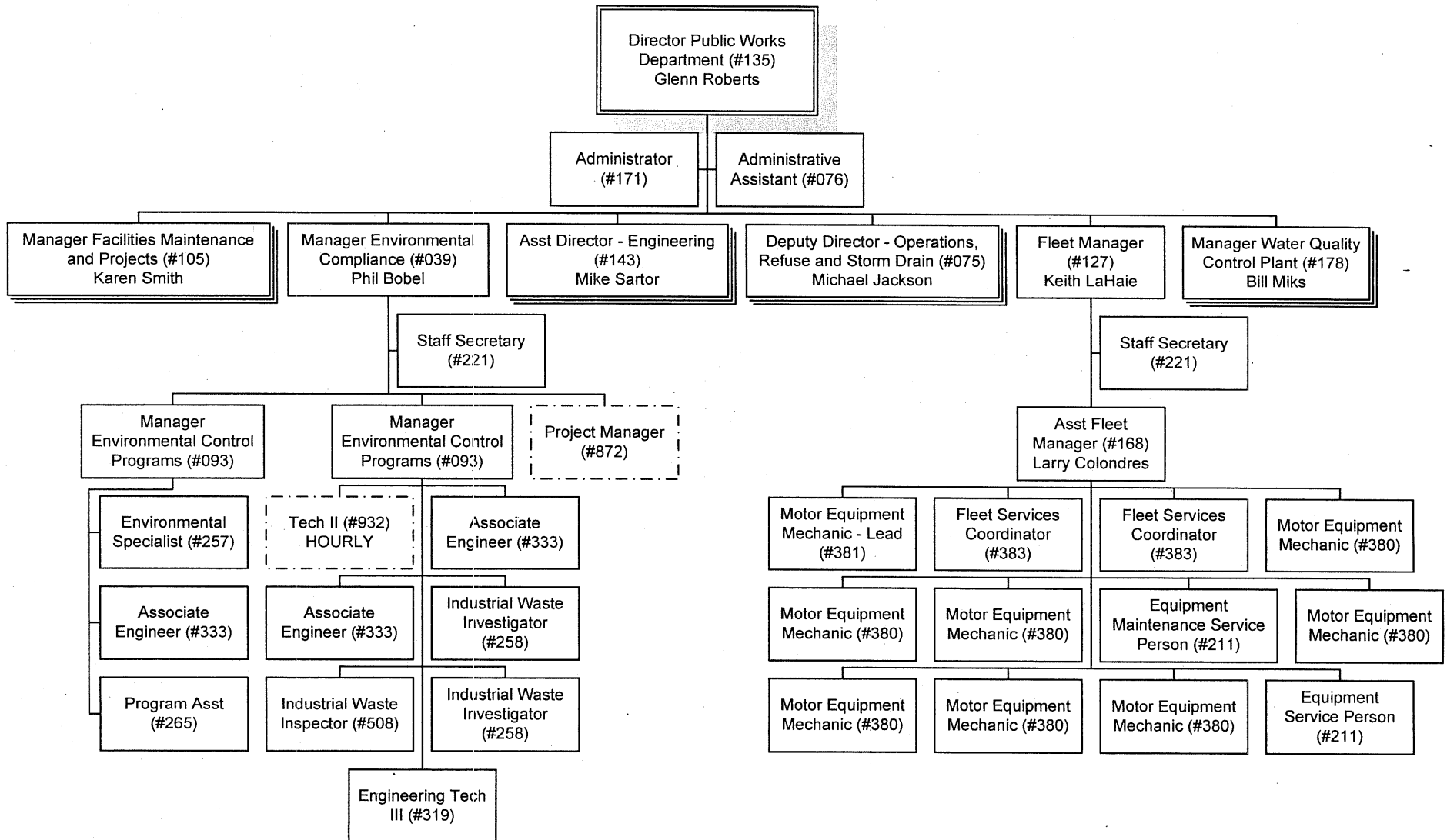
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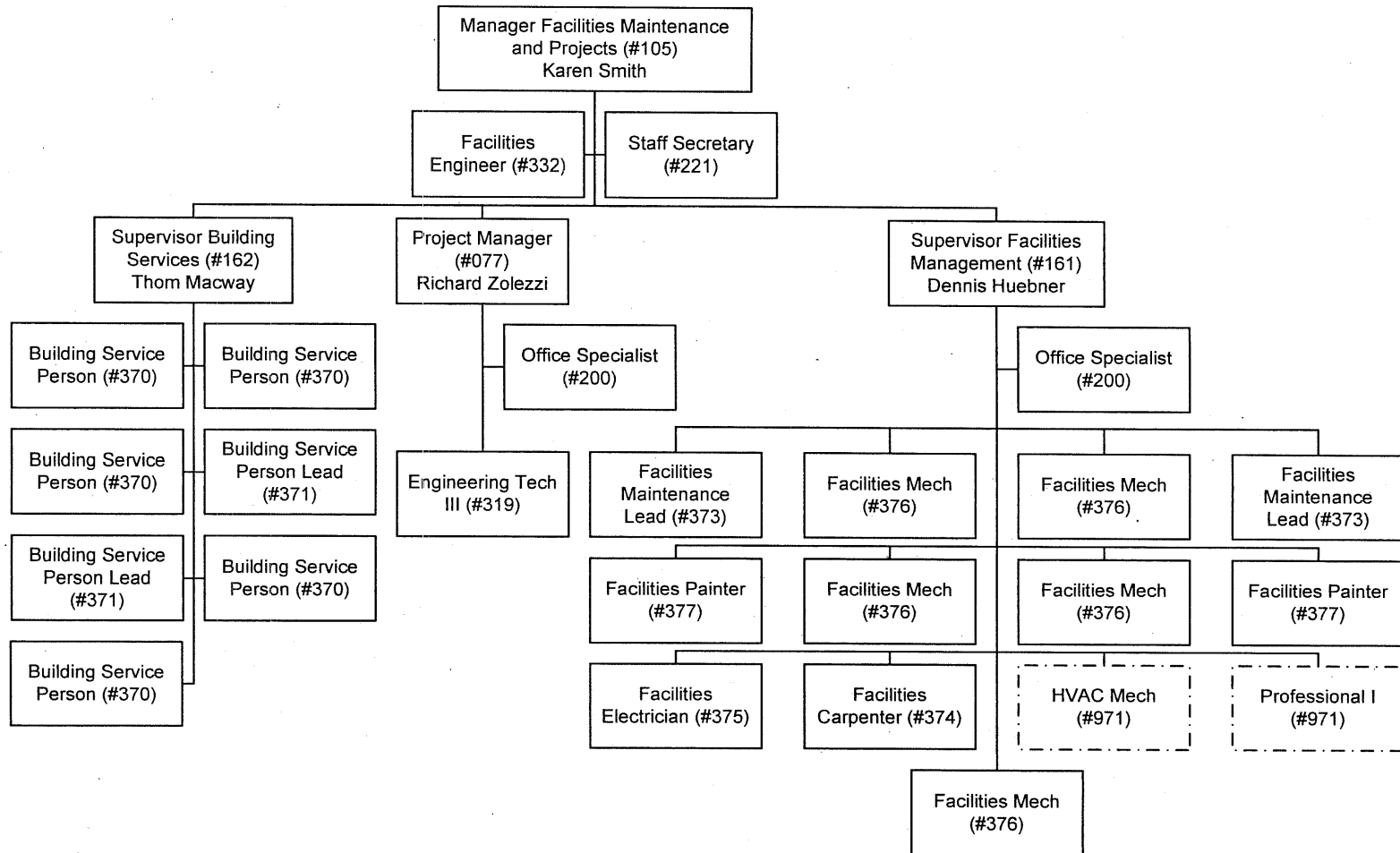
Public Works Department

