



City of Willits

Organizational Assessment

July 15, 2013

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The logo for The HSM Team consists of a black horizontal bar with the text "The HSM Team" in white. A thin black circle is positioned behind the bar, partially overlapping it.

The HSM Team

City of Willits
Organizational Assessment

TABLE OF CONTENTS

1. FINDINGS AND RECOMMENDATIONS

Report Purpose and Organization	1
Observations and Findings	1
Recommendations	5
Fiscal Impact	10

2. WORK PROGRAM AND METHODOLOGY

Overview	11
Work Program Tasks	11

3. SUPPLEMENTAL ORGANIZATIONAL ASSESSMENTS

Public Works, Engineering, Water and Sewer	15
Community Development	18
Current Organization Chart	19
Proposed Organization Chart	20

4. BENCHMARK ANALYSIS

Overview	21
Benchmark Result Highlights	21
Selecting the Benchmark Agencies	22
Benchmark Analysis Results	
Organizational Structure	27
Senior Management and Professional Compensation	29
Financial Indicators	32
Data Sources	40

5. APPENDICES

A. The Ideal Department Head/Staff Member	A-1
B. Consultant Background	B-1

1 FINDINGS AND RECOMMENDATIONS

REPORT PURPOSE AND ORGANIZATION

Report Purpose. This report was prepared in response to the City of Willits' interest in evaluating its organizational structure. During the recent Council goal-setting, preparing an organizational assessment was identified as an important objective. On May 22, 2013, the City contracted with the HSM Team (Ken Hampian, Bill Statler and Mike Multari) to prepare this assessment.

Recognizing that other issues were likely to surface as the assessment proceeded, three key issues were identified at the outset as part of the workscope:

- How should the public works function (including water and wastewater) be organized?
- What is the appropriate organizational relationship between public works functions and the City Engineer?
- Given fiscal constraints and the recent retirement of the Community Development Director, how should the planning and building functions be organized and staffed?

This report addresses these three issues along with other findings and recommendations.

Report Organization. This report is organized into five main sections:

1. ***Findings and Recommendations.*** Sets forth key observations, findings and recommendations.
2. ***Assessment Work Program and Methodology.*** Summarizes the work program tasks and methodology used in preparing the assessment.
3. ***Supplemental Organizational Assessments.*** Provides supplemental information about the results of the organizational assessment, focusing on public works, engineering, utilities (water and sewer service), planning and building.
4. ***Benchmark Analysis.*** Presents the results of the benchmark analysis comparing key fiscal, organizational and compensation factors with the City of Willits and eight similar California cities (Corning, Fort Bragg, Jackson, Lakeport, Nevada City, Orland, Sebastopol and Yreka); and discusses the structured approach used in selecting these benchmark cities.
5. ***Appendices.*** Provides key characteristics of the "ideal department head" (Appendix A); and background information about the consulting team that prepared this assessment (Appendix B).

OBSERVATIONS AND FINDINGS

The following observations, findings and recommendations are based on the review of various City documents, Council and staff interviews, and the results of the benchmark analysis (Section 4). They are also based on the HSM Team's extensive experience over the past 35 years as senior managers, profession leaders, consultants, university teachers, trainers

① FINDINGS AND RECOMMENDATIONS

and authors in developing and implementing effective organizational systems and strategies that help governing bodies and staff “make a difference” in achieving important things for their community.

Note that certain of the findings and recommendations related to public works functions (including utilities and engineering), community development and organizational structure are further discussed in Section 3.

Organizational Strengths

- Most of those we interviewed identified employees as a very positive asset – hard working, resourceful and wanting to do a good job in spite of obstacles.
- All Council members appear to be caring and involved in city government for the right reasons.
- There is a high level of agreement among Council members and staff that the new City Manager is off to an excellent start and has earned a high level of confidence. She was described as smart, fair and sincerely committed to what is best for Willits.
- The Police Chief projects a high level of management skills, leadership and community insight. He appears to be someone that the City Manager can depend upon for support and counsel on city-wide as well as law enforcement matters.
- The Council has recently conducted a goal-setting process that sets priorities for the coming two years. The process and its results appear to be well-accepted by key stakeholders. This is a significant achievement for the Council, staff and community.

Organizational Weaknesses

City Manager “Direct Reports.” For the new City Manager to be successful in the long term, there is a high level of agreement among those interviewed that she currently has too many “direct reports” – and, as a result, too many distracting operational responsibilities.

In the HSM Team’s opinion, the *number* of direct reports is not the problem per se. Depending upon city size, city managers often have six to twelve direct reports, typically consisting of senior department head managers. In Willits, however, many of the City Manager’s direct reports are *operational/technical staff members*. For example, the Public Works Administrative Assistant, Lead Maintenance Worker, Water-Sewer Supervisor and part-time, seasonal pool manager report to the City Manager.

City managers cannot be mired in daily operations and still successfully lead, manage and support the Council in solving complex problems and achieving important, “big picture” goals.

Ambiguous and Confusing Organization. The existing organizational structure is ambiguous and confusing in the non-public safety areas. When we began our assessment, the HSM Team struggled with understanding the roles, responsibilities and organization of the City’s non-public safety functions. During the course of our assessment, it appeared to us

1 FINDINGS AND RECOMMENDATIONS

that this was largely due to a lack of clarity among staff members on these matters as well. This is likely at least partly due to the changes that have occurred over the last three to five years as positions, such as the Public Works and Utilities Director positions went unfilled and were replaced with ad hoc reporting relations.

Performance Issues

It is important to note that our observations about people-related issues reflect what we heard during the course of the interviews and are not based on observations or evaluations of individual employee performance. While certain themes emerged from these interviews that informed our findings and recommendations, assessments of individual performance would be beyond our workscope, and accordingly, we do not offer any assessment or opinions regarding them.

Need for Improved Teamwork, Communication and Chain of Command. Some interviewees expressed concerns about issues that can undermine effective performance such as “turf” conflicts, teamwork challenges and poor communication. These are issues that could be improved through a consolidation of functions and a clearer chain of command.

Uneven Implementation of Performance Reviews. While the City has developed a formal performance review and evaluation system for both its management and non-management employees, some staff reported during our interviews that it had been years since they received formal feedback on their performance. Based on this, it appears that performance reviews and evaluations have been unevenly implemented.

Council-Staff Roles. Council-staff roles and communication protocols were also noted as occasionally unclear. This could be improved through agreed upon-policies regarding council-staff roles and responsibilities.

City Engineer Function: Unusual as a Separate Department and More Commonly Contracted-Out in Cities Willits’ Size. It is unusual to have a separate engineering department in a city. (In our experience, the most common organizational home for engineering services is within a public works department.) Additionally, in a small city like Willits, it is also unusual to employ a full-time City Engineer. In most small cities, city engineering functions are contracted out. Furthermore, in larger cities (and the few smaller ones) that do have an in-house City Engineer, it is even more unusual – virtually unheard of outside of Willits – for this position to be compensated above the police chief.

Among the benchmark cities, only one (Lakeport) has a full-time, in-house City Engineer (who is also responsible for information technology); all others contract for this service. And in the case of Lakeport, the police chief’s salary is higher than the city engineer.

Water and Sewer Functions: Usually Part of Public Works. Except in much larger organizations, it is unusual for water and sewer operations to be separate from other “public works” functions. Our experience is reinforced by the findings of the benchmark analysis: city utilities (water and sewer) are included in the Public Works Department in all of the benchmark cities, with the exception of Jackson, where the wastewater function reports to the City Manager (although the water function there is part of the Public Works Department).

Water and Sewer Supervisor’s Dual-Reporting Relationship. For water-related matters, the Water and Sewer Supervisor reports to the City Manager; for sewer-related matters, he appears to report to the City Engineer.

Water Distribution and Sewer Collection: “Pipeline Crew.” Conceptually, water distribution system maintenance (such as reservoirs, pumps and water lines) is the

① FINDINGS AND RECOMMENDATIONS

responsibility of the water staff (who are also responsible for meter reading and for turning on and off customer service); and sewer collection system maintenance (such as pumps and sewer lines) is the responsibility of the sewer staff. (For this reason, referring to these functions in the Draft Budget staffing summary (page 6) as “sewer treatment” and “water treatment” is a bit of a misnomer; the responsibilities of these functions are much broader than plant operations.)

Based on our interviews and budget reviews, few resources are dedicated to *preventative* distribution and collection system repairs and maintenance. For this reason, there is interest, among other concerns, in forming a “pipeline crew” that would be dedicated to these functions, with possible “cross certification” of staff. While this goal makes sense, it does not seem that such a crew could simply be formed from existing sewer, water and public works staff given their already significant responsibilities. A pipeline crew dedicated to the upgrade/maintenance of the sewer collection and water distribution systems seems to us to require additional staff resources to have a significant impact on these systems. As such, additional funding through the water and sewer enterprises is likely to be necessary to create an effective “pipeline crew.”

Cross-Certification of Water and Sewer Plant Operators. Along with the possibility of forming a pipeline crew, there is interest by some in cross-certifying the water and wastewater plant operators, so that each could work at the other plant if needed.

Airport Operations. The City owns an airport and supports it with a General Fund subsidy (the General Fund subsidizes about \$17,000 of the airport’s \$92,000 in annual costs). While operating an airport seems to have had significant utility for the community in the past given Willits’ remote location, the public purpose of maintaining the airport is not currently clear. Airport operations are maintained at low levels due to limited municipal resources and the fact that current users do not cover the costs.

Building Inspection/Code Enforcement. This function was previously part of the Community Development Department. At one time, there were two separate positions: Building Inspector and Code Enforcement Officer. They have since been combined, largely as a budget-balancing measure. With the retirement of the Community Development Director, the Building Inspector/Code Enforcement Officer reports to the City Manager and appears to provide services more in line with those provided by the Building Official in similar-sized cities. For context, of the eight benchmark cities, the title Building Official is the most common: five cities use this title and two contract with the county; only one city uses the title Building Inspector.

Long-Term Planning. The City no longer has a full-time Community Development Director, which may be acceptable given the current fiscal circumstances and development environment. However, the importance of long range planning seems to be generally underrated in Willits. For example, even though it recently surfaced as a major City goal, the HSM Team believes that an insufficient amount of attention and urgency is associated with the potential impacts from the bypass project.

Succession Planning. There has been little or no succession planning in Willits. As a result, there is little “bench strength” and training and professional development has been uneven and without a larger strategic purpose.

① FINDINGS AND RECOMMENDATIONS

Out-of-Date Job Descriptions. In our review of job descriptions, we noted that a number of them appeared out-of-date. The upcoming organizational changes provide an opportunity for review to make them current.

Resource Constraints

Considering many of the issues outlined above, productivity and service levels can certainly be improved within existing resources through structural and other organizational changes. However, certain service problems cannot be remedied simply by such organizational adjustments – they are due to resource constraints. Even in the “best case” outcome from any re-organization, without added resources service and infrastructure deficiencies will remain, especially in the City’s water and sewer operations.

Water and Sewer Infrastructure. Recent improvements completed at the wastewater treatment plant and those underway at the water treatment plant have addressed treatment issues. However, it appears that major issues with the water distribution and wastewater collection systems can only be addressed through added resources.

Given current economic circumstances, there has been an understandable reluctance to increase water and sewer rates, even incrementally. However, some staff members believe that the deferred maintenance due to lack of funding may eventually result in future infrastructure failures. For example, it was noted that the City’s three-million gallon water tank is deteriorating and the consequences of failure would be significant and severe for the community. Should such major problems arise, a drastic and unpopular “balloon rate increase” may be required in order to provide the money to remedy them unless more measured and gradual increases are implemented ahead of time.

Grant Funding. It appears that the City has rejected grants more typically accepted by cities. While grants are not always cost-effective, it seems that some of the rejected grants could have been used productively by the City (such as a downtown planning grant – especially with the bypass project now underway). The City lacks a grants management policy that could spell out what kinds of grants the City will pursue and the circumstances under which grants will be accepted and implemented.

Volunteerism. Some people we interviewed expressed the belief that the City could make better use of volunteers.

Linking Goals with Resources. The Council has made an excellent start in setting goals and priorities for the next two years. However, based on our interviews, it appears that the Council and staff need next to more clearly connect these aspirations with work programs that spell-out how these goals could be achieved and commit funding for at least the initial steps.

