



CITY OF
GRAND
RAPIDS

Citizen Budget Advisor's Report

MARCH 27, 2006

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Introduction

On October 18, 2005, the Grand Rapids City Commission appointed citizens to serve in a voluntary capacity as Citizen Budget Advisors. The group's mandate was to advise the City Manager in his preparation of the City's fiscal plan for Fiscal Year 2007, prior to its presentation to the City Commission for adoption.

The Citizen Budget Advisors met regularly, as a Committee of the Whole and in small groups, between November 3, 2005 and March 27, 2006 to forge recommendations. The group reviewed an abundance of documents prepared by City staff as background or in response to Citizen Budget Advisors' questions. It also reviewed materials presented by employees who are members of the City's bargaining units and heard a presentation by labor representatives on the Citizen Budget Advisors' recommendations. The City Manager, key management staff, and employees representing City bargaining units were present at all meetings.

The Citizen Budget Advisors focused primarily on recommendations related to operations supported by the General Operating Fund. Its work, however, particularly its Guiding Principles and recommended Goals, should be seen as relevant to the development of the entire budget.

As volunteer citizen advisors, the group was motivated by a compelling vision of a fiscal plan built on priorities that:

- ♦ Support core services of high value and quality,
- ♦ Ensure equity in the delivery of services to residents in all city neighborhoods,
- ♦ Promote social justice,
- ♦ Assure representation and opportunities for the advancement of minorities and women in City employment, and
- ♦ Foster a sound image of the City of Grand Rapids as a vital urban center and desirable place to live, work, and conduct business.

The Citizen Budget Advisors reviewed the structural nature of the fiscal challenges projected for the City of Grand Rapids in Fiscal Year 2007 and in the immediate future. The group formed a perspective that challenging times require innovation and creativity in planning and setting priorities. It held fast to a future-oriented view of Grand Rapids as an attractive and thriving municipality. Its recommendations promote a long-term view, rather than a focus on one-time fixes.

The Citizen Budget Advisors developed recommendations for change, based on organizational restructuring, realignment of compensation, and realignment of revenues and expenses. In so doing, the citizen advisors reached consensus that any "pain" should be spread across the board, with no department held harmless, and all sectors invited to a continuing focus on innovative responses to ensure the adequacy of service delivery. The group also achieved consensus around the need for the City to avoid unintended consequences in making budget adjustments. In this regard, it urged that special care be taken to prevent erosions to gains made by minorities and women in the City work force.

The following recommendations from the Citizen Budget Advisors are reported as three key *Goals*, with *Strategies* identified for each *Goal*. The Citizen Budget Advisors as a body achieved consensus regarding all *Goals* and *Strategies*.

The report also includes *Considerations* following each *Strategy* that could be considered as possible steps for implementation. The suggested *Considerations* should not be read as the consensus of the Citizen Budget Advisors, but rather as a menu of ideas proposed by at least some members of the group as worthy of further consideration.

The Citizen Budget Advisors recognize that a number of its recommendations or strategies would need to be negotiated in upcoming collective bargaining sessions, continuing positive on-going work between Labor and Management, which the group wishes to recognize.

Each *Goal* and *Strategy* is proposed as an essential means to reduce costs or create revenue and is supported by the full group. The Citizen Budget Advisors were unanimous in its endorsement of *Goal 1, Redesign the City's Organizational Structure*, as the key and most promising internal approach to achieving a sound basis for operations and long-term fiscal stability.

Foundational Considerations

Purpose of Government

The Citizen Budget Advisors spent time reviewing the purpose of government at the municipal level. Because of the diverse perspectives of individual members, a rich variety of views was expressed. The Citizen Budget Advisors' recommendations flowed from the belief that the City's fiscal plan should prioritize:

- ♦ Providing services that citizens could not reasonably be expected to provide for themselves,
- ♦ Promoting Grand Rapids as a desirable place to live, work, and conduct business,
- ♦ Fulfilling requirements mandated by the City Charter and State and Federal laws, and
- ♦ Considering findings from community surveys that expressed citizen wishes.

Guiding Principles

The Citizen Budget Advisors' discussions on the purpose of government led to consensus on guiding principles against which budget recommendations should be evaluated for consistency. The Citizen Budget Advisors believe that fiscal priorities should be guided by principles that promote:

Equity and Sustainability

Considerations:

- ♦ Promote social equity.
- ♦ Promote social justice in service delivery, access, and opportunity.
- ♦ Emphasize efforts that ensure the City's long-term ability to provide essential urban services that are vital to a vibrant community.
- ♦ Emphasize efforts focused on economic, social, and environmental sustainability.

Best Practices

Considerations:

- ♦ Avoid one-time budgeting gimmicks.
- ♦ Avoid selling-off assets for a short-term gain without a long-term plan.
- ♦ Avoid symbolic cuts that damage employee morale and create only short-term gains.
- ♦ Balance revenues and expenditures consistently.