4/13/2004



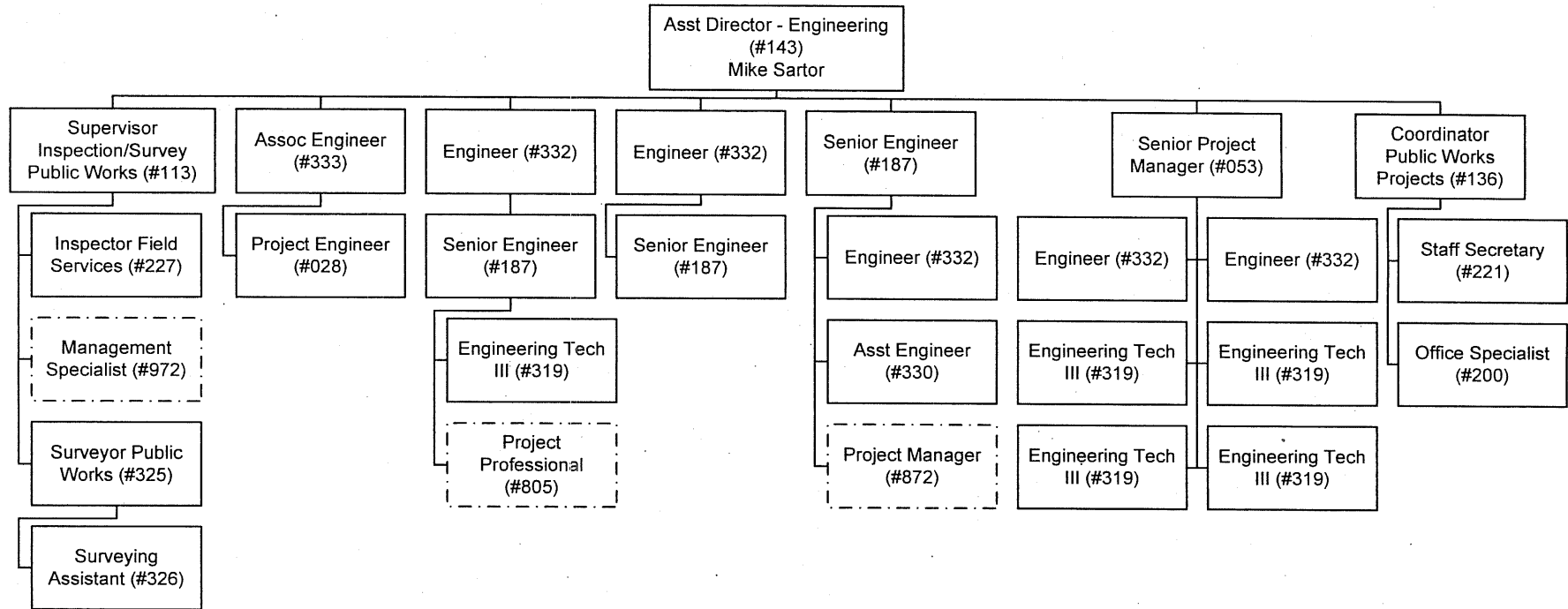
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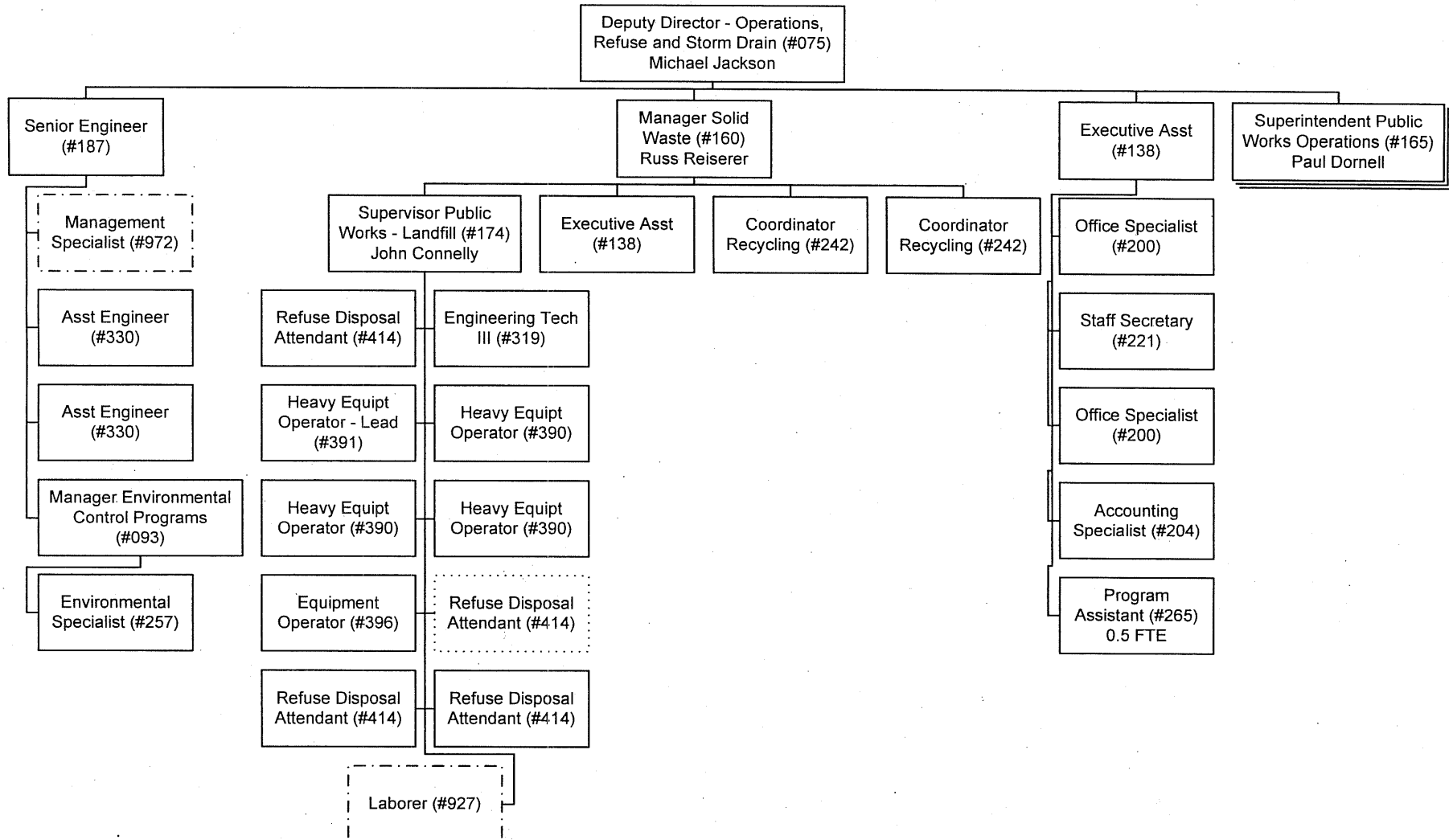