RECOMMENDATIONS

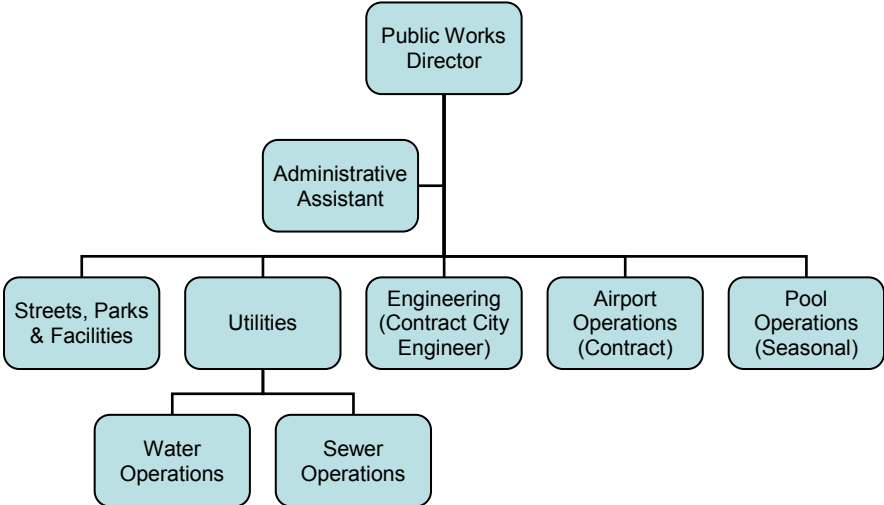
A small municipality facing large operational and fiscal problems can ill-afford the time and energy that can be wasted by weaknesses in organizational structure and related inefficiencies. We recommend the following in responding to our observations and findings:

1 FINDINGS AND RECOMMENDATIONS

Public Works Organization

- Consolidate the streets, parks, facilities (“public works”), engineering, sewer, and water functions within a single Public Works Department. This will significantly improve coordination between these related infrastructure-functions. We also recommend placing responsibility for the airport and seasonal pool operations in the Public Works Department.
- Appoint a full-time Director for this department who (along with technical requirements) possesses qualities similar to those outlined in the “Ideal Department Head” profile provided in Appendix A. In short, achieving the goals of the consolidation for improved direction, coordination, team-building and accountability will require strong people/leadership skills.
- Fill the position through an open, external recruitment with a competitive salary. (Based on the benchmark analysis, the current salary range for the City Engineer should be externally competitive for a Public Works Director and would make sense internally compared with the proposed salary range for the Police Chief.) This will afford any prospective in-house candidates with an opportunity for consideration while also ensuring that the City makes its selection on a competitive basis in providing the needed skills to the City.
- Contract-out for City Engineer services rather than retaining this resource with in-house staff. This is a more typical approach in small cities (and reflects the prevailing approach used by the benchmark cities). Moreover, given the fiscal uncertainties facing the City, we believe that the greater flexibility provided by contracting-out this service will better meet contractions (or expansions) in workload based on new development and capital project workloads. However, we recommend retaining the two paraprofessional engineering staff positions for permit review/issuance and to retain in-house capability for smaller projects and coordination with larger ones.
- The following chart outlines the proposed Public Works organization:

Proposed Public Works Department Organization



① FINDINGS AND RECOMMENDATIONS

Water and Sewer Line Maintenance

- Having a dedicated crew to improve and maintain the sewer collection and water distribution systems makes sense, but forming a dedicated “pipeline crew” from existing staff will not adequately meet this need due to the pull of other duties. Given current resource constraints, the existing practice of creating ad hoc crews from public works, water and sewer in responding to emergency line repairs is the most practical approach. However, fostering the high levels of cooperation and teamwork needed to achieve greater efficiencies is a challenge – and one we believe can best be approached by integrating infrastructure responsibilities into one department, where shared priorities can be established and day-to-day operational issues can be resolved short of the City Manager’s office.

Plant Operator Cross-Certifications

- Similarly, while cross-certification of water and sewer plant operators may be desirable, this alone will not overcome the most significant challenge facing the City’s utilities, which is resource limitations. On one hand, cross-certification can be helpful in emergency situations and may help in creating a stronger sense of team. On the other hand, the morale and team-building benefits may be outweighed by concerns about requiring this for existing staff. That said, it may be wise to incrementally move in this direction by requiring certification for newly hired staff. In developing an improved organizational culture, we recommend that new Public Works Director give close attention to the pros and cons of cross-certification for current and future staff as one of her or his top priorities.

Airport

- Place the airport operation under the Public Works Department. The airport management will best fit within the new Public Works Department (it is related to transportation/circulation and facility maintenance, which are typical public works functions).
- However, the airport requires a subsidy from the General Fund of about \$17,000 annually in order to provide for the current minimal levels of management and upkeep. Although not a particularly high priority, the City should assess whether or not the airport should continue to be subsidized by the General Fund considering the limited clientele it serves and the larger community needs that are competing for those limited monies. Possibilities include raising rates so that revenues cover costs or even deciding that this is no longer a priority municipal function in today’s financial circumstances

Planning and Building

- We concur with not filling the Community Development Director position, while utilizing a lower-level staff planner who reports directly to the City Manager. However, given the fiscal uncertainties facing the City, we recommend filling this position as a contract (limited term) employee for a one year term. Based on the current labor market, we believe the City will still be able to attract qualified applicants while at the same time fairly communicating to them that this is not necessarily a “permanent” position. This

① FINDINGS AND RECOMMENDATIONS

would provide the City with greater flexibility in future years to address planning needs, considering such variables as levels of development activity and funding availability, without committing to a permanent position at this time.

- In conjunction with this, the building-related position should also report directly to the City Manager. With this reporting relationship and added responsibility, we recommend reclassifying the Building Inspector/Code Enforcement Officer to Building Official. This is consistent with the prevailing practice in the benchmark cities, where five use this title (Fort Bragg and Nevada City contract for this function with the county; only Corning uses the title Building Inspector). Based on compensation in similar cities, we recommend a top salary range of about \$5,000 monthly.

Police Chief Salary

- Increase the Police Chief's salary for both retention of the incumbent and attraction of desirable candidates when time does arrive to fill this key position. We have concerns with both the internal relationship of the current salary range as well as how competitive it will be in the marketplace. As noted in our findings, it is very unusual for the Police Chief to be compensated less than the City Engineer. The benchmark data reinforces this: the City's salary is the lowest of the benchmark cities; and none of the benchmark cities pay their Police Chief less than other department heads. The benchmark data also shows that a top salary range of about \$95,000 annually should be externally competitive.

Council-Staff Relationships

- After the reorganization of departments and hiring of new staff is completed, the Council and City Manager should support a staff-council team-building workshop or similar training program where roles, responsibilities and relationships can be constructively addressed and written policies developed.

Succession Planning/Organizational Development

- While the City's lack of engagement in succession planning is understandable from a resource perspective (it is difficult to develop "job ladders" in an environment of where resources are scarce, mid-level positions have been cut and the organization is "flat"), a big part of succession planning is the training and development of existing staff. In Willits, enhanced training and development of staff throughout the organization is needed. For this reason, resources should be allocated carefully and strategically, in support of clearly defined and strategic professional development goals. This is especially needed in functions other than the Police Department, which receives State training resources through the Police Officer Standards and Training (P.O.S.T.) program. Based on what the HSM Team heard during the interviews, training priorities might include project management, team-building, improving communications and conflict resolution skills.
- While resources are scarce in Willits, an excellent one-time use of the General and Enterprise Fund reserves would be to create a "strategic professional development fund" to meet training and other professional development needs during the coming transition.

① FINDINGS AND RECOMMENDATIONS

Performance Reviews

- Review the City’s existing performance evaluation system to ensure that it meaningfully aligns organization-wide goals with individual employee objectives, activities and job-related behaviors like customer service, teamwork, initiative, job knowledge and ethics; and assess current practices to ensure that the system is being appropriately used and that evaluations are up-to-date.

Linking Goals with Resources: Work Programs

- The Council has taken an excellent first step in establishing priorities as part of its recent goal-setting process. However, in order to begin making progress on these, we recommend that the City develop work programs for the Major City Goals. Such work programs would outline specific tasks that should be accomplished over the next two years to at least move forward on these goals with the resources required to do so. The mid-year budget review may be a good opportunity for the Council to consider these.

Taking the Long View

While the launch of a new goal-setting process is very positive, the City is in a largely reactive mode. Therefore, in addition to organizational adjustments, the Council and staff should devote time and attention to focusing on the future. For example:

- A long term plan of water and sewer infrastructure and services is needed that would more clearly identify maintenance and repair needs, priorities and costs, including an objective assessment of the rates required to continue to effectively provide these services. Infrastructure assessments were among the Council’s top goals this year. Enterprise fund reserves would be a good source of funding for these critical plans.
- A good one-time use of the existing General Fund reserve would be a plan to predict the economic impact of the bypass and to develop strategies for coping with it, such as redefining Willits’ retail niche after the bypass is complete (a large component of existing sales tax revenues come from gasoline sales). Preparing this type of analysis is one of the Major City Goals recently set by the Council.

Cost Recovery/Entrepreneurial Opportunities

Review cost recovery and other cost containment opportunities, including:

- Making better use of grants by adopting a grants management policy to assist decision-makers in judging when a grant opportunity is cost-beneficial (the HSM Team can provide model policies).
- Assessing the importance of the airport as a core City service: what is the strategic, city-wide purpose of the airport that justifies a continuing General Fund subsidy? Is it feasible to charge users to fully recover the realistic costs of effectively operating the airport?
- Analyzing more entrepreneurial uses of City properties (such as the airport and the 3,500 acres of watershed owned by the City) to determine if higher revenue-generating uses are

① FINDINGS AND RECOMMENDATIONS

possible; and assessing whether or not other facilities are being subsidized by the General Fund and, if so, articulate policies that either justify those subsidies or that provide direction to end such subsidies.

- Exploring the potential for engaging P.O.S.T. to review current Police Department services and staff levels and, potentially, to help the City adopt a law enforcement strategic plan.
- When considering the use of volunteers to support City services to offset costs and/or expand services, carefully assessing whether or not specific proposals might cost more in coordination and supervision than the benefits derived from volunteer help.

FISCAL IMPACT

While we have not conducted a detailed analysis of the fiscal impacts of the proposed organizational changes, they are similar to those proposed in the Draft Budget for 2013-14. Accordingly, we believe that they can be implemented within those resources. Where one-time uses are proposed, we believe that these can be appropriately funded from available reserves.

2 WORK PROGRAM AND METHODOLOGY

OVERVIEW

As detailed further below, there were five key tasks in completing the assessment:

- Project kick-off and key document review.
- Onsite interviews with the Council and key staff members as recommended by the City Manager; and site visits to key operational facilities such as the corporation yard, water treatment plant and wastewater treatment plant.
- Benchmark analysis that compares organizational structure, senior management compensation and financial indicators between the City and similar agencies.
- Preparation and presentation of initial report on findings and recommendations.
- Final report.

WORK PROGRAM TASKS

Task 1: Project Kick-Off/Key Document Review

1. Finalize Workscope and Schedule

Worked closely with the City Manager in finalizing the workscope and schedule.

2. Review Key Policies, Plans and Reports

Reviewed key background documents including:

- a. 2012-13 Adopted Budget
- b. 2013-14 Draft Budget
- c. 2013-15 Council Goals
- d. Audited financial statements
- e. Auditors' Management Letter and other supplemental auditor reports and recommendations
- f. Budget and fiscal policies
- g. Job descriptions, salary ranges and benefits
- h. Organization-wide policies affecting the City's operations such as personnel rules and regulations and Memorandums of Understanding with employee groups
- i. Other written materials on the City's mission, goals, policies, organization, plans and practices

2 WORK PROGRAM AND METHODOLOGY

Task 2: Interview Key Stakeholders/Visit Key Facilities

1. Held “project kick-off” briefing with City staff on June 19 to review and answer questions about the purpose and workscope of the organizational assessment.
2. Interviewed Council members and key staff regarding:
 - Strengths and weaknesses of current organizational structure and operations.
 - Suggestions for organizational/operational improvements.
 - Obstacles to making them.
 - Other areas that surfaced during the course of the interviews.

Along with all Council members, the following staff members were interviewed on June 20 and 21:

- Adrienne Moore, City Manager
 - Brandi Burtness, Administrative Assistant, Public Works
 - Alan Falleri, former Community Development Director (currently working part time)
 - John Sherman, Building Inspector/Code Enforcement Officer
 - Tom Mannatt, City Engineer
 - Steve Anderson, Chief Water Operator
 - J.C. England, Water and Wastewater Supervisor
 - Jim Wyatt, Wastewater Operator III
 - Tom Bond, Water Operator III (assigned to Public Works)
 - Jerry Campbell, Lead Public Works Maintenance Worker
 - Gerry Gonzalez, Chief of Police
3. In the course of the interviews, visited the water treatment plant, sewage treatment plant and corporation yard/engineering offices.

Task 3: Benchmark Analysis

When carefully prepared, benchmark analysis can be a powerful tool in assessing organizational structure and performance. However, in using the benchmark data, the City should be informed by the results, but not driven by them.

For this project, benchmarking largely focused on financial indicators, organizational structure and senior management compensation for key positions such as City Manager, Police Chief, Building Inspector/Code Enforcement Officer, City Engineer and utility/public works managers.

Why focus on senior managers and professionals? For many of its positions, the City’s labor market is local, and as such, assessing competitive compensation to attract and retain quality employees is relatively straightforward. However, recruitment for senior managers and professionals is likely to entail a broader regional – and perhaps statewide – context. Additionally, in assessing organizational structure, we also want to consider internal relationships as well. Knowing how comparable cities view these relationships is helpful in assessing the City’s organizational structure.

2 WORK PROGRAM AND METHODOLOGY

Selecting benchmark cities. Making meaningful comparisons requires carefully selecting the benchmark cities to ensure they reflect Willits' situation as close as possible, recognizing that there is no "perfect" match. This means that along with selecting comparably sized cities, it is important to select cities that share other important service, economic, geographic and demographic characteristics as well. Additionally, to avoid a "race to the bottom," comparison cities should also be selected that have a reputation for being well-managed and using "best practices."

The following outlines key steps in completing Task 3:

1. Select Comparable Agencies

Using the most recent State Controller's reports on city financial operations as the primary source along with city web sites, selected eight comparable cities with the following characteristics:

- a. City population between 2,500 and 10,000
- b. Distinct "sense of place" that is not part of a large metropolitan area
- c. Tourism an important part of the city's local economy
- d. Similar scope of services (preferably provides police in-house but not fire; provides parks services; and provides water and sewer services. The closeness of the "scope of services" match depended on the availability of comparable agencies based on other criteria)
- e. Management/governance reputation

2. Assemble and Analyze Benchmark Data

With benchmark cities in place, analyzed organizational structure, compensation and selected financial/service ratios based on widely available financial information (either using budgets, State Controller Reports or audited financial statements as the basis, depending on data availability), such as:

- a. Organization of key functions and internal relationships
- b. Regular staffing levels
- c. Salaries and benefits for selected "benchmark" positions
- d. Top General Fund revenues per capita
- e. General Fund costs per capita
- f. General Fund reserves
- g. General Fund debt service obligations

3. Present Results

The results of the benchmark analysis are provided in Section 4.

2 WORK PROGRAM AND METHODOLOGY

Task 4: Prepare and Present Initial Findings and Recommendations

Presented preliminary findings and recommendations to the City Manager, including

1. Organizational assessment and recommended structure for public works, engineering, utilities and community development functions.
2. Concept of developing and implementing a pipeline crew and water/wastewater plant cross certifications.
3. Other findings and recommendations regarding organizational effectiveness improvements that surfaced in the course of the assessment.