Long View and Focus on Outcomes

Considerations:

- ♦ Focus on decisions and adjustments that will result in large yields. Avoid small line item changes that result only in small yields.
- ♦ Focus on measures likely to yield lasting impact for long-term priorities.
- ♦ Determine long-term priorities as a guideline for aligning current decisions and priorities.
- ♦ Maintain a vision of the City of the future in forming priorities.
- ♦ Review and utilize the principles of "The Price of Government".

Recommendations

Goal 1: Redesign the City's Organizational Structure

Strategy A: Reorganize the City's Structure

Considerations:

- ♦ Reorganize the City's operational structure, define core competencies and priorities, and define mandated services versus discretionary services.
- ♦ Compare the City's management structure and staffing levels with comparable cities.
- ♦ Examine the reasons for silos in City services, e.g., culture, territory, union environment.
- ♦ Consider private fundraising to retain recognized outside experts for an independent review of the City's organization and to implement recommendations for change.
- ♦ Review the Police and Fire Departments' budgets, as they represent 65% of the General Operating Fund.

Strategy B: Continue to Use Lean Process

Considerations:

- ♦ Continue using the Lean process to eliminate redundancies and create efficiencies across all departments. The Lean process is a business model.
- ♦ Require active participation in the Lean process by rank and file, as well as, command-level officers in the Police and Fire Departments.
- ♦ Review legacy contract language for issues, e.g., seniority call out and overtime provisions, that impedes Lean outcomes and increases grievance costs.

Strategy C: Reduce or Eliminate City Departments

Considerations:

- ♦ Reduce or eliminate the Office of Children, Youth, and Families.
- ♦ Eliminate the Community-Oriented Government office by integrating the concept across the organization.
- ♦ Consolidate the City's legislative functions, either re-bid the City's contract for a lobbyist or eliminate the Legislative Liaison.

Strategy D: Consolidate City Departments

Considerations:

- ♦ Consolidate job duties cross-functionally and cross-departmentally.
- ♦ Consolidate departments with the goal of reducing the number of managers.
- ♦ Consolidate City financial operations and departments.
- ♦ If not privatized, consolidate the Economic Development and Community Development Departments or shrink the Economic Development Department to a few staff.
- ♦ Consolidate or coordinate the Public Works, Environmental Protection, and Water Departments, to gain efficiencies in work.

- ♦ Consolidate CATV, GIS, and wireless broadband functions into one department.
- ♦ Combine Traffic Safety with the Planning and Engineering Departments.

Strategy E: Partner with Other Governmental Agencies

Considerations:

- ♦ Consider transferring services to the most appropriate level of government, forming service delivery partnerships with other governmental units, or creating a joint authority to provide services for multiple jurisdictions, to assure appropriate scale, efficiency, effectiveness, and cost containment.
- ♦ Consider a transition to a regional water and sewer authority.

Strategy F: Privatize City Services

Considerations:

- ♦ Consider privatizing departments that offer services that are redundantly available in the private sector, e.g., engineering, but do not lose accountability.
- ♦ Consider privatizing the Economic Development Department.
- ♦ Consider privatizing the City's cemeteries.
- ♦ Privatize the vehicle impound operations.
- ♦ Privatize the real estate function.

Strategy G: Review Staffing

Considerations:

- ♦ Reduce the number of management and supervisory positions by consolidating responsibilities. Review supervisory ratios to ensure adequate, but not excessive supervision. Reduce middle management.
- ♦ Reduce Police and Fire command officers to increase the span of control.
- ♦ Consider opportunities for job sharing and cross-functional assignments.
- ♦ Consider early retirement packages, but do not fill vacated positions of early retirees by contracting with early retirees.

Strategy H: Consider Other Service Issues

Considerations:

- ♦ Consider more efficient use of large fire trucks, by considering smaller fire trucks or having police provide some non-emergency services, i.e., helping someone into bed.
- ♦ Consider other duties for which firefighters could be cross-trained, while ensuring their availability for fire fighting.
- ♦ Eliminate or reduce use of consultant services.
- ♦ Consider evolving into a contract management mode rather than continuing the direct provision of services in cases where the customer relationship is retained by the City.
- ♦ Consider not paying citizens on City boards and commissions, except where not practical.
- ♦ Consider providing incentives to encourage high performing neighborhood associations receiving CDBG funding.

Goal 2: Align Employee Compensation Levels

Strategy A: Research and Benchmark Wage and Benefit Levels

Considerations:

- ♦ Benchmark the total cost of employee compensation, i.e., wages and benefits, to create a target based on private and public sector organizations in similar financial stress. Create a timeline to implement change and measure progress toward the benchmark.