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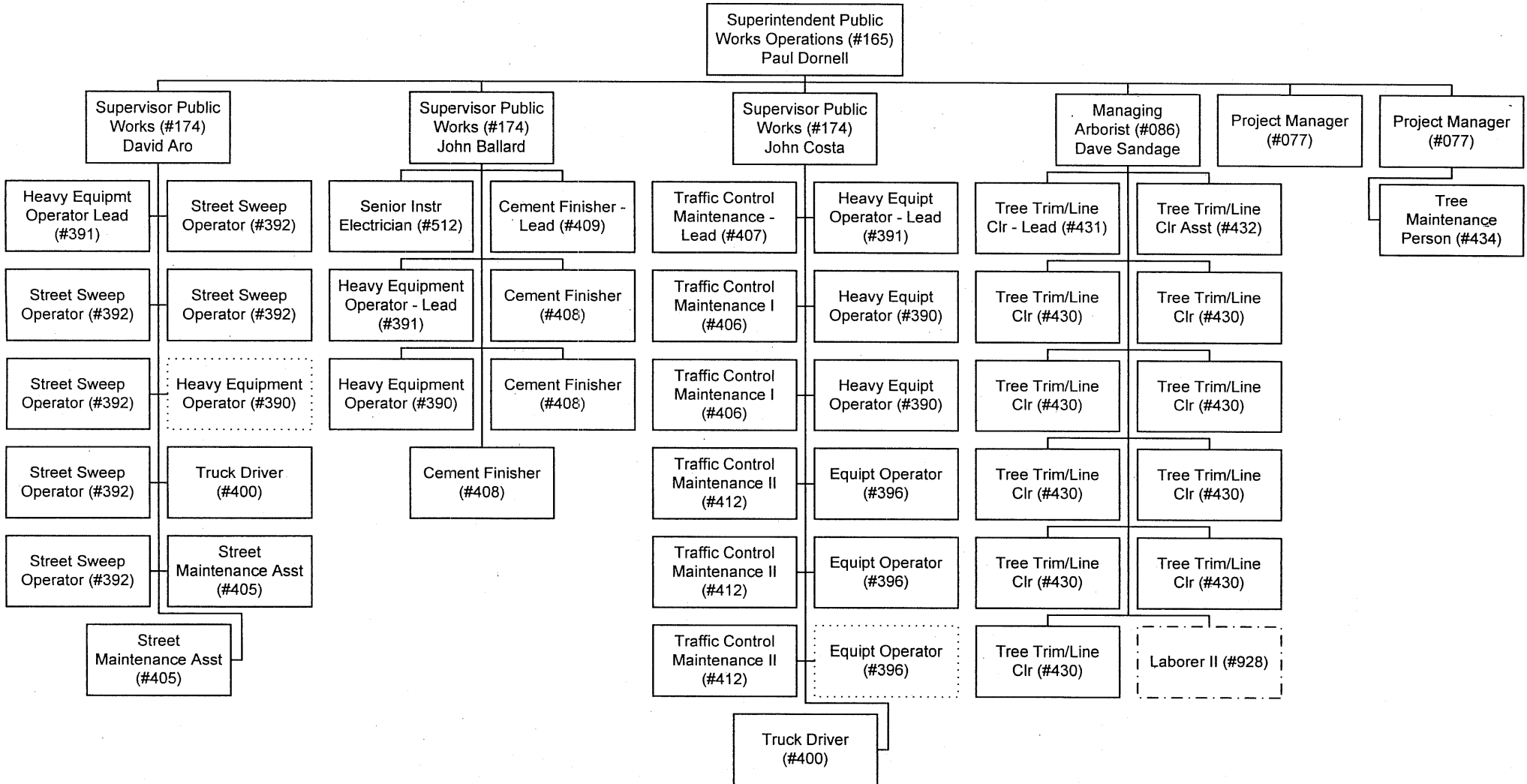
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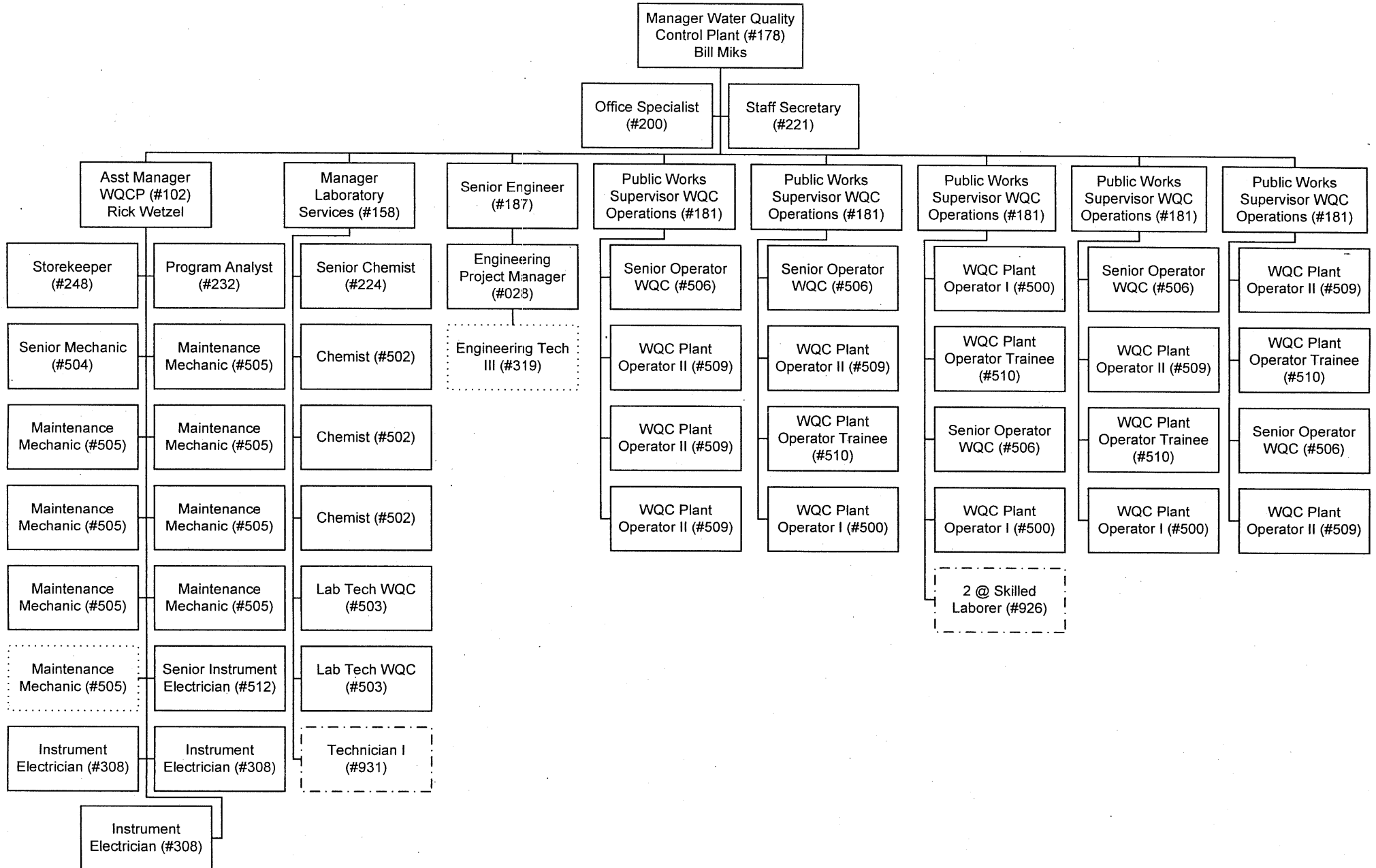