Task 5: Prepare Final Report

Incorporated comments into the final report to the City Manager in accordance with the approved work program and scope of work.

3 SUPPLEMENTAL ORGANIZATIONAL ASSESSMENTS

PUBLIC WORKS, ENGINEERING, WATER AND SEWER

Consolidating Streets, Parks and Facility Maintenance, Engineering and Utilities (Water and Sewer) into a Single Public Works Department

***Recommendation:** The current “public works,” engineering, sewer and water functions should be consolidated into a single Public Works Department managed by a Public Works Director who reports to the City Manager.*

The lines of authority/communication among the streets/parks/facility maintenance functions, the sewer and water utilities, and the city engineer are ambiguous: the “public works” staff (streets, parks and facility maintenance) do not have a department head and the lead maintenance worker (and from time-to-time other maintenance workers) report directly to the City Manager. Both sewer and water plant operators report to the water and sewer plant supervisor; yet the sewer function is under the City Engineer while the water function appears to be a direct report to the City Manager. The City Engineer is a separate “department.”

This arrangement is problematic for two principal reasons.

- First, the City Manager must take on the role of supervisor/department head of operational/technical staff members and functions. City managers cannot be mired in daily operations and still successfully lead and manage the broader organization, nor can they devote the time, energy and attention to support the Council in solving complex problems and achieving important goals.
- Second, the existing structure has contributed to poor coordination among these functions in a resource-constrained City that can ill afford such inefficiencies. While it appears that staff in different “departments” will assist each other when necessary, there is no clear set of interdepartmental priorities. This has led, at least in some reported instances, to competition for resources (staff time and attention, equipment, funding) and to a lack of timeliness/cooperation on various projects. There appears to be a need for improved teamwork within and across these related infrastructure functions.

The recommended structural change – that roads, parks and facility maintenance, engineering, water and wastewater are all within a public works department – is a common way to organize these functions, and should provide the framework for greater coordination, teamwork, clarity among priorities, and efficiency. It will also relieve the City Manager of some of operational/technical supervisory roles that detract from her crucial citywide managerial duties.

Current and Proposed Organization

Provided on page 19 is a chart of the current organization, based on the 2012-13 authorized positions and full-time equivalents (FTE), with the exception of the Community Development Director, who is shown in his current status as a part-time employee.

A chart of the proposed organization is provided on page 20.

In Willits, the term “public works” has been used to refer to various maintenance functions related to streets, sidewalks, traffic signs, storm drains, parks and facility maintenance. Therefore, there may be value in naming the new department that consolidates these functions with engineering and utilities differently, for example, a “public

③ SUPPLEMENTAL ORGANIZATIONAL ASSESSMENTS

services” department. This may help signal that the new department is something new and different. However, the term “public works department” and title “public works director” are most common among similar communities. For this reason, we recommend naming the new department Public Works. However, for clarity, we recommend renaming those functions that are now called “public works” as the “Streets, Parks and Facilities Division” of the newly-created Public Works Department.

We also recommend placing the responsibility for managing the seasonal pool operations in the new Public Works Department; and placing airport operations there as well because the airport can be considered part of the larger public works’ transportation infrastructure and facility maintenance responsibilities.

The Public Works Department Head

***Recommendation:** The Public Works Director position will require someone who not only possesses technical proficiencies but also critical management and leadership skills. The search for the best possible candidate warrants an external recruitment; existing staff may, of course, apply as well.*

The Public Works Director will not only require knowledge across these different functions, but also, and critically, have the leadership and management skills to engender a sense of teamwork and to clarify/establish lines of communication and authority. The new Director will need to overcome existing interdepartmental issues related to poor coordination that were reported during the interviews. Furthermore, given the scope of responsibility, the Public Works Director will be a key member of the City’s management team. The Director will need to understand the “big picture” and efficiently use limited resources to accomplish the priorities of the City Manager and Council. Appendix A discusses the characteristics of an effective municipal department head.

Thus, in order to find the best candidates for this critical position, we recommend that the City conduct an external recruitment. This approach does not preclude in-house candidates from competing.

Pipeline Crew

***Recommendation:** A dedicated “pipeline crew” with “cross-certified” personnel is an idea with merit, but deferred maintenance and system upgrades suggest a larger problem that may require additional resources to effectively address.*

Now that the City has upgraded its wastewater treatment plant and will complete the upgrade of its water treatment plant shortly, attention in the utilities functions should turn toward the collection and distribution systems. Based on our interviews, as well as information from the Council goal-setting discussions earlier this year, there appear to be significant issues related to deferred maintenance of these systems. While it may be expected given the emphasis on the recent, major upgrade projects, it appears that staff in these departments view themselves first as plant operators and only secondarily as operators of the entire sewer and water systems, including collection and distribution, respectively. Encouraging this wider perspective will be one of the challenges of the new Public Works Director.

③ SUPPLEMENTAL ORGANIZATIONAL ASSESSMENTS

One way to improve attention to the collection and distribution systems that has been discussed is the formation of a “pipeline crew” of cross-certified staff who would focus on system repairs, maintenance and upgrades. The emphasis on distribution/collection maintenance, as well as efficiencies that could be realized through additional certifications, are worthy goals. However, it appears that trying to form this crew using only existing staff will not be able to generate much improvement unless other functions that are already at constrained levels are further reduced. What these issues indicate is a need for increased personnel and related resources directed to the sewer collection and water distribution systems. We recommend that the City:

- Develop master plans for the sewer and water systems that would identify necessary improvements, estimate costs, and set priorities (we note that this was already listed among the Council’s Major City Goals for the next two years).
- Evaluate carefully the need for additional funding for these essential municipal functions, including the possibility of rate increases and/or changes to the rate structures.

Cross Certification of Plant Operators

***Recommendation:** Cross-certification of water and wastewater plant operators is also an idea with merit, but the pros and cons of doing so should be closely weighed by the new Public Works Director.*

While cross-certification of water and sewer plant operators may be desirable, as noted above, the primary challenge facing utilities is resource limitations, not certifications. On one hand, cross-certification can be helpful in emergency situations and may help in creating a stronger sense of team among utilities staff.

On the other hand, the morale and team-building benefits may be outweighed by resistance to this if made a requirement of existing staff. Accordingly, the most prudent and efficient approach may be to incrementally move in this direction by requiring certification for newly hired staff. In developing an improved organizational culture, we recommend that new Public Works Director give close attention to the pros and cons of cross-certification as one of her or his top priorities.

Engineering Services

***Recommendation:** Contract-out City Engineer services.*

It is unusual for cities of Willits’s size to have an in-house City Engineer. Contracting for this service is a more typical approach in small cities (and reflects the prevailing approach used by the benchmark cities). Moreover, given the fiscal uncertainties facing the City, we believe that the greater flexibility provided by contracting-out this service will better meet contractions (or expansions) in workload based on new development and capital project workloads. However, we recommend retaining the two paraprofessional engineering staff positions for permit review/issuance and to retain in-house capability for smaller projects and coordination with larger ones.

③ SUPPLEMENTAL ORGANIZATIONAL ASSESSMENTS

COMMUNITY DEVELOPMENT

Community Development Director

Recommendation. *Given the recent retirement of the Community Development Director, the City's fiscal constraints and limited development environment, we concur with not filling this position, and hiring him on a part-time basis in the short-term in addressing outstanding projects.*

Even though he is only part-time, we considered using the Director as the department head over the planning and building functions, given his extensive experience with the organization and community. However, it appears that the goal is to phase-out his service to the City during this fiscal year. Accordingly, we recommend that the planner report to the City Manager when she or he comes on staff, and that the Building Inspector/Code Enforcement Officer continue reporting to the City Manager (see below).

Planning

Recommendation: *Do not commit to a permanent planner position given likely General Fund challenges. Instead, recruit for a contract (limited term) planner whose contract is for a set specific duration (for example, one year).*

Given the fiscal uncertainties facing the City, we recommend filling the planner position as a contract (limited term) employee for a one year term. Based on the current labor market, we believe the City will be able to attract qualified applicants while at the same time fairly communicating to them that this is not necessarily a “permanent” position. This would provide the City with greater flexibility in future years to address planning needs considering such variables as levels of development activity and funding availability, without committing to a permanent position at this time.

Building Inspection Function

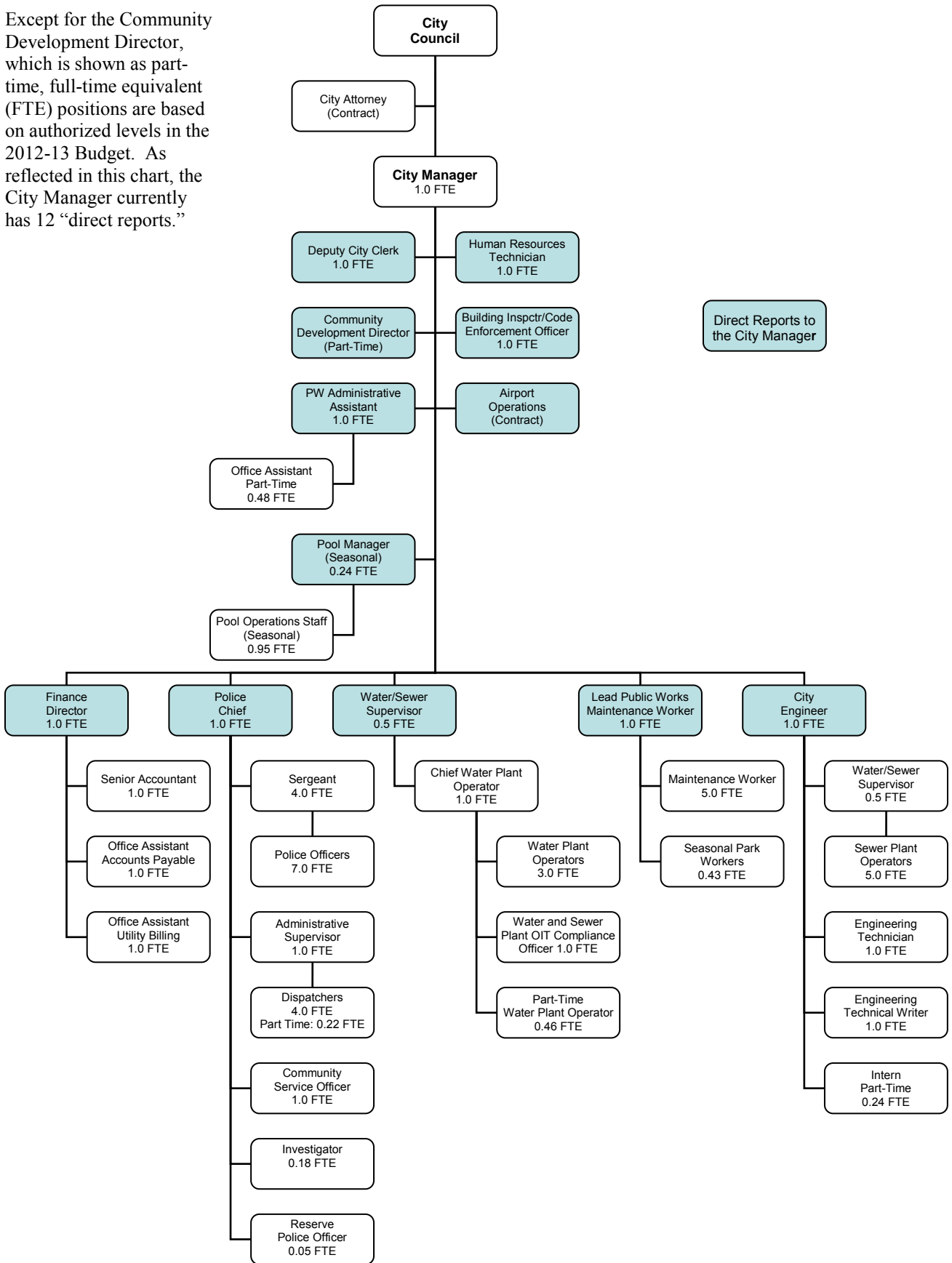
Recommendation: *Reclassify the Building Inspector/Code Enforcement Officer to Building Official.*

This is consistent with the prevailing practice in the benchmark cities, where five use this title (Fort Bragg and Nevada City contract for this function with the county; only Corning uses the title Building Inspector). Given the similar reporting relationship and responsibilities, we believe it makes sense to reclassify this position to Building Official.

3 SUPPLEMENTAL ORGANIZATIONAL ASSESSMENTS

Current Organization

Except for the Community Development Director, which is shown as part-time, full-time equivalent (FTE) positions are based on authorized levels in the 2012-13 Budget. As reflected in this chart, the City Manager currently has 12 “direct reports.”