Strategy B: Share Health Care Benefit Costs

Considerations:

During the next round of contract negotiations with the City's labor unions, seek to:

- ♦ Contain the growth in employee benefit costs for health care for active employees and retirees by requiring all City employees to participate in payment of health care premiums, e.g., 80% employer / 20% employee or 70% employer / 30% employee, as done in the private sector.
- ♦ Increase co-pays and deductibles in health care packages for all employees.

Strategy C: Control Health Care Benefit Costs

Considerations:

During the next round of contract negotiations with the City's labor unions, seek to:

- ♦ Educate employees on cost containment for health care services, and implement a cost-deterrent system to promote or require the use of generics over name brand prescriptions.
- ♦ Provide financial incentives for healthy lifestyles.
- ♦ Explore the feasibility of health care savings accounts for active and past employees.

Strategy D: Control Pension Benefit Costs

Considerations:

- ♦ Analyze the City's current defined benefit pension plan to maximize cost savings.
- ♦ Consider moving all non-bargaining unit employees to a defined-contribution pension plan as soon as possible, if cost effective.
- ♦ Evaluate the City's pension fund manager, and promote asset allocation strategies that moderate return expectations with the equitable management of risk among plans.
- ♦ Review the permissive retirement age of City employees in City labor contracts.

Strategy E: Review Other Employee Benefits

Considerations:

- ♦ Consider eliminating the 13th check payment to preserve the principal balance of the General and Police/Fire Retirement Systems.
- ♦ Consider eliminating retirement benefits for City Commissioners.
- ♦ Consider not funding the entire amount of retiree health care prefunding costs in the current fiscal year, by beginning prefunding at some reduced level.

Goal 3: Explore Revenue Issues

Strategy A: Review Property Tax to Increase Revenues

Considerations:

- ♦ Consider reducing DDA tax increment capture proportionately as long-term debt is paid-off so tax increment financing revenues can revert to the General Operating Fund and other taxing units.
- ♦ Tie the amount of property tax relief granted through tax abatements to require a minimum number of new hires through development agreements.
- ♦ Review the property tax system to reduce the negative incentives that may inhibit property owners from making property improvements, as permitted by State law.

Strategy B: Review User Fees

Considerations:

- ♦ Examine the equity of services received from Kent County and fees paid by the City to Kent County; i.e. jail service fees, Sheriff Department services.
- ♦ Review all user fees for fairness and adequacy.
- ♦ Consider the feasibility of user fees for non-fire related calls.

Strategy C: Consider Other Revenue Thoughts

Considerations:

- ♦ Continue selling excess City property, but not including parks.
- ♦ Link revenues to services and services to outcomes in all cases.
- ♦ Benchmark the City's relative tax effort and Price of Government (POG) in relationship to statewide and national comparables to determine and communicate competitiveness.
- ♦ Do not consider a tax increase ballot question until progress is shown toward employee compensation benchmarks and other cost control measures recommended by the Citizen Budget Advisors, and until both have been communicated to and understood by the public. Any tax question should measurably improve quality of life, include a sunset or other accountability provision, be dedicated to a specific performance, purpose, or service, and make the dedicated purpose sustainable.

Conclusion

The Citizen Budget Advisors transmit these recommendations to the City Manager for use in shaping the future direction of the City of Grand Rapids. The creation of fiscal plans for Fiscal Year 2007 and the years following need to set innovative priorities that signal a commitment to change that benefits all citizens. The Citizen Budget Advisors urges a three-pronged approach to creating that change:

- ♦ Redesign of the City's organizational structure,
- ♦ Align employee compensation, and
- ♦ Explore Revenue Issues.

The Citizen Budget Advisors urge the City Manager to incorporate as many of these recommendations as possible in the fiscal plan for Fiscal Year 2007, and to take steps necessary to move this change agenda forward in subsequent fiscal plans.

The Citizen Budget Advisors believe that successful implementation calls for the City to communicate effectively and consistently with city residents and stakeholders. On-going communications should focus on:

- ♦ Identifying cost control steps that the City has already undertaken,
- ♦ Identifying of the true costs of providing vital services,
- ♦ Growing a vision for sustaining a future-oriented urban center that attracts and retains residents, families, and businesses, and
- ♦ Continuing the pursuit of well-conceived and affordable strategies for achieving that vision.

The Citizen Budget Advisors urge the City Manager and the City Commission to seek partners to create and promote a viable City business plan. That plan should communicate the vision for a New Grand Rapids that will be broadly embraced and actively promoted by knowledgeable citizen envoys, who are passionately committed to all the possibilities of living and working in the city.

The Citizen Budget Advisors transmit its recommendations in the belief that their recommendations build on change already begun and point the way to significant innovation, fiscal stability, and social equity.

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