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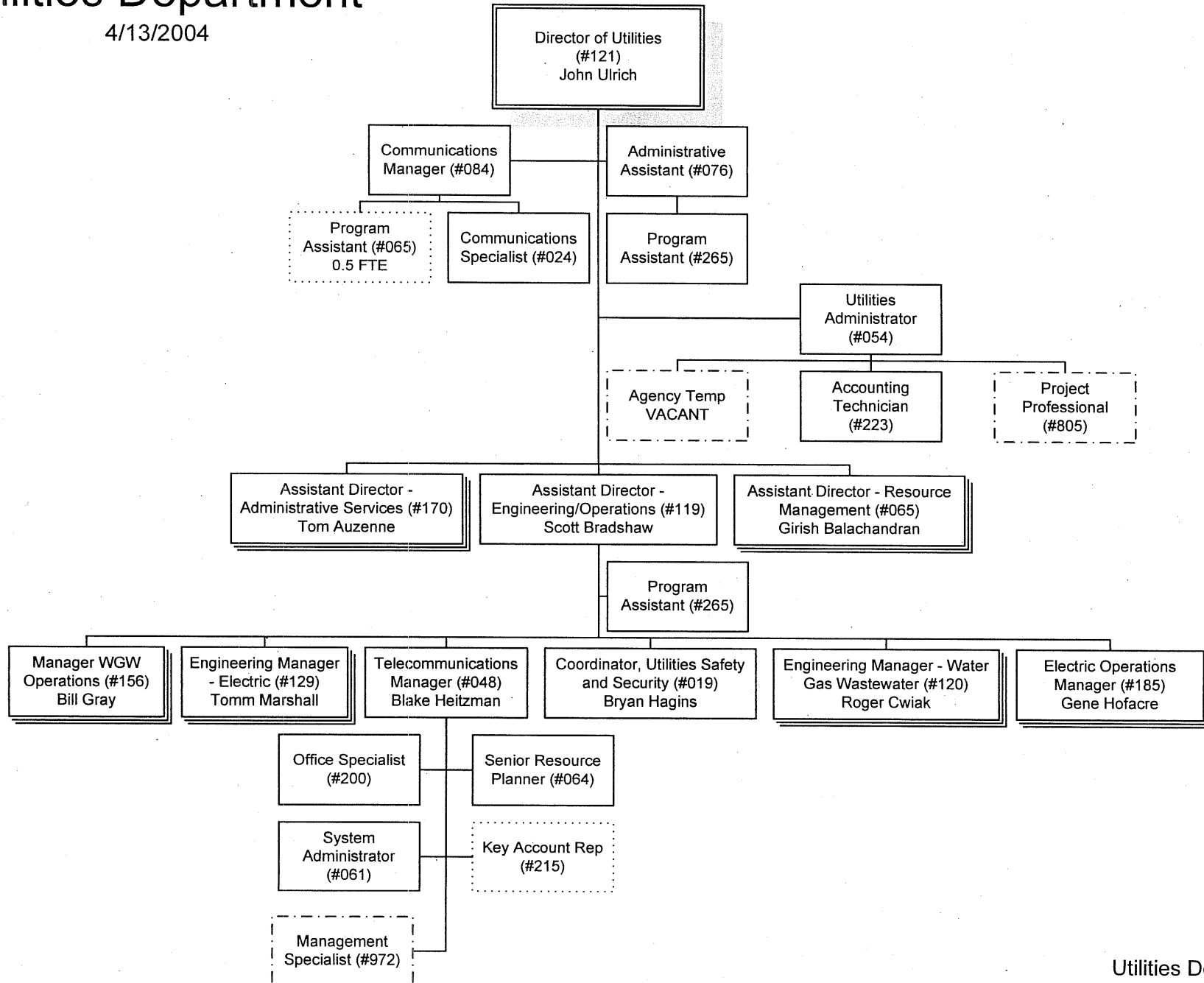
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