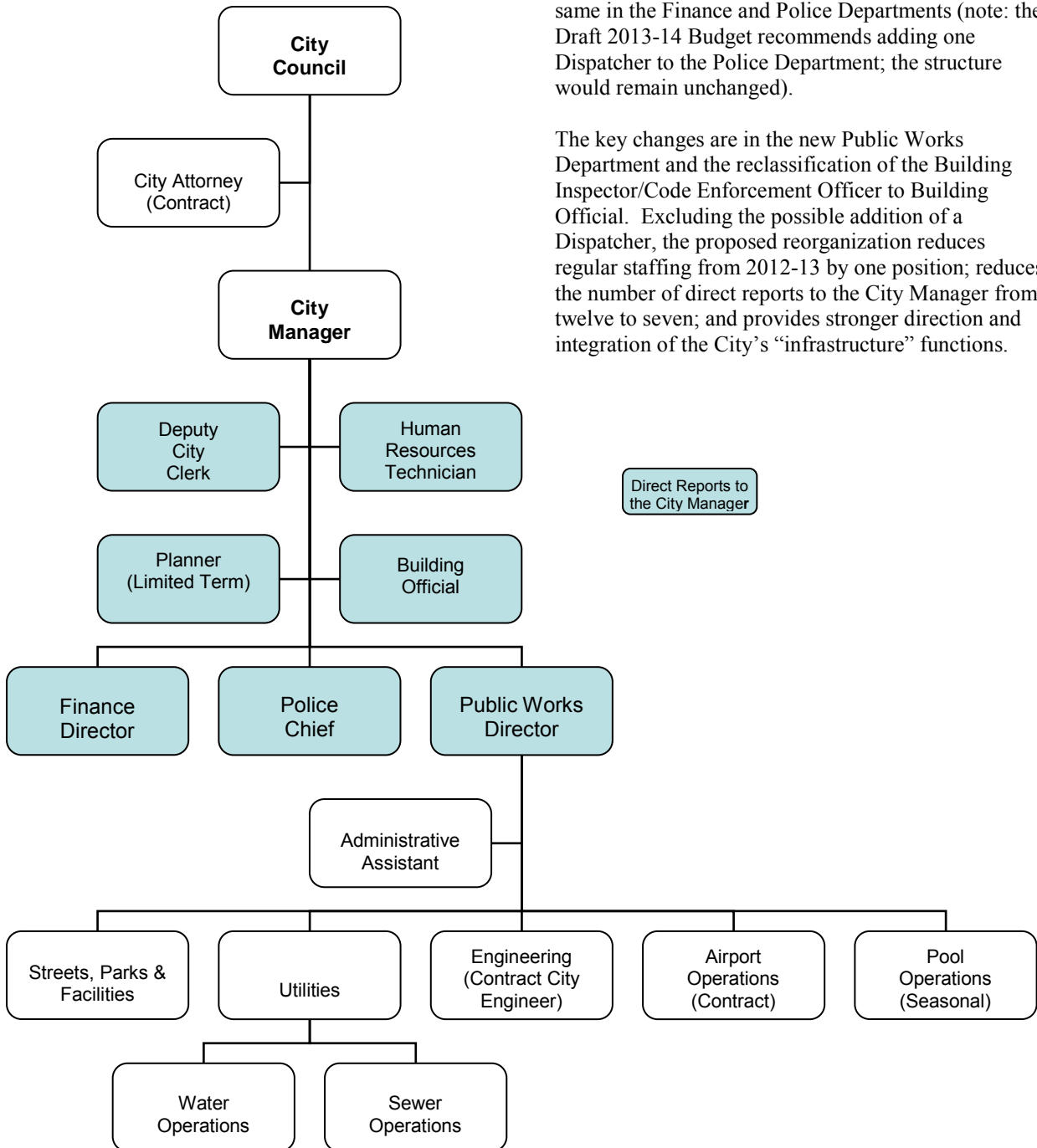


3 SUPPLEMENTAL ORGANIZATIONAL ASSESSMENTS

Proposed Organization

Under the proposed organization, full-time equivalent (FTE) staffing and organizational structure remain the same in the Finance and Police Departments (note: the Draft 2013-14 Budget recommends adding one Dispatcher to the Police Department; the structure would remain unchanged).

The key changes are in the new Public Works Department and the reclassification of the Building Inspector/Code Enforcement Officer to Building Official. Excluding the possible addition of a Dispatcher, the proposed reorganization reduces regular staffing from 2012-13 by one position; reduces the number of direct reports to the City Manager from twelve to seven; and provides stronger direction and integration of the City's "infrastructure" functions.



4 BENCHMARK ANALYSIS

OVERVIEW

As discussed in Section 2, when carefully prepared, benchmark analysis can be a powerful tool in assessing organizational structure and performance. However, in using the benchmark data, the City should be informed by the results, but not driven by them. For this assessment, the benchmark analysis focused on three key areas:

Organizational Structure. How does the City compare with similar cities in how its key functions are organized? As discussed in Section 1, this report focuses on public works (streets, parks and facilities), water, sewer, engineering and community development (planning and building).

Benchmark Cities

Making meaningful comparisons requires carefully selecting the benchmark cities to ensure they represent a meaningful comparison with the City, recognizing that a “perfect” match is not possible.

This means that along with selecting comparably sized cities, it is important to select cities that share other important service, economic, geographic and demographic characteristics as well. Additionally, to avoid a “race to the bottom,” comparison cities should also be selected that have a reputation for being well-managed and using “best practices.”

We used the following factors in selecting benchmark cities:

- Population between 2,500 and 10,000
- Distinct “sense of place” that is not part of a large metropolitan area
- Tourism an important part of the city’s local economy
- Similar scope of services
- Management/governance reputation

The structured process for selecting benchmark cities, which is described later in this report, resulted in the following eight comparable cities (population in parenthesis):

- Corning (7,629)
- Fort Bragg (7,311)
- Jackson (4,613)
- Lakeport (4,713)
- Nevada City (3,069)
- Orland (7,626)
- Sebastopol (7,445)
- Yreka (7,771)

Senior Manager and Professional Compensation. Why focus on senior managers? As discussed in Section 2, for many of its positions, the City’s labor market is local, and as such, assessing competitive compensation to attract and retain quality employees is relatively straightforward. However, recruitment for senior managers and professionals is likely to entail a broader regional – and perhaps statewide – context. Additionally, in assessing organizational structure, we also wanted to consider internal relationships as well. Knowing how comparable cities view these relationships is helpful in assessing the City’s organizational structure.

Financial Indicators. How do key revenues, costs and other financial indicators compare with similar cities?

BENCHMARK RESULT HIGHLIGHTS

Organizational Structure

- **Utilities.** In all of the benchmark cities, utility operations (water and sewer) are part of the public works organization. The only minor exception to this is Jackson, where the sewer function reports to the City Manager. In Willits, the water operation reports to the City Manager and the sewer operation reports to the City Engineer.

- **City Engineer.** Except for Lakeport, all of the benchmark cities contract for City Engineer services; and the engineering function is most commonly part of the public works organization (it reports to the City Manager in Corning, Lakeport and Sebastopol). In Willits, the City Engineer is an in-house position and organized as a separate department.

4 BENCHMARK ANALYSIS

- **Building Official/Inspector.** Two of the benchmark cities (Fort Bragg and Nevada City) contract with the County for this function. Of the six benchmark cities that provide this service in-house, five of the cities title this position Building Official (only Jackson titles this position “Building Inspector”); and it most commonly reports to the City Manager (the only exception is Lakeport, where the Building Official reports to the Community Development Director). In Willits, this position is titled “Building Inspector” and currently reports to the City Manager.

Senior Manager Compensation

- **Police Chief.** The Police Chief’s salary range in Willits is the lowest of the benchmark cities. Moreover, Willits is the only City where the Police Chief’s salary range is lower than another department head.

Financial Indicators

- **Mainstream General Fund Revenues.** General Fund revenues per capita are in the mainstream of the benchmark cities.
- **Strong Sales Tax Revenues.** Sales tax revenues per capita are among the strongest of the benchmark cities, largely due to gasoline sales. Since this is the City’s most important General Fund revenue source (accounting for 40% of total General Fund revenues), this underscores the importance of assessing the economic and fiscal impacts of the upcoming bypass.
- **Strong Reserves.** General Fund reserves are among the strongest of the benchmark cities. On one hand, reserves can only be used once; on the other hand, there are appropriate one-time uses of reserves. This reinforces the importance of the recent Council goal of adopting a General Fund reserve policy.
- **Very Low Debt.** The City’s General Fund debt service – less than 1% of General Fund revenues – is among the lowest of the benchmark cities. The significance of this finding is underscored by the fact that all of the benchmark cities have low General Fund debt obligations.

SELECTING THE BENCHMARK AGENCIES

“Benchmarking” has a number of challenges in making meaningful “apples-to-apples” comparisons with other cities. The fact is that every city faces different circumstances due to a wide variety of factors, including:

- Service level expectations
- Daytime versus resident service population
- Fiscal constraints
- Scope of services provided (full service or contract city – or something in between?)
- And not least, geography

For example, per capita street maintenance costs in the City of South Lake Tahoe – which include snow removal – are likely to be much higher than a similar-sized city like Campbell in

4 BENCHMARK ANALYSIS

the Silicon Valley. Similarly, the City of San Luis Obispo has higher than average fire costs largely due to mountains, freeways and railroad tracks, which limit access in meeting minimum response times. Other communities with a similar population size but less challenging geography might be able to meet a similar standard with fewer stations – and thus lower costs.

Addressing the Challenges

In order to make meaningful comparisons with others, we need to develop a common denominator. And while imperfect, in the real world, “per capita” is probably the most practical common denominator for assessments. Accordingly, making meaningful per capita comparisons requires carefully selecting the benchmark cities to ensure they represent a meaningful comparison, recognizing that a “perfect” match is not possible.

This means that along with selecting comparably sized cities, it is important to select cities that share other important service, economic, geographic and demographic characteristics as well. Additionally, to avoid a “race to the bottom,” comparison cities should also be selected that have a reputation for being well-managed (and should be avoided if their reputations are just the opposite).

Selection Factors

- City population between 2,500 and 10,000
- Distinct “sense of place” that is not part of a large metropolitan area
- Tourism is an important part of the city’s local economy
- Similar scope of services: the “perfect” match would be a city that directly provides police, water and sewer services but does not provide fire, recognizing that a “perfect match” is unlikely and that it will depend on the availability of comparable cities based on other criteria.
- Management/governance reputation

As outlined below, there were three steps in selecting the eight benchmark cities:

- Identify cities between 2,500 and 10,000 population and screen for “non-metropolitan” location.
- Assess importance of tourism as part of the local economy and select candidate cities.
- Select benchmark cities based on scope of services match and high-level “good government” factors.

Step 1: Population between 2,500 and 10,000. Of the 482 cities in California as of January 1, 2013 (the most recent date that this information is available from the State), there are seventy-five with populations between 2,500 and 10,000. Of these 75 cities, fifty-five (including Willits) are located in “non-metropolitan” areas (based on their County location).

Step 2: Assessment of Importance of Tourism in the Local Economy. In assessing the importance of tourism in the local economy, we analyzed the ratio of transient occupancy tax

4 BENCHMARK ANALYSIS

(TOT) revenues compared with total general purpose revenues (based on the State Controller’s report on City finances for 2010-11) for the 55 cities identified in Step 1.

The best matches for Willits are those cities where TOT revenues are important but not the most significant revenue source. With this in mind, of the 55 cities identified in Step 1, there were 15 cities where TOT revenues range from 2% to 15% of general purpose revenues. (For context, the ratio of TOT revenues to total General Fund revenues for Willits is 6%.)

To these top candidate cities we added Fort Bragg. Even though its TOT revenues are outside of this range (its ratio of TOT revenues to total General Fund revenues is 19%), it shares a number of other strong factors with Willits, including population size and as discussed below, scope of services and “good governance” factors. Additionally, it is located in Mendocino County and has been used by the City in the past for comparison purposes. As shown in the sidebar chart, this results in 16 top candidates.

Step 3: Service Scope and “Good Government.” Below is a matrix of key services provided by the 16 cities identified in Step 2. In this case, the best match would be a city that directly provides police, water and sewer services but not fire.

This matrix also shows a “high level” screen for “good government” by identifying whether the city places its budget, audit and Council agenda reports on its web site (which are generally accepted “best management practices”); and for those cities that have placed their audits on their web site, if they received a “clean opinion” from their independent auditors (the financial statements fairly present their financial results in accordance with generally accepted accounting principles).


Top 16 Candidates		
City	County	Population
Alturas	Modoc	2,754
Calpatria	Imperial	7,134
Capitola	Santa Cruz	9,988
Cloverdale	Sonoma	8,669
Corning	Tehama	7,629
Fort Bragg	Mendocino	7,311
Jackson	Amador	4,613
Lakeport	Lake	4,713
Nevada City	Nevada	3,069
Orland	Glenn	7,626
Rio Dell	Humboldt	3,363
Sebastopol	Sonoma	7,445
Sonora	Tuolumne	4,847
Williams	Colusa	5,261
Willows	Glenn	6,161
Yreka	Siskiyou	7,771

4 BENCHMARK ANALYSIS

Top Candidate Benchmark Cities

City	Key Services				Governance: Available On-Line			
	Police	Fire	Water	Sewer	Budget	Audit		Council Agenda Reports
						On-Line	Clean Opinion*	
Alturas	x	x	x	x				
Calpatia	x	x		x				
Capitola	x				x	x	x	x
Cloverdale	x		x	x				
Corning	x	x	x	x	x	x	x	x
Fort Bragg	x	x	x	x	x	x	x	x
Jackson	x	x	x	x	x	x	x	x
Lakeport	x		x	x	x	x	x	x
Nevada City	x	x	x	x	x	x	x	x
Orland	x	x	x	x	x	x	x	x
Rio Dell	x	x	x	x	x			
Sebastopol	x	x	x	x	x	x	x	x
Sonora	x	x						
Williams	x		x	x				
Willows	x	x		x	x	x	x	x
Yreka	x	x	x	x	x	x	x	x

* Unknown for cities that did not place their audit reports on-line

 Selected Benchmark Cities

Based on this structured assessment, we selected the following eight cities for the benchmark analysis:

- Corning (Tehama County, Population: 7,600)
- Fort Bragg (Mendocino County, Population: 7,300)
- Jackson (Amador County, Population: 4,600)
- Lakeport (Lake County, Population: 4,700)
- Nevada City (Nevada County, Population: 3,000)
- Orland (Glenn County, Population: 7,600)
- Sebastopol (Sonoma County, Population :7,400)
- Yreka (Siskiyou County, Population: 7,700)

Of the 16 finalists, these eight cities are the only ones that share the following characteristics:

- Provide police, water and sewer service.
- Place their budget, audit and Council agenda reports on their web site.
- Have clean audit opinions.

Additionally, they reflect a good mix of city size: three are smaller than Willits and five are larger. Three other similarities are worth noting:

4 BENCHMARK ANALYSIS

Similar Size Organizations. As reflected in Table 1, organization-wide regular staffing levels are similar, with Willits in the mid-range.