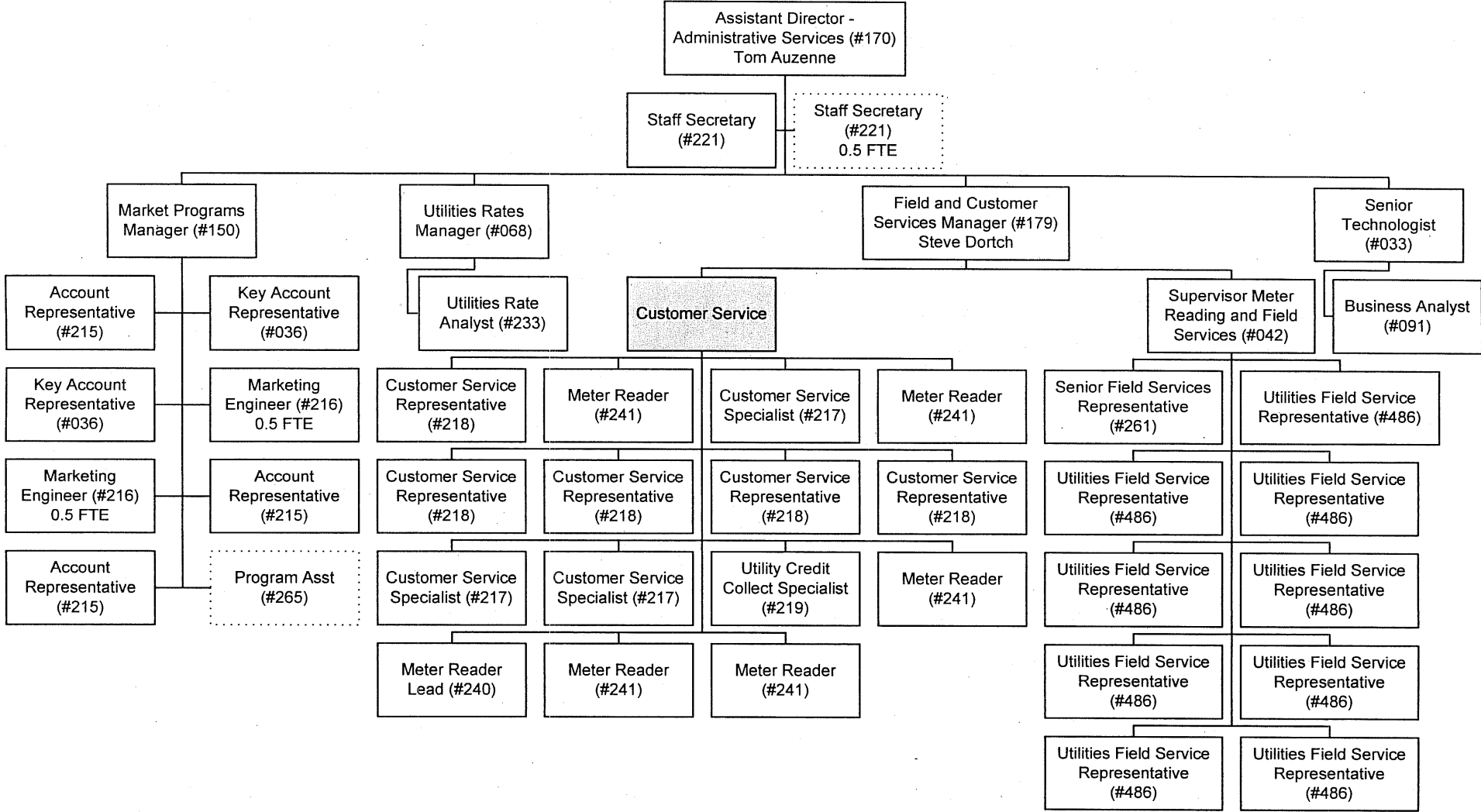
Utilities Department

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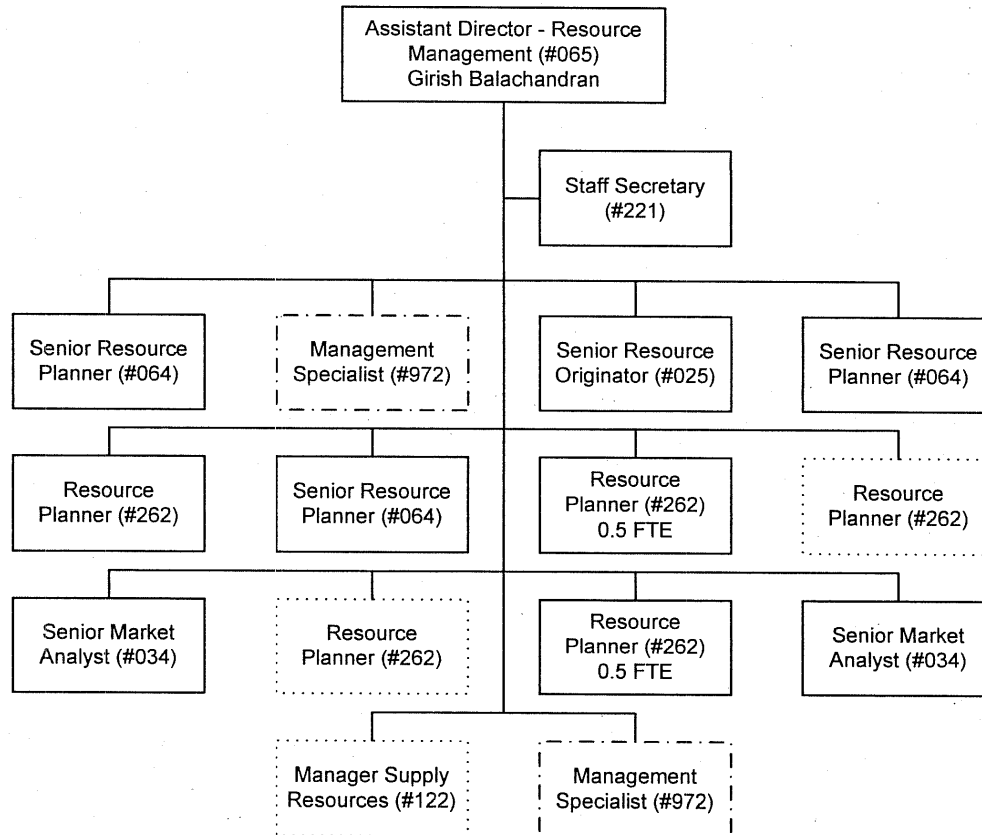