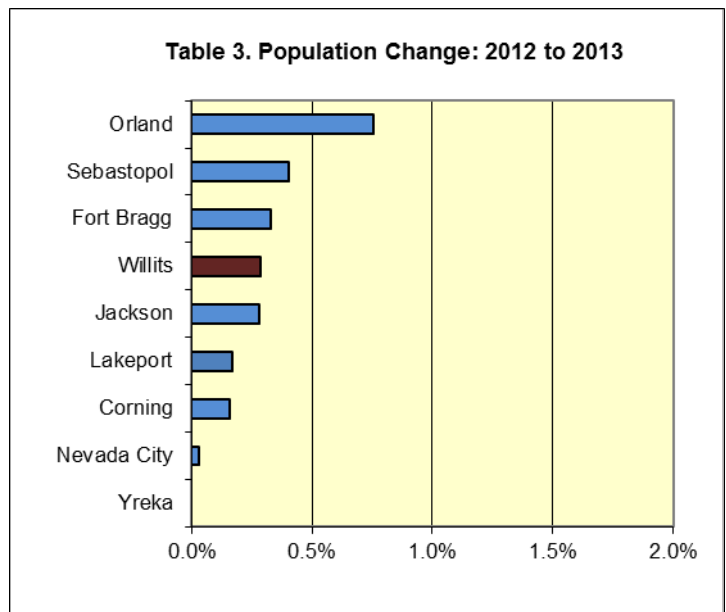
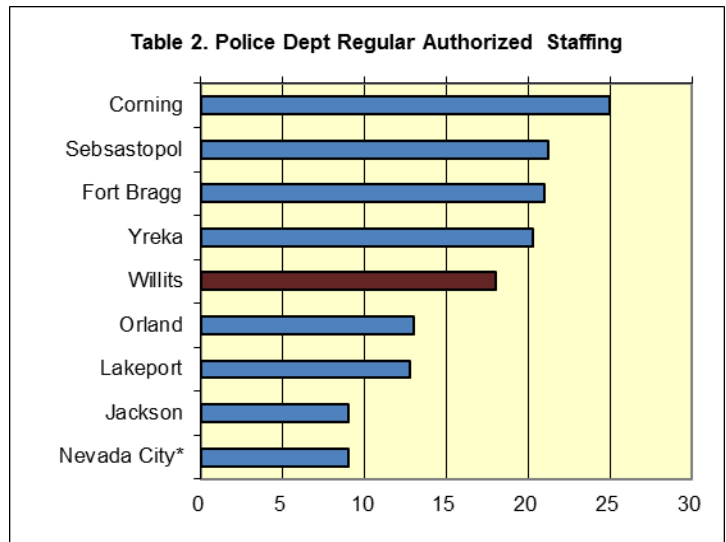
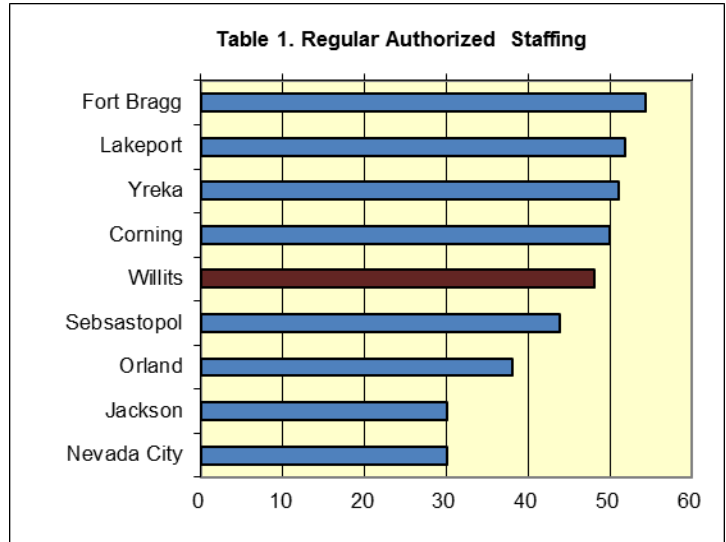
And as reflected in Table 2, regular staffing levels in their Police Departments – the largest department in all of the cities – are also similar.

No Snow, No Deserts. None of the benchmark cities are subject to unusual geography or extreme weather (such as high snowfall in the winter or extremely high temperatures in the summer) that might have a significant impact in comparing organizational structure or financial indicators.

Slow Growth. None of these cities – including Willits – have experienced significant population growth, which might also have a significant impact in comparing organizational structure or financial indicators.

As reflected in Table 3, the population for each of these benchmark cities (as well as Willits) grew by less than 1% between 2012 and 2013.

Table 4 shows that similar slow-growth trends were experienced by all of the cities over the past ten years as well, with annual population growth of about 1% or less. In fact, three of the benchmark cities (as well as Willits) experienced minor population losses.



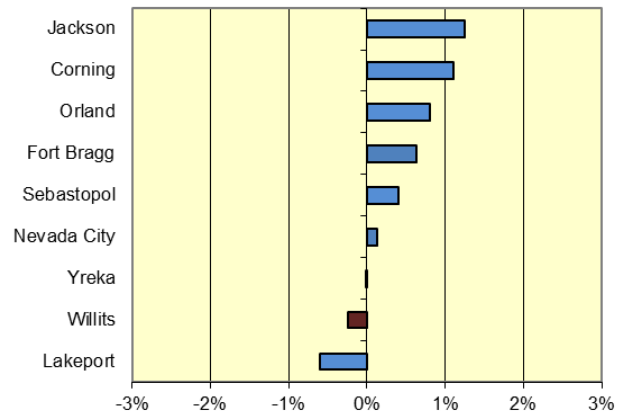
4 BENCHMARK ANALYSIS

Service Scope

None of these cities is a perfect “service delivery” match with Willits. For example, except for Lakeport, they all provide fire service; and only Corning also provides airport services.

However, all of the cities provide the key services of police, water and sewer.

Table 4. Annual Population Change: 2003 to 2013



ORGANIZATIONAL STRUCTURE

Tables 5, 6 and 7 below summarize the organization of the utilities, City Engineer and building function in the benchmark cities compared with the City of Willits. This information was developed based on interviews with each city.

Utilities Organization

As reflected in Table 5, utility operations (water and sewer) are part of the public works organization in all of the benchmark cities. The only minor exception to this is Jackson, where the sewer function reports to the City Manager. In Willits, there is an unusual organizational structure where the water operation reports to the City Manager and the sewer operation reports to the City Engineer.

Table 5. Utilities Organization

	Water		Sewer		
	Part of Public Works	Reports to City Manager	Part of Public Works	Reports to City Manager	Reports to City Engineer
Corning	x		x		
Fort Bragg	x		x		
Jackson	x			x	
Lakeport	x		x		
Nevada City	x		x		
Orland	x		x		
Sebastopol	x		x		
Yreka	x		x		
Willits		x			x

4 BENCHMARK ANALYSIS

City Engineer

Except for Lakeport, Table 6 shows that all of benchmark cities contract for City Engineer services; and in the contract cities, it most often part of the public works organization (it reports to the City Manager in Corning, Jackson and Sebastopol). This contrasts with the situation in Willits, where the City Engineer is an in-house position and organized as a separate department.

As noted in Table 6, there is an unusual situation in Sebastopol: while engineering is a separate department, the Director of Engineering is not the City Engineer, nor a registered civil engineer. It should also be noted that the City Engineer in Lakeport is also responsible for information technology. Lastly, while Fort Bragg contracts for its City Engineer, there is an Associate Civil Engineer on staff to provide day-to-day engineering services.

Building Official/Inspector

As reflected in Table 7, two of the benchmark cities (Fort Bragg and Nevada City) contract with the County for building services. Of the six benchmark cities that provide this service in-house, five of the cities title this position Building Official (only Jackson titles this position “Building Inspector”); and it most commonly reports to the City Manager (the only exception is Lakeport, where the Building Official reports to the Community Development Director). In Willits, this position is titled “Building Inspector/Code Enforcement Officer” and currently reports to the City Manager.

Table 6. City Engineer

	Contract	In-House
Corning	*	
Fort Bragg	x	
Jackson	*	
Lakeport		*
Nevada City	x	
Orland	x	
Sebastopol	**	
Yreka	x	
Willits		*

- x Engineering function part of Public Works
- * Engineering function reports to the City Manager
- ** Director of Engineering who is not the City Engineer (nor a registered civil engineer) reports to the City Manager

Table 7. Building Official/Inspector

	Building Official	Building Inspector	Contract
Corning	x		
Fort Bragg			*
Jackson		x	
Lakeport	*		
Nevada City			x
Orland	x		
Sebastopol	x		
Yreka	x		
Willits		x	

- x Reports to City Manager
- * Reports to Community Development Director

4 BENCHMARK ANALYSIS

SENIOR MANAGEMENT AND PROFESSIONAL COMPENSATION

The following presents benchmark compensation information for key senior management and professional positions:

- City Manager
- Police Chief
- City Engineer
- Finance Director
- Public Works Director
- Building Official/Code Enforcement Officer
- Water-Sewer Plant Supervisor

Salary. Except for the City Manager position, which is set by contract and does not have a salary range in any of the benchmark cities or in Willits, salary data is presented for the top of the salary range. This information was developed based on interviews with each city.

Table 8. The City’s salary for the previous City Manager (\$9,350 per month) is in the mainstream of the benchmark cities and slightly below the median of \$9,583.

Note: Nevada City contracts with the Regional Government Services Authority for its City Manager.

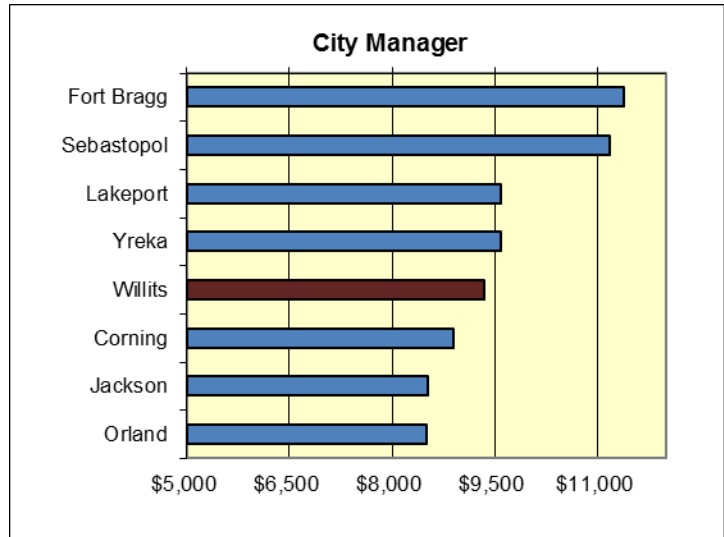
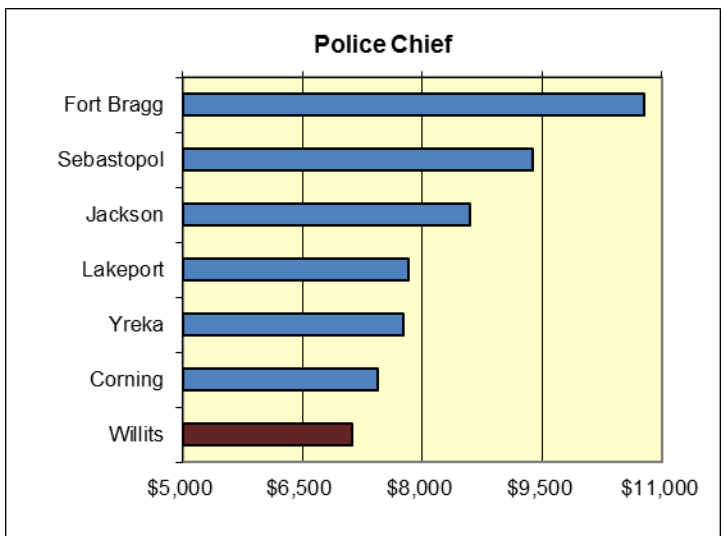


Table 9. The City’s salary for this position is the lowest of the benchmark cities. The “top of range” monthly salary of \$7,121 is 18% below the average of \$8,627. Moreover, Willits is the only city where the Police Chief’s salary range is lower than another department head.

Note: Nevada City and Orland contract for Police Chief services.



4 BENCHMARK ANALYSIS

Table 10. As noted previously, only Lakeport has an in-house City Engineer. That said, the top of the salary range in Willits of \$7,752 per month is virtually the same as Lakeport's of \$7,736.

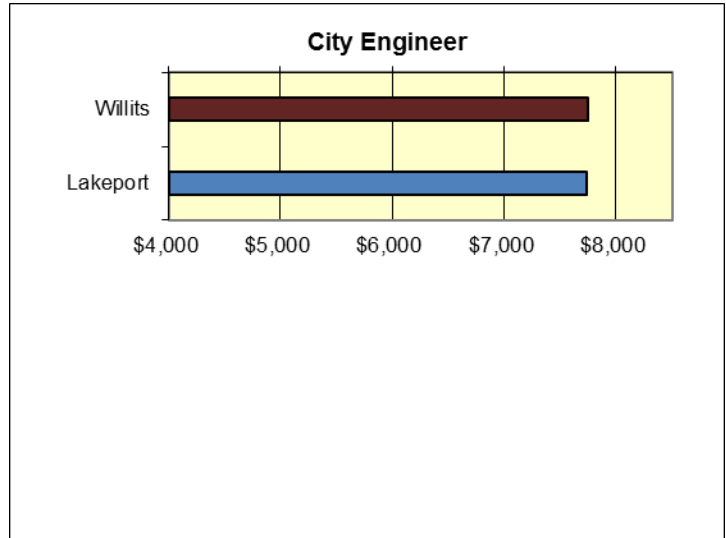


Table 11. The City's "top of range" salary for Finance Director is in the mainstream of the benchmark cities, one city below the median.

Note: The City Manager serves as Finance Director in Corning and Orland contracts for this position. In Sebastopol, the position is titled Administrative Services Director and is also responsible for human resources and risk manager; and the Finance Director is responsible for human resources and risk management in Nevada City.

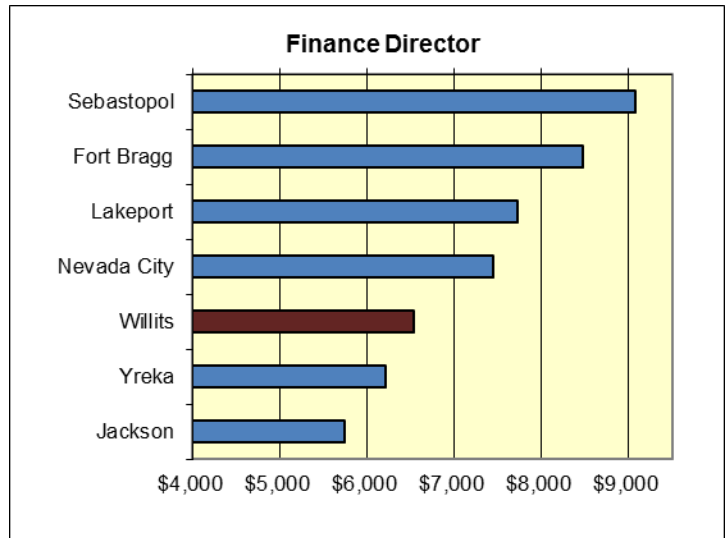
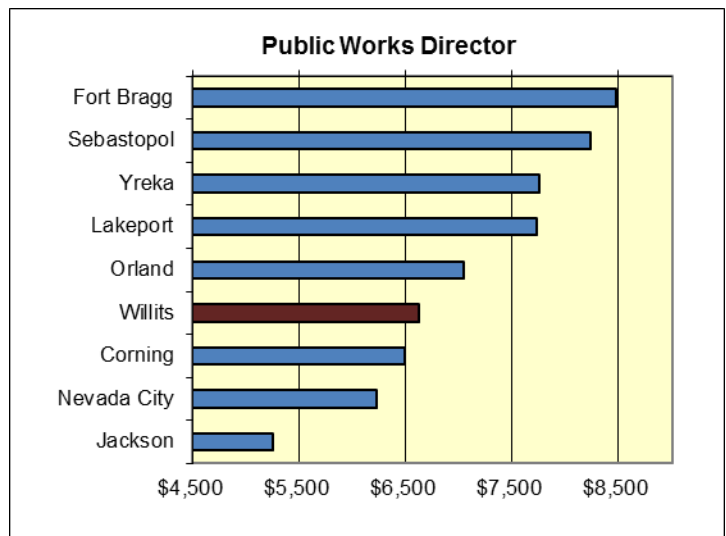


Table 12. This position has not been filled for over three years; and even then, it was not responsible for utilities or engineering, which is the case for most of the benchmark agencies.

Note: The head of the Public Works Department is titled "Public Works Superintendent" in Jackson and Sebastopol.



4 BENCHMARK ANALYSIS

Table 13. As noted previously, five of the six benchmark cities that provide building services in-house title this position “Building Official” (Jackson titles it “Building Inspector”), compared with “Building Inspector/Code Enforcement Officer” in Willits. (All of the positions in the benchmark cities have code enforcement responsibilities.) The City’s salary for this position is the lowest of the benchmark positions.

Note: Fort Bragg and Nevada City contract with the county for this service, and as such, do not have comparable positions.

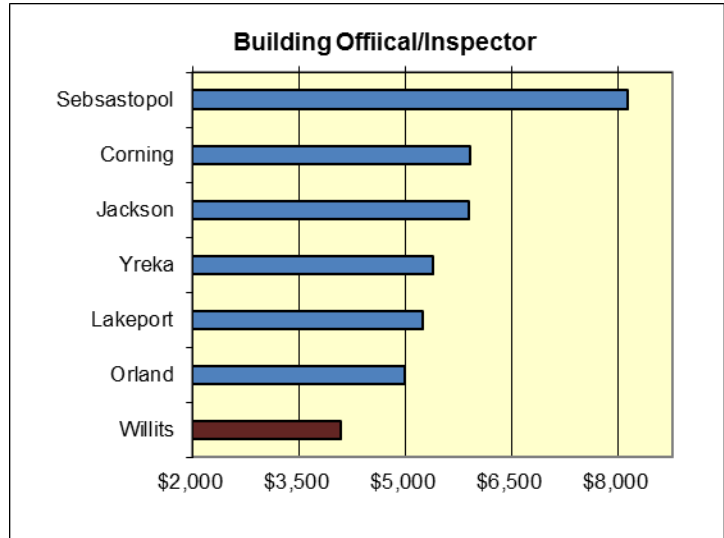
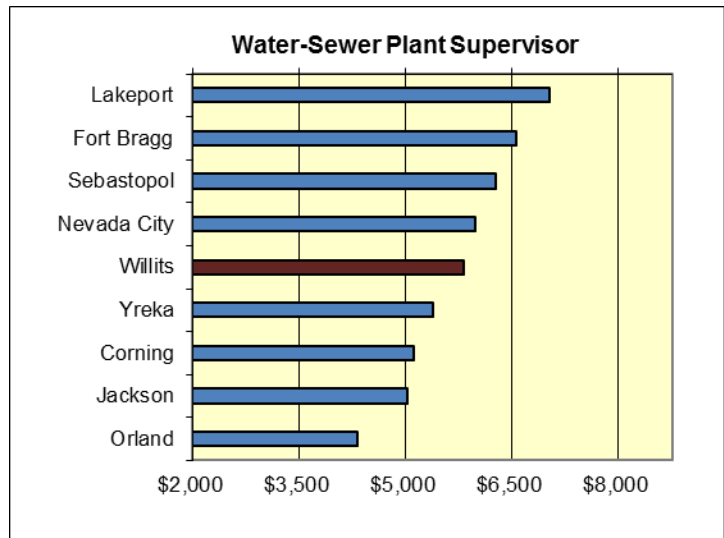


Table 14. The City’s salary for its water and sewer plant supervisor is at the median of positions with similar responsibilities in the benchmark cities:

- Corning: Assistant Public Works Director
- Fort Bragg: Public Works Manager
- Jackson: Wastewater Plant Supervisor
- Lakeport: Utility Superintendent
- Nevada City: Water/Wastewater Plant Supervisor
- Orland: Public Works Foreman
- Sebastopol: Assistant Public Works Superintendent
- Yreka: Water and Wastewater Manager



Benefits: Pensions. This is the most significant benefit that the City provides to its employees as a member of the California Public Employees Retirement System (CalPERS), which covers State employees as well as 1,600 local agencies. CalPERS is a defined benefit program, under which retirees will receive a “defined” retirement allowance based on their age at retirement and years of service. For example, under a “2%@55” plan, an employee retiring at age 55 will receive 2% of their final regular pay (depending on the plan, “final pay” will either be an average of the three highest years or the single highest year) for each year of service: for example, 40% after 20

4 BENCHMARK ANALYSIS

years; 50% after 25 years; and 60% after 30 years. (“Regular” pay includes ongoing compensation as part of an employee’s duties; as such, it does not include earnings like overtime.)

Recent Changes for All New Employees. In September 2012, the State enacted AB 340, which reduces retirement benefits for all new hires beginning January 1, 2013 who were not previously active participants in another CalPERS agency. The following summarizes the new plans:

Sworn Employees	Non-Sworn (“Miscellaneous”) Employees
While there are several options, the most common is “2% at age 50,” with a maximum benefit of 2.7% at age 57.	“2% at age 62,” with a maximum benefit factor of 2.5% at age 67.

Since this benefit plan applies to all CalPERS agencies, the City is not in a competitive advantage or disadvantage compared with other agencies throughout the State (including the benchmark cities) in recruiting new hires who were not previously active participants in another CalPERS agency.

However, the new plans do not apply to new hires who were active participants in another CalPERS agency before working for their new CalPERS agency. In this case, the benefit plan that was in place in each agency before January 1, 2013 is effective. The following summarizes this for the benchmark cities and Willits.

Employee Retirement Plans in Effect at December 31, 2013

City	Police Sworn	Non-Sworn
Corning	3%@55	2%@60
Fort Bragg	2%@50	2%@55
Jackson	3%@50	2.5%@55
Lakeport	3%@55	2.5%@55
Nevada City	2.5%@55	2%@60
Orland	3%@50	2.7%@55
Sebastopol	3%@55	2%@55
Willits	3%@50	2.7%@55
Yreka	2%@50	2%@55

As reflected above, the City is in a competitive position compared with the benchmark cities in recruiting employees from another CalPERS agency.

FINANCIAL INDICATORS

Background

Data Sources and Collection. In preparing the benchmark analysis, published *audited* financial statements for the fiscal year ending June 30, 2012 (latest date that this information is available for all cities) were used for revenue and cost data. Based on this, population data as of January 1, 2012 was used in making per capita comparisons.

4 BENCHMARK ANALYSIS

Caveat: Every City Budgets and Accounts for Service Costs Differently. Along with caveats on the challenges of using of “per capita” data in making comparisons, another one is in order: cities budget and account for service costs idiosyncratically.

For example, some cities account for internal services like printing, fleet maintenance, insurance and information technology using “internal service funds,” which charge user departments for their services. Other cities account for these types of costs in the General Fund and use an indirect cost allocation plan in distributing costs to other departments and funds. And some cities account for these in the General Fund but make no formal allocation of these costs at all.

Further, some cities account for services like paving, street lighting, landscape maintenance and storm drain maintenance solely in their General Fund; others in separate special revenue or enterprise funds; and often some combination of the three.

Why does this matter? Those cities that use separate funds to account for services that others account for in their General Fund may appear to have lower General Fund costs than those that do not. Unfortunately, there is no good way to adjust for this. So, like the results of using per capita data, we need to recognize the limits of benchmark studies: even in the best of circumstances, the results are not exact comparisons. Nonetheless, the results should provide a reasonable, order of magnitude indication for how one city compares with another.

Focus on “Governmental” Activities: Excludes Enterprise Operations. The services that cities provide can be divided into two major groups:

- **Governmental activities.** These are the “traditional” functions of cities, and include services like police, planning, building inspections, streets and park maintenance. All of the benchmark cities provide some combination of these core services, either in-house or via contract services.
- **Enterprise activities.** However, every city has a different story to tell when it comes to “business-like” enterprise operations like water, sewer, solid waste, transit, parking and airports.

The following summarizes the diversity of enterprise operations provided by Willits and the eight benchmark cities:

4 BENCHMARK ANALYSIS

Enterprise Operations							
	Water	Sewer	Airport	Parking	Solid Waste	Transit	Vets Hall/ Comm Facility
Willits	x	x	x				
Corning	x	x	x		x	x	
Fort Bragg	x	x					x
Jackson	x	x		x			
Lakeport	x	x					
Nevada City	x	x					x
Orland	x	x					
Sebastopol	x	x					
Yreka	x	x					

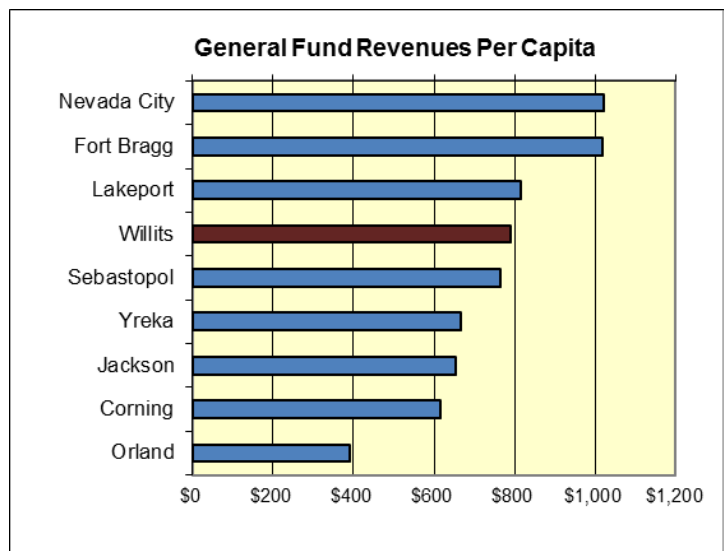
The number and type of enterprise services that a city provides can significantly affect its total costs and staffing. Additionally, even where similar services are provided, such as water and sewer, there are a number of factors that will affect cost and staffing that were not considered in selecting the benchmark cities. For example, cities that use surface water as their primary water source (like Willits) will have higher costs for treatment than those that rely heavily (or solely) on groundwater. Similarly, cities that discharge their wastewater effluent to sensitive-habitat lakes, rivers and creeks (like Willits) will have higher treatment costs than cities that discharge to the ocean or low-quality water sources. As such, for the best “apples-to-apples” comparison, this analysis focuses on revenues and costs for “governmental” activities and excludes enterprise operations.

General Fund Revenues

The following charts compare the City’s General Fund revenue with the benchmark cities.

Table 15. This chart shows that the City is in the mainstream of the benchmark cities in terms of total General Fund revenues per capita: at \$788 per capita, they are just slightly higher than the mean in Sebastopol of \$766.

Note: General Fund revenues in Lakeport exclude pass-through collections of franchise solid waste fees.



4 BENCHMARK ANALYSIS

Table 16. Sales tax, property tax and transient occupancy tax (TOT) are among the City’s top General Fund revenues, accounting for two-thirds of total General Fund revenues.

These are also important revenues in the benchmark cities, accounting for 50% or more of total General Fund revenues in all cases (and about two-thirds or more in five of the benchmark cities).

The following three charts take a more detailed look at each of these three key revenue sources.