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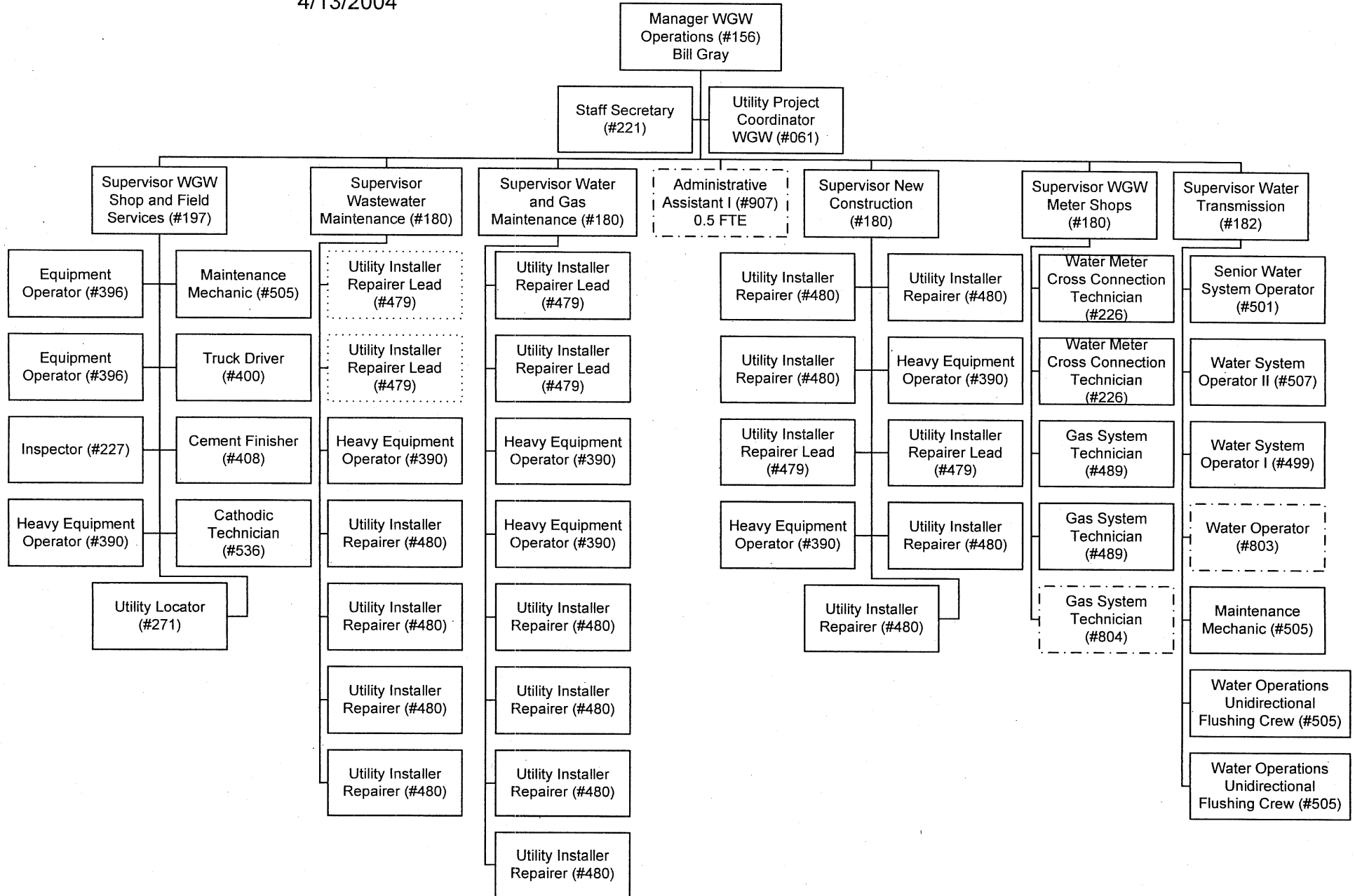
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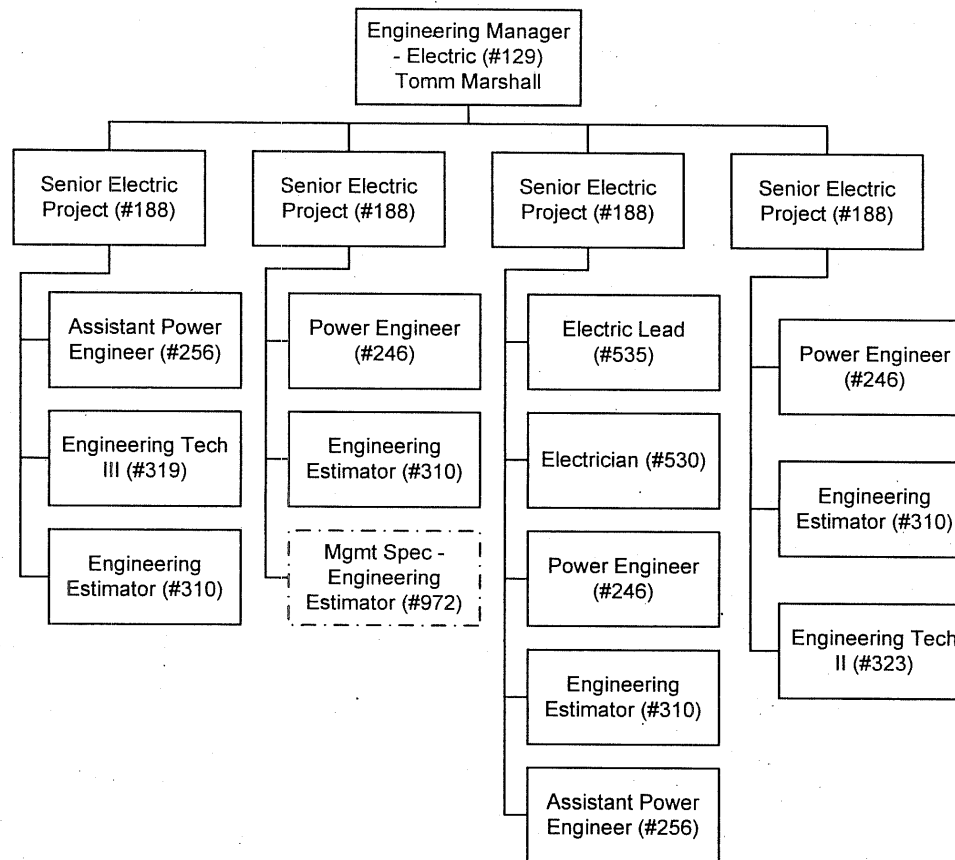