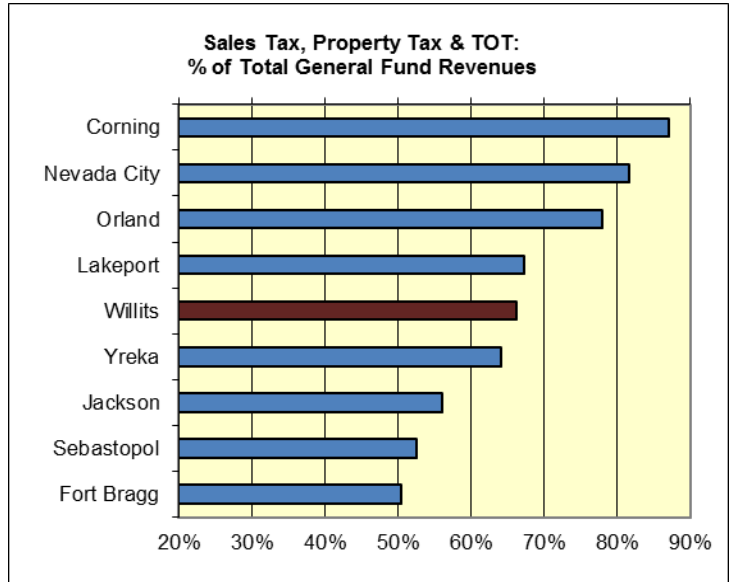


Table 17. Sales tax is the City’s “number one” revenue source, accounting for 40% of total General Fund revenues. As shown in this chart, the City has among the strongest sales tax revenues per capita of the benchmark cities.

This is largely due to gasoline sales; and it reinforces the importance of assessing the economic and fiscal impact of the upcoming bypass.

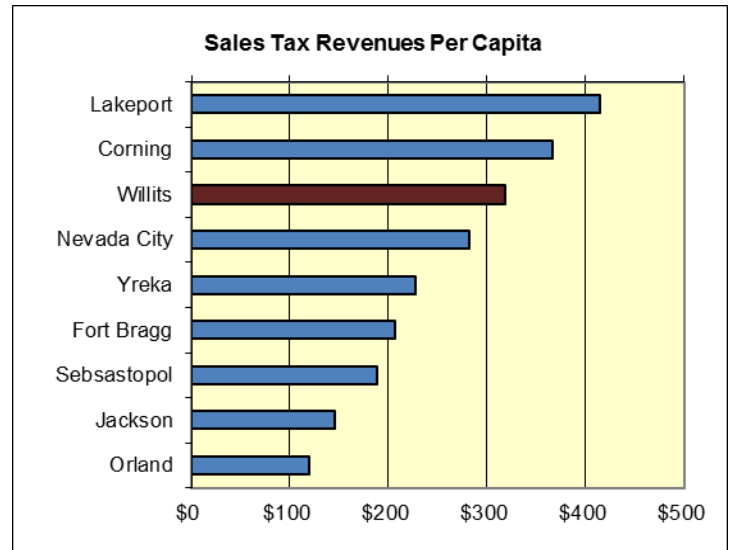
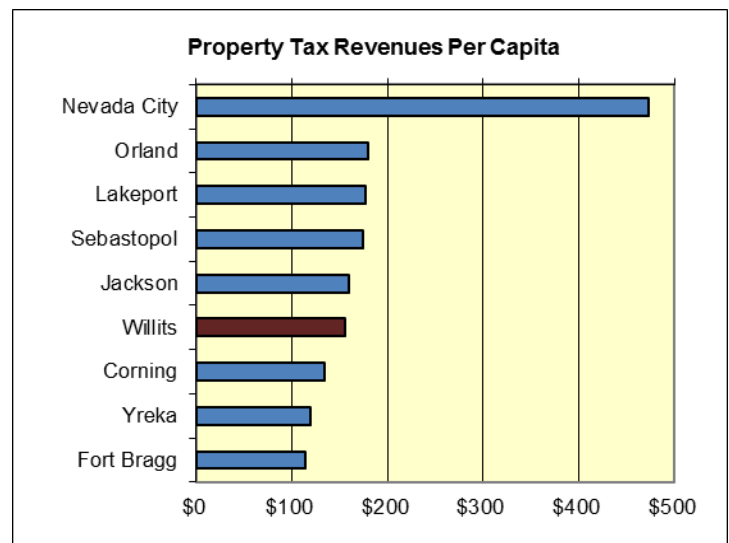


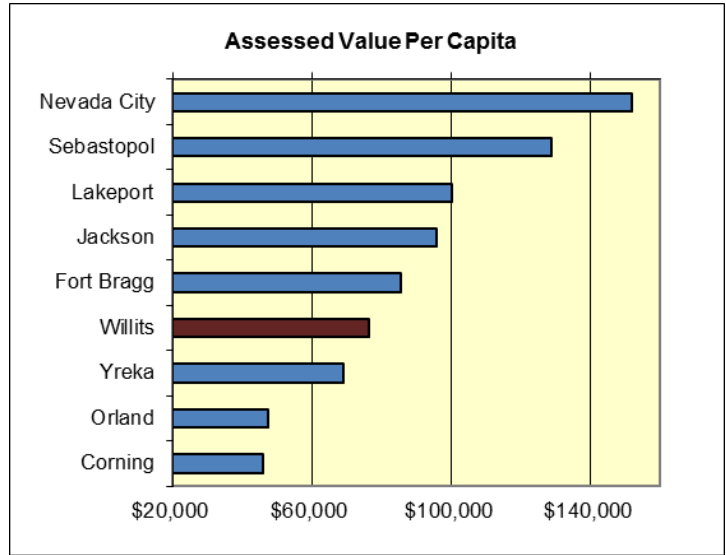
Table 18. With the notable exception of Nevada City, property tax revenues per capita are very similar in all of the other benchmark cities, with Willits in the mainstream.



4 BENCHMARK ANALYSIS

Table 19. The distribution of the “1% levy” of property tax revenues under Proposition 13 can play a role in the magnitude of the differential in property tax revenues.

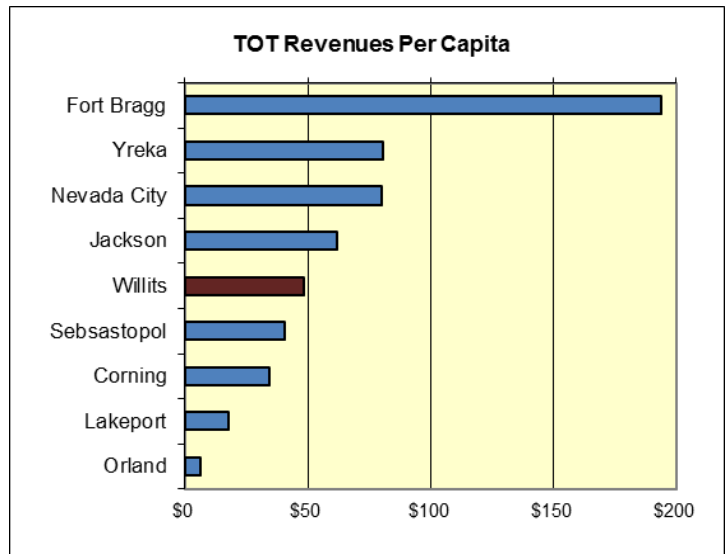
Table 19 adjusts for this by focusing on the underlying revenue base: assessed value. Nonetheless, while the magnitude of the differences is less, the relative strength of Nevada City and the City’s mainstream position (although somewhat below the median) remain about the same.



Note: Under Proposition 13 adopted by the voters in 1978, the City does not have any control over the allocation of property tax revenues: this is determined by the State. And even if a community wanted to increase its general-purpose property taxes, this is not possible, since Proposition 13 prohibits increases in property tax rates – even if approved by local voters – except for bonded indebtedness.

Table 20. This chart shows that the City’s TOT revenues per capita are in the mainstream of the benchmark cities. Two cities stand-out from the benchmarks cities: Fort Bragg at the high-end and Orland at the low-end. The other benchmark cities have similar dependence on TOT revenues.

Again, the importance of TOT revenues in Willits underscores the importance of assessing the economic and fiscal impact of the upcoming bypass.



General Fund Costs

The following charts compare the City’s General Fund costs with the benchmark cities with four key factors:

- Operating costs per capita
- Allocation General Fund revenues to police services
- Ratio of General Fund reserves to costs
- Ratio of General Fund debt service to revenues

4 BENCHMARK ANALYSIS

Table 21. After excluding fire costs for those cities that provide this service (as well as solid waste franchise fee pass-through in Lakeport), this table shows that the City's operating costs per capita are slightly higher than average.

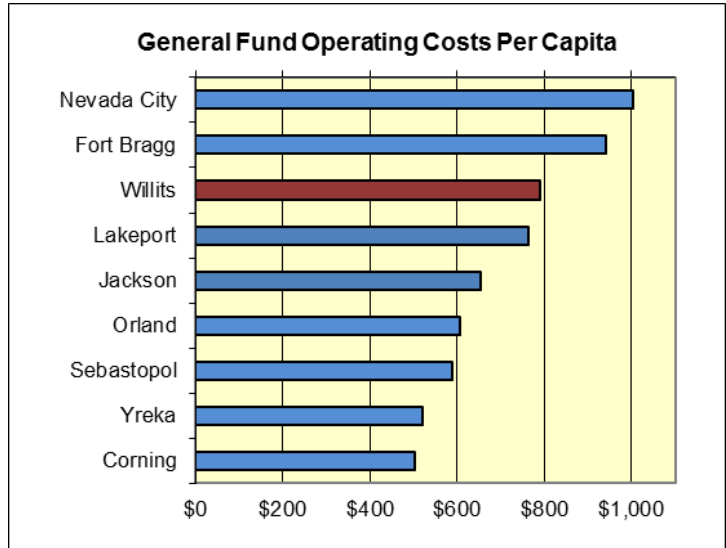
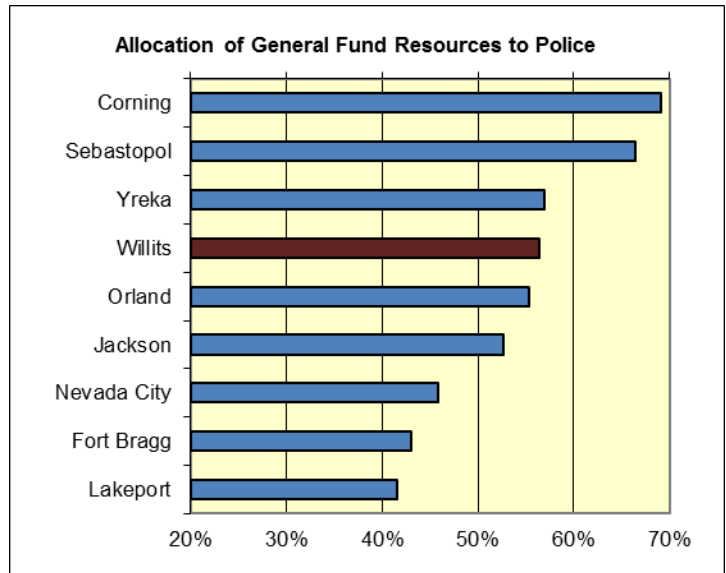


Table 22. Police service costs are the most significant use of General Fund revenues in Willits, accounting for 56% of costs.

While the percentages vary, costs for police services are among the most significant in the benchmark cities as well, ranging from about 40% in Lakeport to almost 70% in Corning.

As shown in Table 22, Willits is in the mainstream of its allocation of General Fund revenues to police services.



On one hand, these high allocations of resources to police services by all cities appropriately reflect their high priority. On the other hand, the more that a city allocates of its general-purpose revenues to public safety, the less is available to support other services like street maintenance, traffic safety, storm drains and park maintenance.

For comparability, fire costs for those cities that provide this service (as well as solid waste franchise fee pass-through in Lakeport) have been excluded in making this comparison.

Reserves. In comparing reserve levels between cities, it is important to recognize that “one size does not fit all.” In short, other than having a reserve at all, there is no “right” level: it depends on the circumstances in each city.

First, reserves (defined here as unrestricted fund balance) – whether large or small – do not *per se* reflect on a city's financial capacity or underlying fiscal strength. There are much better indicators than fund balance for this, most notably the ability over time for ongoing revenues to adequately meet day-to-day service needs, capital improvements and debt service requirements.

4 BENCHMARK ANALYSIS

Then what does retaining a prudent level of fund balance reflect? It measures a city's ability to manage risk. How much can things adversely turn-out differently than "usual," and how much fiscal capacity (measured in time) does the organization think is prudent in developing and implementing plans in responding to unexpected circumstances?

Based on this, the first step in assessing an appropriate reserve level is to assess fiscal risks, which fall into six broad categories:

1. **Economic.** How dependent are the city's key revenues on local economic performance? And how dependent are they on the fortunes of a few key taxpayers, or are revenue sources broadly distributed? In short, are all of the city's revenue "eggs in one basket?" And if so, how large and strong is the basket?
2. **Cash flow.** What cash resources does a city need in balancing when it receives key revenues during the fiscal year and when it incurs expenses? Again, this requires a city-by-city review of their own unique circumstances in evaluating "lumpy" receipts and disbursements. In short, every city has a different cash flow story to tell.
3. **Expenditure flexibility.** How much of a city's costs are relatively "fixed" or ongoing, like debt service and regular staffing; versus more flexible costs, like capital projects or other "one-time" costs? The more "flexible" a city's costs, the more corresponding flexibility it will have in avoiding the disruption of day-to-day services in responding to adverse circumstances while it figures out a longer-term strategy.
4. **Natural disasters.** What is the likelihood (and frequency) of disasters like floods, fires or earthquakes in increasing response and recovery costs, or reducing revenues?
5. **Stability of state-local government relationships.** How likely is it that the State will structurally change revenue sources, such as no longer providing a key subvention that it routinely provided cities in the past? Or no longer allowing cities to set a key fee or a tax that they have relied upon for many years? Or assessing cities fees for services that the State has traditionally provided at no cost? Or most recently, dissolving critically important redevelopment agencies? Over the past twenty years, State budget grabs have consistently been the largest single fiscal threat to cities in California.
6. **General contingencies.** What is the likelihood of a major, unanticipated cost?

In summary, reserves act as an insurance policy, a risk management tool:

- How much risk is the city exposed to?
- And how much risk is it willing to take in the event that adverse circumstances emerge?

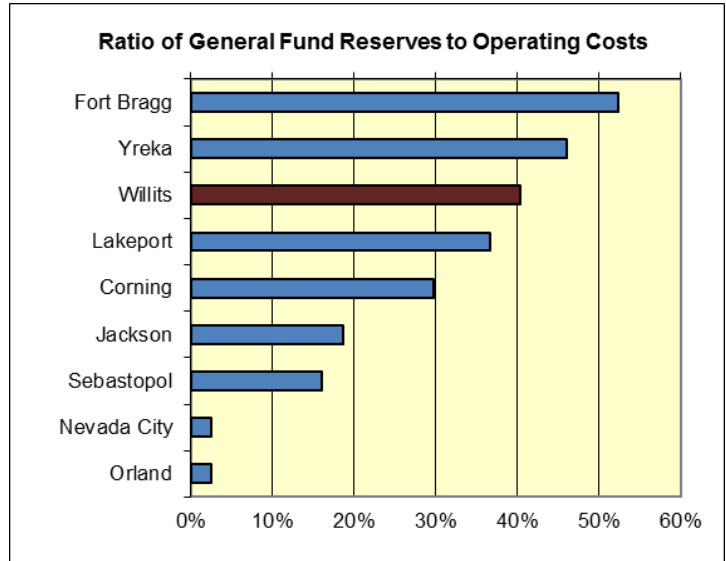
When adverse circumstances do arise, appropriate reserves provide cities with the ability to:

- Absorb "one-time" problems without disrupting day-to-day operations and services.
- Or if the problems are more systemic and ongoing, then reserves provide cities with the fiscal capacity to take the time needed to fully identify how big the problem is, and then develop and implement a thoughtful longer-term strategy tailored to the problem.

4 BENCHMARK ANALYSIS

Table 23. As reflected in this chart, at June 30, 2012, Willits had one of the strongest ratios of General Fund reserves (defined as unrestricted General Fund balance as reported in audited financial statements). Ratios ranged from 2.5% in Orland and Nevada City to over 50% in Fort Bragg, with an average reserve level of 27% compared with Willits at 40%.

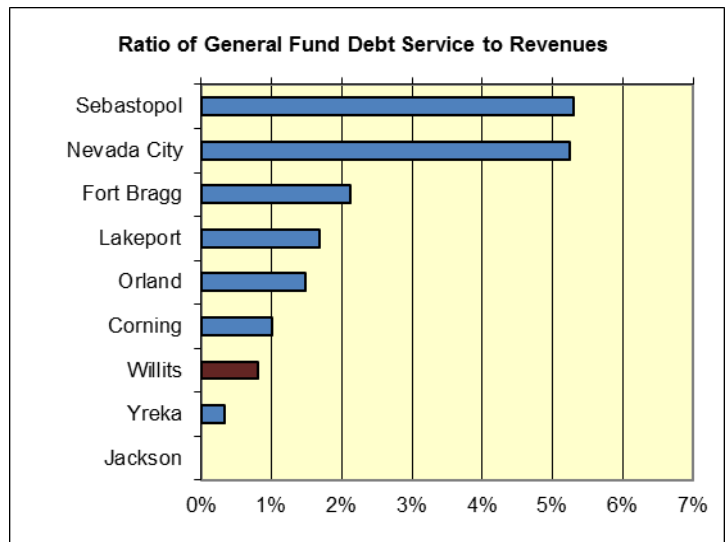
As discussed above, strong reserves provide an insurance policy against adverse circumstances. On the other hand, reserves can only be used once, and accordingly, below policy levels, they should be only be used for one-time purposes. This reinforces the goal recently set by the Council for the City to adopt a General Fund reserve policy that identifies the target minimum reserve; appropriate uses of the reserve and when it is appropriate to it below the adopted policy minimum; and strategies for restoring it to that minimum when it falls below the target amount.



Debt Service Costs. Much like personal finances, there is an appropriate role for the use of debt financing in funding long-term investments. For example, 30-year mortgages are certainly appropriate in purchasing a home; and likewise, issuance of a 30-year bond for tangible, long-lived assets like a City Hall or Police Station is also appropriate. Similarly, short-term debt to finance a new car, to the extent that the term of the loan does not exceed its useful life, may also be appropriate. However, just as long-term financing to purchase groceries is inappropriate for a family, taking on debt to pay for day-to-day delivery of services is also inappropriate for a city. Since debt capacity is limited, its use should be limited to the most important, highest priority needs. In short, debt obligations incurred today will constrain resources for other needs tomorrow, so it is critically important that cities get this balance right.

Table 24. As reflected in this chart, the City has one of the lowest ratios of General Fund debt service to revenues compare with the benchmark cities: less than 1% of General Fund revenues.

It is important to note that all of these cities have favorable ratios in this area (all are under 6%; for context, credit rating agencies become concerned when this ratio approaches 10%). This reinforces the reputations that the benchmark cities have for being fiscally well-managed.



4 BENCHMARK ANALYSIS

DATA SOURCES

Most of the data used in preparing this report was taken from audited financial statements and budget documents available on-line from each city's web site as follows:

City	Web Site
Corning	http://www.corning.org
Fort Bragg	http://city.fortbragg.com
Jackson	http://ci.jackson.ca.us
Lakeport	http://www.cityoflakeport.com
Nevada City	http://www.nevadacityca.gov
Orland	http://www.cityoforland.com
Sebastopol	http://ci.sebastopol.ca.us
Willits	http://thecityofwillits.com
Yreka	http://ci.yreka.ca.us

Other Resources

Other Resources	Source
Pension Obligations	California Public Employees' Retirement System http://www.calpers.ca.gov
Population	State of California, Department of Finance, Demographic Research Unit http://www.dof.ca.gov/Research/demographic
Assessed Valuation and Annual Report of City Financial Transactions	State Controllers Office http://www.sco.ca.gov/ard_locrep_annual_financial.html
Organizational Structure, Salary Ranges and CalPERS Benefit Plans	Agency Interviews

The Ideal Department Head/Staff Member

1. **Passionate about public service – and serving the public, too.** Deeply appreciates democracy at the community level (not “just a job”); **respects residents** and enjoys working with them; able to see concerns from the citizen’s perspective; no tolerance for bureaucratic arrogance.
2. **Can see and embrace the bigger picture.** In tune with the organization and the community *as a whole*; stays connected with major issues outside of own department – and willing to help out when needed; understands the Council and manager’s goals and direction.
3. **Executes the basic job with competent, value added-performance.** Possesses the core competencies for the job and works at being the best they can be; impact player who brings something unique to the table that benefits the whole.
4. **Performs ethically – and assures that others do too.** Internal systems, procedures and policies are aligned with high values - and followed; hires best people and promotes the best values; **can say “no”** – but coupled with acceptable options when appropriate (especially when dealing with the public).
5. **Is a true team player and leader.** Works well across departmental lines – and assures their employees do too; **embraces “equality of sacrifice;”** advocates for own department, but respects and supports the work of other departments, too.
6. **Avoids surprises.** Nice at birthdays, but to be avoided in an organizational, political environment; practices proactive communication; **errs on the side of “TMI”;** **doesn’t hide mistakes or bad news (doesn’t repeat mistakes too often,** either).
7. **Doesn’t play political favorites.** Is politically savvy, but avoids even the appearance of political favoritism or special treatment; provides all Council members with the same information and support and keeps the manager in the loop.
8. **Prepares reliable and readable reports.** Understands that staff reports are vital to quality Council decision-making and are used by multiple audiences (and so they involve trust, too); writes well and provides completed staff work; **sensitive to “tone”** and political sensitivities; able to translate complex issues and avoid jargon.
9. **Knows that good analytics are not enough.** Creates the best conditions for the **“right” decisions** to be made though excellent strategic planning, public policy and citizen engagement skills; understands political values; is action oriented, but knows that haste often backfires in a governmental environment.
10. **Knows when to quit and lose gracefully.** Knows that a win at all costs attitude shows a lack of respect for the process, roles and opinions of others; takes the issues seriously, but not so much themselves; has a sense of humor.

CONSULTANT BACKGROUND

The HSM Team – composed of Ken Hampian, Bill Statler and Mike Multari – has extensive experience in assisting local government and not-for-profit agencies with low-cost, highly effective ways of breaking through barriers to make positive and lasting differences in their organizations and communities. They share decades of experience in providing elected officials, community leaders and staff members with practical strategies that help transcend the day-to-day obstacles and get important things done.

Their diverse experience ranges from San Luis Obispo (the city that Oprah calls the “Happiest City in America”) to volunteer service helping the troubled City of Bell reform its government. Collectively, they have worked for scores of agencies throughout California as staff and consultants. Their expertise includes:

- Community goal-setting
- Governing body/staff relations
- Teambuilding
- Leadership/managing change
- Organizational development and analysis
- Citizen engagement
- Ethics
- Budget and finance
- Planning, land use and community development

Our Work Today. Since retiring from public service as senior managers, the HSM Team members continue to be deeply engaged in local government affairs as college teachers, authors, consultants and trainers. The quality of their work and dedication to public service has been widely recognized by a number of organizations, including the ICMA, League of California Cities, Davenport Institute for Public Engagement and Civic Leadership, Institute for Local Government and the California Society of Municipal Finance Officers.

Recent Book on Local Government Finance in California. Partnering with Michael Coleman, one of the foremost experts on California local government finance and fiscal policy advisor to the League of California Cities, the HSM Team are co-authors of the *Guide to Local Government Finance in California*, published by Solano Press in July 2012 (www.solano.com).

The following is a summary of the HSM Team member’s background and experience.

Ken Hampian

During Ken’s thirty-five year public sector career, he served at the county, federal and city levels of government, including twenty years with the City of San Luis Obispo where he retired as City Manager in 2010.

In Summer 2011, he served without compensation as the Interim City Manager of the beleaguered City of Bell in the aftermath of well-publicized scandals. His service there has been recognized by a variety of professional associations, including the Cal-ICMA Ethical Hero award and PublicCEO.Com Staff Employee of the Year. Other honors during his distinguished career include the League of California Cities John S. Nail Award and selection to the prestigious Presidential Management Internship Program.

CONSULTANT BACKGROUND

Along with his service to Bell, Ken has stayed involved in local government, including as a trainer with the Police Officers Standards and Training Commission and the San Mateo County Leadership Academy. He lectures at the college level, consults for public agencies and serves on the advisory boards of the Davenport Institute and the Cal-ICMA Next Generation Committee. Most recently, along with the other members of the HSM Team, Ken provided strategic planning advice and facilitation services to the City of Monrovia.

With Mike Multari, Bill Statler and Michael Coleman, he is the co-author of the *Guide to Local Government Finance in California*, published by Solano Press in July 2012; and has written numerous articles for *Public Management* and *Western City* magazines.

Bill Statler

Bill served as the Director of Finance & Information Technology for the City of San Luis Obispo for twenty-two years and for ten years as finance officer for the City of Simi Valley before that. Under his leadership, San Luis Obispo received national recognition for excellence for its financial planning and reporting systems. He has also played a significant leadership role in the municipal finance profession, including serving on the Board of Directors of the League of California Cities, President of the League's Fiscal Officer Department, President of the California Society of Municipal Finance Officers (CSMFO) and member of the California Committee on Municipal Accounting.

Since retiring from the City of San Luis Obispo in 2010, Bill has undertaken a number of challenging consulting and training assignments, including:

- As part of the HSM Team, assisting the City of Willits with Council goal-setting as part of its budget process.
- Preparing long-term financial plans for the Cities of Camarillo, Salinas and Bell and the Bear Valley Community Services District.
- As part of the HSM Team, providing strategic planning advice and facilitation services to the City of Monrovia.
- Evaluating the effective stewardship and organizational effectiveness of the City of Capitola via "benchmark analysis."
- Performing a comprehensive organizational review of the Finance Division for the Sacramento Metropolitan Fire District.
- Serving as Interim Finance Director for the San Diego County Water Authority and City of Capitola.
- Providing training on fiscal policies, long-term financial planning and municipal finance for the CSMFO, Government Finance Officers Association of the United States and Canada (GFOA), California Debt and Investment Advisory Committee, Humboldt County, California Association of Local Agency Formation Commissions and National Federation of Municipal Analysts.

He also provided pro bono services to the City of Bell as part of their reform efforts, which included helping to develop their budget and goal-setting process, fiscal policies, organization assessment of the finance function and overall evaluation of their financial circumstances.

CONSULTANT BACKGROUND

Bill has also written extensively on municipal finance issues, including articles for *Western City* magazine on fiscal health contingency planning, sales tax, fiscal policies, user fee cost recovery and implementing “GASB 34;” and in *Government Finance Review* on taking a policy-based approach in managing debt capacity. He co-authored the *Guide to Local Government Finance in California*.

Along with Ken Hampian and several others, he received the Cal-ICMA Ethical Hero Award in 2012 for his service to the City of Bell; and in 2011 he was awarded the CSMFO’s Distinguished Service Award for his outstanding contributions to the municipal finance profession.

More information about Bill’s background and experience is available on his web site at www.bstatler.com.

Mike Multari

Mike served as the Community Development Director in the cities of San Luis Obispo and Morro Bay before co-founding Crawford, Multari & Clark Associates (CMCA), a highly-regarded consulting firm that provided planning, economic, fiscal policy and community participation services to public agencies throughout California. Several projects won American Planning Association awards at the regional, state and national levels.

After leaving CMCA in 2000, he served as the Executive Director of the Morro Bay National Estuary Program, one of only 28 such programs in the nation created by Congress. He later worked as Campus Planner and Sustainability Coordinator at Cal Poly San Luis Obispo. Mike has also been a member of the Cal Poly adjunct faculty in the City and Regional Planning Department for over twenty years. He is currently on the City of San Luis Obispo Planning Commission and Economic Development Task Force. He has written several articles on planning and fiscal issues, and is a co-author of the *Guide to Local Government Finance in California*.

Mike has planned, facilitated and reported the results of public engagement efforts for dozens of municipalities through public meetings, workshops, focus groups, surveys and other methods.

Mike also assisted the City of Bell on a pro-bono basis with their organizational evaluation and community engagement processes. He was also retained by the Morro Bay Estuary Program to facilitate community workshops and focus groups for an update of the Comprehensive Management Plan for the estuary and watershed. Along with other members of the HSM Team, Mike also assisted the City of Willits with Council goal-setting and provided strategic planning advice and facilitation services to the City of Monrovia.