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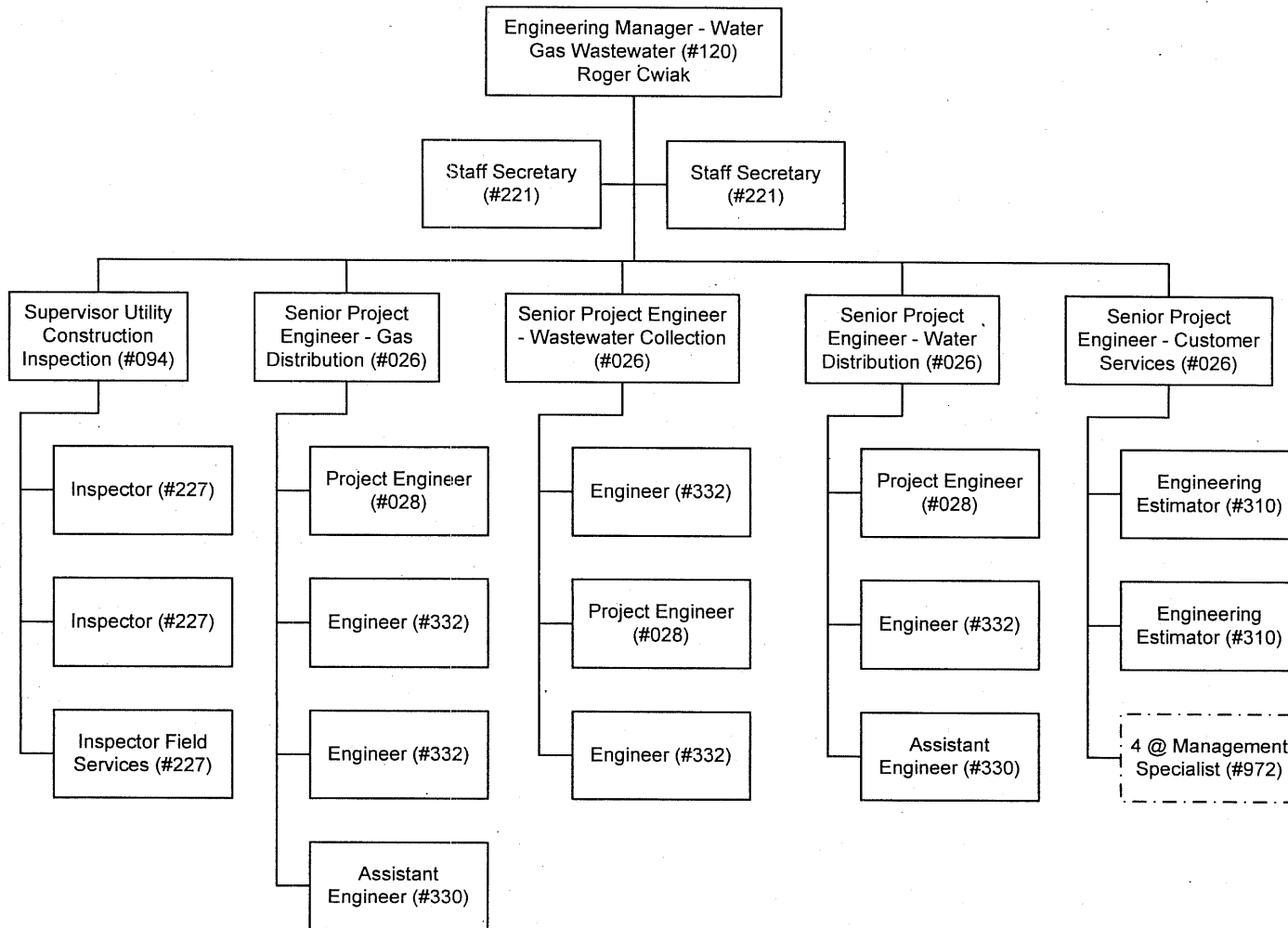
Utilities Department (cont.)

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Utilities Department (cont.)

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Utilities Department (cont.)

4/13/2004

